Additional CAMT interim guidance and favorable early reliance rules

Notices 2025-46 and 2025-49

On September 30, 2025, the IRS released Notice 2025-46 and Notice 2025-49, providing additional interim guidance regarding the corporate alternative minimum tax ("CAMT"), which generally imposes a 15% minimum tax on the AFSI of certain large corporations ("applicable corporations").[1] After a series of interim notice guidance,[2] the Treasury Department and IRS issued proposed CAMT regulations on September 13, 2024 ("2024 Proposed Regulations").[3] The guidance released on September 30, 2025 follows interim guidance issued earlier this year in Notice 2025-27 (read *TaxNewsFlash*), providing an expanded simplified method for determining applicable corporation status, and Notice 2025-28 (read *TaxNewsFlash*), providing additional guidance on the application of CAMT to partnerships and their corporate partners.[4] Further background information on CAMT is available on a dedicated KPMG website.

Key takeaways

The interim CAMT guidance provided in Notices 2025-46 and 2025-49 responds to some of the taxpayer concerns raised in comment letters addressing issues with the 2024 Proposed Regulations. The Notices illustrate that taxpayer comment letters on proposed CAMT guidance are being considered and reflected, which should encourage taxpayers to continue to participate in the comment process and contribute to the development of future CAMT Notices, reproposed CAMT regulations and eventual final CAMT regulations. Comments in response to Notice 2025-49 are requested by December 1, 2025; however, Notice 2025-49 indicates that Treasury will consider comments submitted after such date.

Pivoting from the position in the 2024 Proposed Regulations, Notice 2025-49 provides taxpayers significant flexibility in relying upon CAMT guidance issued since September of 2024. Specifically, for tax years beginning before the date that final CAMT regulations are published in the Federal Register, a taxpayer generally may rely on any section of the 2024 Proposed Regulations (as originally published) without

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[1] See sections 59(k) and (l), 56A, 55, and 53.

[2] KPMG has published various reports and articles on such guidance to date. *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; Risks Abound for Corporate Alternative Minimum Tax Proposal's Early Adopters; New CAMT Notice: Reasons Taxpayers are Breathing a Sigh of Relief; KPMG Report: CAMT Caution Advised for Applicable Corporations After "Favorable" OBBB and Notice 2025-28 Changes; CAMTyland Adventures, Part VI: Notice 2025-28 – A Rainbow of Choices but Few Gumpdrops; and CAMTyland Adventures, Part VII: Will the OBBBA Crack Snow Flake Lake?.

[3] REG-112129-23, as corrected by 89 Fed. Reg. 104909. Read *TaxNewsFlash* (proposed regulations) and *TaxNewsFlash* (technical corrections).

[4] *See also* New simplified method for determining status for Corporate Alternative Minimum Tax | Internal Revenue Service; and IRS Priority Guidance Plan for 2025-2026 (noting that the 2025-2026 Priority Guidance Plan includes Notices providing interim guidance and describing forthcoming revisions to existing proposed CAMT regulations).

applying any other section of the 2024 CAMT Proposed Regulations (except to the extent required by or incorporated into the applicable subsequent Notice section), provided the taxpayer consistently follows that section (and that section only) in its entirety. Further, such taxpayers are not required to early adopt all 18 specified regulations in the 2024 Proposed Regulations, and a taxpayer's early adoption stance is not affected by the early adoption stances of other members of its CAMT test group. Taxpayers have similar flexibility in applying individual Notice provisions. The guidance does not, however, permit reliance on any of the Notices issued prior to 2025. The ability to selectively apply the applicable guidance on a section-by-section basis is a taxpayer-favorable development, providing many opportunities until final regulations are eventually issued. However, the attendant need to model, as well as the continued complexity of the CAMT regime, should not be understated.

The interim CAMT guidance provided in Notices 2025-46 and 2025-49 may be relied on for 2024 (and 2023) tax years and thus may impact the numerous corporate returns that are due on October 15, 2025. Taxpayers who are putative CAMT payors and taxpayers who relied on the 2024 Proposed Regulations may be well-served by quickly evaluating whether any of the new guidance should be adopted for the 2024 tax year. Taxpayers should note that they generally can incorporate the new generally favorable guidance on amended returns.

