

Treasury and IRS release proposed corporate alternative AMT regs, additional penalty relief guidance

Treasury and the IRS released proposed regulations (REG-112129-23) on September 12 which provide guidance on the application of the corporate alternative minimum tax (CAMT). The government also released Notice 2024-66, extending the waiver of penalty relief for any underpayment of estimated tax attributable to a corporation's CAMT liability with respect to a taxable year that begins after December 31, 2023, and before January 1, 2025.

URL: <https://www.federalregister.gov/documents/2024/09/13/2024-20089/corporate-alternative-minimum-tax-applicable-after-2022>

URL: <https://www.irs.gov/pub/irs-drop/n-24-66.pdf>

The proposed regulations were published in the Federal Register on September 13, 2024.

Proposed regulations

Very generally, the proposed regulations provide definitions and general rules for determining and identifying applicable financial statement income (AFSI). The guidance also addresses a variety of topics with respect to adjustments to AFSI, including, among others:

- Mismatch between applicable financial statement year and taxable year;
- Partner's distributive share of partnership AFSI and other partnership transactions (for example, contributions of built-in gain property to partnerships and subsequent distributions, sales of partnership interests);
- AFSI, CAMT basis, and CAMT retained earnings resulting from certain corporate transactions, including corporate reorganizations;
- Foreign corporations' effectively connected income and special rules for controlled foreign corporations;
- Owners of disregarded entities or branches, tax-exempt entities, and financially troubled companies;
- Section 168 property, including special rules for section 168 property held by a partnership and section 481(a) adjustments with respect to section 168 property;
- Mark to market for hedging transactions;
- Related-party transactions; and
- CAMT avoidance transactions.

The proposed regulations make permanent a simplified method for a corporation to determine its applicable corporation status and provide relief for an applicable corporation to test out of its applicable corporation status.

In general, the proposed regulations are proposed to apply to taxable years ending after the date of publication in the Federal Register (for example, 2024 tax year for calendar year taxpayers), with certain

sections proposed to apply to taxable years ending after the date of publication of final regulations in the Federal Register. Special applicability dates apply in the case of tax consolidated groups.

In addition, a taxpayer may generally rely on all or portions of the proposed regulations for any taxable year ending on or before the date of publication in the Federal Register, if the taxpayer and its test group, as defined in the proposed regulations, follow the proposed regulations (or the portion) in their entirety in that taxable year and each subsequent year. Additional reliance rules are provided for interim previously released guidance, for example, Notices 2023-7 and 2023-64.

Notice 2024-66

Notice 2024-66 waives the penalty for a corporation's underpayment of estimated tax with respect to its CAMT liability for a taxable year that begins after December 31, 2023, and before January 1, 2025.

Additional details on the notice are available in a new alert from Deloitte Tax LLP.

URL: <https://www.taxathand.com/article/35879/United-States/2024/Notice-provides-relief-for-underpayment-of-estimated-income-tax-attributable-to-CAMT>

More details to come

A more detailed look at the new proposed CAMT regulations is forthcoming.

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