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TaxNewsFlash

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Notice 2025-28: Interim guidance on application of CAMT to partnerships, intent to issue new proposed regulations

The IRS today released Notice 2025-28, providing interim guidance simplifying the application of the Corporate Alternative Minimum Tax (CAMT) to partnerships and their partners. In the notice, the IRS and Treasury also expressed their intent to partially withdraw the CAMT proposed regulations issued in September 2024 (REG-112129-23) (read *TaxNewsFlash*) and to issue revised proposed regulations, in part to include rules similar to the interim rules provided in Notice 2025-28.

The notice generally permits a CAMT entity (other than a partnership) to elect to determine its amount of adjusted financial statement income ("AFSI") from a partnership investment using two new, simplified methods: a "Top-Down Election" and, in certain cases, a "Taxable Income Election." The ability to use one or both of these simplified methods will generally be welcome news to taxpayers—both because less information sharing may be required in certain circumstances and because the use of these simplified methods may result in a smaller inclusion. However, taxpayers should know that both elections still likely require certain complex calculations.

The notice also provides certain generally favorable rules regarding contributions to, and distributions from, a partnership. These rules provide options regarding how to compute the AFSI inclusion from contributions to, and distributions from, a partnership. One option is a modification of the method previously proposed in the CAMT proposed regulations issued in September 2024, and the other is the "full Subchapter K method." While generally taxpayer favorable, these rules are complex and involve binding elections. Thus, taxpayers who engage in partnership joint ventures, particularly M&A transactions, will need to carefully study these rules. The notice also allows taxpayers to disregard certain financial statement income (FSI) amounts resulting from transactions that are non-realization events for regular tax purposes.

Notice 2025-28 provides that taxpayers may rely on the interim guidance provided in sections 3 through 7 of the notice until revised proposed regulations (or other guidance) are issued, and section 8 of the notice favorably modifies the reliance rules provided in the CAMT proposed regulations. Thus, for example, for partnership contributions and distributions in tax years ending on or before the issuance of the CAMT proposed regulations in September 2024, taxpayers may rely on the guidance in Notice 2025-28, the guidance in Notice 2023-7, or the CAMT proposed regulations. A taxpayer's reliance on any of the guidance in sections 3 through 7 of Notice 2025-28 for a tax year will not cause the taxpayer to become subject to, or to violate, the reliance rules (including the consistency requirements) provided in the preamble of the CAMT proposed regulations for such tax year.

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