The Notices contain several rules that would appear to reduce AFSI in many cases, including:

- The removal of rules that would limit the use of acquired FSNOLs and certain built-in losses
- Elections allowing for the exclusion or delay of certain mark-to-market amounts (*e.g.*, with respect to cryptocurrencies)
- Rules allowing for the deduction of certain depreciation amounts embedded in regular tax net operating loss ("NOL") carryovers, along with generous safe harbors to determine the amount of the embedded depreciation amounts
- Rules allowing a reduction in AFSI for section 197 amortization attributable to goodwill from certain transactions
- Special rules for certain regulated utility companies, certain shipping companies (specifically corporations subject to the tonnage tax regime), non-life insurance companies and troubled companies

A number of these adjustments to AFSI only apply for CAMT liability determination purposes (and not CAMT scope determination purposes).[5]

The CAMT regime remains a complex and separate regime, with the need to track numerous CAMT attributes. Using provisions in the Notices may require the computation and tracking of additional CAMT attributes. Notably, this is true even where the rules in the applicable Notice section incorporate regular tax rules and principles—as in many instances, such rules are applied using CAMT basis. Moreover, taxpayer filing obligations for CAMT may be voluminous. The requirement to provide a statement describing the guidance applied in completing Form 4626, Alternative Minimum Tax—Corporations, is retained. Additionally, many of the options provided by the Notices require detailed statements to be attached to the tax return notifying the IRS of the taxpayer's adoption of such option. Careful consideration should be given to these disclosures, especially because numerous elections (e.g., for the adjustment for certain section 197 amortization and the adjustment for certain depreciation amounts embedded in NOL carryovers) are binding until subsequent guidance is issued.

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[5] 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 financial statement income ("FSI") of a corporation as set forth on the corporation's applicable financial statement, 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).

Neither Notice specifically addresses the interaction of CAMT and various provisions enacted by the One Big Beautiful Bill Act ("OB3").[6] For example, neither provides any type of adjustment to AFSI for the acceleration of unamortized domestic research or experimental costs in 2025, or with respect to the new adjustment to AFSI for intangible drilling costs ("IDCs").[7] It is unclear whether and when taxpayers should expect guidance on the interaction of CAMT and OB3.

Reliance on and retroactivity of CAMT guidance

The Notices, especially Notice 2025-49, provide taxpayers with significant flexibility in relying upon CAMT guidance issued since September of 2024, and also provide relief regarding concerns with the potential retroactive application of future CAMT guidance.

As background, the 2024 Proposed Regulations provide that if a taxpayer chooses to rely any portion of the proposed CAMT regulations, the taxpayer and each member of its test group (i.e., its section 52 group and/or foreign-parented multinational group) must consistently apply that provision as well as a group of proposed regulations identified as the eighteen "specified regulations" in their entirety to that year and any subsequent year until the first tax year in which the final regulations are applicable.[8]

Pivoting from the position in the 2024 Proposed Regulations, Notice 2025-49 favorably provides that for tax years beginning before the date the corresponding final regulation is published in the Federal Register, a taxpayer may rely on any section of the 2024 Proposed Regulations (as originally published), provided the taxpayer consistently follows that section in its entirety. However, such taxpayers are not required to rely on the specified regulations or comply with the test group consistency rules previously provided in the 2024 Proposed Regulations. In addition, a taxpayer may rely on any section of the 2024 Proposed Regulations, as modified by Notice 2025-27, Notice 2025-28, Notice 2025-46 and/or Notice 2025-49, for a tax year beginning before the date forthcoming proposed regulations are published in the Federal Register, without the requirement to rely on the specified regulations or abide by the test group consistency rules in the 2024 Proposed Regulations. However, Notice 2025-49 does provide that certain related sections of the 2024 Proposed Regulations must be adopted together and some of the Notice provisions have a consistency requirement that applies until future guidance is issued. Both Notice 2025-46 and Notice 2025-49 generally indicate that a taxpayer's reliance on any section of the Notice for a tax year generally will not cause the taxpayer to become subject to or violate the reliance rules (including the consistency requirements) of the 2024 Proposed Regulations.

Further, the applicability dates in the 2024 Proposed Regulations are complex, with different applicability dates proposed to apply to different provisions. For example, the specified regulations are proposed to apply to tax years ending after September 13, 2024 (i.e., the date the 2024 Proposed Regulations were published in the Federal Register). This resulted in concerns that certain provisions would apply retroactively (i.e., once regulations were finalized).

