CPA
Practice Advisor

reporting more than $1 billion in annual adjusted book income averaged over a three-year period...

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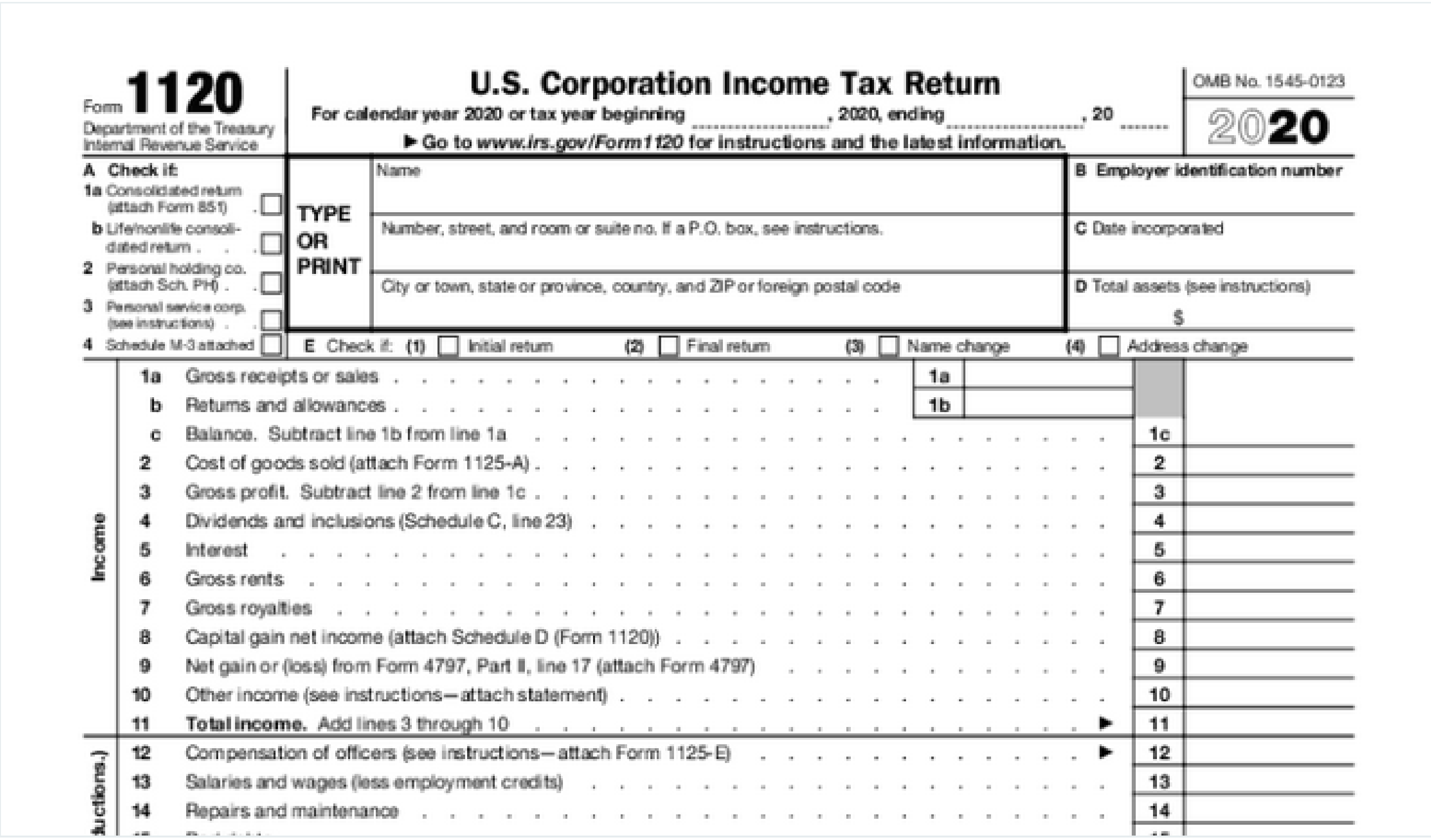

Form **1120** Department of the Treasury Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 2020 or tax year beginning ...., 2020, ending ...., 20 ......

