

# INSTRUCTIONS FOR 1996 WISCONSIN SCHEDULE MT

## GENERAL INSTRUCTIONS

### Who Must File

Generally, you may have to pay alternative minimum tax if your Wisconsin income combined with any adjustment or tax preference items that you used to figure your regular tax, totals more than:

- \$45,000 if married filing a joint return,
- \$33,750 if single or head of household, or
- \$22,500 if married filing a separate return or if a trust or estate.

(NOTE: These guidelines do not apply to part-year resident and nonresident individuals, estates, and trusts because of required proration.)

See the instructions for federal Form 6251 (Schedule I of Form 1041 for estates and trusts) for descriptions of adjustment and tax preference items.

Individuals, estates, and trusts must file Schedule MT if the income tax computed on line 12 of Wisconsin Form 1, line 39 of Wisconsin Form 1NPR, or line 8 of Wisconsin Form 2 is less than the Wisconsin tentative minimum tax.

## SPECIFIC INSTRUCTIONS

### Line 1 Federal Alternative Minimum Taxable Income (AMTI)

Individuals - Fill in your federal AMTI from line 21 of federal Form 6251.

Estates and Trusts - Fill in your federal AMTI from line 12 of Schedule I of federal Form 1041.

### Exceptions

- If you are required to file a Wisconsin Schedule I or complete Schedule B on Form 2 because differences between federal and Wisconsin law affect you, you must recompute Form 6251 or Schedule I of Form 1041, substituting the federal income amounts determined on Wisconsin Schedule I or using Schedule B for the income shown on federal Form 1040 or Form 1041. Label this recomputed Form 6251 or Schedule I of Form 1041 "Wisconsin" and attach it to your Wisconsin income tax return.
- If you are married filing a separate federal income tax return and are required to include an additional amount of federal AMTI on line 21 of federal Form 6251 because your federal AMTI exceeds \$165,000, fill in on line 1 of Schedule MT the federal AMTI before such additional amount was included.

**Line 2 Additions** Because your federal AMTI (line 1 of Schedule MT) may include items which are not deductible for Wisconsin, or such federal income does not include items which are taxable for Wisconsin, you may have to add these items to arrive at the correct Wisconsin AMTI.

Resident Individuals - Fill in lines 2a, 2b, and 2c. Do not fill in an amount on line 2d or 2e. Subtract lines 2b and 2c from line 2a and fill in the result on line 2f.

### Exception

- If you are a beneficiary of an estate or trust, fill in on line 2d the amount of state and local taxes which is included in Column (c) of your Schedule 2K-1. Subtract lines 2b, 2c, and 2d from line 2a. Fill in the result on line 2f.

Part-Year Resident and Nonresident Individuals - Fill in -0- on line 2f and see the instructions for line 4.

Estates and Trusts - Fill in lines 2a through 2e. For line 2b, fill in only the portion of the tax preference for tax-exempt interest from line 4p of Schedule I of your federal Form 1041 which is allocable to non-distributable income. Subtract lines 2b, 2c, 2d, and 2e from line 2a and fill in the result on line 2f.

**Line 3 Subtractions** Because your federal AMTI (line 1 of Schedule MT) may include items which are not taxable for Wisconsin, or such federal income does not include items which are deductible for Wisconsin, you may have to subtract these items to arrive at the correct Wisconsin AMTI (e.g., the 60% Wisconsin capital gain exclusion is subtracted from federal AMTI to arrive at Wisconsin AMTI).

Resident Individuals - Fill in lines 3a, 3b, and 3c. Do not fill in an amount on line 3d. Subtract lines 3b and 3c from line 3a and fill in the result on line 3e.

Part-Year Resident and Nonresident Individuals - Fill in -0- on line 3e and see the instructions for line 4.

Estates and Trusts - Fill in lines 3a through 3d. Subtract lines 3b, 3c, and 3d from line 3a and fill in the result on line 3e.

**Line 4** Resident Individuals and Estates and Trusts - If line 3e is smaller than line 2f, subtract line 3e from line 2f and fill in the result on line 4. If line 3e is larger than line 2f, subtract line 2f from line 3e and fill in the result as a negative number.

