Iowa Department of REVENUE

2020 IA 4626

Iowa Alternative Minimum Tax

tax.iowa.gov

Corporation or Financial Institution Name: ______________________________

Federal Employer Identification Number (FEIN): ______________________________

Tax Period: ____________________

Enter Whole Dollars

1. Income subject to apportionment from line 10, IA 1120 or line 7, IA 1120F .... 1. __________
2. Adjustments and preferences:
   a. Depreciation of post-1986 property .... 2a. __________
   b. Amortization of certified pollution control facilities .... 2b. __________
   c. Amortization of mining exploration and development costs .... 2c. __________
   d. Amortization of circulation expenditures (personal holding companies only) .... 2d. __________
   e. Adjusted gain or loss .... 2e. __________
   f. Long-term contracts .... 2f. __________
   g. Merchant marine capital construction funds .... 2g. __________
   h. Section 833(b) deduction (Blue Cross, Blue Shield, and similar type organizations only) .... 2h. __________
   i. Tax shelter farm activities (personal service corporations only) ...... 2i. __________
   j. Passive activities (closely held corporations and personal service corporations only) .... 2j. __________
   k. Loss limitations .... 2k. __________
   l. Intangible drilling costs .... 2l. __________
   m. Other adjustments and preferences .... 2m. __________
3. Total adjustments and preferences. Add lines 2a-2m .... 3. __________
4. Add lines 1 and 3 .... 4. __________
5. Adjusted Current Earnings Adjustment. See instructions .... 5. __________
6. Add lines 4 and 5 .... 6. __________
7. Iowa Percentage from line 11, IA 1120 or line 8, IA 1120F .... 7. __________
8. Income Apportioned to Iowa. Multiply line 6 by line 7 .... 8. __________
9. Iowa Nonbusiness Income from line 13, IA 1120 .... 9. __________
10. Add lines 8 and 9 .... 10. __________

11. Iowa Alternative Minimum Tax Net Operating Loss. See instructions .....11. ______________

12. Iowa Alternative Minimum Taxable Income before Exemption. Subtract line 11 from line 10.....12. ______________

13. Exemption. See instructions.....13. ______________

14. Iowa Alternative Minimum Taxable Income Subject to Tax. Subtract line 13 from line 12. If less than zero, enter zero .....14. ______________

15. Iowa Tentative Minimum Tax. For IA 1120, multiply line 14 by 7.2%. For IA 1120F, multiply line 14 by 3% .....15. ______________

16. Iowa Regular Tax from line 17, IA 1120 or line 13, IA 1120F.....16. ______________

17. Iowa Alternative Minimum Tax. Subtract line 16 from line 15. If less than zero, enter zero. Enter on line 18, IA 1120 or line 14, IA 1120F......17. ______________

2020 IA Form 4626: Alternative Minimum Tax Instructions

For purposes of this form, unless specified otherwise, the term Internal Revenue Code (IRC) refers to Title 26 of U.S. Code, in effect on December 21, 2017. Unless otherwise specified, all Code references in these instructions refer to the IRC.

Credit for Prior Year Minimum Tax

A corporation may be able to take a minimum tax credit against the regular tax for Alternative Minimum Tax (AMT) incurred in prior years. See IA 8827, Iowa Alternative Minimum Tax Credit, for details.

Short Period Return

If the corporation is filing for a period of less than 12 months, Alternative Minimum Taxable Income (AMTI) must be annualized and the tentative minimum tax prorated based on the number of months in the short period. Complete IA 4626 as follows:

1. Complete lines 1 through 11 in the normal manner. Subtract line 11 from line 10 to figure AMTI for the short period. Do not enter it on line 12.
2. Multiply AMTI for the short period by 12. Divide the result by the number of months in the short period. Enter this result on line 12.
3. Complete lines 13 and 14.
4. Multiply line 14 by 7.2% for the IA 1120 or 3% for the IA 1120F. Multiply that amount by the number of months in the short period and divide that result by 12. Enter the final result on line 15.
5. Complete the rest of the form in the normal manner.

Optional Write-Off for Certain Expenditures

There is no AMT adjustment for the following items if the corporation elects to deduct them ratably over the period of time shown for the regular tax.

- Circulation expenditures (personal holding companies only) – 3 years.
- Mining exploration and development costs – 10 years.
- Intangible drilling costs – 60 months. See IRC section 59(e) for more details.

Specific Instructions

Line 2: Adjustments and Preferences

To avoid duplication, do not include any AMT adjustment or preference taken into account on line 2i, 2j, 2k, or 2m in the amounts to be entered on any other line of this form.

