**8539. Is there an AMT credit for an AMT liability in a prior tax year?**

 There are two factors that contribute to the imposition of AMT. There are “exclusion items” and “deferral items.” An example of an exclusion item are miscellaneous itemized deductions or state or local taxes that are deductible for regular income tax purposes but never for AMT purposes. For this reason, there is never a credit for an exclusion item.

Conversely, for AMT purposes, a deferral item is simply a matter of a timing difference. For example, certain property depreciated using the accelerated depreciation method must be depreciated under the straight line method for AMT purposes. Thus, for regular income tax purposes, in the early years of property depreciated under the accelerated method will be higher than under the straight line method. For that reason, it will cause AMTI to be higher than regular taxable income. However, in the later years of property depreciated und the accelerated method, the amount of depreciation will be lower than amount of straight line depreciation.

 Therefore, in the absence of an AMT credit for a deferral item, the taxpayer would be whipsawed with double negative tax consequences with respect to one item.

*Example*. In 2014, Asher is subject to AMT. Although for regular income tax purposes, based on the accelerated depreciation method, Asher is entitled to a $2,500 depreciation deduction, for AMT purposes the straight line depreciate deduction is $1,750. As a result, Asher’s depreciation deduction isthe lesser $1,750.

In 2015, Asher is not subject to AMT. However, based on the accelerated depreciation method, his regular income tax depreciation deduction is $1,500 (it would have been $1,750 if depreciated under the straight line method.

So, in the AMT year, Asher was not allowed to take the higher accelerated depreciation deduction. Then, in the non-AMT year, Asher was compelled to take the lower accelerated depreciation deduction.

Fortunately, there is an AMT credit to allow an adjustment in the non-AMT year. Using Form 8801, the AMT from the prior year is recalculated based on what it would have been but for the deferral item.[[1]](#endnote-1) So in the above example, Asher’s AMT would be refigured using the accelerated depreciation deduction. The difference between the actual AMT tax and the recomputed AMT tax is the AMT credit. Although the AMT credit is nonrefundable, it is cumulative so it can be carried forward to subsequent tax years until it is fully used. [[2]](#endnote-2)

1. IRC Sec. 53(d). [↑](#endnote-ref-1)
2. IRC Sec. 53(b). [↑](#endnote-ref-2)