

Part III – Administrative, Procedural, and Miscellaneous

Additional Interim Guidance for the Application of the Corporate Alternative Minimum Tax

Notice 2025-49

SECTION 1. OVERVIEW

This notice provides additional interim guidance regarding the application of the corporate alternative minimum tax (CAMT) under §§ 55, 56A, and 59 of the Internal Revenue Code (Code).¹ 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 partially withdraw the CAMT Proposed Regulations (as defined in section 2.03 of this notice) and to issue revised proposed regulations (forthcoming proposed regulations) that, in part, are anticipated to include rules similar to the interim guidance described in sections 3 through 10 of this notice, Notice 2025-27, 2025-26 I.R.B. 1611 (June 23, 2025), Notice 2025-28, 2025-34 I.R.B. 316 (August 18, 2025), and Notice 2025-46, 2025-43 I.R.B. ____ (October 20, 2025).

Section 3 of this notice addresses the applicability dates and reliance rules provided in the CAMT Proposed Regulations. Section 4 of this notice addresses an adjustment

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

to adjusted financial statement income (AFSI)² for a taxpayer with regulated operations that capitalizes certain costs as regulatory assets under Accounting Standards Codification (ASC) 980 in its applicable financial statement (AFS). Section 5 of this notice addresses adjustments to AFSI for certain items measured at fair value. Section 6 of this notice addresses an adjustment to AFSI for CAMT entities that are subject to the tonnage tax regime. Section 7 of this notice addresses an adjustment to AFSI for certain depreciation deductions that previously gave rise to a carryover of a net operating loss (NOL), as defined in § 172(c), for regular tax purposes. Section 8 of this notice addresses an adjustment to AFSI for nonlife insurance companies that carry back an NOL for regular tax purposes. Section 9 of this notice addresses an adjustment to AFSI for § 197 amortization attributable to tax goodwill acquired in certain transactions. Section 10 of this notice addresses adjustments to AFSI for accounting principle change adjustments and restatements of a prior-year AFS. Section 11 of this notice requests comments on the issues relating to section 5 of this notice.

SECTION 2. BACKGROUND

.01 Overview of the CAMT. Section 10101 of Public Law 117-169, 136 Stat. 1818, 1818-1828 (August 16, 2022), commonly known as the Inflation Reduction Act of 2022, amended § 55 to impose the CAMT based on the AFSI of an applicable corporation for taxable years beginning after December 31, 2022. 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 the average annual AFSI test

² Unless otherwise specified, terms used in this notice have the same meaning as in the CAMT Proposed Regulations described in section 2.03 of this notice.

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.

.02 AFSI under § 56A.

(1) General definition of AFSI. For purposes of §§ 55 through 59, § 56A(a) provides that 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.

(2) Provisions under § 56A relevant to the items described in this notice.

(a) Adjustments under § 56A(c) disregarding certain financial statement gains and losses for certain items measured at fair value.

(i) With respect to investment(s) in certain corporations, § 56A(c)(2)(C) generally provides that a taxpayer's AFSI with respect to another corporation that is not included on the taxpayer's consolidated return is determined by taking into account only the dividends received from such other corporation and certain other amounts includible in income or deductible as a loss with respect to such corporation.

(ii) With respect to investment(s) in a partnership, § 56A(c)(2)(D)(i) generally provides that, except as provided by the Secretary of the Treasury or the Secretary's delegate (Secretary), a taxpayer that is a partner in a partnership adjusts its AFSI with respect to such partnership to take into account only the taxpayer's distributive share of such partnership's AFSI.

(iii) With respect to investment(s) in a controlled foreign corporation (as defined in § 957 or, if applicable, § 953(c)(1)(B)) (CFC), § 56A(c)(3)(A) generally provides that a

taxpayer that is a United States shareholder of one or more CFCs adjusts its AFSI with respect to the CFC to take into account the taxpayer's pro rata share of items taken into account in computing the net income or loss set forth on the AFS of each such CFC.

(b) Authority of the Secretary to provide necessary adjustments.

Section 56A(c)(15) authorizes the 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, including adjustments to prevent the omission or duplication of any item.

(c) Adjustment for financial statement net operating losses (FSNOLs). Section 56A(d)(1) provides that AFSI is reduced by an amount equal to the lesser of (i) the aggregate amount of FSNOL carryovers to the taxable year, or (ii) 80 percent of AFSI computed without regard to the adjustment under § 56A(d)(1) (FSNOL adjustment). Section 56A(d)(2) provides that an FSNOL for any taxable year is a FSNOL carryover to each taxable year following the taxable year of the loss. The portion of the FSNOL carried to subsequent taxable years is the amount of the FSNOL remaining after subtracting the adjustments to AFSI made under § 56A(d)(1) for previous years. Section 56A(d)(3) defines an "FSNOL" as the amount of the net loss (if any) set forth on a corporation's AFS as adjusted by § 56A(c), and without regard to the FSNOL deduction, for taxable years ending after December 31, 2019.

(d) General authority of the Secretary. Section 56A(e) authorizes the Secretary to provide such regulations and other guidance as necessary to carry out the purposes of § 56A.

.03 CAMT Proposed Regulations.

(1) Overview. 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) that addressed the application of the CAMT and permitted taxpayers to rely on the proposed regulations contained therein subject to certain conditions and limitations. On December 26, 2024, the Treasury Department and the IRS published in the *Federal Register* (89 F.R. 104909) technical corrections to the proposed regulations set forth in REG-112129-23, which together with such proposed regulations are referred to as the “CAMT Proposed Regulations” in this notice. Numerous comments were submitted in response to the CAMT Proposed Regulations, which the Treasury Department and the IRS continue to consider and study.

(2) Provisions of the CAMT Proposed Regulations relevant to the items described in this notice.

(a) AFSI adjustments for changes in accounting principles and AFS restatements in proposed § 1.56A-17.