Line 2a: Depreciation of Post-1986 Property

IA depreciation and expensing amounts may be different from federal amounts for a given year. Use the amounts from IA 4562 A/B.

What Adjustments Are Not Included as Depreciation Adjustments?

Do not make a depreciation adjustment on line 2a for:

- A tax shelter farm activity. Take this adjustment into account on line 2i.
- Passive activities. Take this adjustment into account on line 2j.
- An activity for which the corporation is not at risk, or income or loss from a partnership interest, or stock in an S corporation if the basis limitations apply. Take this adjustment into account on line 2k.

What Depreciation Must Be Refigured for the AMT?

Generally, the corporation must refigure depreciation for the AMT, including depreciation allocable to inventory costs, for the following:

- Property placed in service after 1998 depreciated for the regular tax using the 200% declining balance method (generally 3, 5, 7, or 10-year property under the modified accelerated cost recovery system (MACRS)), except for certain qualified property eligible for the special depreciation allowance (discussed later).
- Section 1250 property placed in service after 1998 that is not depreciated for the regular tax using the straight line method.
- Tangible property placed in service after 1986 and before 1999. (If the transitional election was made under section 203(a)(1)(B) of the Tax Reform Act of 1986, this rule applies to property placed in service after July 31, 1986.)

What Depreciation Is Not Refigured for the AMT?

Do not refigure depreciation for the AMT for the following:

- Residential rental property placed in service after 1998.
- Nonresidential real property with a class life of 27.5 years or more (generally, a building and its structural components) placed in service after 1998 that is depreciated for the regular tax using the straight line method.
- Other section 1250 property placed in service after 1998 that is depreciated for the regular tax using the straight line method.
- Property (other than section 1250 property) placed in service after 1998 that is depreciated for the regular tax using the 150% declining balance method or the straight line method.
- Property for which the corporation elected to use the alternative depreciation system (ADS) for the regular tax.
- Any qualified property eligible for a special depreciation allowance if the depreciable basis of the property for the AMT is the same as for the regular tax. In addition, no adjustment is required for any depreciation figured on the remaining basis of the qualified property. However, if the corporation elected not to have any special depreciation allowance apply, the property may be subject to an AMT adjustment for depreciation if it was placed in service before 2016. It is not subject to an AMT adjustment for depreciation if it was placed in service after 2015.
- Any part of the cost of any property that the corporation elected to expense under section 179. The reduction to the depreciable basis of section 179 property by the amount of the section 179 expense deduction is the same for the regular tax and the AMT.
- Certain public utility property (if a normalization method of accounting is not used), motion picture films and video tape, sound recordings, and property that the corporation elects to exclude from MACRS by using a depreciation method that is not based on a term of years, such as the unit-of-production method.
- Any natural gas gathering line (as defined in section 168(i)(17)) placed in service after April 11, 2005, the original use of which begins with the corporation after April 11, 2005, and which is not under self-construction or subject to a binding contract in existence before April 12, 2005.

How Is the Line 2a Adjustment Figured?

Subtract the AMT deduction for depreciation from the regular tax deduction and enter the result on line 2a. If the AMT deduction is more than the regular tax deduction, enter the difference as a negative amount.

In addition to the AMT adjustment to the deduction for depreciation, also adjust the amount of depreciation that was capitalized, if any, to account for the difference between the rules for the regular tax and the AMT. Include on this line the current year adjustment to taxable income, if any, resulting from the difference.

Line 2b: Amortization of Certified Pollution Control Facilities

For facilities placed in service before 1999, figure the amortization deduction for the AMT using ADS (that is, the straight line method over the facility's class life). For facilities placed in service after 1998, figure the amortization deduction for the AMT under MACRS using the straight line method. Figure the AMT deduction using 100% of the asset's amortizable basis. Do not reduce the corporation's AMT basis by the 20% section 291 adjustment that applied for the regular tax. Enter the difference between the AMT deduction and the regular tax deduction on line 2b. If the AMT deduction is more than the regular tax deduction, enter the difference as a negative amount.

Line 2c: Amortization of Mining Exploration and Development Costs

Do not make this adjustment for costs for which the corporation elected the optional 10-year write-off for the regular tax.

For the AMT, the regular tax deductions under sections 616(a) and 617(a) are not allowed. Instead, capitalize these costs and amortize them ratably over a 10-year period beginning with the tax year in which the corporation paid or incurred them. The 10-year amortization applies to 100% of the mining development and exploration costs paid or incurred during the tax year. Do not reduce the corporation's AMT basis by the 30% section 291 adjustment that applied for the regular tax.

