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# New Notices Make CAMT Regime More Favorable But More Complex

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*The IRS issued new guidance that would appear to lessen CAMT burdens for many large corporations, but the book-based tax regime remains exceedingly complex.*

Recently released IRS Notices bring welcome guidance for taxpayers facing corporate alternative minimum tax ("CAMT") woes, and many applicable corporations will be able to utilize the new (and optional) adjustments, methods, and elections to reduce their CAMT liabilities. Nevertheless, notwithstanding these changes, the CAMT regime remains a complex and parallel minimum tax regime.

Notice 2025-46 and Notice 2025-49 ("the new Notices") provide additional interim guidance for the CAMT, which generally imposes a 15% minimum tax on the adjusted financial statement income ("AFSI") of certain large corporations ("applicable corporations"). The guidance follows last year's release of a complex set of proposed regulations as well as two additional Notices released earlier this year (Notice 2025-27 and Notice 2025-28). The following are key observations from the new Notices.

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## Impact on 2024 Tax Returns

Taxpayers are permitted to apply the guidance in Notice 2025-46 and/or Notice 2025-49 to 2024 tax years, creating a need for some taxpayers to quickly rethink their 2024 CAMT positions to evaluate whether applying the new guidance will result in a different, and more favorable, outcome for their 2024 tax year. Key considerations for taxpayers in differing CAMT postures are as follows:

- **Safe harbor taxpayers:** Taxpayers who have determined they are not applicable corporations in 2024 by relying on the interim simplified method in Notice 2025-27 can continue to rely on that guidance and do not need to apply any of the provisions in the new Notices for 2024 tax returns.
- **Applicable corporations with no CAMT liability:** Applicable corporations with no CAMT liability in 2024 should consider whether any of the provisions in the new Notices impact their applicable corporation status. Certain adjustments provided in the new Notices, such as the adjustment for certain book mark-to-market amounts provided in Notice 2025-49, are applicable for determining a taxpayer's applicable corporation status and could result in a taxpayer avoiding in-scope status and future CAMT liabilities.
- **Taxpayers relying on the CAMT proposed regulations (with or without a CAMT liability):** Taxpayers who previously planned to early adopt the CAMT proposed regulations to take advantage of some of the taxpayer-favorable provisions should evaluate which sections of the CAMT proposed regulations, if any, are necessary to early adopt in light of the new Notices. Not only may these taxpayers find some of the guidance they were seeking from the CAMT proposed regulations in the new Notices, but Notice 2025-49 significantly eases the reliance rules contained in the proposed regulations. A taxpayer may cherry pick specific CAMT proposed regulations sections to early adopt (with some exceptions). Therefore, a taxpayer currently applying all of the so-called "specified regulations" may no longer need to bind themselves to unwanted regulations.
- **Other taxpayers with a CAMT liability:** A taxpayer that is not early adopting the CAMT proposed regulations and is computing a 2024 CAMT liability should carefully review the new Notices to determine if any provisions of the new Notices may reduce or eliminate their 2024 CAMT liability.
- **Taxpayers who have already filed 2024 returns:** Taxpayers with CAMT liabilities who filed their 2024 tax returns prior to the release of Notice 2025-46 and Notice 2025-49 should evaluate whether this new guidance warrants amending or superseding their 2024 tax return.

Note that taxpayers also appear to be able to amend 2023 tax returns to retroactively apply the guidance provided in Notice 2025-46 and Notice 2025-49.

## Retroactivity Reversed

Notice 2025-49 indicates that Treasury intends to reverse course on the retroactivity of certain proposed CAMT regulations. While the CAMT proposed regulations previously indicated that a portion of the CAMT proposed regulations (the so-called “specified regulations”) would apply to tax years ending after September 13, 2024 (i.e., the date the CAMT proposed regulations were originally published in the Federal Register) once finalized, Treasury and the IRS indicate in the new Notices that no section of either the CAMT proposed regulations or the forthcoming reproposed CAMT regulations will be applicable to tax years beginning before a corresponding section of a final regulation is published in the Federal Register. Furthermore, taxpayers who want to use the interim CAMT guidance are afforded significant flexibility in doing so. The lack of retroactivity alongside the ability to selectively apply sections of the applicable guidance is a taxpayer-favorable development, providing many opportunities until final regulations are eventually issued.

