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KPMG report: Key takeaways from recent CAMT releases

While taxpayers are still awaiting proposed regulations relating to the corporate alternative minimum tax (CAMT),¹ which went into effect for tax years beginning after 2022, taxpayers were provided three pieces of “guidance” relating to CAMT in December 2023:

- [Notice 2024-10](#) [PDF 177 KB], released on December 15, 2023 (read [TaxNewsFlash](#))
- Updated [Draft Form 4626, Alternative Minimum Tax – Corporations](#) [PDF 715 KB], and updated [Draft Instructions for Form 4626](#) [PDF 627 KB], both dated December 20, 2023
- The “[Bluebook](#)” [PDF 2.4 MB] for the 117th Congress, released by the staff of the Joint Committee on Taxation on December 21, 2023 (read [TaxNewsFlash](#))

Below is a summary of the notable provisions in each of the above documents and KPMG observations on each key issue addressed and raised. Overall, the guidance issued to date continues to foretell a significant compliance burden on a wide array of taxpayers, despite an apparent congressional intent to restrict the impact of CAMT to a small group of taxpayers.²

Background

CAMT generally imposes a 15% minimum tax on the adjusted financial statement income (AFSI) of large corporations whose three-year average annual AFSI exceeds \$1 billion (“applicable corporations”).

The new guidance follows [Notice 2023-64](#) [PDF 332 KB] (read [TaxNewsFlash](#)), [Notice 2023-42](#) [PDF 89 KB] (read [TaxNewsFlash](#)), [Notice 2023-20](#) [PDF 112 KB] (read [TaxNewsFlash](#)), and [Notice 2023-7](#) [PDF 248 KB] (read [TaxNewsFlash](#)). KPMG has published various reports and articles on such guidance to date.³ Further

¹ [Release of Proposed Regs on CAMT Expected ‘Shortly’ | Tax Notes](#)

² The Joint Committee on Taxation estimated that approximately 150 corporations were subject to a prior proposed version of the CAMT. Jt. Comm. on Tax’n, Memorandum: Proposed Book Minimum Tax Analysis by Industry (July 28, 2022), <https://www.finance.senate.gov/imo/media/doc/CAMT%20JCT%20Data.pdf>.

³ See e.g., [KPMG report: Initial observations of Notice 2023-7](#); [CAMTyland Adventures, Part I: How to Play the Game — Corporate Alternative Minimum Tax Basics | Tax Notes](#); [CAMTyland Adventures, Part II: ‘Right-Sizing’ in the Licorice Lagoon | Tax Notes](#); [KPMG](#)

background information on CAMT (and the “Inflation Reduction Act of 2022” (IRA)) is available on a dedicated [KPMG website](#).

Key takeaways

Notice 2024-10

- **Relief provided for most controlled foreign corporation (CFC) double counting issues.** The notice provides rules that attempt to mitigate the potential double counting of CFC income in AFSI. It is important to note that while the notice’s rules do not cover all CFC dividends (e.g., hybrid dividends and section 1248 dividends), the rules appear to provide relief in most instances, including with respect to CFC-to-CFC dividends and dividends attributable to pre-CAMT earnings and profits (E&P). However, Notice 2024-10 does not appear to address CFC distributions received by partnerships that have U.S. shareholder or CFC partners. The notice is retroactive to prior tax year CAMT determinations.
- **Rules for determining the applicable financial statement (AFS) for a tax consolidated group (TCG) expanded.** The notice modifies and clarifies previously issued guidance regarding which financial statement is the “correct” financial statement (i.e., the “applicable financial statement” or AFS). These revised rules cover situations in which a taxpayer who is a member of a TCG reports its financial results in a separate AFS but also reports its financial results in a consolidated AFS. Of note, the notice appears to foreclose the use of a taxpayer’s tax return as its AFS in certain instances where taxpayers may have thought the tax return was the appropriate AFS under prior guidance.