If the corporation had a loss on property for which mining exploration and development costs have not been fully amortized for the AMT, the AMT deduction is the smaller of (a) the loss allowable for the costs had they remained capitalized, or (b) the remaining costs to be amortized for the AMT.

Subtract the AMT deduction from the regular tax deduction. Enter the result on line 2c. If the AMT deduction is more than the regular tax deduction, enter the difference as a negative amount.

Line 2d: Amortization of Circulation Expenditures

Complete this line only if the corporation is a personal holding company. Do not make this adjustment for expenditures of a personal holding company for which the company elected the optional 3-year write-off for the regular tax.

For the regular tax, circulation expenditures may be deducted in full when paid or incurred. For the AMT, these expenditures must be capitalized and amortized over 3 years beginning with the tax year in which the expenditures were made.

If the corporation had a loss on property for which circulation expenditures have not been fully amortized for the AMT, the AMT deduction is the smaller of (a) the loss allowable for the expenditures had they remained capitalized, or (b) the remaining expenditures to be amortized for the AMT.

Subtract the AMT deduction from the regular tax deduction. Enter the result on line 2d. If the AMT deduction is more than the regular tax deduction, enter the difference as a negative amount.

Line 2e: Adjusted Gain or Loss

If, during the tax year, the corporation disposed of property for which it is making (or previously made) any of the adjustments described on lines 2a through 2d above, refigure the property's adjusted basis for the AMT. Then refigure the gain or loss on the disposition.

The property's adjusted basis for the AMT is its cost minus all applicable depreciation or amortization deductions allowed for the AMT during the current tax year and previous tax years. Subtract this AMT basis from the sales price to get the AMT gain or loss.

Dispositions for which lines 2i, 2j, and 2k adjustments are made:

The corporation may also have gains or losses from lines 2i, 2j, and 2k that must be considered on line 2e. For example, if for the regular tax the corporation reports a loss from the disposition of an asset used in a passive activity, include the loss in the computations for line 2j to determine if any passive activity loss is limited for the AMT. Then, include the AMT passive activity loss allowed that relates to the disposition of the asset on line 2e in determining the corporation's AMT basis adjustment. It may be helpful to refigure the following for the AMT: Federal Form 8810, Corporate Passive Activity Loss and Credit Limitations, and related worksheets; Federal Schedule D (Form 1120), Capital Gains and Losses; Section B of Federal Form 4684, Casualties and Thefts; or Federal Form 4797, Sale of Business Property.

Enter on line 2e the difference between the regular tax gain or loss and the AMT gain or loss. Enter the difference as a negative amount if any of the following apply:

- The AMT gain is less than the regular tax gain.
- The AMT loss exceeds the regular tax loss.
- The corporation has an AMT loss and a regular tax gain

Line 2f: Long-Term Contracts

For the AMT, the corporation generally must use the percentage-of-completion method described in section 460(b) to determine the taxable income from any long-term contract (defined in section 460(f)). However, this rule does not apply to any home construction contract (as defined in section 460(e)(6), now section 460(e)(5)).

For contracts excepted from the percentage-of-completion method for the regular tax by section 460(e)(1), determine the percentage of completion using the simplified procedures for allocating costs outlined in section 460(b)(3).

Subtract the regular tax income from the AMT income. Enter the difference on line 2f. If the AMT income is less than the regular tax income, enter the difference as a negative amount.

Line 2g: Merchant Marine Capital Construction Funds

Amounts deposited in these funds are not deductible for the AMT. Earnings on these funds must be included in gross income for the AMT. If the corporation deducted these amounts or excluded them from income for the regular tax, add them back on line 2g.

Line 2h: IRC Section 833(b) Deduction

This deduction is not allowed for the AMT. If the corporation took this deduction for the regular tax, add it back on line 2h.

Line 2i: Tax Shelter Farm Activities

Complete this line only if the corporation is a personal service corporation and it has a gain or loss from a tax shelter farm activity that is not a passive activity. If the tax shelter farm activity is a passive activity, include the gain or loss in the computations for line 2j.

Refigure all gains and losses reported for the regular tax from tax shelter farm activities by taking into account any AMT adjustments and preferences.

Determine the AMT gain or loss using the rules for the regular tax with the following modifications:

- No loss is allowed except to the extent the personal service corporation is insolvent.
- Do not use a loss in the current tax year to offset gains from other tax shelter farm activities. Instead, suspend any loss and carry it forward indefinitely until the corporation has a gain in a subsequent tax year from that same tax shelter farm activity or it disposes of the activity.

Keep adequate records for losses that are not deductible (and therefore carried forward) for both the AMT and regular tax.

