

14 Other 1040 Topics

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2017 Household Employment Tax Requirements

| Wage Threshold | Tax and Withholding |
|--|--|
| <p>Social Security and Medicare Tax (FICA). \$2,000 or more cash wages paid to any one household employee in 2017. Do not include wages paid to:</p> <ul style="list-style-type: none"> • Taxpayer's spouse. • Taxpayer's child under age 21. • Taxpayer's parent.* • Any employee who is under age 18 at any time in 2017, unless not a student and providing household services as his or her principal occupation. | <ul style="list-style-type: none"> • If the \$2,000 threshold is met, FICA tax must be withheld on all the employee's cash wages, including the first \$2,000, and matched by the employer subject to current limits. See <i>FICA Tax</i>, Tab 23, <i>Deluxe Edition/Small Business Edition</i>. • Employers must withhold FICA taxes from an employee's wages if they expect to pay the employee more than \$2,000 in 2017. • The combined employer and employee FICA tax rate for 2017 is 15.3%. • Employers may pay the employee share of FICA tax rather than withhold the tax. See <i>Forms W-2 and W-3</i>, page 14-3. • Employers are not required to withhold federal income tax but may do so if the employee submits Form W-4 and requests withholding. |
| <p>Federal unemployment tax (FUTA). \$1,000 or more total cash wages paid to all employees in any calendar quarter of 2016 or 2017. Do not include wages paid to:</p> <ul style="list-style-type: none"> • Taxpayer's spouse. • Taxpayer's child under age 21. • Taxpayer's parent. | <ul style="list-style-type: none"> • If the \$1,000 threshold is met, then the first \$7,000 paid to each employee is subject to FUTA tax. (Do not include any FICA tax payments made by the employer as part of the \$7,000.) • The employer may also owe state unemployment tax. • The FUTA rate is 6.0% (for 2016), but may be reduced to 0.6% if required state employment taxes have been paid.** • FUTA tax is paid by the employer. |

* Wages paid to the taxpayer's parent for care of the taxpayer's child may need to be counted if taxpayer is divorced, widowed, or living with a spouse unable to care for the child.

** 2017 numbers are unavailable at the time of printing.

■ New for 2016 ■

- **Filing due date for 2016 Forms W-2 and W-3.** Paper and electronically filed 2016 Forms W-2, *Wage and Tax Statement*, and W-3, *Transmittal of Wage and Tax Statements*, must be filed by January 31, 2017. See *Forms W-2 and W-3*, page 14-3.
- **AMT exemption amounts and phaseout of exemption amounts.** The AMT exemption amounts and phaseout of AMT exemption amounts have been adjusted for inflation for 2016. See *AMT Exemption—Individuals*, below, and *2016 AMT Exemption Phaseout Range*, below.
- **Expiration of exclusion of principal residence debt.** The provision has been extended through 2016. See *Qualified Principal Residence Debt*, page 14-14.

Common Elections

- Election to include nontaxable combat pay to compute the Earned Income Credit, page 14-8.
- Election to treat certain debt as qualified real property business debt, page 14-13.
- Election to request additional 2-month extension for taxpayers who are out of the country, page 14-16.

2016 AMT Exemption Phaseout Range* (page 14-3)

| | |
|-------------------------|------------------------|
| Single or HOH | \$119,700 to \$335,300 |
| MFJ or QW | \$159,700 to \$494,900 |
| MFS | \$79,850 to \$247,450 |

* The AMT exemption amount is reduced by 25% of the amount by which the taxpayer's AMTI exceeds the beginning phaseout amount.

AMT Exemption—Individuals (page 14-3)

| Filing Status | 2016 | 2015 | 2014 | 2013 |
|-------------------------|----------|----------|----------|----------|
| Single or HOH | \$53,900 | \$53,600 | \$52,800 | \$51,900 |
| MFJ or QW | \$83,800 | \$83,400 | \$82,100 | \$80,800 |
| MFS | \$41,900 | \$41,700 | \$41,050 | \$40,400 |

Household Employees

Cross References

- Schedule H (Form 1040), *Household Employment Taxes*
- IRS Pub. 15, (*Circular E*), *Employer's Tax Guide*
- IRS Pub. 926, *Household Employer's Tax Guide*

Related Topics

- Child and Dependent Care Expenses, page 11-5
- Payroll and Labor Laws, Tab 23, *Deluxe Edition/Small Business Edition*



Schedule H, Household Employment Taxes

Taxpayers with household employees must file Schedule H to report FICA tax, FUTA tax, and federal income tax withholding (if any). Schedule H is filed with the taxpayer's Form 1040.