Draft instructions to Draft 2023 Form 4626

- **All corporations must file with limited exception; filers will be required to show their work to prove they are not applicable corporations.** The instructions confirm that corporations who meet the safe harbor under Notice 2023-7 do not have to file Form 4626 for the first tax year beginning after 2022.⁴ All other corporations, other than regulated investment companies (RICs), real estate investment trusts (REITs), and S Corporations, must file Form 4626 whether or not they owe CAMT. It appears that the Scope AFSI computation included in Part 1 of Form 4626 (and performance of supporting calculations) is mandatory for all taxpayers unless they indicate that they are an applicable corporation. This will seemingly require a granular AFSI computation exercise for taxpayers who are certain they are not subject to CAMT but nevertheless do not qualify for the Notice 2023-7 safe harbor.
- **Notice guidance is optional.** Taxpayers are instructed to complete Form 4626 in a manner that reflects the interim rules they have chosen to rely on, but the instructions confirm that taxpayers are not required to apply any of the notices issued to date.
- **Detailed information for section 52 single employer groups and foreign parented multinational groups (FMPGs) is required.** The draft instructions indicate that a list of section 52 single employer group and/or FPMG members and information by member is required. The instructions caution that “[i]ncomplete or nonspecific responses, including phrases such as ‘available upon request’ are not sufficient response.”

[report: Observations from Notice 2023-20](#); [KPMG report: Initial observations on round 4 of CAMT guidance in Notice 2023-64](#). See also [KPMG Estimated Payment Comment Letter](#); [KPMG Foreign Tax Credits Comment Letter](#); [KPMG Treatment of M&A Transactions Comment Letter](#); [KPMG Depreciation Comment Letter](#); [KPMG Comment Letter Relating to the Distributive Share of Partnership Adjusted Financial Statement Income](#); [KPMG Comment Letter Relating to Application of CAMT Adjustments under Notice 2023-7 to the Distributive Share of Partnership Adjusted Financial Statement Income](#); [KPMG Comments on the Treatment of CFC Dividends and Partnership Taxes](#) for KPMG-authored comment letters and [KPMG’s Form 4626 TaxNewsFlash](#).

⁴ Corporations are required to indicate whether they are eligible for the safe harbor under Notice 2023-7 on Form 1120, Schedule K, Question 29. See p. 5 of the [draft 2023 Form 1120 \(June 2, 2023\)](#), and p.26 of the [draft 2023 Form 1120 Instructions \(December 20, 2023\)](#).

- **Granular and extensive reporting required for CFCs.** Reporting requirements are generally granular and extensive with respect to CFCs but guidance to date only appears to require high-level reporting with respect to certain other CAMT calculations (e.g., distributive share of partnership AFSI, depreciation, and covered transactions). Future guidance could require granular reporting in other areas.

Bluebook's explanation of CAMT

- **Partnership inclusion for scope purposes clarified.** With respect to the scope determination, the distributive share of AFSI is intended to be the amount included in AFSI with respect to a partnership unless the partnership and tested corporation are part of the same section 52 single employer group (in such case, 100% of partnership AFSI is included). This conflicts with guidance in Notice 2023-64 (providing amounts with respect to a partnership may be the FSI amount as reflected on the corporate partner's financial statements).
- **Mark-to-market amounts are included in AFSI.** The Bluebook provides that mark-to-market amounts are generally included in AFSI (which is consistent with the CAMT notice guidance). However, the Bluebook indicates mark-to-market amounts from derivatives may be a special circumstance and the Secretary should write special rules for derivative contracts. Treasury guidance has not provided a special rule for derivative contracts to date.
- **Transitional timing differences do not give rise to an AFSI adjustment.** Consistent with prior notices, the Bluebook indicates that timing differences that arise when a taxpayer transitions into CAMT do not implicate the regulatory grant with respect to omissions and duplications.

Conclusion

This recent guidance provides some welcome clarification to a handful of CAMT issues that were outstanding from the prior notices and other guidance issued to date but also raises additional uncertainties and complexities. There are still a large number of remaining questions that taxpayers are hoping to see addressed in the forthcoming proposed regulations.

Furthermore, the December releases, consistent with prior notices, indicate that the CAMT regime will be complex and even taxpayers who do not expect to owe CAMT are going to be required to prepare potentially complex Scope AFSI or Liability AFSI computations in order to file their 2023 returns. Taxpayers may need to consider the time, resources, and processes necessary to gather the required information and perform the necessary calculations for the 2023 tax compliance season. Taxpayers may also note that CAMT has been added to the Large Business and International ("LB&I") Active Campaigns list, with the IRS noting that the goal of this campaign is to focus resources on the highest risk CAMT issues "via a consistent and thorough risk assessment, and ensure consistent development and resolution of CAMT issues," indicating that the IRS intends to devote resources to this complex regime.⁵

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⁵ See [LB&I Active Campaigns | Internal Revenue Service \(irs.gov\)](#).

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