(i) Overview of proposed § 1.56A-17. Under the authority provided in § 56A(c)(15)(A), proposed § 1.56A-17 would provide rules regarding AFSI adjustments to prevent the duplication or omission of income, including rules under proposed § 1.56A-17(c) for adjusting AFSI to prevent duplications or omissions arising from a change in accounting principle and proposed § 1.56A-17(d) for adjusting AFSI to prevent duplications or omissions arising from the restatement of a prior year's AFS (AFS restatement).

(ii) Accounting principle changes. Proposed § 1.56A-17(c)(1) generally would require a CAMT entity that implements a change in accounting principle in its AFS for a

taxable year to adjust its AFSI by the accounting principle change amount, as described in proposed § 1.56A-17(c)(2)(i), subject to the adjustment spread period rules under proposed § 1.56A-17(c)(3) and (4) that prescribe the taxable year in which the accounting principle change amount is taken into account to determine AFSI. Under proposed § 1.56A-17(c)(2)(i), the accounting principle change amount would be equal to the net cumulative adjustment to the CAMT entity's beginning retained earnings for the taxable year that results from the change in accounting principle. Under proposed § 1.56A-17(c)(2)(i)(A), the accounting principle change amount would be adjusted to disregard any portion of the cumulative retained earnings adjustment attributable to taxable years ending on or before December 31, 2019. Under proposed § 1.56A-17(c)(2)(i)(B), the accounting principle change amount also would be adjusted to reflect any AFSI adjustments provided elsewhere in the CAMT Proposed Regulations, to the extent the retained earnings difference is attributable to FSI items to which those AFSI adjustments apply.

Proposed § 1.56A-17(c)(2)(ii) would provide rules for determining the accounting principle change amount when a CAMT entity is treated as implementing a change in accounting principle under proposed § 1.56A-17(c)(5) because the priority of the CAMT entity's AFS (as determined under proposed § 1.56A-2(c)) for the taxable year is different from the priority of the CAMT entity's AFS for the immediately preceding taxable year. In this case, the accounting principle change amount would be equal to the difference between the CAMT entity's beginning retained earnings reflected in the CAMT entity's current AFS as of the beginning of the taxable year and the CAMT entity's ending retained earnings reflected in its former AFS as of the end of the

immediately preceding taxable year (retained earnings difference). Under § 1.56A-17(c)(2)(ii)(A), the accounting principle change amount would be adjusted to disregard any portion of the cumulative adjustment attributable to taxable years ending on or before December 31, 2019. Under proposed § 1.56A-17(c)(2)(ii)(B), the accounting principle change amount also would be adjusted to reflect any AFSI adjustments provided elsewhere in the CAMT Proposed Regulations, to the extent the retained earnings difference is attributable to FSI items to which those AFSI adjustments apply.

(iii) AFS restatements. Proposed § 1.56A-17(d) would provide an adjustment to AFSI when a CAMT entity issues a restated AFS and the CAMT entity's FSI for a taxable year ending after December 31, 2019, is restated on or after the date that the CAMT entity files its original Federal income tax return for such taxable year (restatement year). Proposed § 1.56A-17(d)(1)(i) would require the CAMT entity to adjust its AFSI for the taxable year in which the restated AFS is issued (AFSI restatement adjustment). The AFSI restatement adjustment would be equal to the cumulative effect of the restatement on the CAMT entity's FSI for the restatement year, including any restatement of the CAMT entity's beginning retained earnings for the restatement year. However, under § 1.56A-17(d)(1)(i), the AFSI restatement adjustment would not take into account any retained earnings restatement attributable to taxable years ending on or before December 31, 2019. Under proposed § 1.56A-17(d)(1)(ii), the AFSI restatement adjustment also would be adjusted to reflect any AFSI adjustments provided elsewhere in the CAMT Proposed Regulations, to the extent the retained earnings difference is attributable to FSI items to which those AFSI adjustments apply.

(b) AFSI adjustments for FSNOLs in proposed § 1.56A-23. Consistent with § 56A(d), proposed § 1.56A-23 would provide that, if the AFSI of a corporation for a taxable year is positive (determined after application of all other CAMT Proposed Regulations), the corporation's AFSI is reduced by an amount equal to the lesser of (i) the aggregate amount of FSNOL carryovers to the taxable year, or (ii) 80 percent of the AFSI of the corporation (determined after application of the CAMT Proposed Regulations except proposed § 1.56A-23). Proposed § 1.56A-23(d)(1) would provide that an FSNOL for any taxable year is carried forward to each taxable year following the taxable year of the loss, and that any remaining FSNOL is carried forward to the subsequent taxable year.

(c) AFSI adjustments for hedging transactions and hedged items in proposed § 1.56A-24. Under the authority provided in § 56A(c)(15) and (e), proposed § 1.56A-24 would provide adjustments to AFSI for certain hedging transactions and hedged items to address distortions in the determination of AFSI as a result of mismatches between the timing of inclusion of gain or loss on the hedging transaction and the hedged item. Under proposed § 1.56A-24(c)(2), if a CAMT entity has a fair value measurement adjustment for either an AFSI hedge or the hedged item, but not both, the fair value measurement adjustment generally would be disregarded if neither the AFSI hedge nor the hedged item is marked to market for regular tax purposes. However, under proposed § 1.56A-24(e)(1), if a fair value measurement adjustment that is disregarded in a taxable year includes amounts corresponding to items of income, gain, deduction, or loss under chapter 1 of the Code in that taxable year, the CAMT entity would include those amounts in AFSI in that taxable year. Under proposed § 1.56A-24(e)(2), the

inclusion in AFSI of a fair value measurement adjustment that is disregarded under proposed § 1.56A-24(c)(2) generally would be delayed until the AFSI hedge or hedged item, or its corresponding hedged item or AFSI hedge (as applicable), matures or is sold, disposed of, or otherwise terminated. Under proposed § 1.56A-24(d), to the extent a CAMT entity marks to market a net investment hedge for regular tax purposes, the CAMT entity would include in AFSI the gain or loss resulting from marking to market the net investment hedge for regular tax purposes.