Part-Year Resident and Nonresident Individuals — Complete the following worksheet to determine the amount to fill in on line 4:

1. Wisconsin income from line 26 of Form 1NPR. 1. \_\_\_\_\_
2. Wisconsin net operating loss included on line 15, Column B of Form 1NPR (enter as a positive number). 2. \_\_\_\_\_
3. State income tax refund from line 4, Column A of Form 1NPR. 3. \_\_\_\_\_
4. Recoveries of federal itemized deductions included on line 15, Column A of Form 1NPR. 4. \_\_\_\_\_
5. Add lines 1 through 4. 5. \_\_\_\_\_
6. Federal income from line 27 of Form 1NPR. 6. \_\_\_\_\_
7. Federal net operating loss carryover from line 21 of federal Form 1040 (enter as a positive number). 7. \_\_\_\_\_
8. Add lines 6 and 7. 8. \_\_\_\_\_
9. If line 8 is smaller than line 5, subtract line 8 from line 5 and fill in the result. If line 8 is larger than line 5, subtract line 5 from line 8 and fill in the result as a negative number. 9. \_\_\_\_\_

Fill in the amount from line 9 of the worksheet on line 4 of Schedule MT.

### Line 6 Itemized Deduction Addback

Resident Individuals and Estates and Trusts - Fill in -0- on line 6.

Part-Year Resident and Nonresident Individuals - You may have to add back to federal AMTI a portion of your itemized deductions.

Figure the amount to add back as follows:

1. Itemized deductions from line 34 of federal Form 1040, line 14n of federal Form 6251, and line 18 of federal Form 6251 (treat as a positive number) less amounts from lines 2 through 5, 7, and 14a of federal Form 6251. 1. \_\_\_\_\_
2. Fill in one (1.00) minus the proration ratio from line 28 of Form 1NPR. 2. \_\_\_\_\_
3. Multiply line 1 by line 2. Fill in the result here and on line 6 of Schedule MT. 3. \_\_\_\_\_

### Line 8 Adjustments

- If adjustments and preferences reported on lines 8 through 14 (except line 14a and the portion of line 14n which relates to itemized deductions) of federal Form 6251 or lines 4e through 4u of Schedule I of federal Form 1041 did not result in a tax benefit for Wisconsin tax purposes, fill in the net amount of those adjustments and preference items on line 8 of Schedule MT. Amounts filled in on these lines on federal Form 6251 will not produce a tax benefit if you are a part-year resident or nonresident of Wisconsin and the related income or deduction does not have a Wisconsin situs. (Note: Also include any portion of the adjustment from line 7 of federal Form 6251 that relates to investment interest expense reported on Schedule E which did not result in a tax benefit.)

Example: You are a nonresident of Wisconsin, but are required to file a Wisconsin income tax return because of rental property you own in Wisconsin. On line 14d of federal Form 6251 you report an accelerated depreciation tax preference of \$5,000 which relates to rental property you own in Illinois. Because the income from your rental property in Illinois is not taxable to Wisconsin, the \$5,000 accelerated depreciation tax preference should be filled in on line 8 of Schedule MT as a negative number.

Example: You are a nonresident of Wisconsin, but are required to file a Wisconsin tax return because of rental property you own in Wisconsin. On line 11 of federal Form 6251 you report a passive activity loss adjustment of \$5,000 which relates to an Iowa partnership in which you are a limited partner. The income from your limited partnership interest is not allocable to Wisconsin. The \$5,000 passive activity loss adjustment should be filled in on line 8 of Schedule MT as a negative number.

CAUTION: Estates and trusts should only enter amounts allocable to non-distributable income.

- If an amount was reported on line 10 of federal Form 6251 or line 4k of Schedule I of federal Form 1041 with regard to incentive stock options, that adjustment relating to stock options (including any basis adjustment) should be reduced by 20% for Wisconsin purposes. Fill in the 20% reduction on line 8 of Schedule MT, provided the adjustment for incentive stock options is not removed in total from federal AMTI for some other reason.

CAUTION: Do not add back 20% of the federal basis adjustment made when incentive stock option stock is sold if you did not receive a Wisconsin tax benefit from reducing the federal adjustment in the year of exercise by 20%.

- If any addition or subtraction amount on line 2a or 3a of Schedule MT (or used in computing Wisconsin income for nonresidents or part-year residents) relates to items that generate adjustment or preference amounts for minimum tax purposes on lines 8 through 14 of federal Form 6251 or lines 4e through 4u of Schedule I of federal Form 1041, any resulting increase or decrease in the amount of the adjustment or preference item for Wisconsin purposes should be filled in on line 8 of Schedule MT.

Example: On line 9 of federal Form 6251, you reported an adjustment for the recomputation of gain or loss of property sold as a result of using the accelerated cost recovery system (ACRS) method of depreciation for federal tax purposes. This property had been depreciated using the straight line method for Wisconsin tax purposes. Therefore, any difference in the amount of adjusted gain or loss because of differences in depreciation methods for federal and Wisconsin tax purposes should be reported on line 8 of Schedule MT.

