

Part III – Administrative, Procedural, and Miscellaneous

Interim Simplified Method for Determining Applicable Corporation Status; Waiver of Certain Additions to Tax under Section 6655

Notice 2025-27

SECTION 1. OVERVIEW

This notice provides interim guidance regarding the application of the corporate alternative minimum tax (CAMT) and relief from certain additions to tax for an applicable corporation's underpayment of estimated tax under § 6655 of the Internal Revenue Code (Code).¹ Section 3 of this notice provides an optional simplified method for determining applicable corporation status (interim simplified method). Section 4 of this notice waives certain additions to tax under § 6655 with respect to a corporation's CAMT liability under § 55.

Prior to the publication of any final regulations relating to the CAMT, the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) intend to issue a notice of proposed rulemaking that revises the CAMT proposed regulations described in section 2.02(2) of this notice to include a method for determining applicable corporation status similar to the interim simplified method as well as other revisions.

¹ Unless otherwise specified, all "section" or "§" references are to sections of the Code or the Income Tax Regulations (26 CFR part 1).

SECTION 2. BACKGROUND

.01 Overview of the CAMT. Section 10101 of Public Law 117-169, 136 Stat. 1818, 1818-1828 (August 16, 2022), commonly referred to as the Inflation Reduction Act of 2022, amended § 55 to impose the CAMT based on the "adjusted financial statement income" (AFSI) of an "applicable corporation" for taxable years beginning after December 31, 2022. The definition of "applicable corporation" is provided in § 59(k)(1) and described in section 2.03 of this notice. Section 55(a) provides that, for the taxable year of an applicable corporation, the amount of CAMT imposed by § 55 equals the excess (if any) of (i) the tentative minimum tax for the taxable year, over (ii) the sum of the regular tax, as defined in § 55(c), for the taxable year plus the tax imposed under § 59A. Section 55(b)(2)(A) provides that, in the case of an applicable corporation, the tentative minimum tax for the taxable year is the excess of (i) 15 percent of AFSI for the taxable year (as determined under § 56A), over (ii) the CAMT foreign tax credit for the taxable year (as determined under § 59(l)). In the case of any corporation that is not an applicable corporation, § 55(b)(2)(B) provides that the tentative minimum tax for the taxable year is zero.

.02 Prior guidance relating to the CAMT.

(1) Prior notices. Notice 2023-7, 2023-3 I.R.B. 390 (January 17, 2023), announced that the Treasury Department and the IRS intended to issue proposed regulations addressing the application of the CAMT. Notice 2023-7 provided interim guidance on certain issues relating to the CAMT, including the treatment of certain Federal income tax credits under the CAMT and a safe harbor method for determining whether a corporation is an applicable corporation subject to the CAMT.

Notice 2023-20, 2023-10 I.R.B. 523 (March 6, 2023), Notice 2023-64, 2023-40 I.R.B. 974 (October 2, 2023), and Notice 2024-10, 2024-3 I.R.B. 406 (January 16, 2024), provided additional interim guidance to further clarify the application of the CAMT. Taxpayers may generally rely on the interim guidance provided in Notice 2023-7, Notice 2023-20, and Notice 2023-64 for taxable years ending on or before September 13, 2024. Taxpayers may rely on Notice 2024-10 for “Covered CFC Distributions” (as defined therein) received on or before September 13, 2024, and the rules for determining the applicable financial statement (AFS) of a tax consolidated group for taxable years ending before September 13, 2024.

(2) CAMT Proposed Regulations. On September 13, 2024, the Treasury Department and the IRS published a notice of proposed rulemaking (REG-112129-23) in the *Federal Register* (89 F.R. 75062) containing proposed regulations addressing the application of the CAMT (CAMT Proposed Regulations). Proposed § 1.59-2(g) of the CAMT Proposed Regulations would provide a simplified method for determining applicable corporation status. The CAMT Proposed Regulations also provide reliance rules, which are described in section 2.06 of this notice. On December 26, 2024, the Treasury Department and the IRS published in the *Federal Register* (89 F.R. 104909) technical corrections to the CAMT Proposed Regulations. Numerous comments were submitted in response to the CAMT Proposed Regulations, which the Treasury Department and the IRS continue to consider and study.

.03 Definition of applicable corporation.