(3) Proposed applicability dates and reliance on the CAMT Proposed Regulations.

(a) Proposed applicability dates. The sections of the CAMT Proposed Regulations that are “specified regulations” (as defined in the Proposed Applicability Dates and Reliance on the Proposed Regulations section of the preamble to the CAMT Proposed Regulations) were proposed to apply to taxable years ending after September 13, 2024. The sections of the CAMT Proposed Regulations that are not specified regulations were proposed to apply to taxable years ending after the date final regulations are published in the *Federal Register*. Proposed §§ 1.1502-2, 1.1502-53, and 1.1502-56A were proposed to apply to consolidated return years for which the date of the income tax return (without extensions) is after the date final regulations are published in the *Federal Register*.

(b) Reliance on the CAMT Proposed Regulations.

(i) Reliance on the specified regulations. The CAMT Proposed Regulations provided that a taxpayer may rely on the 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 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 that the final regulations are applicable.

(ii) Reliance on non-specified regulations. The CAMT Proposed Regulations provided that taxpayers may rely on one or more sections of the CAMT Proposed Regulations that are not specified regulations for any taxable year ending on or before the date final regulations are published in the *Federal Register*, provided that the taxpayer and each member of its test group determined under proposed § 1.59-2 consistently follow that section and 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 the final regulations are applicable.

.04 Notices issued subsequent to CAMT Proposed Regulations.

(1) Notice 2025-27 provides interim guidance regarding an optional simplified method for determining applicable corporation status and provides a limited waiver of certain additions to tax under § 6655 with respect to a corporation's CAMT liability for taxable years beginning during 2025.

(2) Notice 2025-28 provides interim guidance on determining a CAMT entity's AFSI with respect to an investment in a partnership, reporting by partnerships of information needed to compute AFSI, and the treatment of partnership contributions and distributions. Notice 2025-28 also announced that the Treasury Department and the IRS anticipate that forthcoming proposed regulations will provide that, for taxable years beginning before the applicability date of final regulations addressing §§ 56A(c)(2)(D) and 56A(c)(15)(B) as applied to partnership investments, a taxpayer may rely on

proposed § 1.56A-5 (excluding proposed § 1.56A-5(l)(2)(ii) and (iii)) as contained in the CAMT Proposed Regulations without also being required to rely on proposed § 1.56A-20 as contained in the CAMT Proposed Regulations, or vice versa, subject to certain requirements. In addition, for taxable years beginning before the date the forthcoming proposed regulations are published in the *Federal Register*, Notice 2025-28 provides that a taxpayer may rely on proposed § 1.56A-5 (excluding proposed § 1.56A-5(l)(2)(ii) and (iii)) as contained in the CAMT Proposed Regulations without also being required to rely on proposed § 1.56A-20 as contained in the CAMT Proposed Regulations, or vice versa, subject to certain requirements.

(3) Notice 2025-46 provides interim guidance on the application of the CAMT to domestic corporate transactions, troubled companies, tax consolidated groups, acquired FSNOLs, and certain built-in items.

.05 Comments received on the CAMT Proposed Regulations relevant to items in this notice.

(1) Proposed applicability dates and reliance on the CAMT Proposed Regulations. Commenters stated that having different applicability dates for the specified regulations and non-specified regulations is confusing and inappropriately burdens taxpayers by proposing that certain complex rules contained in the specified regulations would apply based on the date the CAMT Proposed Regulations were published in the *Federal Register* as opposed to the date final regulations are published in the *Federal Register*. In addition, commenters stated that the rules for relying on the CAMT Proposed Regulations, which, among other requirements, generally prohibit a taxpayer from relying on a particular section of the CAMT Proposed Regulations unless the taxpayer

also applies all of the specified regulations, impose additional compliance burdens and costs on taxpayers seeking to apply relevant sections of the CAMT Proposed Regulations for taxable years ending on or before final regulations are published in the *Federal Register*. Commenters requested guidance providing that, for taxable years ending on or before the date the final regulations are published in the *Federal Register*, a taxpayer may rely on any section of the CAMT Proposed Regulations without also being required to apply the specified regulations or any additional sections of the CAMT Proposed Regulations, as applicable.

(2) CAMT entities with regulated operations. Commenters recommended that an adjustment to AFSI be allowed for certain repair or maintenance costs of CAMT entities with regulated operations because those CAMT entities are subject to special financial accounting rules under U.S. generally accepted accounting principles (GAAP). As defined in proposed § 1.56A-1(b)(27), GAAP are a common set of accounting rules, standards, and procedures that are generally issued by the Financial Accounting Standards Board (FASB) and, where applicable, the U.S. Securities and Exchange Commission. ASC 980 contains the FASB's financial accounting rules and principles applicable to regulated operations.

ASC 980-10-15-2 provides that an entity is required to apply the ASC 980 financial accounting rules to any regulated operations that meet certain criteria. First, the entity's rates for regulated services or products provided to its customers are established by or are subject to approval by an independent, third-party regulator or by its own governing board empowered by statute or contract to establish rates that bind customers. Second, the regulated rates are designed to recover the specific entity's costs of

providing the regulated services or products. Third, based on the demand for the regulated services or products and the level of competition (direct and indirect), it is reasonable to assume that rates set at levels that will recover the entity's costs can be charged to and collected from customers. Companies with regulated operations may include utilities regulated by a state public utility commission or energy companies regulated by the Federal Energy Regulatory Commission.

An entity that is required to apply ASC 980 to its regulated operations must capitalize for AFSI purposes all or part of an incurred cost (including a repair expenditure) that otherwise would be expensed when incurred under GAAP, if the cost meets the following criteria of ASC 980-340-25-1 (regulatory asset): (i) it is probable that future revenue in an amount that equals or exceeds the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes; and (ii) based on available evidence, that future revenue will be provided to permit the recovery of that cost, rather than to provide for expected levels of similar, future costs.

