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## Who Won Gold with the Latest CAMT Guidance from Treasury?



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[Notice 2026-7](#) (“Notice”) is the latest—and arguably the most taxpayer-favorable—installment in Treasury and the IRS’s evolving series of interim guidance on the [Corporate Alternative Minimum Tax](#) (CAMT). This Notice follows the release of a complex set of [proposed regulations](#) in 2024, as well as four additional notices released in 2025 ([Notice 2025-27](#), [Notice 2025-28](#), [Notice 2025-46](#), and [Notice 2025-49](#)), each providing a set of rules attempting to address the myriad of issues and complexities with the application of CAMT, and each a vital part of a taxpayer’s modeling exercises in order to achieve the optimal CAMT results. As the tax community awaits repropose and final regulations, this interim guidance offers significant relief for applicable corporations facing CAMT liabilities.

Enacted as part of the [Inflation Reduction Act of 2022](#), CAMT imposes a 15% minimum tax on the Adjusted Financial Statement Income (AFSI) of “applicable corporations”—generally those with average annual AFSI exceeding \$1 billion (note that AFSI is calculated differently for scope versus liability purposes). The core CAMT challenge is structural: Book income and taxable income reflect different policy considerations and goals, the book rules do not incorporate tax policies, and AFSI is measured by meshing book and tax concepts—often requiring information not normally reported on a tax return or financial statement (or even easily determinable from either). As such, CAMT has been criticized for “undoing” “regular” tax incentives, creating tax liabilities that discourage investment in America, and imposing outsized compliance burdens on corporations—outcomes that can be viewed as deviating from the current administration’s stated tax agenda. After several rounds of interim guidance and extensive

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stakeholder input, the Notice attempts to address some of the criticisms, notably those concerning CAMT’s potential for “undoing” “regular” tax incentives, while final regulations are pending. The breadth of the relief—spanning repairs, intangibles, domestic research and experimental (R&E) costs, qualified production costs (i.e., costs attributable to film, TV, live theater and sound recording productions), materials and supplies, financially troubled companies, and certain international provisions—is notable. However, while the Notice delivers targeted relief based on years of taxpayer feedback, it leaves many compliance hurdles for taxpayers to manage.

## **Treasury Responds to Stakeholder Feedback**

The publication of the Notice was accompanied by a [Treasury press release](#) stating the spate of recent guidance is meant to reduce CAMT compliance burdens and undue CAMT costs using the broad Congressional delegations to Treasury to issue regulations and other guidance in the statute. The press release states that this recent guidance is intended to reflect stakeholder feedback and make the rules “workable and predictable.” To that end, the Notice responds directly to many comments Treasury received from taxpayers, practitioners, and industry groups, creating new AFSI adjustments and refining prior guidance.

In Notice 2026-7, Treasury signals that prior to the publication of final CAMT regulations, they intend to issue proposed regulations (“forthcoming proposed regulations”) that will generally include rules similar to those provided in Notice 2026-7, as well as the CAMT notices released in 2025. Taxpayers may generally rely on the guidance in Notice 2026-7 for all tax years beginning before the date forthcoming proposed regulations are published in the Federal Register. Taxpayers appear to be able to amend 2023 and/or 2024 tax returns to retroactively apply most of the guidance provided in the Notice.

As a result of Treasury’s process, taxpayers should strongly consider submitting comments in advance of the forthcoming proposed regulations, discussing areas in need of clarification (e.g., the treatment of intangible drilling and development costs (IDCs)) and additional ways to reduce compliance burdens and undue costs (e.g., removal or modifications to the CAMT basis rules and ways to simplify the new AFSI adjustments).

## **Eight New (or Modified) AFSI Adjustments Included**

Notice 2026-7 introduces or modifies eight elective AFSI adjustments, several of which address issues that have featured prominently in taxpayer comments since CAMT’s enactment. The Notice generally appears aimed at addressing certain book-tax disparities that may be viewed as creating unintended CAMT liabilities. While some of the adjustments provided in the Notice have broad applicability across a

variety of industries (such as the adjustments for domestic R&E amortization deductions and repair costs), Treasury also provides targeted relief for specific industries. Many applicable corporations in the film and music industries, for example, will likely welcome the new liability AFSI adjustment for qualified production costs under [§181](#).