(1) Applicable corporation. Section 59(k)(1)(A) provides that, for purposes of

§§ 55 through 59, the term "applicable corporation" means, with respect to any taxable year, any corporation (other than an S corporation, a regulated investment company, or a real estate investment trust) that meets either of the two average annual AFSI tests provided in § 59(k)(1)(B), for one or more taxable years that (1) are prior to that taxable year and (2) end after December 31, 2021.

(2) Average annual AFSI tests. The "general AFSI test" of § 59(k)(1)(B)(i) (described in section 2.03(2)(a) of this notice) and the "FPMG AFSI test" of § 59(k)(1)(B)(ii) (described in section 2.03(2)(b) of this notice) are collectively referred to as "the average annual AFSI tests" in this notice.

(a) General AFSI test. Under the general AFSI test of § 59(k)(1)(B)(i), if a corporation is not a member of a foreign-parented multinational group (FPMG) (as defined in § 59(k)(2)(B)) for any taxable year, the corporation meets the average annual AFSI test for a taxable year if its average annual AFSI (determined without regard to the adjustment under § 56A(d) for financial statement net operating losses (FSNOLs)) for the 3-taxable-year period ending with such taxable year exceeds \$1 billion.

(b) FPMG AFSI test. Under the FPMG AFSI test of § 59(k)(1)(B)(ii), if a corporation is a member of an FPMG for any taxable year, the corporation meets the average annual AFSI test if—

(i) the corporation meets the general AFSI test for the taxable year (determined after applying the FPMG rule in § 59(k)(2)), and

(ii) the average annual AFSI of the corporation (determined without regard to the FPMG rule in § 59(k)(2) and without regard to the adjustment under § 56(d) for

FSNOLs) for the 3-taxable-year period ending with such taxable year is \$100 million or more.

(3) Proposed § 1.59-2. Proposed § 1.59-2 would provide rules under § 59(k) for determining whether a corporation is an applicable corporation for purposes of §§ 55 through 59. Proposed § 1.59-2(c) would provide general rules regarding the average annual AFSI tests under § 59(k)(1)(B) and for determining AFSI for purposes of these tests.

.04 Definition of AFSI and adjustments relevant to interim simplified method.

(1) Definition of AFSI. For purposes of §§ 55 through 59, the term "AFSI" means, with respect to any corporation for any taxable year, the net income or loss of the taxpayer set forth on the taxpayer's AFS for that taxable year, adjusted as provided in § 56A. Section 56A(c) provides general adjustments to be made to AFSI. Section 56A(c)(15) authorizes the Secretary of the Treasury or the Secretary's delegate (Secretary) to issue regulations or other guidance to provide for such adjustments to AFSI as the Secretary determines necessary to carry out the purposes of § 56A.

(2) AFSI adjustments for certain Federal and foreign income taxes. Section 56A(c)(5) provides the general rule that AFSI is appropriately adjusted to disregard any Federal income taxes, or income, war profits, or excess profits taxes (within the meaning of § 901) with respect to a foreign country or possession of the United States, which are taken into account on the taxpayer's AFS. Proposed § 1.56A-8(b) would provide general rules for adjusting AFSI for certain income taxes under § 56A(c)(5).

(3) AFSI adjustments with respect to certain tax credits. Section 56A(c)(9) requires AFSI to be appropriately adjusted to disregard any amount treated as a payment against the Federal income tax pursuant to an election under § 48D(d) or § 6417 and included in the net income or loss set forth on the taxpayer's AFS. However, if such amount is otherwise disregarded under the adjustment rule in § 56A(c)(5), the adjustment in § 56A(c)(9) does not apply. Consistent with § 56A(c)(9), and pursuant to the authority granted by § 56A(c)(15) and (e), proposed § 1.56A-12 would provide that AFSI is adjusted to disregard any amount treated as a payment against the tax imposed by subtitle A of the Code pursuant to an election under § 48D(d) or § 6417 and any amount received from the transfer of an eligible credit that is not included in the gross income of the CAMT entity under § 6418(b) or that is treated as tax-exempt income under § 6418(c)(1)(A), to the extent the amount is not otherwise disregarded under proposed § 1.56A-8, among other AFSI adjustments.