Neither § 56A(c) nor the CAMT Proposed Regulations provide an adjustment to AFSI for costs capitalized to, and included in the basis of, a regulatory asset, unless that asset also constitutes property to which § 168 applies for purposes of § 56A(c)(13) and proposed § 1.56A-15. Comments submitted in response to the CAMT Proposed Regulations recommended that an adjustment to AFSI be allowed for repair or maintenance costs with respect to tangible property that are capitalized under ASC 980-340-25-1 as regulatory assets. The commenters indicated that regulated utilities have elevated AFSI compared to non-regulated companies because ASC 980 requires entities with regulated operations to capitalize and depreciate the cost of repair or

maintenance costs that are regulatory assets for AFS purposes to spread the rate impact of such costs for their customers. The commenters explained that CAMT entities that do not have regulated operations under ASC 980-10-15-2 are not subject to ASC 980, and, thus, generally expense such costs when incurred under GAAP. The commenters observed that this elevated AFSI for regulated utilities due to the application of ASC 980 may result in increased CAMT liability for such taxpayers and, thus, an increased tax expense that would be includible in allowable costs for rate-making purposes.

(3) Items measured at fair value for FSI purposes. Section 56A provides for adjustments to AFSI to disregard certain financial statement gains and losses for certain items that are measured at fair value. For example, § 56A(c)(2)(C), (c)(2)(D)(i) and (c)(3)(A) provide adjustments to AFSI to disregard certain financial statement gains and losses attributable to certain investments in domestic corporations, partnerships, and CFCs that are measured at fair value. Further, the CAMT Proposed Regulations contain additional adjustments to AFSI for certain other items measured at fair value for FSI purposes, including adjustments under proposed § 1.56A-24.

Comments submitted in response to the CAMT Proposed Regulations, including proposed § 1.56A-24, generally recommended expanding the scope of the rules governing adjustments to items measured at fair value for FSI purposes. For example, one commenter recommended expanding the scope of the rule disregarding FSI resulting from the equity or fair value methods for certain stock investments to apply to all investment assets, including debt, debt-like securities, warrants, and options. In addition, commenters recommended expanding the scope of proposed § 1.56A-24 to

disregard a fair value measurement adjustment when either the hedged item or the AFSI hedge (but not both) is reflected in FSI at fair value, but both the hedged item and the AFSI hedge are marked to market for regular tax purposes. One commenter recommended expanding the scope to disregard a fair value measurement adjustment when an item is marked to market for regular tax purposes but a deferral rule applies to the mark-to-market gain or loss, such as due to § 1092. Commenters also recommended guidance that would clarify and modify the definitions, rules related to the application to prior years, subsequent adjustment rules, and net investment hedge rules in proposed § 1.56A-24.

Other commenters made broader recommendations. Three commenters recommended disregarding fair value measurement adjustments for additional items that are reflected in FSI at fair value and that are not marked to market for regular tax purposes, including digital assets. Two commenters stated that Congress did not intend for fair value measurement adjustments on assets held by a CAMT entity to be taken into account in determining AFSI. Two commenters indicated that including in AFSI unrealized gains and losses attributable to the fair value measurements would lead to distortions that should be alleviated with an adjustment to FSI to avoid the non-economic results that would arise absent such an adjustment. Two commenters stated that requiring fair value measurement adjustments to be taken into account in determining AFSI would disadvantage domestic corporations compared to foreign corporations as a result of different financial accounting rules. One commenter also noted that the proposed regulations would disregard fair value measurement adjustments for some assets and stated that it would be good policy to treat all assets in

the same manner. Commenters suggested issuing guidance that would disregard fair value measurement adjustments for AFSI purposes unless the gains and losses attributable to the adjustments are taken into account for regular tax purposes. One commenter requested guidance that would allow CAMT entities to elect out of the rules disregarding fair value measurement adjustments and instead follow FSI.

(4) CAMT and tonnage tax regime. The CAMT Proposed Regulations did not propose rules addressing the provisions of subchapter R of chapter 1 of the Code (tonnage tax regime). However, the preamble to the CAMT Proposed Regulations requested comments on the interaction between the CAMT and the tonnage tax regime, including comments on how best to provide AFSI adjustments for CAMT entities that are subject to the tonnage tax regime to meet the United States national security policy goals of the tonnage tax regime and the Maritime Security Program (MSP), while appropriately imposing the CAMT with respect to other AFSI of such entities.

Under § 1354(a), any corporation that is a "qualifying vessel operator," as defined in § 1355(a)(3), may elect to be subject to the tonnage tax imposed under § 1352. An election made by a member of a controlled group, as defined in § 1355(a)(2)(B), applies to all qualifying vessel operators that are members of that group. See § 1354(c). Any corporation subject to this election (electing corporation) is subject to tax on a notional amount of income from qualifying shipping activities in lieu of the Federal income tax that otherwise would be imposed under § 11 on the taxable income from those activities. See H.R. No. 108-548 Part 1 (2004) at 177. The notional amount of shipping income is determined under § 1353(b) based on the net tonnage of qualifying vessels (as defined in § 1355(a)(4)) that the electing corporation operates in United States

foreign trade during the taxable year. Section 1358(b) prevents an electing corporation from claiming any deductions against notional shipping income and limits the use of an NOL attributable to qualifying shipping activities in certain instances.