The eight new or modified AFSI adjustments and their application in the CAMT scope and liability contexts are as follows:

<b>Adjustment</b>	<b>Scope AFSI</b>	<b>Liability AFSI</b>
Section 3: Certain Tax Repair Deductions		X
Section 4: Eligible Intangibles		X
Section 5: Domestic Research Amortization		X
Section 6: Qualified Production Costs Under §181		X
Section 7: Eligible Materials & Supplies		X
Section 8: Troubled Companies	X	X
Section 9: Covered Asset Transaction §358 Anti-Avoidance	X	X
Section 10: Transactions Involving Intangible Property Subject to §367(d)	X	X

Source: KPMG

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Noticeably absent from Notice 2026-7 is guidance on the new adjustment to AFSI provided in the [One Big, Beautiful Bill Act](#) (OBBBA), which permits IDCs to be deducted in accordance with regular tax rules for CAMT purposes, starting with 2026 tax years. Taxpayers have requested clarifying guidance from Treasury to address concerns with the administrability of applying that adjustment to AFSI as enacted.

The Notice also does not address requests from taxpayers to ease the extensive information reporting required by [Form 4626](#), *Alternative Minimum Tax—Corporations*, and is not focused on alleviating burdens of corporations working to prove they are out-of-scope. Therefore, while the Notice seems to alleviate many CAMT liability woes, it does little to lessen taxpayer time and cost spent complying with the CAMT regime. In fact, because the Notice expands the number of available ways to compute AFSI,

with most of the options requiring detailed election statements, taxpayer time and costs spent complying with the CAMT regime may increase.

## **Much Anticipated Relief for Domestic R&E Expenditures Provided**

The most anticipated adjustment provided by Notice 2026-7 may be the relief for domestic R&E expenditures, an area where regular tax and AFSI differences are particularly notable. The OBBBA enacted new [§174A](#), allowing taxpayers to immediately deduct domestic R&E expenditures paid or incurred in tax years beginning after 2024, a change that the Trump administration touted as encouraging additional domestic investment into R&E (the OBBBA also amended [§174](#) to only apply to foreign R&E costs paid or incurred in tax years beginning after 2024). In addition to reinstating the ability to deduct domestic R&E costs, the OBBBA provides a transition rule whereby taxpayers may elect to accelerate the recognition of any unamortized domestic R&E expenditures paid or incurred in tax years beginning after 2021 and before 2025 that were capitalized under §174 prior to amendment by the OBBBA ("§174 Transition Adjustment"). The §174 Transition Adjustment may be recognized entirely in 2025 or recognized ratably over two tax years (i.e., in 2025 and 2026).

While taxpayers generally welcomed the return to immediate deductibility of domestic R&E expenditures, many applicable corporations discovered that their estimated regular tax liabilities were significantly lower than their estimated tentative minimum tax liabilities due to the §174 Transition Adjustment (which reduced regular taxable income without reducing AFSI), as well as other favorable OBBBA provisions (which had the same or similar impacts). Many applicable corporations determined that forgoing the benefits of immediate deductions under §174A(a) and electing instead to capitalize and amortize domestic R&E expenditures under either [§59\(e\)](#) or §174A(c) was more favorable because of a significant CAMT liability. Commentators argued that such a result was unintended: Congress intended for taxpayers to benefit from the immediate deduction of domestic R&E expenditures, and a situation where taxpayers forego immediate deductions on account of an estimated CAMT liability seemingly frustrates Congress' will.

In response to these comments, the Notice provides a new liability AFSI adjustment for certain domestic R&E amortization deductions for tax years beginning after 2024. This adjustment is only permitted for purposes of determining a taxpayer's AFSI for liability determination purposes and is not permitted in computing a taxpayer's AFSI for scope determination purposes. This elective adjustment reduces liability AFSI by the amount of the §174 Transition Adjustment taken into account in computing regular taxable income for the tax year, subject to certain adjustments (discussed in the following paragraph). Under Notice 2026-7, taxpayers are not permitted to reduce AFSI by the amount of any deduction under §174A,

so the benefits of this AFSI adjustment have a shelf life that is limited to when either the §174 Transition Adjustment period ends or, for taxpayers who elect to continue amortizing domestic R&E expenditures under the TCJA, when the amortization of such costs is exhausted. It is unclear whether Treasury plans to provide additional relief for §174A costs in the forthcoming proposed regulations.

Taxpayers utilizing this elective adjustment must increase AFSI by any book amortization of R&E expenditures reflected in the taxpayer's applicable financial statement (AFS) *in the current year* if such amounts are also included in the §174 Transition Adjustment. Thus, the Notice seems to attempt to prevent duplications in AFSI of R&E expenditures amortized in the current year where both book and regular tax capitalized the costs in prior years. However, Notice 2026-7 does not require taxpayers to claw back any portion of the §174 Transition Adjustment which corresponds to book expenses which reduced AFSI in a prior year (e.g., 2023 or 2024).