(4) AFSI adjustments for tax-exempt entities. Section 56A(c)(12) requires AFSI to be appropriately adjusted, in the case of an organization subject to tax under § 511, to take into account only AFSI (i) of an unrelated trade or business of such organization, as defined in § 513, or (ii) derived from debt-financed property, as defined in § 514, to the extent that income from such property is treated as unrelated business taxable income. Proposed § 1.56A-14 would provide rules implementing § 56A(c)(12).

.05 Simplified method for determining applicable corporation status.

(1) Section 59(k)(3)(A) authorizes the Secretary to issue regulations or other

guidance providing a simplified method for determining whether a corporation is an applicable corporation subject to the CAMT.

(2) Under that authority, proposed § 1.59-2(g) would provide a simplified method for determining applicable corporation status, which is generally consistent with section 5 of Notice 2023-7. Proposed § 1.59-2(g)(2) would provide that, under the simplified method, the average annual AFSI tests are applied with specified modifications. First, the simplified method thresholds used for the average annual AFSI tests in § 59(k)(1)(B) would be reduced from \$1 billion to \$500 million and from \$100 million to \$50 million, respectively. In addition, proposed § 1.59-2(g)(2)(iii)(B), as corrected, would provide that, in determining AFSI under the simplified method, the only adjustments made are those in proposed § 1.56A-8(b) (concerning taxes) and proposed § 1.56A-14 (concerning tax-exempt entities) and, solely for purposes of the \$100 million second prong of the FPMG AFSI test, proposed § 1.56A-7 (regarding adjustment for income effectively connected to a United States trade or business). Further, in determining the AFSI of a person whose financial results are reflected on a consolidated AFS, those members of a test group whose financial results are reflected on the consolidated AFS would be treated as a single CAMT entity for purposes of proposed § 1.56A-1(c)(3) and (4) so that consolidation entries would be taken into account, except for those consolidation entries that eliminate transactions between persons that are treated as neither a single employer under § 52(a) or (b) nor members of an FPMG. See proposed § 1.59-2(g)(2)(iii)(A). Finally, the simplified method would permit a corporation that has an AFS year that differs from its taxable year to determine its AFSI by using its AFS year. See

proposed § 1.59-2(g)(2)(iv).

(3) Comments submitted in response to the simplified method provided under proposed § 1.59-2(g) have generally recommended raising the thresholds for the simplified method under proposed § 1.59-2(g) in order to reduce potential compliance burdens for corporations that exceed the thresholds but are not expected to be applicable corporations. The comments indicated that such corporations are currently required to determine applicable corporation status by applying the average annual AFSI tests under § 59(k)(1)(B) or proposed § 1.59-2(c), and to comply with applicable reporting requirements, as they do not satisfy the simplified method in proposed § 1.59-2(g).

(4) In addition, comments submitted in response to the simplified method provided under proposed § 1.59-2(g) requested that the adjustments to AFSI for certain tax credits under proposed § 1.56A-12, which apply for purposes of calculating AFSI for determining applicable corporation status under proposed § 1.59-2(c), should also apply when calculating AFSI under the simplified method in proposed § 1.59-2(g)(2). The comments noted that the exclusion of the AFSI adjustments under proposed § 1.56A-12 from the calculation of AFSI under the simplified method in proposed § 1.59-2(g)(2) could cause certain corporations that are not expected to be applicable corporations to exceed the thresholds in the proposed simplified method and, accordingly, to bear increased compliance burdens and higher compliance costs to calculate AFSI under the average annual AFSI tests in § 59(k)(1)(B) or proposed § 1.59-2(c) and to comply with applicable reporting requirements.

.06 Proposed applicability dates and reliance on the CAMT Proposed Regulations.

Proposed § 1.59-2 and other "specified regulations" (as defined in the Proposed Applicability Dates and Reliance on the Proposed Regulations section of the preamble to the CAMT Proposed Regulations) are proposed to apply to taxable years ending after September 13, 2024. In addition, the CAMT Proposed Regulations provide that a taxpayer may rely on proposed § 1.59-2 and other specified regulations for any taxable year ending on or before September 13, 2024, provided that the taxpayer, and each member of its test group determined under proposed § 1.59-2 for that taxable year, consistently follow all of the specified regulations (and other enumerated proposed rules) in their entirety for that taxable year and each subsequent taxable year until the first taxable year to which the final regulations are applicable. In addition, taxpayers may rely on one or more other sections of the CAMT Proposed Regulations for any taxable years ending on or before the date the CAMT Proposed Regulations are published as final in the *Federal Register*, provided that the taxpayer and each member of its test group for the taxable year consistently follow that section in its entirety and also follow all of the specified regulations (and other enumerated proposed rules) in their entirety in that taxable year and each subsequent taxable year until the first taxable year that final regulations are applicable.