As a result of an election under § 1354, an electing corporation does not include income from qualifying shipping activities in its gross income for regular tax purposes. See § 1357(a). Further, a member of an electing group (as defined in § 1355(a)(2)) that is not an electing corporation (and, thus, is not subject to tax on notional shipping income under § 1352(2)) does not include its income from qualifying shipping activities in gross income for regular tax purposes. See § 1357(b). In addition, and subject to special rules for depreciation and interest in § 1357(c)(2) and (3), respectively, § 1357(c)(1) disallows each item of loss, deduction (other than for interest expense), or credit of any taxpayer with respect to any activity that generates income excluded under § 1357. The disallowance for interest expense is based on the ratio of the fair market value of the corporation's qualifying vessels to the fair market value of the corporation's total assets or, in the case of a member of an electing group, the electing group's total assets. See § 1357(c)(3)(A) and (B). For purposes of determining gain of any qualifying vessel, § 1357(c)(2) provides that the adjusted basis of a qualifying vessel is determined as if a deduction for depreciation had been allowed.

The Treasury Department and the IRS received comments noting that, without further guidance addressing how the CAMT interacts with the tonnage tax regime, the CAMT would result in both tax regimes applying simultaneously, which could undermine the national security purposes of the tonnage tax regime. Commenters further noted that this outcome could decrease the global competitiveness of U.S.-flag vessels.

Commenters requested that AFSI be adjusted for corporations subject to the tonnage tax regime so as not to undermine the tonnage tax regime's purpose.

(5) Depreciation deductions and NOL carryovers. Depreciation deductions allowed under § 167 with respect to section 168 property for a taxable year that give rise to an NOL (embedded depreciation deductions) for that taxable year generally are carried forward as part of the corresponding NOL carryover. The embedded depreciation deductions ultimately reduce a CAMT entity's regular tax liability in the taxable year in which the corresponding NOL carryover is allowed as a deduction under § 172(a). See § 172(a) and 172(b)(1)(A)(ii).

Neither § 56A(c) nor the CAMT Proposed Regulations provide an adjustment to AFSI for embedded depreciation deductions in the taxable year such amounts are allowed as a deduction under § 172(a). Commenters requested that an adjustment be allowed to reduce AFSI by embedded depreciation deductions attributable to an NOL arising in a taxable year ending on or before December 31, 2019 (pre-2020 embedded depreciation deductions), in the taxable year the NOL carryover containing those embedded depreciation deductions is allowed as a deduction under § 172(a).

Commenters noted that a CAMT liability under § 55 could arise in a taxable year in which an NOL carryover containing embedded depreciation deductions is allowed as a deduction under § 172, given that (i) neither § 56A(c) nor the CAMT Proposed Regulations provide a corresponding adjustment to AFSI for embedded depreciation deductions, and (ii) no corresponding AFSI adjustment is available under § 56A(d) or proposed § 1.56A-23 given that the AFSI adjustment under § 56A(d) and proposed § 1.56A-23 is limited to FSNOLs arising in taxable years ending after December 31,

2019.

(6) Application of FSNOL rules to nonlife insurance companies. The preamble to the CAMT Proposed Regulations noted that the § 56A(d) rules regarding the adjustment to AFSI for FSNOLs generally matches the rules regarding the use of NOLs applicable to most corporations for regular tax purposes under § 172, in that both FSNOLs and NOLs generally (i) may be carried forward for an indefinite number of years but may not be carried back, and (ii) may be used to reduce only 80 percent of AFSI (as provided in § 56A(d)(1)) or taxable income (as provided in § 172(a)(2)), respectively. However, § 172 provides exceptions to the general rule for nonlife insurance companies that are not found in § 56A(d). In particular, § 172 provides that a nonlife insurance company's NOLs (i) may be carried back for two years and carried forward 20 years, and (ii) are not subject to the 80-percent limit provided in § 172(a)(2). See § 172(b)(1)(C) and (f). The preamble to the CAMT Proposed Regulations noted that this disparity could create a mismatch between AFSI and regular taxable income for CAMT entities that are nonlife insurance companies that does not exist for other CAMT entities. In the preamble to the CAMT Proposed Regulations, the Treasury Department and the IRS requested comments on how substantial this mismatch may be and the severity of the economic effects of such mismatch, whether rules should be provided to address this potential mismatch, and how the rules might operate.

Commenters confirmed that a mismatch between regular tax NOLs and FSNOLs (book-tax NOL mismatch) may arise for nonlife insurance companies. Commenters asserted that this mismatch could cause nonlife insurance companies to have higher CAMT liability in a carryback year, and that this outcome is contrary to Congress's

objective in preserving NOL carrybacks for nonlife insurance companies. Commenters further noted that nonlife insurers provide relief to the economy from catastrophic losses, and that regular tax NOL carrybacks give these companies timely access to capital (via tax refunds for the carryback year) to help pay claims and replenish capital quickly after loss years. Commenters requested that adjustments be made in the final regulations to address the book-tax NOL mismatch for nonlife insurance companies.

(7) Goodwill amortization. Commenters requested that an adjustment to AFSI be allowed for amortization of goodwill under § 197. In general, amounts paid to another party to acquire goodwill are required to be capitalized in the taxable year paid or incurred. See § 1.263(a)-4(c)(1)(x). Once capitalized, such amounts are generally recovered through amortization deductions ratably over a 15-year period beginning with the month in which the goodwill is acquired (§ 197 amortization). See § 197(a), (c) and (d)(1)(A).

In general, amounts paid or incurred to acquire goodwill are capitalized for AFS purposes in the year paid or incurred. Once capitalized, those amounts generally are not recoverable through amortization, but rather are recoverable to the extent the goodwill is impaired (in which case an impairment loss would be recognized) or upon disposition of the goodwill. See ASC 350-20-35-1; IAS 36. However, goodwill may be recoverable through amortization for AFS purposes under certain circumstances. See, e.g., ASC 350-20-35-63, which allows certain private companies and not-for-profit entities to amortize goodwill on a straight-line basis over a 10-year period.