Notice 2025-49 indicates that Treasury and IRS plan to issue a new "Proposed Applicability Dates and Reliance on the Proposed Regulations" section stating that no section of the 2024 Proposed Regulations or the forthcoming proposed regulations would be applicable for any tax year beginning before the date a

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[6] Pub. L. No. 119-21, 139 Stat. 72 (July 4, 2025). *See also* KPMG reports: Tax subtitle for "One Big Beautiful Bill Act".
[7] *See* sections 70302(f)(2) and 70523 of OB3, section 7 of Rev. Proc. 2025-28, and KPMG article: Guidance under Rev. Proc. 2025-28 on treatment of research and experimentation (R&E) costs after OBBBA.
[8] The specified regulations include a significant portion of the 2024 Proposed Regulations, including rules relating to identification of the AFS, determination of AFSI, applicable corporation status, international provisions, adjustments to prevent duplications and omissions, and CAMT avoidance transactions.

corresponding section of a final regulation is published in the Federal Register (*i.e.*, the final regulations will not be retroactive). This may alleviate concerns about the manner of transition to the final regulations, which the proposed regulations left completely open, requesting comments on whether and in what situations there should be a cumulative catch-up adjustment, cutoff, or fresh-start transition method.

Notice 2025-46

Notice 2025-46 provides guidance regarding the application of CAMT to domestic corporations.

Domestic corporate transactions

The 2024 Proposed Regulations contained general rules addressing transactions involving domestic corporations and generally did not permit taxpayers to use regular tax amounts when computing amounts from stock transactions in calculating AFSI. Rather, the 2024 Proposed Regulations would require "redetermining" AFSI by reference to separately calculated CAMT stock basis and "CAMT earnings."

Notice 2025-46 permits AFSI to be adjusted to disregard FSI items related to certain nonrecognition transactions and instead include items included for regular tax purposes for such transactions, but computing such items by substituting CAMT basis for regular tax basis. This change eliminates the need to track "CAMT earnings" (necessitated by the 2024 Proposed Regulations). However, even under the Notice guidance, the inclusion for CAMT may differ from the inclusion for regular tax purposes (*i.e.*, because of the need to use CAMT basis).

Additionally, purchase accounting and push down accounting adjustments made in the case of the acquisition of stock of a domestic corporation may be disregarded for both CAMT basis and AFSI purposes under the Notice.

Troubled companies

Section 4 of Notice 2025-46 addresses how to determine AFSI and CAMT attributes when a troubled company discharges indebtedness or undergoes certain bankruptcy-related restructurings. The 2024 Proposed Regulations proposed CAMT rules somewhat parallel to section 108(a), which would exclude AFS cancellation of debt income ("CODI") from AFSI, and reduce CAMT attributes based on the principles under section 108(b), but without regard to any corresponding tax CODI amount and tax attribute reduction. The guidance in Notice 2025-46, however, is intended to more closely align CAMT rules with existing tax provisions for troubled companies, permitting a taxpayer which is either undergoing bankruptcy proceedings or insolvent to disregard some or all of the FSI resulting from discharge of indebtedness. The Notice also requires such taxpayers to reduce their CAMT attributes and incorporates specific ordering, timing, and allocation rules which must be followed in reducing CAMT attributes.

Tax consolidated groups

Section 5 of Notice 2025-46 attempts to align CAMT treatment and regular tax treatment of tax consolidated groups, with certain exceptions. However, the separate return limitation year ("SRLY") rules and certain section 382 rules which apply for regular tax purposes do not apply in computing AFSI.

In addition, while a domestic insurance company subject to Subchapter L generally cannot file a consolidated tax return with its parent corporation until after it has been a member of the affiliated group for the five tax years immediately preceding the tax year for which the consolidated return is filed,[9] the Notice

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[9] *See* section 1504(c)(2)(A).

permits the group to apply the CAMT proposed tax consolidated group rules without regard to such limitation. purposes. The practical application of this rule raises questions as to how Form 4626 should be completed by members of the applicable affiliated group.

Acquired FSNOLs and built-in items

Section 6 of Notice 2025-46 relaxes the limitations imposed by the 2024 Proposed Regulations on a taxpayer's ability to use acquired FSNOLs and certain built-in losses to reduce AFSI, eliminating any SRLY limitations on their usage by an acquiring corporation.

Notice 2025-49

Notice 2025-49 covers a medley of topics, including topics the IRS had previously indicated would be addressed in interim guidance as well as new items.

The guidance includes new AFSI adjustments, including adjustments for certain mark-to-market amounts, adjustments for certain depreciation deductions embedded in certain regular tax NOL carryovers, adjustments for section 197 amortization attributable to certain tax goodwill and adjustments for accounting principle changes and restatements of a prior year AFS.

The guidance also includes certain industry specific CAMT rules—for certain regulated utilities, for corporations subject to the tonnage tax regime and for nonlife insurance companies. It is worth noting that the AFSI adjustment for certain mark-to-market amounts is of particular importance to the cryptocurrency industry.[10]

New AFSI adjustments

Mark-to-market adjustments

Section 5 of Notice 2025-49 permits taxpayers to defer certain mark-to-market adjustments for AFSI purposes, alleviating the potential CAMT liability that could result from the inclusion of such amounts in AFSI.

