

December 17, 1997

Individual Income Tax-Computation of 1997 Alternative Minimum Income Tax to Determine Nebraska Minimum Tax for the 1997 Nebraska Return. ALTERNATIVE MINIMUM TAX-INDIVIDUALS, FEDERAL FORM 6251, AND THE ALTERNATIVE MINIMUM TAX WORKSHEET, FEDERAL FORM 1040A, ARE TO BE RECALCULATED FOR NEBRASKA INDIVIDUAL INCOME TAX PURPOSES TO DETERMINE THE NEBRASKA MINIMUM TAX.

Advice has been requested as to whether the alternative minimum tax computed for a taxpayer's 1997 U.S. Income Tax Return, Federal Forms 1040 or 1040A, must be recalculated in order to compute the Nebraska income tax.

Nebraska law imposes a tax on the federal alternative minimum tax recomputed to take into account the adjustments required by the Nebraska Revenue Act of 1967, as amended. Section 77-2715 of the Nebraska Revised Statutes provides that the additional taxes shall be recomputed by substituting Nebraska taxable income for federal taxable income and adjusting the Nebraska alternative minimum tax calculations for any items which are reflected differently in the determination of federal taxable income for Nebraska purposes. This applies to any federal schedules or other forms whose results are used in calculating the federal alternative minimum tax.

Among the adjustments provided by Section 77-2716 of the Nebraska Revised Statutes are the exclusion from federal adjusted gross income of interest or dividends from U.S. obligations as set forth in Revenue Ruling 22-97-2 and the inclusion of interest or dividends from non-Nebraska source state or local obligations.

The specific line entries and the required adjustments in recomputing the minimum tax for the 1997 Nebraska Individual Income Tax Return, Form 1040N, are provided below. **Recalculate all total or computational lines to reflect adjustments made pursuant to this ruling.** All other entries must be the same as for the federal minimum tax computation.

1997 Federal Form 6251:

Line 1. Enter any standard deduction claimed on Line 6, Nebraska Form 1040N. Skip to line 6, Form 6251.

Line 3. Enter line 9 from Federal Schedule A, minus line 8, Form 1040N.

Line 6. Enter zero.

Line 13. Enter only the tax-exempt interest from Nebraska private activity bonds issued after August 7, 1986.

Line 16. Enter line 14, Form 1040N, Nebraska Tax Table Income.

Line 17. Enter any Nebraska net operating loss deduction included on line 44, Schedule I, Form 1040N.

Line 18. Enter the limitation amount on the disallowed itemized deductions, if any, from line 11 of the Nebraska Itemized Deductions Worksheet on page 10 of the Form 1040N instructions.

Line 20. Enter the alternative tax operating loss deduction as adjusted for Nebraska purposes.

Line 24. If Part IV of Form 6251 was used to make the line 24 entry, exclude any capital gains in the calculation that were excluded on Line 42 of Nebraska Schedule I.

Line 25. Enter zero.

Line 27. Compute the regular federal income tax before credits on the Nebraska Tax Table Income, line 14, Form 1040N. The same federal tax method used to complete line 39, Federal Form 1040, is to be used. Enter the computed amount without subtracting any foreign tax credit.

1997 Federal Form 1040A, Alternative Minimum Tax Worksheet:

Line 1. Enter the amount from Form 1040A, line 17, plus the amount entered on line 12, Form 1040N and minus the amount entered on line 13, Form 1040N. Add any tax-exempt interest from Nebraska private activity bonds issued after August 7, 1986 to this amount.

Line 8. Compute the regular federal income tax before credits on the Nebraska Tax Table Income, line 14, Form 1040N. The same federal tax method used to complete line 23, Federal Form 1040A, is to be used.

Line 28 of the recomputed Federal Form 6251 or line 9 of the recomputed Federal Form 1040A, Alternative Minimum Tax Worksheet, is to be entered on line 1 of the Nebraska Minimum or Other Tax Worksheet found on page 7 of the instructions for Form 1040N. The worksheet is to be completed to determine the amount to enter on line 16 of the Form 1040N, or, for taxpayers filing Nebraska Schedule III, the amount to enter on line 60 of the Nebraska Schedule III.

A copy of the recomputed Federal Form 6251 or Federal Form 1040A worksheet must be attached to the Nebraska Individual Income Tax Return, Form 1040N, when filed.

APPROVED:



M. Berri Balka
State Tax Commissioner

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