

Deloitte Tax examines insurance industry issues in latest corporate AMT guidance

The Treasury Department and Internal Revenue Service issued additional interim guidance (Notice 2023-64) last month that is intended to help corporations determine whether they are subject to the new corporate alternative minimum tax (CAMT) and how to compute the tax.

URL: <https://www.irs.gov/pub/irs-drop/n-23-64.pdf>

Under the CAMT, which was enacted in the Inflation Reduction Act of 2022 (P.L. 115-169), “applicable large corporations”—generally defined as those with average annual adjusted financial statement income exceeding \$1 billion—are subject to a 15 percent minimum tax on their adjusted financial statement income for taxable years beginning after December 31, 2022. The legislation provides that estimated income tax payments are required in four installments of 25 percent of a taxpayer’s required annual payment. (A detailed discussion of the corporate AMT is available from Deloitte Tax LLP.)

URL: <https://www.taxnotes.com/research/federal/legislative-documents/public-laws-and-legislative-history/inflation-reduction-act-of-2022-%28p.l.-117-169%29/7dybc>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/dttl-tax-alert-us-10-august-2022.pdf>

Notice 2023-64 and prior CAMT guidance

Notice 2023-64 provides interim guidance on, among other topics, the identification of an “applicable financial statement” (AFS), the determination of “financial statement income” (FSI), and certain adjustments necessary to determine AFSI. It also supplements interim guidance issued earlier this year, including:

- Notice 2023-7, in which the government announced its intention to (1) to issue proposed regulations that will address the application of the CAMT consistent with that notice and (2) provide additional interim guidance intended to help avoid substantial unintended adverse consequences to the insurance industry from the application of the CAMT and
URL: <https://www.irs.gov/pub/irs-drop/n-23-07.pdf>
- Notice 2023-20, which addresses certain issues related to the treatment under the CAMT of life insurance company separate account assets that are marked to market for financial statement purposes, the treatment of certain items reported in other comprehensive income (OCI), and the treatment of embedded derivatives arising from certain reinsurance contracts.
URL: <https://www.irs.gov/pub/irs-drop/n-23-20.pdf>

Given the challenges facing taxpayers in determining CAMT liability, the IRS announced in June (Notice 2023-42) that it will waive the penalty for a corporation’s failure to pay estimated income tax with respect to its CAMT liability for a taxable year that begins after December 31, 2022, and before January 1, 2024.

URL: <https://www.irs.gov/pub/irs-drop/n-23-42.pdf>

Insurance industry issues

Although the guidance in Notice 2023-64 is not limited to any particular industry, it nevertheless clarifies several issues that may be of particular interest to the insurance industry, such as considerations surrounding the adoption of new US generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS) insurance accounting standards; determination of a taxpayer's AFS; and exclusion of OCI from FSI.

Find out more

A new alert from Deloitte Tax LLP offers insights into the insurance industry-focused provisions of Notice 2023-64.

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/231020_5_suppA.pdf

Previous Deloitte Tax alerts on the CAMT address the provisions in Notice 2023-64 generally, the interim guidance in Notice 2023-7, the interim guidance in Notice 2023-20, and the temporary penalty relief in Notice 2023-42 for corporations that do not pay estimated tax related to their CAMT liability.

URL: https://dhub.deloitte.com/Newsletters/Tax/2023/TNV/230922_3_suppA.pdf

URL: https://dhub.deloitte.com/Newsletters/Tax/2023/TNV/230106_3_suppA.pdf

URL: https://dhub.deloitte.com/Newsletters/Tax/2023/TNV/230303_4_suppA.pdf

URL: https://dhub.deloitte.com/Newsletters/Tax/2023/TNV/230609_3_suppA.pdf

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