

No Ans

1 A You are least likely to avoid the AMT after it is computed.

2,3 B

Total Operations (\$000)

	Total		U.S. Made	Imports
Sales	\$4,000	62.50%	\$2,500	\$1,500
Cost of Sales	(\$1,750)	57.14%	(\$1,000)	(\$750)
Gross Margin	\$2,250	66.67%	\$1,500	\$750
Other expenses	(\$400)	62.50%	(\$250)	
Net Income	\$1,850			
QPAI			\$1,250	
DPAD - 9%			9%	
2 B DPAD	(\$112.50)			\$112.50

3 C Taxable income **\$1,737.50**

Use Simplified Deduction Method

What is taxable income for the year (2016)?

4 B Small corporations are exempt from the AMT.

5 A If TMT exceeds regular tax, the excess is paid in addition to the regular tax

6 B Kona Corp.

AMT Exemption	
AMTI	\$300,000
Floor	150,000
Excess over Floor	150,000
Phase-out Rate	25%
Reduction in exemption	37,500
Unadjusted Exemption Amount	40,000
Exemption allowed	\$2,500

7 B

Tentative AMT	\$ 140,000
Regular Tax	136,000
AMT	\$4,000

8 D Corporation gets full AMT exemption - not in phase-out range

9 B See AMT-Worksheet.xls

AMT Corporation - Alternative Minimum Tax

Taxable income	\$100,000
Tax preference items & Adjustments	170,000
Alternative minimum taxable income	270,000
Minus: Exemption	
(\$40,000 - .25 X [\$270,000 - \$150,000])	(10,000)
Tax base for AMT	260,000
Tax (AMT base X 20%)	52,000
Minus: Regular tax liability (on \$100,000)	22,250
Alternative Minimum Tax	\$29,750

10 D AMT Corporation - Alternative Minimum Tax

Taxable income	\$200,000
Tax preference items & Adjustments	100,000
Alternative minimum taxable income	300,000
Minus: Exemption	(2,500)
Tax base for AMT	297,500
Tax (AMT base X 20%)	59,500
Minus: Regular tax liability (on \$100,000)	22,250
Alternative Minimum Tax	\$37,250
AMT Exemption	
AMTI	\$300,000
Floor	150,000
Excess over Floor	150,000
Phase-out Rate	25%
Reduction in exemption	37,500
Unadjusted Exemption Amount	40,000
Exemption allowed	\$2,500

11 D **AMT Corporation - Alternative Minimum Tax**

Regular Taxable income this year	\$300,000
Tax preference items & Adjustments	(200,000)
Alternative minimum taxable income	\$100,000

The 3-year contract was completed in the current year.

REGULAR TAXABLE INCOME is based on completed contract method that results in reporting all profit of \$300,000 in the year of completion.

For AMT, the percentage of completion method is used, resulting in additional AMT revenue (\$100,000) in each of the two preceding years.

(In past years, regular taxable income was adjusted to get AMT income.)

To compute AMT in the current year, we start with regular taxable income, which includes profit of \$300,000.

Without an adjustment, company will pay AMT on \$200,000 (in prior years), and AMT on \$300,000 in current year (total of \$500,000 of AMT revenue).

12 C

Calculation of ACE Adjustment	
AMTI before ACE	\$300,000
Life insurance proceeds	100,000
Adjusted current earnings	400,000
Less: AMTI	(300,000)
Base amount for Ace Adjustment	100,000
Times rate:	75%
ACE Adjustment (positive)	\$75,000

13 B Accelerated depreciation is an adjustment

14 E

Badger Corporation has the following		
Revenue		\$1,000,000
Deductions		600,000
Taxable income		400,000
Tax credits available		0
Tax preferences		50,000
Positive AMT adjust. other than ACE adjustments		20,000
ACE adjustments		0
What is alternative minimum taxable income?		\$470,000

15 C

Badger Corporation has the following		
Revenue		\$2,000,000
Deductions		1,600,000
Taxable income		400,000
Regular tax	136,000	
Tax credits available	0	
Tax preferences		350,000
Positive adjustments for AMT purposes		250,000
Ace adjustments		0
AMTI		1,000,000
		20%
Tentative minimum tax		200,000
Regular tax		(136,000)
Alternative minimum tax		\$64,000