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of large companies starting in 2023.

**Jason Bramwell** • Feb. 21, 2023



The IRS and the Treasury Department on Feb. 17 issued interim guidance for insurance companies on the corporate alternative minimum tax (CAMT), which was created by last year's Inflation Reduction Act. The information released last Friday is intended to be used until the IRS and Treasury release proposed regulations.

The CAMT imposes a 15% minimum tax on the adjusted financial statement income of large corporations for taxable years beginning in 2023. Large corporations,

including insurance companies, with average annual adjusted financial statement

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The interim guidance contained in Notice 2023-20 provides information on determining a company's adjusted financial statement income as it relates to:

- Variable and similar contracts;
- Funds withheld reinsurance and modified coinsurance agreements; and
- The basis of certain assets held by certain previously tax-exempt entities that received a "fresh start" basis adjustment.

"The guidance addresses significant distortions that could arise as corporations determine their tax owed under the CAMT because of the interaction of financial accounting rules for certain life insurance assets and the CAMT," the Treasury Department stated. "To prevent unintended inclusion of non-economic gains or losses that appear on financial statements when determining tax owed under the CAMT, the notice allows taxpayers to use accounting practices that are in line with existing financial statement and tax treatment of these transactions. The guidance also clarifies that certain statutory 'fresh start' basis rules for formerly tax-exempt corporations apply to determine gains or losses under the CAMT."

Treasury and the IRS said it will continue to develop guidance on how corporations determine their tax owed under CAMT and expect to provide additional guidance in the coming months.

Notice 2023-20 also includes a request for comments and the procedure for submitting comments. Comments should be submitted by April 3.

IRS • Taxes

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