The "Fair Value Item Exclusion Option" or "FVI Exclusion Option" allows taxpayers to adjust AFSI to disregard unrealized gains and losses on certain items reflected in FSI at fair value but not marked-to-market for regular tax purposes (e.g., holdings of digital assets). Covered assets must be subject to required periodic determinations at least annually and neither impairment losses nor impairment loss reversals are covered. Additionally, the FVI Exclusion Option does not apply to partnership investments, stock in domestic corporations, stock in foreign corporations, net investment hedges, or certain assets or liabilities of covered insurance companies.

The "Hedge Coordination Option" may apply if a taxpayer has a hedged item and a corresponding AFSI hedge that are each marked-to-market for regular tax purposes, but either the hedged item or the AFSI hedge (but not both) does not have a fair value measurement adjustment. In such a case, the taxpayer may adjust AFSI to disregard the fair value measurement adjustment on the AFSI hedge or hedged item with the fair value measurement adjustment.

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[10] *See, e.g.*, ASU 2023-08 (Dec. 2023), requiring certain cryptocurrency assets to be reported at fair value, with changes in fair value recognized in FSI. Such cryptocurrency assets are generally not marked-to-market for regular tax purposes (but see section 475(e) or (f)).

Amounts excluded under both the FVI Exclusion and Hedge Coordination Options must be included in AFSI in a later tax year and increase the possibility of a future CAMT liability. Specifically, if a taxpayer disregards a fair value measurement adjustment under the FVI Exclusion Option, amounts excluded are generally later included upon a "subsequent adjustment date" (e.g., upon disposition or if the FVI Exclusion Option is no longer applied by the taxpayer). Additionally, under both of the FVI Exclusion and Hedge Coordination Options, the inclusion of a corresponding item in regular taxable income triggers the inclusion of an amount in AFSI. Both the FVI Exclusion and Hedge Coordination Options can impact CAMT attributes (e.g., CAMT basis) and their use requires the tracking of new CAMT attributes.

Embedded depreciation deductions in NOL carryforwards

Section 7 of Notice 2025-49 allows a taxpayer to make a reduction to AFSI (for liability determination purposes only) for the portion of a pre-2020 regular tax NOL deduction related to the depreciation of section 168 property (the "depreciation portion of an eligible NOL deduction") in the year the taxpayer is permitted to recognize the NOL deduction for regular tax purposes. This adjustment includes depreciation that is allocated to inventory property and cost of goods sold (COGS). The taxpayer can use any reasonable approach to determine the depreciation portion of the eligible NOL deduction, but two potential approaches provided in the Notice (the Proportional Approach or the Lesser-of Approach) are deemed reasonable.

In addition, if a taxpayer's NOL deduction for a tax year is attributable to more than one pre-CAMT NOL, the taxpayer may use different approaches for determining the depreciation portion of the eligible NOL deduction with respect to each pre-CAMT NOL. However, once an approach is used for determining the depreciation portion of an eligible NOL deduction, the taxpayer must use the same approach each year with respect to such pre-CAMT NOL until subsequent guidance is issued.

Amortization of goodwill

Section 9 of Notice 2025-49 provides a new taxpayer-favorable adjustment to AFSI (for liability determination purposes only) for eligible goodwill amortization deductions allowed for regular tax purposes if the goodwill is (i) amortizable under section 197 and (ii) acquired in a transaction that was announced to the public on or before October 28, 2021, or if such transaction was not announced to the public, closed and completed on or before such date.

For taxpayers utilizing this guidance, liability AFSI is (i) reduced by deductible goodwill tax amortization with respect to eligible goodwill (but only to the extent of the amount allowed as a deduction in computing taxable income for the taxable year) and (ii) adjusted to disregard covered book goodwill amortization expense and covered book goodwill expense. Adjustments that parallel the treatment of section 168 property in the 2024 Proposed Regulations apply upon the disposition of eligible goodwill to avoid duplication of basis recovery. Thus, the adjustment generally works as a replace-book-with-tax election but only for the portion of goodwill amortization that is eligible for the AFSI adjustment.

Accounting principle changes and restatements of AFS

As background, the 2024 Proposed Regulations would dictate that a taxpayer adjust AFSI to take into account any cumulative adjustment to the retained earnings on a taxpayer's applicable financial statement ("AFS") resulting from certain events, including a change in financial accounting principle or restatement of an AFS. Under the 2024 Proposed Regulations, the adjustment is modified to disregard any portion of the cumulative adjustment attributable to tax years ending on or before December 31, 2019, and to reflect AFSI adjustments provided in section 56A to the extent applicable.