Example: On line 2a of Schedule MT, you claimed an addition (from Schedule T) for depreciation on property which had a different basis for federal and Wisconsin purposes. The property is depreciated using the ACRS method of depreciation. As a result, you reported as a tax preference the difference between ACRS depreciation and straight line depreciation on federal Form 6251. The amount of this tax preference should be reduced to reflect

the difference in depreciation allowable for Wisconsin and federal purposes.

- If adjustments or preferences distributed to you from a tax-option (S) corporation, partnership, estate, or trust differ for Wisconsin, fill in the amount of the difference on line 8 of Schedule MT.

**Example:** On your Wisconsin Schedule 5K-1 (Tax-Option (S) Corporation Shareholders' Share of Income, Deductions, Etc.), the federal amount of adjustments distributed is \$8,000. An adjustment is shown in Column (c) of (\$3,000) and a Wisconsin amount of \$5,000 is shown in Column (d). Since \$8,000 is already included on line 1 of Schedule MT, fill in \$3,000 on line 8 as a negative number.

**Example:** On your Wisconsin Schedule 3K-1 (Wisconsin Partner's Share of Income, Deductions, Etc.), the federal amount of tax preferences distributed is \$5,000. A modification is shown in Column (c) of (\$2,000) and a Wisconsin amount of \$3,000 is shown in Column (d). Since \$5,000 is already included on line 1 of Schedule MT, fill in \$2,000 on line 8 of Schedule MT as a negative number.

**Line 10 Modification to Federal Alternative Tax Net Operating Loss (ATNOL)** If you did not fill in a federal ATNOL on line 20 of federal Form 6251 or line 7 of Schedule I of federal Form 1041 and you do not have a Wisconsin ATNOL, fill in -0- on line 10.

If you do not have a Wisconsin ATNOL, but filled in a federal ATNOL on line 20 of federal Form 6251 or line 7 of Schedule I of federal Form 1041, fill in your federal ATNOL from line 20 of Form 6251 or line 7 of Schedule I of federal Form 1041 as a positive number on line 10 of Schedule MT.

If you sustained a Wisconsin regular tax net operating loss in prior years, you must compute a Wisconsin ATNOL, compare the Wisconsin ATNOL to your federal ATNOL, and fill in the difference between the federal ATNOL and Wisconsin ATNOL on line 10 as either a positive or negative number, as appropriate.

A Wisconsin ATNOL carryover to 1996 is computed as follows:

1. Figure the ATNOL for the loss year - Your ATNOL is your regular tax net operating loss reduced by any tax preferences that applied for Wisconsin in that year and increased or reduced, as appropriate, by adjustments that applied for Wisconsin. If in any year the tax preferences and adjustments are greater than your regular tax net operating loss, you do not have an ATNOL for that year.

**Exception:** For loss years before 1987, your ATNOL is the regular tax net operating loss available for the 1987 taxable year reduced by tax preferences that applied for Wisconsin in the years the regular tax net operating loss arose. You must reduce your regular tax net operating loss by the tax preferences even if you did not owe Wisconsin minimum tax each year.

2. Figure the ATNOL carryover to 1996 - An ATNOL may be carried forward and used to decrease AMTI for up to 15 years.

If the current year is the first year to which the ATNOL is carried, the amount of the carryover is the amount of the ATNOL. Otherwise, the amount of the carryover is the amount of the ATNOL remaining after subtracting the amount used in all preceding carryover years to decrease AMTI. The amount used each year is the amount allowed as a federal ATNOL plus or minus the Wisconsin modification, as appropriate. You must consider the ATNOL used in each carryover year even if you did not owe Wisconsin alternative minimum tax each year.

**Example:** Your regular tax net operating loss and tax preferences are indicated below. For 1995, you used \$5,000 of your ATNOL to decrease AMTI. You would compute your Wisconsin ATNOL carryover to 1996 as follows:

	<u>1993</u>	<u>1994</u>	<u>1995</u>
Regular tax net operating loss	\$5,000	\$15,000	\$29,000
Less tax preferences	2,000	4,000	33,000
ATNOL	\$3,000	\$11,000	\$ - 0 -
Less ATNOL used to decrease 1995 AMTI	<u>3,000</u>	<u>2,000</u>	<u>- 0 -</u>
ATNOL carryover available for 1996	\$ - 0 -	\$ 9,000	\$ - 0 -

If your Wisconsin ATNOL carryover is larger than the federal ATNOL, fill in the difference between the two losses on line 10 as a negative number. If your federal ATNOL is larger than your Wisconsin ATNOL carryover, fill in the difference between the two losses on line 10 as a positive number.