Neither § 56A(c) nor the CAMT Proposed Regulations provide an adjustment to AFSI for § 197 amortization of goodwill. Commenters requesting an adjustment to AFSI

for § 197 amortization of goodwill explained that goodwill may not be amortizable under IFRS or GAAP and, as a consequence, a CAMT liability under § 55 could arise in taxable years in which amortization of goodwill is deducted for regular tax purposes under § 197. In addition, commenters observed that CAMT entities could not have considered the consequences of the CAMT, including the treatment of goodwill under the CAMT, in their financial modeling for business acquisitions or in the allocation of the purchase price among acquired assets for acquisitions that occurred before the CAMT was in effect and, therefore, should be allowed an adjustment to AFSI for the amortization of goodwill acquired prior to that time.

(8) AFSI adjustments to retained earnings for accounting principle changes.

Commenters expressed concerns with the rules in proposed § 1.56A-17(c)(2)(i)(A), (c)(2)(ii)(A), and (d)(1)(i) that would require CAMT entities to disregard any portion of the adjustment to retained earnings attributable to taxable years ending on or before December 31, 2019. Commenters indicated that bifurcating the adjustments between amounts attributable to pre-2020 taxable years and amounts attributable to subsequent taxable years could create higher compliance costs and increased compliance burdens if such amounts were not already bifurcated for AFS purposes. Commenters recommended permitting CAMT entities to calculate these adjustments based on the entire cumulative adjustment to retained earnings rather than based on only the portion of the retained earnings adjustment attributable to taxable years ending on or after January 1, 2020.

SECTION 3. PROPOSED APPLICABILITY DATES AND RELIANCE ON THE CAMT
PROPOSED REGULATIONS AND FORTHCOMING PROPOSED REGULATIONS

.01 Purpose. In response to numerous comments received with respect to the CAMT Proposed Regulations outlining the concerns described in section 2.05(1) of this notice, the Treasury Department and the IRS have reconsidered the proposed applicability dates and reliance rules set forth in the “Proposed Applicability Dates and Reliance on the Proposed Regulations” section of the CAMT Proposed Regulations (see 89 F.R. 75127). The Treasury Department and the IRS anticipate that the notice of proposed rulemaking that will partially withdraw the CAMT Proposed Regulations and contain the forthcoming proposed regulations will include a new “Proposed Applicability Dates and Reliance on the Proposed Regulations” section providing that no section (for example, proposed § 1.56A-1) of the CAMT Proposed Regulations and the forthcoming proposed regulations would be applicable for any taxable year beginning before the date a corresponding section of a final regulation is published in the *Federal Register*. Accordingly, once published as final regulations in the *Federal Register*, no section of the CAMT Proposed Regulations will apply, and no section of the forthcoming proposed regulations will apply, to any taxable year beginning before the date a corresponding section of a final regulation is published in the *Federal Register*.

.02 Taxable years beginning before final regulations.

(1) Reliance on CAMT Proposed Regulations.

(a) In general. Except as provided in section 3.02(1)(b) of this notice, a taxpayer may rely on any section of the CAMT Proposed Regulations for a taxable year beginning before the date the corresponding final regulation is published in the *Federal Register*, provided the taxpayer consistently follows that section in its entirety for all such taxable years beginning with the first taxable year with respect to which the

taxpayer relies on that section. In addition, a taxpayer may rely on any section of the CAMT Proposed Regulations, as modified by any guidance (including the interim guidance in this notice) subsequently published in the Internal Revenue Bulletin, for a taxable year beginning before the date the forthcoming proposed regulations are published in the *Federal Register*, provided the taxpayer consistently follows such section (as so modified) in its entirety for all such taxable years beginning with the first taxable year with respect to which the taxpayer relies on such section.

(b) Certain related sections.

(i) In general. A taxpayer may rely on proposed § 1.56A-4 (AFSI adjustments and basis determinations with respect to foreign corporations) or 1.56A-6 (AFSI adjustments with respect to CFCs) of the CAMT Proposed Regulations, as applicable, for taxable years beginning before the date a corresponding final regulation section is published in the *Federal Register*, provided the taxpayer -

(A) consistently follows proposed §§ 1.56A-8 (AFSI adjustments for certain Federal and foreign income taxes) and 1.59-4 (CAMT foreign tax credit) of the CAMT Proposed Regulations for such taxable years, and

(B) consistently follows each of proposed § 1.56A-4 or 1.56A-6 (as applicable), proposed § 1.56A-8, and proposed § 1.59-4 in their entirety for all such taxable years beginning with the taxable year with respect to which the taxpayer relies on proposed § 1.56A-4 or 1.56A-6 (as applicable).

(ii) Special rule in determining eligible taxes. A taxpayer that relies on proposed § 1.59-4 may treat a tax that would otherwise not qualify as an eligible tax solely due to the applicability of section 245A(d) as an eligible tax for purposes of proposed § 1.59-4

if the tax is a foreign income tax paid or accrued by the taxpayer with respect to a dividend received (or treated as received for purposes of section 245A) from a CFC in which the taxpayer is a United States shareholder. This is the case notwithstanding that a section 245A deduction is allowed with respect to the dividend for regular tax purposes and therefore for CAMT purposes.

(c) Coordination with proposed § 1.56A-6(c)(1). If a taxpayer relies on proposed § 1.56A-6 of the CAMT Proposed Regulations pursuant to section 3.02(1)(b) of this notice, for purposes of relying on proposed § 1.56A-6(c)(1), the term “section 56A regulations” means the CAMT Proposed Regulations, as modified by any guidance (including the interim guidance in this notice) published in the Internal Revenue Bulletin subsequent to the CAMT Proposed Regulations that the taxpayer has relied on for purposes of making AFSI adjustments.

