



# TaxNewsFlash

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## KPMG report: Notice 2025-27 provides additional CAMT interim guidance

The IRS today released [Notice 2025-27](#), providing interim guidance regarding the corporate alternative minimum tax (CAMT) in the absence of final regulations, including an expanded optional simplified method for determining applicable corporation status and a waiver of the addition to tax for any tax year that begins after December 31, 2024, and before January 1, 2026, to the extent the amount of any underpayment is attributable to a portion of a taxpayer's CAMT liability under section 55.

### 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 Treasury Department and IRS issued proposed CAMT regulations on September 13, 2024 ([REG-112129-23](#) as corrected by [89 Fed. Reg. 104909](#)). Read [TaxNewsFlash](#) (proposed regulations) and [TaxNewsFlash](#) (technical corrections). Several provisions of the proposed regulations (referred to as the "specified regulations") are proposed to apply to tax years ending after September 13, 2024. However, the consolidated return provisions are proposed to apply to consolidated returns tax years for which the due date of the consolidated return (without extensions) is after the date final regulations are published in the Federal Register. The provisions other than the specified regulations and consolidated return provisions are proposed to apply to tax years ending after the date final regulations are published in the Federal Register.

Prior to the release of the proposed regulations, the IRS released interim guidance related to CAMT; however, the proposed regulations provided that taxpayers may no longer rely on such guidance for tax years ending after September 13, 2024. KPMG has published various reports and articles on such guidance to date.<sup>1</sup> Further background information on CAMT (and the Inflation Reduction Act of 2022) is available on a dedicated [KPMG website](#).

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<sup>1</sup> 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 report: Observations from Notice 2023-20; CAMTyland Adventures, Part III: 2023 Scope Bubble Corporations — Lost in Lollipop Woods](#); [KPMG report: Initial observations on round 4 of CAMT guidance in Notice 2023-64; CAMTyland Adventures, Part IV: Retroactive Tax Extenders — Planning for a Move-Backward Card](#); [KPMG report: Analysis and Observations on the CAMT Proposed Regulations; CAMTyland Adventures, Part V: Coping with CAMTyland Grief](#); and [Risks Abound for Corporate Alternative Minimum Tax Proposal's Early Adopters](#).

## **Simplified method**

Prior to the issuance of the proposed regulations, notice guidance provided taxpayers with a safe harbor method to determine whether they are an applicable corporation (the “simplified method”) for the first tax year beginning after December 31, 2022. Under the simplified method, the general AFSI test is reduced to \$500 million (computed with limited adjustments to AFSI) and, for a member of a foreign-parented multinational group (FPMG), the additional \$100 million U.S. AFSI test is reduced to \$50 million. Prop. Treas. Reg. § 1.59-2(g) proposed to extend the simplified method indefinitely, at these same thresholds “or such other amount specified in IRB guidance the IRS may publish.”

Notice 2025-27 provides a new simplified method for determining applicable corporation status, reducing the general test to \$800 million and, for a member of an FPMG, the additional \$100 million U.S. AFSI test is reduced to \$80 million (the “interim simplified method”).

## **KPMG observation**

The increase in thresholds for the simplified method from \$500 million to \$800 million and from \$50 million to \$80 million for the U.S. AFSI test for a FPMG member is likely welcome by many taxpayers. The instructions to 2024 Form 4626, *Alternative Minimum Tax – Corporations*, indicate that a corporation which determines it is not an applicable corporation under the simplified method is not required to file Form 4626, meaning that many taxpayers with AFSI between \$500 million and \$800 million will potentially have reduced CAMT compliance burdens.

Notably, taxpayers will not be required to adopt any portion of the proposed regulations in order to apply the interim simplified method if they choose to rely on Notice 2025-27.

## **KPMG observation**

This may be one of the most welcome elements of the Notice 2025-27 as applying the specified regulations created numerous technical questions and administrative difficulties.