Enter on line 2i the difference between the AMT gain or loss and the regular tax gain or loss. Enter the difference as a negative amount if the corporation had:

- An AMT loss and a regular tax gain, or
- An AMT loss that exceeds the regular tax loss, or
- A regular tax gain that exceeds the AMT gain.

Line 2j: Passive Activities

This adjustment applies only to closely held corporations and personal service corporations. Refigure all passive activity gains and losses reported for the regular tax by taking into account the corporation's AMT adjustments and preferences and AMT prior year unallowed losses that apply to that activity.

Determine the corporation's AMT passive activity gain or loss using the same rules used for the regular tax. Generally, no loss is allowed. However, if the corporation is insolvent, special rules apply. See section 58(c).

Disallowed losses of a personal service corporation are suspended until the corporation has income from that (or any other) passive activity or until the passive activity is disposed of. That is, its passive losses cannot offset “net active income” (defined in section 469(e)(2)(B)) or “portfolio income.” Disallowed losses of a closely held corporation that is not a personal service corporation is treated the same except that, in addition, they may be used to offset “net active income.”

Keep adequate records for losses that are not deductible (and therefore carried forward) for both the AMT and regular tax.

Enter on line 2j the difference between the AMT gain or loss and the regular tax gain or loss. Enter the difference as a negative amount if the corporation had:

- An AMT loss and a regular tax gain, or
- An AMT loss that exceeds the regular tax loss, or
- A regular tax gain that exceeds the AMT gain.

Tax Shelter Farm Activities That Are Passive Activities: Refigure all gains and losses reported for the regular tax by taking into account the corporation's AMT adjustments and preferences and AMT prior year unallowed losses.

Use the same rules as outlined above for other passive activities, with the following modifications:

- AMT gains from tax shelter farm activities that are passive activities may be used to offset AMT losses from other passive activities.
- AMT losses from tax shelter farm activities that are passive activities may not be used to offset AMT gains from other passive activities. These losses must be suspended and carried forward indefinitely until the corporation has a gain in a subsequent year from that same activity or it disposes of the activity.

Line 2k: Loss Limitations

Refigure gains and losses reported for the regular tax from at-risk activities and the corporation's share of distributive items from partnerships by taking into account the corporation's AMT adjustments and preferences. If the corporation has recomputed losses that must be limited for the AMT by section 465 or section 704(d) or the corporation reported losses for the regular tax from at-risk activities or distributive shares of partnership losses that were limited by those sections, figure the difference between the loss limited for the AMT and the loss limited for the regular tax for each applicable at-risk activity or distributive share of partnership loss. “Loss limited” means the amount of loss that is not allowable for the year because of the limitations above.

Enter on line 2k the excess of the loss limited for the AMT over the loss limited for the regular tax. If the loss limited for the regular tax is more than the loss limited for the AMT, enter the difference as a negative amount.

Line 2l: Intangible Drilling Costs

Do not make this adjustment for costs for which the corporation elected the optional 60-month write-off for the regular tax.

Intangible drilling costs (IDCs) from oil, gas, and geothermal properties are a preference to the extent excess IDCs exceed 65% of the net income from the properties. Figure the preference for all geothermal deposits separately from the preference for all oil and gas properties that are not geothermal deposits.

Excess IDCs are the excess of:

- The amount of IDCs the corporation paid or incurred for oil, gas, or geothermal properties that it elected to expense for the regular tax (not including any IDCs paid or incurred for nonproductive wells) reduced by the section 291(b)(1) adjustment for integrated oil companies and increased by any IDCs allowed to be amortized under section 291(b)(2) over
- The amount that would have been allowed if the corporation had amortized that amount over a 120-month period starting with the month the well was placed in production or, alternatively, had elected any method that is permissible in determining cost depletion.

Net income from oil, gas, and geo-thermal properties: Net income is the gross income the corporation received or accrued from all oil, gas, and geothermal wells minus the deductions allocable to these properties (reduced by the excess IDCs). When refiguring net income, use only income and deductions allowed for the AMT.

Exception. The preference for IDCs from oil and gas wells does not apply to corporations that are independent producers (that is, not integrated oil companies as defined in section 291(b) (4)). However, this benefit may be limited. First, figure the IDC preference as if this exception did not apply. Then, for purposes of this exception, complete a second Form 4626 through line 5, including the IDC preference. If the amount of the IDC preference exceeds 40% of the amount figured for line 5, enter the excess on line 2m (the benefit of this exception is limited). If the amount of the IDC preference is equal to or less than 40% of the amount figured for line 5, do not include an amount on line 2m for oil and gas wells (the benefit of this exception is not limited).

