Looking ahead to 2026—CAMT and asset management

December 17, 2025

Corporate alternative minimum tax (CAMT) has been difficult to navigate within the asset management industry. In practice, CAMT overlays the regular tax system and requires reconciliation from financial statements to tax in ways that are new, granular, and data intensive. Fund managers may need to furnish CAMT-relevant details to investors—including pension funds, sovereign wealth funds, and insurance companies—so those investors can assess their own CAMT exposures. This includes information needed to bridge from financial statement results to investor-level "adjusted financial statement income" (AFSI), elections taken, and partnership-specific computations.

Further, Fund-managed corporate entities (e.g., corporate blockers, holding companies), even if ultimately owned by institutional investors, must determine whether they are in-scope of CAMT as "applicable corporations." A key friction is scoping. Information needed to compute in-scope status typically resides across multiple stakeholders, who may be unwilling to share (or legally prohibited from sharing) detailed financial and tax data. This creates practical uncertainty and complexity in determining CAMT exposure and related reporting. If in scope, Fund-managed corporate entities must model how CAMT applies to their activity and transactions and determine whether they owe CAMT liability.

Adding to the complexity, the CAMT rules are not settled. The statute contains more than 15 specific grants of authority to the U.S. Department of the Treasury and the IRS (collectively, "Treasury"), but to-date no final regulations have been promulgated. In September 2024, Treasury released over 600 pages of complex, proposed regulations, which have been clarified and amended by additional notice guidance in 2025. While the 2025 CAMT notices are generally taxpayer-friendly, they may not always simplify reporting in practice. They do, however, introduce meaningful optionality and method choices that can improve outcomes for institutional investors and sponsor-managed corporate entities alike. Yet, the optionality introduces complexity and may increase the administrative burdens placed by the CAMT.

Looking forward, the stakes may be even higher. The One Big Beautiful Bill Act (OBBB) includes many taxpayer-favorable regular tax provisions. When regular tax is reduced by incentives or timing rules while book income (and AFSI) remains constant, the likelihood of CAMT liability increases for corporations that are in scope for CAMT. For asset managers, this dynamic can surface in:

- Corporate blockers and portfolio companies benefiting from accelerated deductions or credits that reduce regular tax as a result of OBBB, particularly if there is no corresponding reduction to AFSI.
- Structures recognizing fair value or non-realization amounts in financial reporting that do not translate into similar tax results.[1]
- Cross-border arrangements where foreign adjustments shift the AFSI calculus without a corresponding regular tax effect.

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[1] While Notice 2025-49 provides some relief, such relief may not be widely applicable to all taxpayers.

The net result: OBBB-era regular tax relief, coupled with complexities in CAMT, can raise the probability that having CAMT liability becomes the new normal for many large, book-profitable entities. Further, there could be problems in many instances utilizing the CAMT credit.

2025 IRS CAMT notices: Helpful, but not simpler

As noted above, Treasury has released a number of CAMT notices in 2025: Notice 2025-46 and Notice 2025-49 in September, following two notices, Notice 2025-27 and Notice 2025-28 (discussed below), earlier in the year.

Notice 2025-27 greatly expanded the AFSI safe harbor for CAMT, which generally reduces the CAMT filing burden for corporations that do not have average annual AFSI over $800 million, determined on a group-wide basis with certain simplifications in the AFSI calculation. Read *TaxNewsFlash* (June 2025)

Notice 2025-46 addresses certain domestic corporate transactions, troubled corporations, and U.S. tax consolidated group rules, while Notice 2025-49 contains other favorable rules (e.g., adjustments for certain acquired goodwill amortization, depreciation embedded in certain net operating loss deductions). Read a KPMG report (October 2025)

In addition to providing new substantive rules, Notice 2025-49 clarifies that when final regulations are issued on CAMT, the final rules will apply only to tax years beginning *after* the final regulations are issued. This is welcome news to taxpayers that have been concerned that certain portions of the 2024 proposed CAMT regulations would apply retroactively to 2024 tax years. Moreover, Notice 2025-49 also provides additional flexibility for taxpayers to apply the 2024 proposed regulations, generally section-by-section, until the final regulations are issued. This also represents a helpful relaxation of the requirement in the 2024 proposed CAMT regulations, which would have provided that if any rule in the proposed regulations is applied, all the "specified regulations" (including a large portion of the proposed regulations package) need to be applied as well. The 2024 proposed regulations also required the taxpayer's entire test group to follow the same rules, which have proven impossible to coordinate. Notice 2025-49 clarifies that separate taxpayers within a group can make different choices regarding which rules to apply, meaning there is no more group-wide consistency requirement. This could be particularly useful for institutional investors, many of whom have majority interest in numerous entities without necessarily having informational rights or additional financial details. This notice provides flexibility for such investors in determining their CAMT scoping analysis, including their ability to utilize the safe harbor provision.

Careful consideration must now be given to which rules from the statute, notices, or proposed regulations to adopt, because once a taxpayer chooses to apply a rule from a notice or proposed regulations, they are generally committing to follow those rules until re-proposed regulations are issued. This is particularly important because Treasury has indicated that the CAMT regulations will be re-proposed before being finalized, and it is not clear when such re-proposed regulations will be released. It is noteworthy, however, that re-proposed CAMT regulations do not appear on the IRS's priority guidance plan for 2025-2026, suggesting that final regulations are quite a way away. This creates significant flexibility for asset managers and institutional investors to set a CAMT approach on which they may be able to rely for some time to come. As a reminder, a taxpayer's early adoption stance is not affected by the early adoption stances of other members of its CAMT test group, so different portfolio companies can generally take different approaches as well.

Notice 2025-28: Partnership guidance and new elective methods

Notice 2025-28 addresses partnership investments, introducing two new elective methods that partners may use to calculate AFSI from partnership interests: the "top-down election" and the "taxable-income election."

These elections are made on a partnership-by-partnership basis, thus providing additional flexibility. Nonetheless, these "simplified" methods may not be so simple in practice (e.g., contain loss limitation rules) and taxpayers should consider such elections carefully. Once made, these elections are binding for the taxpayer making the election with respect to the particular partnership until final regulations are issued. Therefore, partners are strongly advised to consider future-year projections before making any of these elections.

Read a **KPMG article (September 2025)** that examines the new election methods under Notice 2025-28 and the impact they will have on partners and partnerships.

Takeaway

The 2025 CAMT notices are broadly taxpayer-friendly, but they do not always simplify scoping, reporting and compliance. While they offer significant optionality—particularly through Notice 2025-49's reliance framework and Notice 2025-28's partnership elections—deciding which rules to adopt requires detailed calculations and modeling.

With final regulations potentially a long way away, and generally not expected to be retroactive, now is an opportune time for asset managers and institutional investors to set their CAMT approach, build data pipelines, and communicate election choices to stakeholders. A coherent, well-documented CAMT methodology can improve outcomes and reduce operational friction, even as the rules remain complex and evolving.

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