



TaxNewsFlash

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Notice 2023-42: Estimated tax penalty relief for corporations subject to CAMT

The IRS today released an advance version of [Notice 2023-42](#) [PDF 90 KB] to provide relief for corporations that did not pay estimated tax related to the new corporate alternative minimum tax (CAMT).

As explained in a related IRS release—[IR-2023-110](#) (June 7, 2023)—H.R. 5376 (commonly called the “Inflation Reduction Act” (IRA)) created the CAMT, which imposes a 15% minimum tax on the adjusted financial statement income of large corporations for tax years beginning after December 31, 2022. CAMT generally applies to large corporations with average annual adjusted financial statement income exceeding \$1 billion.

Notice 2023-42 states that in light of challenges associated with determining whether a corporation is subject to the CAMT as well as the amount of a corporation’s CAMT liability, the IRS will waive the penalty under section 6655 for a corporation’s failure to pay estimated income tax with respect to its CAMT liability for a tax year that begins after December 31, 2022, and before January 1, 2024. Accordingly, for its applicable tax year, a corporation’s required installments of estimated tax need not include amounts attributable to its CAMT liability to prevent the imposition of a penalty under section 6655.

The instructions to Form 2220, *Underpayment of Estimated Tax by Corporations*, will be modified to clarify that penalties will not be imposed under section 6655 based on a corporation’s failure to make estimated tax payments of its CAMT liability for its applicable tax year. However, affected taxpayers must still file Form 2220 with their federal income tax return, even if they owe no estimated tax penalty. Failure to do so could result in affected taxpayers receiving a penalty notice that will require an abatement request to apply the relief provided by Notice 2023-42.

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