.07 Estimated taxes.

(1) Section 6655(a) imposes an addition to tax for failure by a corporation to make a sufficient and timely payment of estimated income tax. Section 6655(c) and (d)(1)(A) generally provide that, in the case of a corporation, estimated income tax is required to be paid in four installments and the amount of any required installment is 25 percent of the required annual payment. Generally, under § 6655(d)(1)(B), the

required annual payment is the lesser of two amounts described in § 6655(d)(1)(B)(i) and (ii). The amount described in § 6655(d)(1)(B)(i) is 100 percent of the tax shown on the return for the taxable year. The amount described in § 6655(d)(1)(B)(ii) is 100 percent of the tax shown on the taxpayer's return for the preceding taxable year, so long as the preceding taxable year was a full twelve months long and the return for such year showed a liability for tax. However, pursuant to § 6655(d)(2), in the case of a large corporation (as defined under § 6655(g)(2)), the amount described in § 6655(d)(1)(B)(ii) may not be used to reduce the amount of an installment payment other than the first installment payment for the taxable year. In special circumstances, other rules specified in § 6655 or elsewhere may also apply.

(2) On June 7, 2023, the Treasury Department and the IRS issued Notice 2023-42, 2023-26 I.R.B. 1085, which provided a waiver of the addition to tax under § 6655 with respect to a corporation's CAMT liability under § 55 for any taxable year that begins after December 31, 2022, and before January 1, 2024.

(3) On April 15, 2024, the Treasury Department and the IRS issued Notice 2024-33, 2024-18 I.R.B. 959, which provided a limited waiver of the addition to tax under § 6655 to the extent the amount of any underpayment is attributable to a portion of a corporation's CAMT liability. The relief provided in Notice 2024-33 applied only for the purpose of calculating the installment of estimated tax by a corporate taxpayer that was due on or before April 15, 2024, or May 15, 2024 (in the case of a fiscal year taxpayer with a taxable year beginning in February 2024), with respect to a taxable year that began in 2024.

(4) On June 13, 2024, the Treasury Department and the IRS issued Notice

2024-47, 2024-27 I.R.B. 1, which extended the relief provided in Notice 2024-33.

Under Notice 2024-47, the limited waiver of the addition to tax under § 6655 provided by Notice 2024-33 was extended to apply for the purpose of calculating any installment of estimated tax by a corporate taxpayer that was due on or before August 15, 2024, with respect to a taxable year that began in 2024.

(5) Finally, on September 12, 2024, the Treasury Department and the IRS issued Notice 2024-66, 2024-40 I.R.B. 682, which provided a waiver of the addition to tax under § 6655 with respect to a corporation's CAMT liability under § 55 for any taxable year that begins after December 31, 2023, and before January 1, 2025. Notice 2024-66 also incorporated the relief provided in Notice 2024-33 and Notice 2024-47 and obsoleted those notices.

SECTION 3. INTERIM SIMPLIFIED METHOD

.01 Purpose of the interim guidance. To reduce compliance burdens and costs for certain corporations, this section 3 provides an interim simplified method to determine applicable corporation status using thresholds of \$800 million and \$80 million and calculating AFSI by using the AFSI adjustments described in proposed § 1.56A-12 as well as other AFSI adjustments.

.02 Definition of AFS Consolidation Entries. For purposes of this section 3, the term "AFS Consolidation Entries" means the financial accounting journal entries that are made in preparing a consolidated financial statement for a financial statement group in order to present the financial results of that group as if all members of the group were a single economic entity, including journal entries:

- (1) To eliminate the effect of transactions between members of the financial

statement group;

(2) To report amounts that are not recorded in the separate books and records of one or more members of the financial statement group; and

(3) To correct or otherwise adjust amounts that are reported in the separate books and records of one or more members of the financial statement group.

.03 Interim simplified method for determining applicable corporation status.