## **Expanded Applicability of the AFSI Adjustment for Repairs and Maintenance Costs**

The costs of repairing and maintaining tangible property are generally treated differently for book versus tax purposes. In many cases, [§162](#) permits a deduction for regular tax purposes for amounts which financial accounting rules would require to be capitalized and depreciated in the AFS; thus, resulting in a disparity between what is capitalized into an asset's basis for AFS purposes and for regular tax purposes. This disparity potentially creates additional CAMT computational burdens—specifically a need for taxpayers to bifurcate AFS depreciation in order to isolate the portion attributable to capitalizable repairs and ensure that the AFS depreciation related to the tax deductible repair is not being added back to AFSI as part of the [§56A\(c\)\(13\)](#) adjustment for depreciation of [§168](#) property.

The proposed regulations that would provide rules governing the §56A(c)(13) adjustment for the depreciation of §168 property require taxpayers to adjust AFSI for any amounts which are taken into account as a current expense in the taxpayer's AFS but that are capitalized as §168 property and depreciated for regular tax purposes (“Covered Book Expense”). See [Prop. Treas. Reg. §1.56A-15](#). However, there is no corresponding adjustment in the proposed regulations to account for amounts that were capitalized and depreciated in a taxpayer's AFS but deducted as repairs and maintenance for regular tax purposes.

Notice 2025-49 includes a new elective liability AFSI adjustment for eligible regulatory assets which appeared intended to allow taxpayers with certain regulated operations to follow the regular tax treatment of repairs and maintenance costs for CAMT purposes. Notice 2026-7 modifies and extends this repairs AFSI adjustment to all industries, permitting a reduction to AFSI for certain costs attributable to the

repair or maintenance of §168 property which are deducted under §162 for regular tax purposes but capitalized and depreciated for AFS purposes. This adjustment is only permitted for purposes of determining a taxpayer's AFSI for liability determination purposes and is not permitted in computing a taxpayer's AFSI for scope determination purposes.

The Notice's repairs adjustment, as compared to the rules in the proposed regulations for §168 property, will reduce complexity by eliminating the need to bifurcate AFS depreciation of such property to disregard amounts that were treated as repairs deductions for regular tax purposes. Said differently, by extending this adjustment beyond regulated utilities, the Notice prioritizes administrability and reduces the need for detailed depreciation bifurcation.

## **Certain Intangible Assets Get Replace-Book-With-Tax Treatment**

Notice 2025-49 includes a new elective AFSI adjustment for certain acquired goodwill, which permits a reduction to AFSI for the amortization of eligible goodwill where no corresponding deduction typically exists for AFS purposes. Notice 2026-7 expands this liability AFSI adjustment by applying it to a wide variety of eligible intangibles. While the adjustment provided in Notice 2025-49 only applied to goodwill acquired in a transaction announced and/or closed and completed on or before October 28, 2021, the revised AFSI adjustment in Notice 2026-7 extends the favorable treatment. Other types of [§197](#) intangibles (i.e., intangibles generally acquired as part of the acquisition of a trade or business) which are amortized for regular tax purposes but not amortized for AFS purposes (i.e., an intangible with an indefinite useful life for AFS purposes for which costs are only recovered upon impairment or disposition) are now eligible. Additionally, Notice 2026-7 removed the October 28, 2021, acquisition date requirement without explanation.

Mechanically, this adjustment is similar to the replace-book-with-tax AFSI adjustments for depreciation of §168 property and tax repair deductions. AFSI is reduced by the amount of amortization taken for regular tax purposes on the eligible intangible assets and is adjusted to disregard any impairment loss or disposition gain/loss of such assets taken into account in financial statement income (FSI).

Intangible assets that have an indefinite life for AFS purposes are one of the major causes of long-term deferred tax liabilities. Allowing taxpayers to adjust AFSI for these differences in regular tax and AFS treatment can be viewed to preserve the tax benefits taxpayers have historically received from engaging in mergers and acquisitions and thus can be viewed to continue incentives for investment activity occurring through acquisitions and reorganizations. This approach also aligns the CAMT treatment of certain acquired intangibles more closely with the regular tax treatment.

## **No Victory Lap Yet: Remaining Traps**

Despite the generally taxpayer-favorable nature of the new or expanded elective AFSI adjustments, traps remain for the wary and unwary. CAMT remains a parallel tax system that can produce counterintuitive results depending on a taxpayer's facts and elections. Taxpayers should not assume that because the Notice provides generally taxpayer-favorable adjustments to AFSI that such new elective adjustments will always lower AFSI or that their CAMT liabilities will be eliminated.

