



TaxNewsFlash

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KPMG report: Initial observations on proposed CAMT regulations

The U.S. Treasury Department and IRS on September 12, 2024, released [proposed regulations](#) (REG-112129-23) relating to the corporate alternative minimum tax (CAMT) created by Pub. L. No. 117-169 (commonly called the “Inflation Reduction Act of 2022” or “IRA”). Read [TaxNewsFlash](#). This proposed regulation package comes more than two years after the passage of the IRA.

The 604-page proposed regulation package created a host of questions for taxpayers and tax practitioners as they try to determine what the proposed rules mean and whether they should affirmatively rely on them prior to their potentially retroactive finalization and what finalization of these rules would mean long-term. Even for tax professionals who spent the weekend diligently reading, the clearest feature of the regulation package is that it raised more questions than it answers.

KPMG observation: Expanded definition of foreign-parented multinational groups

The proposed regulations provide an expanded definition of foreign-parented multinational group (FPMG). The expanded FPMG definition will cause some portfolio companies of domestic and foreign investment funds with both U.S. and foreign corporate investments to be subject to the two-pronged FPMG test, with the global FPMG \$1 billion test applying to each fund and its portfolio companies on a combined basis. In this case, each domestic portfolio company (or domestic portfolio company’s group) that exceeds the FPMG \$100 million test would be an applicable corporation subject to CAMT. Furthermore, the proposed regulations also provide that a U.S. subsidiary of an FPMG will have to use the foreign parent’s applicable financial statement (consistent with previous guidance) even when equal or higher priority separate financials are available. If there are differences between the fund’s financial statement presentation and the portfolio company’s separate-entity financials (for example, because the fund prepares IFRS financials and the portfolio company prepares GAAP financials), the portfolio company may be required to create separate entity financials consistent with the fund’s financials to determine whether it is subject to CAMT and its CAMT liability.

KPMG observation: Massively complex parallel regime; systems transformations necessary

The proposed regulations create a massively complex parallel regime requiring the calculation of, for example, CAMT basis in stock and the CAMT basis of a CAMT entity partner’s investment in a partnership. In many instances, the proposed regulations require taxpayers to apply complex “regular” tax non-recognition concepts, as modified by the Treasury Department and IRS, for CAMT purposes. Many, many CAMT “books” will be necessary. System transformations may need to be considered.

KPMG observation: Limited impact to 2023 tax returns

Most taxpayers generally do not need to revisit their 2023 tax return positions and may generally continue relying on the statute or some combination of statute and notice guidance for 2023 tax returns. However, fiscal year taxpayers with tax years ending after September 13, 2024, may need to consider certain provisions for their 2023-2024 tax years. Moreover, the preamble contemplates an AFSI adjustment in year of finalization to implement the final regulations if a taxpayer took a position under CAMT that is inconsistent with the final regulations (i.e., a transition year AFSI adjustment). This may cause certain taxpayers to reconsider certain 2023 CAMT positions.

KPMG observation: Commenters must act quickly

There is a 90-day comment period. Comments are due December 12, 2024. Given the numerous issues in the proposed regulation package—both from substantive liability determination and an administrability perspective—taxpayers should begin CAMT comment letter efforts now. There are numerous comments taxpayers may want to make. As one example, taxpayers may want to request both “retroactivity” relief and “administrability relief.”

- **Retroactivity relief:** Most of the proposed regulations will be retroactive to tax years ending or transactions occurring after September 13, 2024 (i.e., Friday, the date proposed regulations were published in Federal Register) and Treasury has suggested AFSI adjustments will be required when the regulations are finalized if inconsistent positions have been taken (as noted above). Each has the ability to create huge administrative issues, as well as increase a taxpayer’s CAMT exposure.
- **Administrability relief:** The complexity appears similar in scope to the consolidated return regulations. For example, the proposed regulations create “CAMT basis in stock,” “the CAMT basis of a CAMT entity partner’s investment in a partnership,” hypothetical CAMT basis,” “CAMT retained earnings” and “separately stated AFSI items.” Furthermore, taxpayers will be asked to apply numerous hard tax concepts, but as modified for purposes of the CAMT, to comply with this regime. For example, taxpayers will have to figure of if a disguised sale of property occurred to a partnership using different numbers and modified regular tax rules. Taxpayers should ask for simplified methods and safe harbors based on book principles.

KPMG observation: All news is not bad news

The proposed regulations, at least on first blush, provide many (surprisingly) favorable rules for foreign corporations and controlled foreign corporations (CFCs), and, in particular, relief for taxpayers that deduct rather than credit foreign taxes (at least for CAMT liability determination purposes). The proposed regulations adopted KPMG’s recommendation of determining a partner’s share of a partnership’s foreign taxes by reference to the regular tax creditable foreign tax expenditure (CFTE) rules. Also, favorable rules appear to be provided for certain hedging transactions and hedged items, which will provide relief for certain taxpayers, notably those in the oil and gas industry.

Additional information

KPMG LLP is hosting a webcast on September 24, 2024, that will discuss the significant provisions of the proposed regulations. [Register for the webcast](#)

Further background information on CAMT is available on a dedicated [KPMG website](#).

kpmg.com/socialmedia



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