Additionally, the notice alters the computation of AFSI that existed under the prior notice guidance and the proposed regulations for purposes of applying the simplified method. Although previous versions of the simplified method applied very few adjustments to financial statement income in computing AFSI under the simplified method (“Safe Harbor AFSI”), Notice 2025-27 applies additional AFSI adjustments which seem to be taxpayer-favorable, such as the adjustment for certain energy tax credits, including with respect to certain amounts received from the transfer of an eligible credit. Additionally, there are favorable rules provided for tax-exempt entities. The adjustments in section 56A(c)(2)(A) (consolidated financial statements); section 56A(c)(2)(B) (tax consolidated groups); section 56A(c)(5) (federal and foreign income taxes); and solely for purposes of applying section 59(k)(1)(B)(ii)(II), the adjustment set forth in section 56A(c)(4) (ECI-flavored AFSI) also apply for purposes of the interim simplified method.

## **KPMG observation**

The notice creates a new flavor of AFSI, which although may be helpful for certain taxpayers, has the potential to create confusion, especially since taxpayers may still elect to apply the simplified method (and its computation of Safe Harbor AFSI) in the proposed regulations (provided the taxpayer applies the specified regulations).

Taxpayers may use the interim simplified method in Notice 2025-27 for determining applicable corporation status for any tax year ending on or before the date of publication of final regulations in the Federal Register and for which the original Federal income tax return has not been filed as of the date of publication of Notice 2025-27 in the Internal Revenue Bulletin.

## **KPMG observation**

This will reduce CAMT compliance burdens for the 2024 tax year for taxpayers who have not filed an original return for 2024.

## **Limited relief from underpayment of estimated tax**

The notice waives the addition to tax under section 6655 (i.e., the penalty for failure to make required estimated tax payments) with respect to a corporation's CAMT liability under section 55 for any tax year that begins after December 31, 2024, and before January 1, 2026. However, the relief does not apply to section 6651 penalties (i.e., failure-to-file and pay penalties). Thus, it would appear that 2025 extension payments (which are due for calendar year corporations on April 15, 2026) still need to take the CAMT into consideration.

Similar to the guidance issued in the prior notices providing relief from underpayment of estimated tax for the 2023 and 2024 tax years, Notice 2025-27 instructs affected corporations to file Form 2220, *Underpayment of Estimated Tax by Corporations*, with their federal income tax returns to qualify for the relief provided in Notice 2025-27, even if they owe no estimated tax penalty. Failure to file Form 2220 with an affected taxpayer's 2025 tax return may result in a taxpayer receiving a penalty notice that will require abatement.

## **Additional CAMT guidance**

Notice 2025-27 indicates that Treasury and the IRS intend to issue a notice of proposed rulemaking that revises the proposed regulations issued on September 13, 2024, prior to releasing final regulations that will include a simplified method for determining applicable corporation status similar to the interim simplified method (in addition to other changes, including guidance addressing the issues listed below). The notice also indicates that Treasury and the IRS anticipate issuing additional interim guidance that will address issues not included in Notice 2025-27, including:

- Treatment of mark-to-market amounts in computing AFSI
- Revised rules for determining a partner's distributive share of partnership AFSI
- AFSI adjustments resulting between certain transactions between a partner and partnership
- AFSI adjustments resulting from certain corporate transactions
- Alternative rules for early reliance on the CAMT proposed regulations
- The interaction of the CAMT and the tonnage tax regime (i.e., an elective alternative federal income tax regime for qualifying shipping activities under sections 1352 through 1359)

## **KPMG observation**

Treasury's mention of additional interim guidance and repropoed CAMT regulations likely indicates that final CAMT regulations are unlikely in the near or medium term.

## **Conclusion**

Notice 2025-27 appears taxpayer favorable by easing the administrative and compliance burdens of complying with the CAMT regime. However, there are still a large number of remaining questions that taxpayers are hoping to see addressed in forthcoming interim guidance and revised proposed regulations. These issues will need to be urgently addressed in order to facilitate 2024 and 2025 compliance. The current proposed guidance results in a CAMT regime that is complex and imposes many impractical burdens upon taxpayers who may not even have a CAMT liability. Taxpayers are well advised to continue to submit comments to Treasury indicating what relief and/or simplification of the proposed regulations should be considered in drafting additional interim guidance and revisions to the regulations.

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