continued on page 14-3

Form 6251 — 2016 AMT Adjustments Summary Chart

| | Regular Tax Treatment | Alternative Minimum Tax Adjustment | Exclusion/Deferral |
|--|---|---|--------------------|
| <i>Medical and dental expenses</i> | Deductible to the extent medical costs exceed: <ul style="list-style-type: none"> • 7.5% of AGI for taxpayers age 65 or older as of December 31, 2016. • 10.0% of AGI for all others, unless filing jointly with a spouse who is age 65 or older as of December 31, 2016. | Deductible to the extent medical expenses exceed 10% of AGI. A taxpayer or spouse age 65 or older must add back the lesser of 2.5% of AGI or amount deducted on Schedule A (Form 1040), <i>Itemized Deduction</i> . | E |
| <i>Taxes from Schedule A</i> | State and local income taxes or sales taxes, real estate taxes, and personal property taxes are deductible. | Add back all taxes deducted on Schedule A, including any state and local sales taxes, but not including any generation-skipping transfer taxes on income distributions. | E |
| <i>Mortgage interest</i> | Mortgage interest on refinancing is deductible, subject to dollar limits. | Mortgage interest on refinancing is limited to amount used to buy, build, or substantially improve main or second home. A qualified home includes a house, apartment, condominium, or mobile home. Add back excess interest. | E |
| <i>Miscellaneous itemized deductions</i> | Deductible, subject to a limit of 2% of AGI. | Miscellaneous itemized deductions are not allowed for AMT. Add back amount reported on line 27, Schedule A. | E |
| <i>Tax refund</i> | Tax refunds are included in gross income to the extent a tax benefit was received for tax deducted in a prior year. | Tax refunds included in income on line 10 or line 21, Form 1040, are a subtraction from income for AMT. | E |
| <i>Investment interest expense</i> | Interest expense allocable to tax-exempt income is not deductible. | A separate Form 4952, <i>Investment Interest Expense Deduction</i> , is completed. Adjustments are made to account for AMT items, such as private activity bonds. Add back excess investment interest expense. | E |
| <i>Depletion</i> | A deduction for depletion is allowed subject to income limits. | Recompute depletion deduction based on AMT income and basis of property. Add back excess depletion. | E |
| <i>Interest from private activity bonds</i> | Interest from specified private activity bonds issued after August 7, 1986, is generally not taxable. Tax-exempt interest is reported by the payer in box 8, Form 1099-INT, <i>Interest Income</i> . The portion of tax-exempt interest attributable to private activity bonds is reported in box 9, Form 1099-INT. | Interest from specified private activity bonds issued after August 7, 1986 must be added to income for AMT purposes, less any deduction allowable had the bonds been taxable under regular tax. IRC section 57(a)(5) lists exceptions for certain exempt facility bonds, qualified mortgage bonds, and qualified veteran mortgage bonds. Interest earned on qualified GO Zone or Midwestern disaster area bonds is also excluded. | E |
| <i>Tax-exempt interest reported on Form 8814</i> | A parent electing to file Form 8814, <i>Parents' Election to Report Child's Interest and Dividends</i> , reports the child's tax-exempt interest on line 1b of that form. | Any amounts reported on line 1b, Form 8814, must be added to the parents' income for AMT purposes. Include this interest with any private activity bond interest. | E |
| <i>Qualified small business stock (IRC §1202)</i> | An exclusion (50% or 75%) for gain on qualified small business stock acquired before September 28, 2010, and held more than five years. | Add back 7% of the amount that was excluded from gross income under IRC section 1202. Note: For QSBS acquired after September 27, 2010, there is no AMT adjustment. | E |
| <i>Exercise of incentive stock options</i> | No income is recognized upon the exercise of an incentive stock option (ISO). | Add back the difference between the FMV and the amount paid (unless sold during the same tax year). See <i>Incentive Stock Options—AMT Adjustments</i> , page 14-4. | D |
| <i>Disposition of property</i> | Gain or loss from sale of property is computed using regular tax basis. | Gain or loss from sale of property must be recomputed if AMT basis is different from regular tax basis (such as from AMT depreciation adjustments, etc.). Add back the difference between AMT and regular gain or loss. | D |
| <i>Depreciation on assets placed in service after 1986</i> | Depreciation is computed under MACRS general depreciation system or alternate depreciation system. | Add back regular depreciation minus AMT depreciation. This may be a positive or negative adjustment. See <i>Depreciation Adjustments for Alternative Minimum Tax</i> , page 9-12. | D |
| <i>Passive activities</i> | Income and gains are computed using regular tax rules. | A separate Form 8582, <i>Passive Activity Loss Limitations</i> , must be completed for AMT purposes, taking into account AMT adjustments and preferences that apply to the activity. | D |
| <i>Loss limitations</i> | At-risk limitations apply. | Recompute gains or losses taking into account AMT adjustments to basis. | D |
| <i>Circulation costs</i> | Circulation costs are generally deductible in the year paid. | Circulation costs deducted in the year incurred for regular tax purposes must be capitalized and amortized over three years for AMT. | D |
| <i>Long-term contracts</i> | Options exist for accounting method. | Long-term contracts must be accounted for by the percentage-of-completion method for AMT (does not apply to certain home construction contracts). | D |
| <i>Mining costs</i> | Costs are generally deducted in the year paid unless the election is made for the optional 10-year write-off. | If deducted in full for regular tax, must be capitalized and amortized over 10 years for AMT. | D |
| <i>Research and experimental costs</i> | Costs may be deducted as current expenses if not amortized. | If deducted in the year paid or incurred for regular tax, costs must be capitalized and amortized over 10 years. Does not apply if taxpayer materially participated. | D |
| <i>Income from installment sales</i> | Generally reported as income in the year payments are received. | Add back for certain nondealer dispositions that occurred before January 1, 1987. | D |
| <i>Intangible drilling costs (IDC)</i> | Generally allowed as a current deduction or optional 60-month write-off. | If a current deduction for IDC was claimed instead of optional 60-month amortization, add back the excess of IDC over the amount allowable had IDC been amortized over 120 months. Any permitted method for cost depletion may be used instead of 120-month amortization. | D |
| <i>AMT net operating loss adjustments</i> | Net operating losses are computed using regular tax rules. | Net operating losses must be recomputed using AMT rules. | D |