

# ADVANCED INDIVIDUAL TAXATION

Business 225K –Fall 2008

AMT Practice Set

Due 11/8/08

10 points

Print a Form 6251 from the course website and use it to compute AMT for 2007 for the following taxpayers - Joe and Sarah Balin. This married couple files jointly and has two children ages 11 and 13. They had no capital gains for 2007. You will also need to review relevant IRC provisions on AMT (at course website). If you need other tax forms, you can get them at the IRS website ([www.irs.gov](http://www.irs.gov)).

|   |  |
|---|--|
| AGI   | \$240,000  |
| Itemized deductions after limitation        | \$ 64,728*   |
| Exercise of ISO                             | \$ 23,000 (spread between market price and exercise price)     |
| Exercise of non-qualified stock option      | \$17,000 (spread; already included in AGI)                     |
| Share of R&D costs from limited partnership | \$ 2,200 (partnership net income of \$6,000 is already in AGI) |

\* Itemized deductions:

|   |  |
|---|--|
| State income taxes  | \$21,000                                     |
| Real property taxes   | \$11,000                                     |
| Home mortgage interest                                      | \$25,000 (\$18,000 on AI and \$7,000 on HEI) |
| Cash contributions  | \$ 7,000                                     |
| Miscellaneous   | \$ 1,400                                     |
| Amount from line 11 of the<br>Itemized Deductions Worksheet | \$ 1,672                                     |