## Some Mark-to-Market Relief Available

Taxpayers have long sought relief from the unfavorable CAMT impact of financial statement (i.e., book) mark-to-market amounts and extraordinary items. The CAMT proposed regulations contained a limited solution for AFSI hedges and hedged items, but many other taxpayers with large amounts of mark-to-market financial statement income (“FSI”) were still left being pushed by these items into applicable corporation status or paying additional CAMT. However, Notice 2025-49 provides some relief for certain items marked-to-market in FSI but not for tax (such as digital assets). Specifically, the guidance provides “FVI Exclusion Option” and “Hedge Coordination Option” elections whereby a taxpayer may disregard certain mark-to-market amounts recognized in its financial statements when computing AFSI. Taxpayers appear to have the flexibility to turn these elections on or off on an annual basis.

However, and importantly, there are at least three reasons why this mark-to-market relief may not meet a taxpayer’s needs. First, taxpayers may only apply the FVI Exclusion Option to assets subject to required periodic measurement for financial statement purposes, such that the AFSI exclusion does not apply to impairment losses or impairment loss reversals. Second, these elections also do not apply to certain partnership and stock investments. Third, these AFSI exclusions generally operate to merely defer the recognition of AFSI, as amounts excluded under both the FVI Exclusion and Hedge Coordination Options generally must be included in AFSI in later tax years.

## Asked and Answered

Treasury addressed a number of “special situations” that were raised by taxpayers. Examples of taxpayer comments incorporated into the new Notices include:

- **Goodwill Amortization:** A new AFSI adjustment for certain acquired goodwill allows taxpayers to follow the regular tax treatment, permitting a deduction for amortization in computing AFSI where no corresponding deduction typically exists for financial statement purposes.
- **Regular Tax Net Operating Loss Deductions:** Taxpayers that take a net operating loss (NOL) deduction for regular tax purposes may offset AFSI in the same tax year with a portion of the NOL

deducted for regular tax purposes where the regular tax NOL relates to a pre-2020 tax year. The AFSI benefit is limited to the amount of pre-2020 NOL related to depreciation of section 168 property. Taxpayers may determine the amount of NOL deduction related to depreciation of §168 property in any reasonable manner, but Notice 2025-49 provides two methods that may be acceptable for a number of taxpayers.

- **Repairs Deductions for Regulated Utilities:** Qualifying utility companies may make an AFSI adjustment for costs attributable to tangible property repairs or maintenance activities required to be capitalized under ASC 980, which generally requires capitalization of repairs and maintenance costs that would not otherwise be capitalized under other financial accounting standards. However, the AFSI reduction for such amounts are limited to amounts which would not otherwise be capitalized for financial statement purposes or regular tax purposes. Therefore, this relief for the regulated utility industry may be limited by practical issues related to segregating and tracking the eligible capitalized amounts.
- **NOL Carryback Deductions for Nonlife Insurance Companies:** Regular tax rules permitting nonlife insurance companies to carry NOLs back two years may be applied for purposes of CAMT. Under Notice 2025-49, eligible taxpayers are able to reduce AFSI by the NOL carryback in the year the amount is deducted for regular tax purposes.

Given this administration's apparent willingness to read and act upon taxpayer comments on the CAMT rules, taxpayers should strongly consider engaging in the comment process outlined in Notice 2025-49.Such comments appear to have the potential to influence the development of future CAMT notices, reproposed CAMT regulations and final CAMT regulations. IRS and Treasury have requested comments on Notice 2025-49 by December 1, 2025, but indicate they will consider comments submitted after this deadline as well.

## No Relief for OBBBA Traps

Taxpayers facing CAMT liabilities as a result of the numerous taxpayer-friendly provisions enacted in the One Big Beautiful Bill Act ( "OBBBA") will find no specific relief for those concerns in the new Notices. Although Notice 2025-49 provides rules allowing the CAMT treatment to follow the regular tax treatment of certain tax goodwill and certain repairs deductions for regulated utilities, there is no provision conforming the CAMT treatment of research and experimental costs under §174 or §174A (including the accelerated amortization deduction) to the deductions permitted for regular tax purposes after OBBBA. Additionally, the new Notices do not address the amendment made by OBBA to permit intangible drilling costs ("IDCs") to be deducted in accordance with tax rather than book in computing AFSI.This is significant given the concerns taxpayers may have with the administrability of that adjustment as enacted.