(1) Interim simplified method. A corporation may apply the interim simplified method described in this section 3.03 for purposes of determining whether it is an applicable corporation under § 59(k)(1). Under the interim simplified method, a corporation determines whether it is an applicable corporation by applying the rules in § 59(k)(1) and (2) with the following modifications:

(a) The general AFSI test in § 59(k)(1)(B)(i) (including for purposes of § 59(k)(1)(B)(ii)(I)) is applied by substituting "\$800,000,000" for "\$1,000,000,000."

(b) The second prong of the FPMG AFSI test in § 59(k)(1)(B)(ii)(II) is applied by substituting "\$80,000,000" for "\$100,000,000."

(2) Rules for determining AFSI. For purposes of this section 3.03, AFSI is determined—

(a) Except as provided in section 3.03(2)(c) of this notice,

(i) with regard to the adjustments set forth in § 56A(c)(2)(A), (c)(2)(B), (c)(5), (c)(9), and (c)(12) and, solely for purposes of applying § 59(k)(1)(B)(ii)(II), the adjustment set forth in § 56A(c)(4), and

(ii) without regard to any other adjustments set forth in § 56A(c) and (d),

(b) By adjusting AFSI to disregard (to the extent not already disregarded under

§ 56A(c)(9)):

(i) Any amount received from the transfer of an eligible credit, as defined in § 6418(f)(1)(A), that is not includible in the gross income of the taxpayer by application of § 6418(b) or is treated as tax exempt under § 6418(c)(1)(A), provided that such amount (or portion thereof) is not otherwise disregarded under § 56A(c)(5),

(ii) Any amount received pursuant to an election under §§ 48D(d)(2) or 6417(c) that is treated as tax exempt income under § 48D(d)(2)(A)(i)(III) or 6417(c)(1)(C), provided that such amount is not otherwise disregarded under § 56A(c)(5),

(iii) Any amount paid by the transferee taxpayer, as defined in § 6418(a), to the eligible taxpayer, as defined in § 6418(f)(2), as consideration for the transfer of the eligible tax credit, as defined in § 6418(f)(1)(A), provided that the amount is not otherwise disregarded under § 56A(c)(5), and

(iv) Any increase in the transferee taxpayer's net income or loss set forth on the taxpayer's AFS resulting from the utilization of the eligible tax credit, provided that the increase is not otherwise disregarded under § 56A(c)(5), and

(c) After taking into account AFS Consolidation Entries, except those that eliminate transactions between persons not treated as a single employer under § 52(a) or between entities not included in an FPMG, as applicable.

(3) AFS year different than taxable year. For purposes of this section 3.03, if a corporation has an AFS that covers a period (AFS year) that differs from its taxable year—

(a) Section 59(k)(1)(B)(i) and (ii)(II) are applied by substituting "3-AFS-year period ending during such taxable year" for "3-taxable-year-period ending with such

taxable year" in each place those phrases appear, and

(b) Section 59(k)(1)(E) is applied by substituting "AFS year" for "taxable year" and "3-AFS years" for "3-taxable years" in each place those phrases appear.

.04 Effect of exceeding the thresholds under the interim simplified method. If a corporation applies the interim simplified method described in section 3.03 of this notice for a taxable year and determines that its AFSI (as determined under section 3.03 of this notice) exceeds the relevant interim simplified method thresholds, then the corporation will be an applicable corporation for such taxable year only if it is determined to be an applicable corporation under § 59(k)(1) or, if the corporation follows the CAMT Proposed Regulations, proposed § 1.59-2(c).

.05 Applicability dates and reliance. A corporation may use the interim simplified method provided in section 3.03 of this notice for determining applicable corporation status for any taxable year ending on or before the date that a Treasury Decision adopting a simplified method pursuant to § 59(k)(3)(A) is published in the *Federal Register* and for which the original Federal income tax return has not been filed as of **[the date this notice is published in the Internal Revenue Bulletin]**. A corporation's use of the interim simplified method to determine that it is not an applicable corporation for a taxable year will not cause the corporation to become subject to, or to violate, the reliance rules, including the consistency requirements, provided in the preamble of the CAMT Proposed Regulations for such taxable year.

