

**2007 Instructions for Form 8801,
Credit for Prior Year Minimum Tax—Individuals, Estates, and Trusts**

Purpose: This is the first circulated draft of the 2007 Instructions for Form 8801 for your review and comments. See below for a discussion of the major changes.

TPCC Meeting: None, but one may be arranged if requested.

Prior Version: The 2006 Instructions for Form 8801 are available at:
<http://www.irs.gov/pub/irs-pdf/i8801.pdf>

Form: The 2007 Form 8801 was circulated earlier at:
http://taxforms.web.irs.gov/Products/Drafts/2007-2/07f8801_d2.pdf

Other Products: Circulations of draft tax forms, instructions, notices, and publications are posted at:
http://taxforms.web.irs.gov/draft_products.html

Comments: Please email, fax, or call with any comments by **August 31, 2007**. Also please email any comments to the reviewer at Karl.D.Blake@irs.gov

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**Description of Major Changes for the
2007 Instructions for Form 8801**

General Changes

- All applicable year and Form 8801 line references are updated.
- Some page references may not have been updated.
- Line instructions for Form 1040NR filers have been added for lines 11, 30, 35, 36, 37, and 47.

Specific Changes

Page 1

- A “**What’s New**” section has been added for 2007. Bullet paragraphs have been added for:
 - The new refundable credit for prior year minimum tax, [PL 109-432, sec 402] and
 - The tax computation worksheet for filers of Forms 2555 or 2555-EZ. [PL 109-222, sec 515(c)]
- The “**Purpose of Form**” section has been revised to include the new refundable credit for prior year minimum tax, and to reflect changes to Form 8801 as a result of the refundable credit. [PL 109-432, sec 402]
- The “**Who Should File**” section has been updated to remove the nonconventional source fuel credit from the list of items that require taxpayers to complete Form 8801. [PL 109-58, sec 1322(a)(3)(G)]

Page 2

- The dollar amounts in the “**Line 4**” instruction have increased as a result of the increase in the exemption amount for taxpayers whose filing status is married filing separately. [IRC 55(d)(3); 55(d)(1)(A) & (C)]
- The “**Line 9**” instruction has been updated as a result of the change in age, definition, and exemption amount for a minor child. [PL 109-222, sec 510(a)&(c); RP 2005-70, sec 3.08]
- A line instruction (“**Line 11**”) and worksheet (“**Foreign Earned Income Tax Worksheet—Line 11**”) have been added for taxpayers who claimed the foreign earned income exclusion, the foreign housing exclusion, or both in 2006. Beginning in 2006, taxpayers began figuring the tax on their nonexcluded income using the tax rates that would have applied had they not claimed the exclusions. [PL 109-222, sec 515(c)]

Page 3

- The heading for “**Part II**” at the top of column one has been revised to reflect changes to the Form 8801 as a result of the new refundable credit. [109-432, sec 402]
- The “**Line 20**” instruction has been revised to remove the nonconventional source fuel credit. [PL 109-58, sec 1322(a)(3)(G)]

Page 4

- The “**Line 21**” and “**Line 22**” references to the “minimum tax” credit have been revised as a result of changes to the Form 8801. [PL 109-432, sec 402]
- A “**Line 48**” instruction has been added for taxpayers completing Part III and who filed Form 2555 or 2555-EZ for 2006. These taxpayers must enter the amount from line 48 on line 8 of the worksheet on page 2. They then complete the rest of that worksheet to figure the amount to enter on Form 8801, line 11. [PL 109-222, sec 515(c)]
- “**Part IV**” has been added as a result of the new refundable credit. [PL 109-432, sec 402]
- The “**Line 55**” instruction has been added to inform taxpayers claiming the foreign earned income or housing exclusion; the foreign housing deduction; or excluding income from American Samoa or Puerto Rico, to add back the excluded amounts to their adjusted gross income when figuring the amount of their tentative refundable credit in Part IV. [PL 109-432, sec 402]