## Not All Taxpayer-Favorable AFSI Adjustments Apply All the Time

AFSI is calculated differently for determining whether a corporation is an applicable corporation ("scope AFSI") and for determining an applicable corporation's CAMT liability ("liability AFSI"). Scope AFSI is the FSI of a corporation as set forth on the corporation's AFS, as adjusted to include 100 percent of the AFSI of other members of the taxpayer's section 52 single-employer group or foreign-parented multinational group (as applicable) and to account for certain adjustments prescribed by the statute (such as section 56A) and administrative guidance (as applicable). Liability AFSI is the AFSI of the taxpayer (aggregation rules don't apply), as modified to include adjustments prescribed by the statute and administrative guidance (as applicable).

Previously, a select number of adjustments were permitted to be applied for liability AFSI determination purposes but not for scope AFSI determination purposes. After the issuance of the new Notices, the list of adjustments which are only available for computing liability AFSI has grown. Taxpayers will need to ensure that they are applying the correct AFSI adjustments for the correct purpose. For instance, taxpayers celebrating the new AFSI adjustment for goodwill amortization or depreciation deductions in regular tax NOLs may be disappointed to discover these adjustments cannot be applied to keep them out of applicable corporation status. A summary of the AFSI adjustments available in the new Notice guidance and their applicability is as follows:

| Summary of Latest AFSI Adjustments and Their Applicability | Scope AFSI | Liability AFSI |
|---|---|---|
| **Notice 2025-46 AFSI Adjustments:** | | |
| Adjustments with Respect to Domestic Corporate Transactions | X | X |
| AFSI Adjustments for Troubled Companies | X | X |
| AFSI Adjustments for Tax Consolidated Groups Including Life-Nonlife Groups | X | X |
| **Notice 2025-49 AFSI Adjustments:** | | |
| AFSI Adjustment for Eligible Regulatory Assets | | X |
| AFSI Adjustments for Certain Items Measured at Fair Value | X | X |
| AFSI Adjustments for CAMT Entities Subject to the Tonnage Tax Regime | | X |
| AFSI Adjustment for Certain Embedded Depreciation Deductions | | X |
| AFSI Adjustments for Nonlife Insurance Company NOL Carrybacks | | X |
| AFSI Adjustment for Eligible Goodwill Amortization | | X |
| AFSI Adjustments for Accounting Principle Changes and Restatements of a Prior Year AFS | X | X |

'X' indicates the adjustment applies in that instance (if the taxpayer relies on that section of the applicable notice).

## Easing Burdens While Also Increasing Complexity

The government indicates throughout the new Notices their intention that this guidance ease taxpayer burdens and costs associated with applying various rules in the CAMT proposed regulations. That goal is clearly reflected in operative rules provided in the new Notices. For example, the elimination of rules requiring taxpayers to track “CAMT earnings” for nonrecognition transactions and the gutting of proposed rules imposing SRLY limitations on acquired financial statement NOLs and built-in losses. However, other areas of the new guidance retain or add complexities or tracking requirements. Several of the new “simplifying” rules result in the incorporation in AFSI an amount that is neither a book amount nor the regular tax amount, requiring taxpayers to make additional calculations (including of CAMT basis) to compute the CAMT inclusion. This neither-book-nor-tax treatment can be seen in the repairs deduction for regulated utilities (not all amounts capitalized under ASC 980 are permitted as a reduction in AFSI), the amortization deduction for acquired goodwill (only tax amortization of goodwill acquired in transactions announced or closed and completed on or before October 28, 2021 is deductible in computing AFSI), and the regular tax NOL carryforward deduction (only the depreciation component in pre-CAMT NOL carryforwards may reduce AFSI). In addition, the new Notices incorporate the concept of CAMT basis from the CAMT proposed regulations but do not provide a simple way to compute CAMT basis. Accordingly, Treasury appears to remain committed to the complexity created by needing to maintain special CAMT books.

## CAMT Regime Becomes More Flexible

The revised reliance rules provided in the new Notices allow for increased flexibility in determining CAMT applicability and liability, allowing taxpayers to pick the CAMT guidance they wish to apply. Taxpayers now have the ability to apply reasonable interpretations of the CAMT statute, section-by-section application (with some exceptions) of the CAMT proposed regulations, section-by-section application of interim guidance released in 2025, and/or virtually any combination thereof. This creates a large menu of choices for taxpayers to consider in balancing their CAMT position with the administrative burdens of establishing that position.Taxpayers facing CAMT liabilities will be well-served to model out these choices in order to determine their best CAMT path forward given their facts and guidance, and whether to retrace any previous paths taken.