**8786. Are there any exceptions to the rule that corporations may be subject to the alternative minimum tax? Can small corporations be exempt from AMT requirements?**

Certain small corporations are deemed to have a tentative minimum tax of zero and are, therefore, exempt from the AMT.[[1]](#footnote-1) To qualify, the corporation must meet a $5 million gross receipts test for its first taxable year beginning after 1996, under which average annual gross receipts for the previous three years must not exceed $5 million. If the corporation has not existed for three full years, the years the corporation was in existence are substituted for the three years (with annualization of any short taxable year). The corporation must continue to meet this test in each subsequent tax year to remain exempt, but with $7.5 million substituted for $5 million.[[2]](#footnote-2)

Gross receipts means those receipts properly recognized under the taxpayer’s method of accounting for federal income tax purposes. Gross receipts include total sales (net of returns and allowances) and all amounts received for services. It also includes all investment income such as interest, dividends, rents and royalties. Gross receipts are generally reduced by the adjusted basis of capital assets or property sold in a trade or business..[[3]](#footnote-3)

If a corporation loses its AMT exemption, certain adjustments used to determine the corporation’s AMTI will be applied for only those transactions entered into or property placed in service in tax years beginning with the tax year in which the corporation ceases to be a small corporation and tax years thereafter.[[4]](#footnote-4)

A corporation exempt from the AMT because of the small corporation provision may be limited in the amount of credit it may take for AMT paid in previous years. In computing the AMT credit, the corporation’s regular tax liability (reduced by applicable credits) used to calculate the credit is reduced by 25 percent of the amount that such liability exceeds $25,000.[[5]](#footnote-5)

1. . IRC Sec. 55(e). [↑](#footnote-ref-1)
2. . IRC Secs. 55(e)(1), 448(c). [↑](#footnote-ref-2)
3. . Treas. Reg. §1.448-1T(f)(2)(iv). [↑](#footnote-ref-3)
4. . IRC Sec. 55(e)(2). [↑](#footnote-ref-4)
5. . IRC Sec. 55(e)(5). [↑](#footnote-ref-5)