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July 25, 2025

Internal Revenue Service
1111 Constitution Ave. N.W.
Washington, D.C. 20224

Via electronic submission

RE: TEI Comments on REG-112129-23

Dear Sir or Madam:

President Biden signed the Inflation Reduction Act¹ (“IRA”) into law on August 16, 2022. Among the IRA’s income tax provisions is a corporate alternative minimum tax imposing a 15 percent tax on adjusted financial statement income (“AFSI”, and such tax, the “CAMT”). The IRA delegates significant authority to the Secretary of the Department of the Treasury (the “Secretary,” and the “Treasury”) to further define AFSI, as well as other CAMT items. Treasury and the Internal Revenue Service (the “Service,” together with the Treasury, the “Government”) published proposed regulations on September 13, 2024 (the “Proposed Regulations”).² On behalf of Tax Executives Institute, Inc. (“TEI”), I am pleased to provide comments on the CAMT and the Proposed Regulations.

About TEI

TEI was founded in 1944 to serve the needs of business tax professionals.³ Today, the organization has 55 chapters in North and South America, Europe, and Asia. As the preeminent association of in-house tax professionals worldwide, TEI has a significant interest in promoting sound tax policy, as well as the fair and efficient administration of the tax laws, at all levels of government. Our nearly 6,000 individual members represent over 2,900 of the leading companies around the world.

¹ Pub. L. No. 117-169.

² REG-112129-23, 89 Fed. Reg. 75062 (Sep. 13, 2024). Previously, the Government published Notice 2023-64, 2023-40 I.R.B. 1, and Notice 2023-20, 2023-10 I.R.B. 523, which provided interim guidance that taxpayers could rely on until the issuance of the Proposed Regulations. The Government also published Notice 2023-42, 2023-26 I.R.B. 1085, which provided relief from the addition to tax under § 6655 in connection with the application of the CAMT.

³ TEI is organized under the Not-For-Profit Corporation Law of the State of New York. TEI is exempt from U.S. Federal Income Tax under section 501(c)(6). All “section” references are to the Internal Revenue Code of 1986, as amended (the “Code”).

TEI is dedicated to the development of sound tax policy, compliance with and uniform enforcement of tax laws, and minimization of administration and compliance costs to the benefit of both government and taxpayers. These goals can be attained only through the members' voluntary actions and their adherence to the highest standards of professional competence and integrity. TEI is committed to fostering a tax system that works—one that is administrable and with which taxpayers can comply in a cost-efficient manner. The diversity, professional training, and global viewpoints of our members enable TEI to bring a balanced and practical perspective to the CAMT.

TEI Comments

TEI appreciates the Government's responsiveness to taxpayer concerns and welcomes the issued guidance under the Corporate Alternative Minimum Tax (CAMT). While some of our recommendations have been included in the Proposed Regulations, many critical issues raised in TEI's prior submissions—including our October 18, 2022, letter on the Corporate Alternative Minimum Tax,⁴ our March 20, 2023, letter on Notice 2023-7,⁵ our October 12, 2023, letter on Notice 2023-64,⁶ and our January 16, 2025, letter on REG-112129-23⁷—remain unaddressed. For the Government's reference, we have provided links to each of our prior submissions outlining our recommendations in greater detail.⁸ We note that recommendations one through nine below have been addressed in more detail in these previous TEI letters on the CAMT.

We encourage the Government to continue addressing the following unresolved issues by the previous Administration:

1. Adjustments for Financial Instruments

TEI urges that mark-to-market gains or losses on debt instruments, warrants, and options (held for investment and issued by unrelated parties) be excluded from AFSI. Current proposed rules address equity investments but not other financial instruments, leading to non-economic distortions in AFSI. The policies underlying these exceptions, which reverse non-economic consequences arising from specific accounting rules, should be extended to exclude financial accounting adjustments for all financial instruments issued by unrelated parties, not just equity investments and certain hedging transactions.

⁴ [TEI letter dated October 18, 2022, letter on the Corporate Alternative Minimum Tax.](#)

⁵ [TEI letter dated March 20, 2023, letter on Notice 2023-7.](#)

⁶ [TEI letter dated October 12, 2023, on Notice 2023-64.](#)

⁷ [TEI letter dated January 16, 2025, on REG-112129-23.](#)

⁸ See Footnotes 4-7.

2. Transition Relief for Tax Law Changes

We recommend that the final regulations provide transition relief in the case of changes in tax law that may have a distortive effect on a taxpayer's CAMT determination (e.g., where tax law changes accelerate income or defer deductions). The final regulations should provide relief to explicitly take into consideration adjustments provided to implement such changes in law in the CAMT calculation. Therefore, TEI recommends the final regulations provide that adjustments are to be made to AFSI to take into account Section 481(a) adjustments or similar book-tax adjustments (i.e., amounts expensed for financial statement purposes before the law change but deducted for regular tax purposes after the law change) to ensure that such adjustments do not result in distortive effects or the duplication or omission of items of income or loss and, that the timing impacts of such adjustments are in accord with regular taxable income.

3. Foreign Tax Credit (FTC) Disallowances

TEI objects to the Government's proposed broad disallowance of FTCs under regular tax rules (e.g., §901(m), §245A(d)) in the CAMT context. These disallowances are contrary to the intent of the statute and may lead to double taxation without statutory justification. TEI, therefore, recommends that final regulations do not adopt this approach and the Government only apply regular income tax disallowance and suspension rules in the CAMT foreign tax credit context where it is determined that a specific policy justifies extension of the limitation to the CAMT.