Applicable corporations should be aware that OBBBA changes still have the potential to drive CAMT liabilities. In addition to the reinstatement of expensing for domestic R&E expenditures, OBBBA made other amendments that are expected to decrease a taxpayer's regular tax liability compared to prior years but do not impact AFSI (e.g., the exclusion of depreciation and amortization from adjusted taxable income (ATI) for purposes of computing the §163(j) limitation on business interest expense). OBBBA also revised the foreign-derived intangible income regime into the foreign-derived deduction eligible income regime. The new foreign-derived deduction eligible income regime generally provides increased regular tax benefits (but no CAMT benefits) starting with 2026 tax years.

Applicable corporations should likewise be aware that important CAMT liability drivers remain unaddressed. Outside of OBBBA amendments, other items that have historically pushed taxpayers into CAMT payor status (such as stock compensation) are not addressed in the Notice and remain important issues to consider.

Applicable corporations should also be aware that the AFSI adjustment for domestic R&E amortization deductions is not entirely a replace-book-with-tax AFSI adjustment. It does not apply to domestic R&E expenditures incurred after 2024 under §174A. Therefore, absent any §174 Transition Adjustment or remaining amortization of domestic R&E expenditures, taxpayers that develop internal-use software and capitalize such costs for AFS purposes will be limited in their AFSI adjustments for R&E expenditures to the amortization taken into account in FSI, even though §174A(a) would permit an immediate deduction for regular tax purposes. Furthermore, taxpayers with internal-use software costs incurred in tax years beginning after 2021 and before 2025 should be aware that the amortization included in FSI for such costs after 2024 will increase AFSI in those years if they elect into the Notice's new AFSI adjustment for domestic R&E expenditures.

Additionally, CAMT continues to function as a complex and parallel minimum tax system. The computational burdens placed on taxpayers were extensive prior to Notice 2026-7, and taxpayers electing into Notice 2026-7 may face increased, rather than decreased, compliance burdens. For example, the AFSI adjustment for eligible intangibles requires computing amounts of amortization, impairment loss,

and disposition gain/loss remaining in ending inventory and recognized as cost of goods sold for regular tax and AFS purposes during the tax year. Similar computations are required if a taxpayer wishes to apply the AFSI adjustment for tax repair deductions. Most of the adjustments in Notice 2026-7, as well as the 2025 notices, require filing additional statements with the taxpayer's income tax return.

Finally, taxpayers should not assume applying the adjustments in Notice 2026-7 will always result in a favorable outcome (i.e., a clean sweep is not guaranteed). For example, absent the new repairs AFSI adjustment, a taxpayer who deducts repair costs for regular tax purposes that are capitalized and depreciated for AFS purposes in a year before becoming an applicable corporation will benefit from the AFS depreciation expenses reflected in FSI in years after becoming an applicable corporation since such amounts will not have to be added back as part of the depreciation AFSI adjustment under §56A(c)(13). If, once becoming an applicable corporation, the taxpayer starts applying the repairs AFSI adjustment, the taxpayer will have to add back any current year AFS depreciation expense related to amounts deducted for regular tax purposes in determining AFSI, even if those deductions occurred in a pre-CAMT year. Likewise, a taxpayer that incurs a large impairment loss on intangible assets in its AFS may find the AFSI adjustment for eligible intangibles to be detrimental if there is no offsetting tax amortization of eligible intangibles available in the same taxable year. Taxpayers will need to carefully consider any elections they make in applying this guidance to ensure they are maximizing the CAMT benefits in the long run.

## **What Comes Next: Planning After Notice 2026-7**

While Notice 2026-7 delivers meaningful relief, taxpayers still face a demanding and twisting course—one that requires careful modeling, documentation, and strategic elections. Moreover, as indicated in Treasury's press release accompanying Notice 2026-7, the current Treasury seems particularly amenable to requests from taxpayers, particularly those that would make the CAMT rules "workable and predictable."

Thus, the immediate action items are clear:

- For applicable corporations who had CAMT liabilities in prior years and CAMT credit carryforwards, revisit CAMT calculations for prior tax years to assess whether the new adjustments may entitle the applicable corporation to a refund (and reduction or elimination of a potentially unusable CAMT credit).
- For applicable corporations who predict a 2026 liability, model the elections available under Notice 2026-7 and update models used for financial reporting purposes.

- For applicable corporations (or other taxpayers) who would be well-served by relying on the new Notice, model to determine which adjustments optimize current and future year CAMT positions and prepare the documentation necessary to rely on the Notice for current-year returns.
- Applicable corporations and other entities facing CAMT burdens (e.g., those seeking to prove out-of-scope status) would be well advised to submit comments to Treasury, particularly in instances where the rules are not workable and instances where Congressional policy goals are arguably frustrated.

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