(2) Reliance on interim guidance provided in Notice 2025-27, Notice 2025-28, and Notice 2025-46. For a taxable year described in section 3.05 of Notice 2025-27, section 9 of Notice 2025-28, or section 9 of Notice 2025-46, as applicable, a taxpayer may rely on the guidance described in section 3.03 of Notice 2025-27, sections 3 through 7 of Notice 2025-28, or sections 3 through 6 of Notice 2025-46, without being required to follow any section, or part thereof, of the CAMT Proposed Regulations (except to the extent required by, or incorporated into, these Notices). Consequently, a taxpayer’s reliance on any of the guidance provided in section 3.03 of Notice 2025-7, sections 3 through 7 of Notice 2025-28, or sections 3 through 6 of Notice 2025-46 for a taxable year described in this section 3.02(2) will not cause the taxpayer to become subject to, or to violate, the reliance rules, including the consistency requirements, provided in

section 3.02(1) of this notice for such taxable year and any other relevant taxable years.

(3) Statement of guidance applied on Form 4626. In addition to any reporting required by a form, publication, or other guidance, a corporation must include with its Form 4626, *Alternative Minimum Tax—Corporations*, for a particular taxable year a statement describing the approach taken in completing Form 4626 for such taxable year and the guidance it relied upon for such taxable year. See page 2 of the instructions to Form 4626.³

SECTION 4. AFSI ADJUSTMENT FOR ELIGIBLE REGULATORY ASSETS

.01 Purpose. In response to comments received on the CAMT Proposed Regulations, the Treasury Department and the IRS anticipate that the forthcoming proposed regulations will include proposed regulations under § 56A(c)(15) and (e) consistent with the guidance provided in this section 4 to allow a CAMT entity subject to ASC 980 to adjust AFSI for eligible regulatory assets. In addition, the Treasury Department and the IRS anticipate that the forthcoming proposed regulations will propose a modification to proposed § 1.59-2(c) to provide that, for purposes of applying the average annual AFSI test in § 59(k)(1)(B) or proposed § 1.59-2(c), AFSI is determined without regard to the AFSI adjustment provided in this section 4.

.02 Definitions. For purposes of this section 4:

(1) CAMT entity subject to ASC 980. The term CAMT entity subject to ASC 980 means a CAMT entity that has regulated operations that meet the criteria of ASC 980-10-15-2 and has an AFS prepared in accordance with GAAP, including ASC 980.

(2) Eligible regulatory asset. The term eligible regulatory asset means any cost

³ <https://www.irs.gov/forms-pubs/about-form-4626>

attributable to tangible property repairs or maintenance that is capitalized under ASC 980-340-25-1 and subject to depreciation for AFS purposes. An eligible regulatory asset does not include any other costs capitalized for AFS purposes under ASC 980 or any other provision of GAAP, as defined in proposed § 1.56A-1(b)(27). The term eligible regulatory asset includes costs attributable to tangible property repairs or maintenance that are capitalized under ASC 980-340-25-01 and placed in service by a CAMT entity subject to ASC 980 in any taxable year, including taxable years ending on or before December 31, 2019.

(3) Regulatory asset book COGS depreciation. The term regulatory asset book COGS depreciation means any of the following items that are taken into account as part of cost of goods sold (or as part of the computation of gain or loss from the sale or exchange of property held for sale) in FSI with respect to an eligible regulatory asset--

(a) Depreciation expense;

(b) Other recovery of AFS basis (including from an impairment loss) that occurs either:

(i) Prior to the taxable year in which the complete disposition of the eligible regulatory asset occurs for AFS purposes, or

(ii) In the taxable year in which the complete disposition of the eligible regulatory asset occurs for AFS purposes to determine any FSI gain or loss from the disposition of the eligible regulatory asset; or

(c) Impairment loss reversal.

(4) Regulatory asset book depreciation expense. The term regulatory asset book depreciation expense means any of the following items other than regulatory asset book

COGS depreciation that are taken into account in FSI with respect to an eligible regulatory asset--

(a) Depreciation expense;

(b) Other recovery of AFS basis (including from an impairment loss) that occurs

either:

(i) Prior to the taxable year in which the complete disposition of the eligible regulatory asset occurs for AFS purposes, or

(ii) In the taxable year in which the complete disposition of the eligible regulatory asset occurs for AFS purposes to determine any FSI gain or loss from the disposition of the eligible regulatory asset; or

(c) Impairment loss reversal.

(5) Regulatory asset book inventoriable depreciation. The term regulatory asset book inventoriable depreciation means any of the following items that are included in inventoriable cost (or capitalized as part of the cost of non-inventory property held for sale) in the AFS of a CAMT entity subject to ASC 980 with respect to an eligible regulatory asset--

(a) Depreciation expense;

(b) Other recovery of AFS basis (including from an impairment loss) that occurs

either:

(i) Prior to the taxable year in which the complete disposition of the eligible regulatory asset occurs for AFS purposes, or

(ii) In the taxable year in which the complete disposition of the eligible regulatory asset occurs for AFS purposes to determine any FSI gain or loss from the

disposition of the eligible regulatory asset; or

(c) Impairment loss reversal.

.03 AFSI adjustment for eligible regulatory assets. The AFSI of a CAMT entity subject to ASC 980 for a taxable year may be adjusted as follows:

(1) Reduced by the amount of costs incurred under GAAP and capitalized under ASC 980-340-25-1 as eligible regulatory assets during such taxable year, but only to the extent that such amounts are--

(a) Not otherwise required to be capitalized for AFS purposes under any other GAAP rule, standard, or procedure, and

(b) Not required to be capitalized under § 263(a) for regular tax purposes; and

(2) Adjusted to disregard any regulatory asset book COGS depreciation and regulatory asset book depreciation expense with respect to any eligible regulatory asset.

.04 Determining regulatory asset book COGS depreciation adjustment.

(1) Except as provided in section 4.04(2) of this notice, a CAMT entity subject to ASC 980 is required to apply the method(s) of accounting the CAMT entity uses for AFS purposes to determine regulatory asset book inventoriable depreciation for purposes of determining the regulatory asset book COGS depreciation adjustment under section 4.03(2) of this notice.