4. FTCs for Contested Taxes

The existing guidance does not address how the CAMT should treat foreign taxes that are being contested. Under current regulations, contested taxes are not accrued until the dispute is resolved, and only then may be credited for regular tax purposes—though provisional credits are allowed under limited circumstances. TEI recommends that the CAMT rules mirror this policy and allow taxpayers to claim a CAMT foreign tax credit when a provisional credit has been elected to avoid unfairly penalizing taxpayers who pay contested taxes upfront to toll foreign interest.

5. Relief from Administrative Burdens

TEI urges safe harbors or simplification to avoid the need for maintaining separate CAMT asset basis records, which are complex, duplicative, and costly. Suggested options include safe harbors that would allow reliance on tax or book basis to determine CAMT basis in assets.

6. Mergers & Acquisitions (M&A)

TEI requests simplification of CAMT rules related to nonrecognition transactions. Specifically, we ask that final regulations not require corresponding adjustments to basis for transactions that occurred before CAMT's effective date, as such a requirement introduces unnecessary complexity for historical activity not relevant to current CAMT liability.

7. Resolution of Potential Distortion Caused by Covered Recognition Transaction Rules

Recent tax law changes have promoted the repatriation of assets by U.S. corporations from foreign affiliates, often through Section 311 distributions. Under the Proposed Regulations, such distributions are treated as covered asset transactions, requiring CAMT entities to adjust AFSI by disregarding any foreign subsidiary income effects and including gain based on the CAMT basis. Following the distribution, the CAMT basis is reset to fair market value (“FMV”). However, where intangible assets are distributed, the Proposed Regulations do not permit amortization of the FMV basis for AFSI purposes—despite requiring recognition of gain on the distribution. This creates a mismatch by selectively applying regular tax rules: income recognition is followed, but the recovery of basis through amortization is not. To prevent income duplication under the CAMT, final regulations should permit amortization of the CAMT basis of distributed intangible assets, consistent with Section 197, where gain is recognized for AFSI purposes.

8. AFSI Computation for Foreign-Parented Multinationals

TEI urges the Government to provide flexibility for foreign-parented entities in determining AFSI. Specifically, TEI recommends that such taxpayers be allowed to use a “bottom-up” approach (starting from U.S. consolidated financials) rather than the default “top-down” approach (which starts from global IFRS statements and requires complex adjustments). We believe that the bottom-up method is more administrable and more reflective of U.S. tax liability.

9. Transition Issues

TEI has identified several transition challenges that arise when applying the CAMT to transactions and book-tax differences originating before the law’s effective date. Many of these issues stem from mismatches between financial accounting and tax treatment in pre-2023 years that could distort AFSI going forward.

A key concern is that reserves (e.g., contingent liabilities or loan losses) recorded for financial accounting purposes before 2023 may become deductible for tax purposes in post-2022 years, thereby reducing taxable income without a corresponding offset to book income — since the related book expense occurred prior to the enactment of the CAMT. Conversely, if reserves are released post-2022, they may increase AFSI without being reflected in tax income, effectively resulting in duplicative inclusion. These mismatches can cause artificial CAMT liabilities and violate the principle of preventing the duplication or omission of income. Therefore, TEI recommends that the Government provide flexible, elective relief to prevent duplicative or distorted CAMT outcomes arising from pre-2023 book-tax differences, including through the use of book depreciation for legacy assets, accounting method changes, and simplified rules for foreign tax credit carryforwards.

10. AFSI Adjustment for Stock-Based Compensation ("SBC")

Many taxpayers use SBC awards (e.g., restricted stock units ("RSUs")), to compensate employees. For companies that issue SBC, differences between book SBC expense and tax SBC deductions create both timing and permanent differences that lead to unpredictable volatility for CAMT purposes driven by market conditions and not the intended target of CAMT, i.e., aggressive tax planning. For financial statement purposes, SBC, based on value of stock at grant, is expensed over the service period between grant and vest. For regular tax purposes, SBC is deducted at vest (book-tax timing difference) based on the value at vest (book-tax permanent difference). Under the statutory grant of authority under sections 56A(c)(15) and 56A(e), the Government could provide for an AFSI adjustment to utilize tax SBC deductions rather than book SBC expense for purposes of computing AFSI. This AFSI adjustment could be similar to the AFSI adjustment for depreciation in section 56A(c)(13). Utilizing regular tax SBC deductions for purposes of computing AFSI carries out the purposes of the CAMT and arguably prevents the omission or duplication of items (i.e., excess or shortfall tax deductions for which there is a permanent difference between regular tax and financial statement reporting). This also would put taxpayers who compensate employees with stock on the same footing as taxpayers who compensate employees with cash.

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TEI appreciates the opportunity to comment on the CAMT and the Proposed Regulations. TEI's comments were prepared under the aegis of the Tax Reform Task Force, whose Chair is Andreia Verissimo. Should you have any questions regarding TEI's comments, please do not hesitate to contact Andreia Verissimo at alveriss@amazon.com or TEI Tax Counsel Kelly Madigan at kmadigan@tei.org.

Respectfully submitted,

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