.06 Instructions to be modified. The instructions to Form 4626, *Alternative Minimum Tax – Corporations* and Schedule K of Form 1120, *U.S. Corporation Income Tax Return* (or other appropriate instructions in the Form 1120 series), will

be modified, as necessary, to reflect the availability of the interim simplified method provided in section 3.03 of this notice. The modified instructions will be posted on <https://www.irs.gov>.

SECTION 4. LIMITED WAIVER OF ADDITION TO TAX

.01 Waiver. In light of the continued uncertainty with respect to tax positions determined by applicable corporations following the publication of the CAMT Proposed Regulations, and in the interest of sound tax administration, the IRS will waive the addition to tax under § 6655 with respect to a corporation's CAMT liability under § 55 for any taxable year that begins after December 31, 2024, and before January 1, 2026 (Covered CAMT Year). Accordingly, for a Covered CAMT Year, a corporation's required installments of estimated tax need not include amounts attributable to its CAMT liability under § 55 to prevent the imposition of an addition to tax under § 6655. If a corporation fails to timely pay its CAMT liability under § 55 when due, other sections of the Code may apply; for example, additions to tax could be imposed under § 6651 if payment of the CAMT liability is not made by the due date (without regard to any extension) of the corporation's return.

.02 Instructions to be modified. The instructions to Form 2220, *Underpayment of Estimated Tax by Corporations*, will be modified, as necessary, to clarify that no addition to tax will be imposed under § 6655 based on a corporation's failure to make an estimated tax payment of its CAMT liability under § 55 for any Covered CAMT Year, and that a taxpayer may exclude such amounts when calculating the amount of its required annual payment on Form 2220. The modified instructions will be posted on <https://www.irs.gov>.

.03 Instructions to avoid penalty notice. Taxpayers seeking the relief provided in this notice (affected taxpayers) must file Form 2220 with their Federal income tax return, even if they owe no estimated tax penalty. The Form 2220 must be completed without including the CAMT liability from Schedule J of Form 1120, *U.S. Corporation Income Tax Return* (or other appropriate line of the corporation's income tax return in the Form 1120 series). Affected taxpayers must also include an amount of estimated tax penalty on Line 34 of their Form 1120 (or other appropriate line of the corporation's income tax return in the Form 1120 series), even if that amount is zero. Failure to follow these instructions could result in affected taxpayers receiving a penalty notice that will require an abatement request to apply the relief provided by this notice.

.04 Applicability. The waiver of the addition to tax imposed by § 6655 described in section 4.01 of this notice applies for any Covered CAMT Year.

SECTION 5. ADDITIONAL INTERIM GUIDANCE AND REGULATIONS

.01 The Treasury Department and the IRS intend to issue additional interim guidance regarding application of the CAMT to respond to other comments submitted in response to the CAMT Proposed Regulations. The Treasury Department and the IRS anticipate that the additional interim guidance will address several issues, including among others:

(1) the interaction of the CAMT and the tonnage tax regime enacted by the American Jobs Creation Act of 2004, Public Law 108-357, 118 Stat. 1418 (October 22, 2004),

(2) how unrealized gains and losses on certain investment assets reported for financial statement purposes are taken into account for purposes of determining

AFSI,

(3) alternative rules for determining a partner's distributive share of partnership

AFSI,

(4) AFSI adjustments resulting from certain transactions between a partner and partnership,

(5) AFSI adjustments resulting from certain corporate transactions, and

(6) alternative rules for early reliance on the CAMT Proposed Regulations.

.02 The Treasury Department and the IRS anticipate that new proposed regulations issued to revise the CAMT Proposed Regulations will incorporate rules similar to the interim simplified method described in section 3 of this notice, the additional interim guidance addressing the issues described in section 5.01(1) through (6) of this notice, and other issues described in interim guidance.

SECTION 6. DRAFTING AND CONTACT INFORMATION

The principal authors of this notice are Madeline Padner of the Office of the Associate Chief Counsel (Income Tax and Accounting) and Alexander Wu of the Office of the Associate Chief Counsel (Procedure and Administration). Other personnel from the Treasury Department and the IRS participated in its development. For further information regarding section 3 of this notice, please contact Madeline Padner at (202) 317-7006 (not a toll-free number). For further information regarding section 4 of this notice, please contact Alexander Wu at (202) 317-6845 (not a toll-free number).