▶ Go to www.irs.gov/Form1120 for instructions and the latest information.

OMB No. 1545-0123 **2020**

A Check if: 1a Consolidated return (attach Form 851) ☐ b Life/nonlife consolidated return ☐ 2 Personal holding co. (attach Sch. PH) ☐ 3 Personal service corp. (see instructions) ☐ 4 Schedule M-3 attached ☐

TYPE OR PRINT — Name; Number, street, and room or suite no. If a P.O. box, see instructions.; City or town, state or province, country, and ZIP or foreign postal code

B Employer identification number; C Date incorporated; D Total assets (see instructions) $

E Check if: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change

Income	1a	Gross receipts or sales	1a
	b	Returns and allowances	1b
	c	Balance. Subtract line 1b from line 1a	1c
	2	Cost of goods sold (attach Form 1125-A)	2
	3	Gross profit. Subtract line 2 from line 1c	3
	4	Dividends and inclusions (Schedule C, line 23)	4
	5	Interest	5
	6	Gross rents	6
	7	Gross royalties	7
	8	Capital gain net income (attach Schedule D (Form 1120))	8
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	9
	10	Other income (see instructions—attach statement)	10
	11	**Total income.** Add lines 3 through 10 ▶	11
...uctions.)	12	Compensation of officers (see instructions—attach Form 1125-E) ▶	12
	13	Salaries and wages (less employment credits)	13
	14	Repairs and maintenance	14

By: Tifphani White-King.

The Inflation Reduction Act, signed into law by President Biden on August 16, 2022, includes a range of measures intended to support climate and healthcare initiatives. To help fund these programs, the new law introduces various tax schemes.

Notably, a corporate alternative minimum tax (CAMT) will apply to certain corporations reporting more than $1 billion in annual adjusted book income averaged over a three-year period. Effective December 31, 2022, these corporations will have to pay the greater of these two amounts: 15% of their adjusted financial

or real estate investment trusts.

These and other extensive changes to the U.S. corporate tax regime introduced by the Inflation Reduction Act will require comprehensive planning and modeling by organizations to truly understand their full impact.

How can businesses prepare

Corporations in the group that are subject to the CAMT should not wait for additional guidance to begin modeling their adjusted financial statement income tax exposure. The first step should involve taking a step back and evaluating your corporation's tax business strategy from a holistic view. Corporations should start by seeking to answer questions such as: Based on our current strategy and structure, how will the provisions of the Act impact our business? What is our effective tax rate today, and what will it look like in the future?

Modeling for various scenarios – double taxation, taking advantage of new tax credits and incentives, conducting buybacks versus paying dividends – is key to truly understanding how the CAMT will affect your corporation. Organizaitons should have already started these modeling exercises to provide ample time to devise any changes necessary to optimize your potential tax exposure.

This exercise helps corporations identify areas of concern where additional guidance may be needed. Gathering secondary and tertiary opinions from multiple service providers to understand the number of prevailing options that exist and how the impact of CAMT will impact your business in the next year, or even the next ten years, can help organizations best model out every iteration or scenario.

Role of service providers

Navigating the alternative minimum tax may look different to various corporations

their clients in order to successfully map out the pathway of how to get there.

There are several new concepts introduced by the Inflation Reduction Act, all of which will impact corporations differently. By gathering opinions from various service providers, your organization can be best prepared to model out every iteration.

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Tifphani White-King is the International Tax Services Practice Leader for Mazars USA. She has nearly 20 years of tax experience, providing operational, strategic, and marketplace direction for emerging, mid-market, and large multinational companies. Her expertise includes international tax structuring, transaction planning, mergers and acquisitions, tax provision, compliance reporting, and other related services.

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