



## Corporate alternative minimum tax (CAMT) proposed regulations – Technical corrections Tax Alert

### Overview

On December 26, 2024, Treasury and the IRS published in the Federal Register technical corrections ([REG-112129-23](#)) to the CAMT proposed regulations, released on September 13, 2024 (the “technical corrections”). The proposed regulations provide guidance on the application of the CAMT under sections 55, 56A, and 59(k) and (l). For more background on the CAMT proposed regulations, see our prior [Tax Alert](#) and related [appendix](#).

### CAMT proposed regulations - technical corrections

The technical corrections address a number of items in the CAMT proposed regulations and provide, in part, to:

- Repropose Prop. Treas. Reg. § 1.59-2(f)(2)(i) to clarify that, following a change in ownership (as defined in Prop. Treas. Reg. § 1.59-2(f)(2)(i)(C)) of a corporation (other than a test group parent), (i) the corporation retains its adjusted financial statement income (AFSI) history, but not the AFSI history of persons the corporation was treated as related to under the relevant relationship criteria in Prop. Treas. Reg. § 1.59-2(c) for periods prior to the ownership change, for purposes of determining whether the corporation meets the average annual AFSI test for the taxable year in which the change in ownership occurs and for any subsequent taxable year and (ii) each person treated as related to the corporation under the relevant relationship criteria determines whether it meets the average annual AFSI test for the taxable year in which the change in ownership occurs or for any subsequent taxable year by separately applying Prop. Treas. Reg. § 1.59-2(f) (for example, such person does not include the corporation’s AFSI in the person’s AFSI for any period prior to the corporation’s change in ownership if the corporation and the person were not related during such prior period).
- Amend Prop. Treas. Reg. § 1.59-2(g)(2) to provide that the AFSI adjustments provided to tax-exempt entities under section 56A(c)(12) and Prop. Treas. Reg. § 1.56A-14 (in general, eliminating AFSI other than with respect to an unrelated trade or business or debt-financed property where income from such property is treated as unrelated trade or business income) may be

taken into account for purposes of the simplified method for determining applicable corporation status.

- Amend Prop. Treas. Reg. § 1.56A-1(d)(4) by correcting the redetermination of financial statement income (FSI) to provide that income and expense, as well as gain and loss, reflected in the FSI is redetermined by reference to the CAMT basis of the item.
- Update the applicability dates and reliance with respect to Prop. Treas. Reg. § 1.56A-4 (AFSI adjustments and basis determinations with respect to foreign corporations) and Prop. Treas. Reg. § 1.56A-6 (AFSI adjustments with respect to controlled foreign corporations). As corrected, taxpayers that choose to rely on Prop. Treas. Reg. §§ 1.56A-4 and 1.56A-6 must rely on such regulations for any transfers occurring during that taxable year (and not just for transfers occurring after September 13, 2024) and each subsequent taxable year until the final regulations are applicable to such transfers. Prop. Treas. Reg. § 1.56A-4(b)(3) provides that the term transfer (or transferred or transfers or transferring), when used with respect to an asset, means a sale, distribution, exchange, or any other disposition of the asset. If the asset is stock or securities of a corporation, the term transfer includes an issuance or a redemption of stock or securities by the corporation.
- Clarify, with respect to contributions of property to a partnership subject to the deferred sale approach, that acceleration events include partial acceleration events under the section 721(c) regulations in addition to full acceleration events. Partial acceleration events include regulatory allocations and certain section 734(b) adjustments.
- Amend Prop. Treas. Reg. § 1.56A-15(b)(11) by updating the determination of the tax capitalization method change AFSI adjustment to include only amounts with respect to taxable years ending after December 31, 2019 and before the tax year of change. Examples 5 and 6 in Prop. Treas. Reg. § 1.56A-15(d)(5)(v)(D) and (d)(5)(vi)(C), respectively, illustrating the tax capitalization method change AFSI adjustment have also been updated to reflect amounts taken into account with respect to taxable years ending after December 31, 2019 and before the year of change.
- Amend Prop. Treas. Reg. §§ 1.56A-18(e)(2)(ii), 1.56A-18(e)(6), and 1.56A-18(g)(4) to provide that the new target corporation with respect to an election under section 336(e), 338(g), or 338(h)(10) would determine its CAMT basis in the property deemed received from the target corporation to be equal to the new target corporation's applicable financial statement (AFS) basis in that property that would obtain if the transaction were treated as an asset sale for AFS purposes (as opposed to the regular tax basis resulting from the election).
- As described in the preamble to the technical corrections, Treasury and IRS intended the special basis provisions for section 351 transferees set forth in Prop. Treas. Reg. §§ 1.56A-19(g)(4)(iii) and 1.56A-19(g)(5)(iii) to prevent a section 351 transferee from receiving a fair market value basis in the assets received from a transferor that is not an applicable corporation (and therefore generally not subject to CAMT) by having the section 351 transferee issued a de minimis amount of boot (including section 351(g) nonqualified preferred stock) to the transferor thereby causing the transaction to be treated as a covered recognition transaction. Therefore, the technical corrections amend Prop. Treas. Reg. §§ 1.56A-19(g)(4)(iii) and 1.56A-19(g)(5)(iii) to clarify that, in such a situation, the section 351 transferee determines its CAMT basis in the transferred assets under section 362 (that is, carryover basis), increased by the amount of regular tax gain recognized by the transferor.
- Amend Prop. Treas. Reg. § 1.56A-26(d)(1). Prop. Treas. Reg. § 1.56A-26(d)(1) originally provided that a CAMT entity must make appropriate adjustments to "CAMT basis" to reflect the principles in the section 482 transfer pricing rules. As corrected, Prop. Treas. Reg. § 1.56A-26(d)(1) provides that a CAMT entity must "adjust its AFSI with respect to that

transaction” to reflect the principles in the section 482 transfer pricing rules.



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