Section 10 of Notice 2025-49 provides a simplified approach to determining the accounting principle change adjustment amount and the AFSI restatement adjustment amount. CAMT entities can use the simplified approach and calculate these adjustments based on the entire cumulative adjustment to retained earnings rather than based on only the portion of the retained earnings adjustment attributable to tax years ending on or after January 1, 2020. The simplified approach is not mandatory and it appears that a taxpayer may use the regular or simplified approach on a change-by-change basis. Both the regular and simplified approaches would still require a taxpayer to reflect any applicable adjustments under section 56A in the accounting principle change adjustment amount and the AFSI restatement amount. The Notice also clarifies how the cumulative AFSI adjustment for these changes is calculated when a taxpayer has a change in the AFS that is used for computing AFSI. While the simplified approach is simpler than the regular approach, numerous questions remain about its practical application.

Industry specific rules

Regulated utilities

Section 4 of Notice 2025-49 provides an adjustment to AFSI for certain utility companies. This adjustment applies only for liability AFSI determination purpose, and not for scope AFSI purposes.

The favorable adjustment is only available (i) to utilities regulated by a state public utility commission or energy companies regulated by the Federal Energy Regulatory Commission ("FERC") that meet the criteria of ASC 980-10-15-2 and have an AFS prepared in accordance with GAAP, including ASC 980 and (ii) with respect to costs capitalized as "eligible regulatory assets" (costs attributable to tangible property repairs or maintenance that are capitalized under ASC 980-340-25-1 and subject to depreciation for AFS purposes). Under this adjustment, liability AFSI is reduced by the amount of costs capitalized as eligible regulatory assets during the tax year *that are not otherwise required to be capitalized for AFS purposes under other GAAP rules, standards, or procedures and not required to be capitalized under section 263(a) for regular tax purposes*. The practical application of the italicized language restricting the scope of this taxpayer-favorable adjustment could be a concern for the many utility companies that do not separately track why amounts are capitalized – and often have no reason to engage in such analysis.

In addition, AFSI is adjusted to disregard book depreciation amounts reflected in the AFS with respect to any eligible regulatory asset placed in service in any tax year, including tax years ending on or before December 31, 2019.

Nonlife insurance companies

As background, the preamble to the 2024 Proposed Regulations noted that the section 56A(d) rules regarding the adjustment to AFSI for FSNOLs generally matches the rules regarding the use of NOLs applicable to most corporations for regular tax purposes under section 172, in that both FSNOLs and NOLs can be carried forward indefinitely but not carried back and their usage is generally limited to 80% of AFSI or taxable income ("80% limitation"), respectively. However, section 172 provides exceptions to the general rule for nonlife insurance companies, which permits such taxpayers to carry back NOLs two years and forward 20 years and disregards the 80% limitation. Similar exceptions for nonlife insurance companies are not found in section 56A(d) or the 2024 Proposed Regulations.

Section 8 of Notice 2025-49 allows an eligible taxpayer to reduce AFSI (for liability determination purposes only) for nonlife insurance company NOL carrybacks in the year the NOL is deducted for regular tax purposes. However, the Notice indicates any NOL carryback deduction in liability AFSI must be recaptured in one or more later tax years.

Corporations subject to tonnage tax regime

Section 6 of Notice 2025-49 provides adjustments to AFSI (for liability purposes only) for corporations subject to the tonnage tax regime. At a high level these rules work to align the regular tax and CAMT inclusions. AFSI is adjusted to disregard income in a taxpayer's AFS that corresponds to income from qualified shipping activities excluded from gross income for regular tax purposes under section 1357(a) or (b), as well as deductions (including interest expense), credits, and losses disallowed for regular tax purposes under the tonnage tax regime. Additionally, liability AFSI is adjusted to reflect any gain or loss from the disposition of a qualifying vessel that is recognized for regular tax purposes (rather than the gain or loss in FSI) and is increased by the taxpayer's notional shipping income for the tax year as determined under section 1353.

Conclusion

Both Notices provide significant optionality and opportunities for taxpayers—applicable corporations should carefully study the guidance and determine whether any of the provisions should be relied on for 2024 or 2025 CAMT positions, particularly if consideration had previously been given to adopting the 2024 Proposed Regulations. Of note, many of the new items require consistent application once adopted until the issuance of additional regulations or other guidance, and many of the favorable provisions in the Notices require attaching statements to the tax return for the tax year applied.

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