**Line 11** If you are married filing a separate Wisconsin income tax return and the amount on line 11 of Schedule MT is more than \$165,000, complete the following worksheet:

1. Fill in amount from line 11 of Schedule MT. 1. \_\_\_\_\_
2. Exemption amount. 2. \$165,000
3. Subtract line 2 from line 1. 3. \_\_\_\_\_
4. Multiply line 3 by .25 (25%). 4. \_\_\_\_\_
5. Enter the smaller of line 4 or \$22,500. 5. \_\_\_\_\_
6. Add lines 1 and 5. Fill in the result here and replace the amount on line 11 of Schedule MT with this amount. 6. \_\_\_\_\_

If the amount filled in on line 11 is zero or less, do not fill in the rest of this schedule. You do not owe a Wisconsin alternative minimum tax.

**Lines 12a and 12b**

Resident Individuals, Estates, and Trusts - Fill in the exemption amount shown on line 12a.

Part-Year Resident and Nonresident Individuals - Multiply \$45,000 (\$33,750 if single or head of household, or \$22,500 if married filing separate return) by the proration ratio from line 28 of Form 1NPR. Fill in the result on line 12b.

Nonresident Estates and Trusts and Part-Year Resident Trusts - Use the following worksheet to compute the amount to fill in on line 12b:

1. Total income from line 9 of federal Form 1041. 1. \_\_\_\_\_
2. Wisconsin income included on line 1 of this worksheet (i.e., total income with a Wisconsin situs). 2. \_\_\_\_\_
3. Divide line 2 by line 1 (do not fill in more than one (1)). This is your proration ratio. 3. \_\_\_\_\_
4. Multiply \$22,500 by the proration ratio on line 3. Fill in the result on line 12b of Schedule MT. 4. \_\_\_\_\_

**Line 13 Exemption Phase-Out Amount** You must complete line 13 if:

**You are:**

**And line 11 is over:**

Married filing jointly	\$150,000
Single or head of household	\$112,500
Married filing separately	\$75,000
An estate or trust	\$75,000

If line 11 of Schedule MT is over these amounts, complete the following worksheet to compute the amount to fill in on line 13:

1. Fill in the amount from line 11 of Schedule MT. 1. \_\_\_\_\_
2. Fill in \$150,000 (\$112,500 if single or head of household, or \$75,000 if married filing separately or an estate or trust). 2. \_\_\_\_\_
3. Subtract line 2 from line 1. 3. \_\_\_\_\_
4. Multiply line 3 by .25 (25%). If this form is for a part-year resident or nonresident individual, a nonresident estate or trust, or a part-year resident trust, complete line 5 or 6 below. Otherwise stop here and fill in this amount on line 13 of Schedule MT. 4. \_\_\_\_\_
5. Part-year resident and nonresident individuals - multiply the amount on line 4 by the proration ratio from line 28 of Form 1NPR. Fill in this amount on line 13 of Schedule MT. 5. \_\_\_\_\_
6. Nonresident estates and trusts and part-year resident trusts - multiply the amount on line 4 by the proration ratio on line 3 of the worksheet for line 12b. Fill in this amount on line 13 of Schedule MT. 6. \_\_\_\_\_

**Line 14** Subtract line 13 from line 12a or 12b, as appropriate, and fill in the result on line 14. If the result is zero or less, fill in -0-.

**Line 15** Subtract line 14 from line 11 and fill in the result on line 15. If the amount filled in on line 15 is zero or less, do not complete the rest of this schedule. You do not owe a Wisconsin alternative minimum tax.

**Line 16** Multiply the amount on line 15 by .065 (6.5%) and fill in the result on line 16.

**Line 17** Fill in the amount of your Wisconsin tax from line 12 of Wisconsin Form 1, line 39 of Wisconsin Form 1NPR, or line 8 of Wisconsin Form 2.

**Line 18** If line 17 is larger than line 16, fill in -0- on line 18. You do not owe a Wisconsin alternative minimum tax. If line 16 is larger than line 17, subtract line 17 from line 16 and fill in the result on line 18. This is your Wisconsin alternative minimum tax due. Fill in this amount on line 13 of Form 1, line 40 of Form 1NPR, or line 9 of Form 2.