Line 2m: Other Adjustments and Preferences

Enter the net amount of any other adjustments and preferences, including the following:
Income from the biofuel producer, biodiesel, and renewable diesel fuels credits. If this income was included in the corporation's income for the regular tax, include this amount on line 2m as a negative amount.

Income as the beneficiary of an estate or trust: If the corporation is the beneficiary of an estate or trust, include on line 2m the AMT adjustment from Federal Schedule K-1 (Form 1041), Part III, box 12.

Net AMT adjustment from an electing large partnership: If the corporation is a partner in an electing large partnership, include on line 2m the amount from Federal Schedule K-1 (Form 1065-B), box 6. Also include on line 2m any amount from Federal Schedule K-1 (Form 1065-B), box 5, unless the corporation is a closely held or personal service corporation. Closely held and personal service corporations should take any amount from box 5 into account when figuring the amount to enter on line 2j.

Patron's AMT adjustment: Distributions the corporation received from a cooperative may be includible in income. Unless the distributions are nontaxable, include on line 2m the total AMT patronage dividend adjustment reported to the corporation from the cooperative.
Cooperative's AMT adjustment: If the corporation is a cooperative, refigure the cooperative's deduction for patronage dividends by taking into account the cooperative's AMT adjustments and preferences. Subtract the cooperative's AMT deduction for patronage dividends from its regular tax deduction for patronage dividends and include the result on line 2m. If the AMT deduction is more than the regular tax deduction, include the result as a negative amount.

Domestic production activities deduction. For the AMT, figure the corporation's domestic production activities deduction under domestic production activities without taking into account any AMT adjustments and preferences. The domestic production activities deduction for the corporation's AMT is 9% of the smaller of (a) the qualified production activities income or (b) the alternative minimum taxable income (AMTI), determined without taking into account the domestic production activities deduction. Subtract the corporation's AMT domestic production activities deduction from its regular tax domestic production activities deduction and include the result on line 2m. If the AMT deduction is more than the regular tax deduction, include the result as a negative amount.

Installment sales: The installment method does not apply for the AMT to any non-dealer disposition of property that occurred after August 16, 1986, but before the first day of the corporation's tax year that began in 1987, if an installment obligation to which the proportionate disallowance rule applied arose from the disposition. Include as a negative adjustment on line 2m the amount of installment sale income reported for the regular tax.

Accelerated depreciation of real property and certain leased personal property (pre-1987): Refigure depreciation for the AMT using the straight line method for real property for which accelerated depreciation was determined for the regular tax using pre-1987 rules. Use a recovery period of 19 years for 19-year real property and 15 years for low-income housing property. Figure the excess of the regular tax depreciation over the AMT depreciation separately for each property and include only positive adjustments on line 2m.

The adjustment for leased personal property only applies to personal holding companies. For leased personal property other than recovery property, enter the excess of the depreciation claimed for the property for the regular tax using pre-1987 rules over the depreciation allowable for the AMT as refigured using the straight line method.

For leased 10-year recovery property and leased 15-year public utility property, enter the excess of the regular tax depreciation over the depreciation allowable using the straight line method with a half-year convention, no salvage value, and a recovery period of 15 years (22 years for 15-year public utility property).

Figure this amount separately for each property and include only positive adjustments on line 2m.

This preference generally applies only to property placed in service after 1987, but depreciated using pre-1987 rules due to transition provisions of the Tax Reform Act of 1986.

Related adjustments: AMT adjustments and preferences may affect deductions that are based on an income limit (for example, charitable contributions). Refigure these deductions using the income limit as modified for the AMT. Include on line 2m an adjustment for the difference between the regular tax and AMT amounts for all such deductions. If the AMT deduction is more than the regular tax deduction, include the difference as a negative amount.

Line 5: Adjusted Current Earnings (ACE) Adjustment
Complete IA ACE Worksheet and enter the amount from line 10 here.

Line 11: Iowa Alternative Minimum Tax Net Operating Loss (NOL)
The net operating loss (NOL) entered here must be reduced by the amount of the items of tax preferences and adjustments arising in the year of the NOL.

The deduction for a net operating loss applied to the current taxable year must not exceed 90% of the alternative minimum taxable income determined without regard for the NOL deduction on line 11. In effect, the deduction is limited to 90% of line 10.

Line 13: Exemption
The exemption amount of $40,000 must be reduced, but not below zero, by 25% of the amount that line 12 exceeds $150,000.

Line 17: Iowa Alternative Minimum Tax
If line 15 is greater than line 16, enter the difference as the Iowa alternative minimum tax here and on line 18, IA 1120, or line 14, IA 1120F. If line 15 is less than line 17, enter zero here and on line 18, IA 1120, or line 14, IA 1120F.