



TaxNewsFlash

United States

No. 2016-454
October 11, 2016

Some corporate AMT credit refunds reduced under sequestration, says IRS

As in some prior years, the IRS has indicated that, under sequestration, certain alternative minimum tax (AMT) credits for corporations and refund offset transactions will be reduced.

The [IRS statement](#) (October 4, 2016) indicates that, as required by the *Balanced Budget and Emergency Deficit Control Act of 1985*, refund payments issued—as well as credit elect and refund offset transactions—for corporations claiming refundable prior-year minimum tax liability, are subject to sequestration.

According to the IRS, this means that refund payments processed on or after October 1, 2016, and on or before September 30, 2017, and credit elect and refund offset transactions processed on or after January 1, 2017, and on or before September 30, 2017, will be reduced by the fiscal year 2017 sequestration rate of 6.9%—without regards to when the original or amended tax return was received by the IRS. The IRS stated that the sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise affects the sequester.

A corporation that can claim an additional first-year depreciation deduction under section 168(k) can choose instead to accelerate the use of its prior year minimum tax credits, treating the accelerated credits as refundable credits. Corporations making this section 168(k)(4) election and claiming a refund of prior year minimum tax credits need to complete Form 8827. The IRS stated that these corporations will be notified that a portion of their requested refund was subject to the sequester reduction. Corporations making the section 168(k)(4) election but not claiming a refund of prior year minimum tax credits are not subject to this reduction.

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