(2) A CAMT entity subject to ASC 980 is permitted to use any reasonable method to determine regulatory asset book inventoriable depreciation for purposes of determining the regulatory asset book COGS depreciation adjustment under section 4.03(2) of this notice, provided that such reasonable method is consistent with and

reflects the method(s) of accounting the CAMT entity uses for AFS purposes. In the case of a CAMT entity subject to ASC 980 that uses the Last-In-First-Out (LIFO) method to identify inventories for AFS purposes, a reasonable method includes a method similar to the method provided in proposed § 1.56A-15(d)(3)(ii)(C).

(3) Reporting requirement. If a CAMT entity makes the AFSI adjustment provided in section 4 of this notice for a taxable year and is using a reasonable method to determine regulatory asset book inventoriable depreciation under section 4.04(2) of this notice, it must attach a statement to its Federal income tax return for such taxable year. The statement must be titled “AFSI adjustment for eligible regulatory assets” and include the CAMT entity’s name, address, and taxpayer identification number, and a statement that the CAMT entity is using a reasonable method to determine regulatory asset book inventoriable depreciation for purposes of determining the regulatory asset book COGS depreciation adjustment under section 4.03(2) of Notice 2025-49 for the taxable year. In addition, the statement must describe the method used to determine regulatory asset book inventoriable depreciation and include a declaration that the method used is consistent with and reflects the method(s) of accounting the CAMT entity uses for AFS purposes.

.05 Consistency requirement. If a CAMT entity subject to ASC 980 makes the AFSI adjustment provided in section 4.03 of this notice for a taxable year, it must continue to make the adjustment provided in section 4.03 of this notice for all subsequent taxable years until all eligible regulatory assets are disposed of for regular tax purposes or such time as prescribed by the Treasury Department and IRS in regulations or other guidance.

.06 Determining applicable corporation status. For purposes of applying the average annual AFSI test in § 59(k)(1)(B) or proposed § 1.59-2(c), AFSI is determined without regard to the AFSI adjustment provided in section 4.03 of this notice.

.07 Coordination with CAMT Proposed Regulations. For purposes of coordinating with relevant provisions of the CAMT Proposed Regulations (for example, proposed § 1.56A-15), the reduction to AFSI described in section 4.03(1) of this notice is treated as if it were an expense for FSI purposes. For example, the amount described in section 4.03(1) may be considered a covered book expense, as defined in proposed § 1.56A-15(b)(4), if applicable.

.08 Applicability date and reliance. It is anticipated that the forthcoming proposed regulations will provide that rules consistent with the guidance described in this section 4 will apply for taxable years beginning on or after the date the final regulations addressing the AFSI adjustment for eligible regulatory assets are published in the *Federal Register*. For taxable years beginning before the date such forthcoming proposed regulations are published in the *Federal Register*, CAMT entities may rely on the guidance in this section 4. A CAMT entity's reliance on any of the guidance in this section 4 for a taxable year will not cause the CAMT entity to become subject to, or to violate, the proposed reliance rules, including the consistency requirements, provided in section 3.02(1) of this notice.

SECTION 5. AFSI ADJUSTMENTS FOR CERTAIN ITEMS MEASURED AT FAIR VALUE

.01 Purpose. In response to comments, the Treasury Department and the IRS anticipate that the forthcoming proposed regulations will propose modifications to the

rules in proposed § 1.56A-24, other than the rules for net investment hedges, that would be consistent with the interim guidance provided in this section 5. The Treasury Department and the IRS are providing this interim guidance prior to the issuance of the forthcoming proposed regulations to provide taxpayers with an alternative approach to determine AFSI with respect to certain gains and losses that are included in FSI but generally are not included in gross income for regular tax purposes. Instead of being limited to AFSI hedges and hedged items as in proposed § 1.56A-24, this interim guidance applies more broadly to certain items that are measured at fair value for FSI purposes. For example, depending on the applicable financial accounting principles, this interim guidance may apply to (1) holdings of digital assets, (2) debt securities that are classified as trading securities, and (3) derivatives that are not part of a hedging transaction, if those items are measured at fair value for FSI purposes but are not marked to market for regular tax purposes. However, this interim guidance does not apply to a partnership investment, stock in a domestic corporation that is not a member of a tax consolidated group of which the CAMT entity is a member, stock in a foreign corporation, a net investment hedge, an asset or liability entered into as a hedging transaction by a covered insurance company in certain circumstances, a covered insurance company's assets in a covered investment pool, or a covered insurance company's covered obligations.

In general, the interim guidance in this section 5 provides that for certain items that are measured at fair value, a CAMT entity may adjust AFSI to disregard gains and losses that are unrealized for regular tax purposes (see section 5.03 of this notice, which describes the FVI exclusion option). The interim guidance in this section 5 also

provides that a CAMT entity may adjust AFSI to disregard certain gains and losses for certain AFSI hedges and hedged items (see section 5.04 of this notice, which describes the hedge coordination option).

.02 Definitions. For purposes of this section 5:

(1) Fair value item. The term fair value item means an asset or liability of a CAMT entity for which there are fair value measurement adjustments. The term fair value item does not include--

(a) Items subject to § 56A(c)(2)(C), (c)(2)(D), or (c)(3) and the guidance thereunder, including the CAMT Proposed Regulations, Notice 2025-28, and Notice 2025-46 (for example, the term fair value item does not include a partnership investment, stock in a domestic corporation that is not a member of a tax consolidated group of which the CAMT entity is a member, or stock in a foreign corporation);

(b) Assets or liabilities entered into as a hedging transaction, as described in proposed § 1.56A-24(b)(1)(ii), by a covered insurance company;

(c) A covered insurance company's assets in a covered investment pool; or

(d) A covered insurance company's covered obligations.

(2) Fair value measurement adjustment. The term fair value measurement adjustment means a change in the value of an asset or a liability due to required periodic determinations at least annually of the increases or decreases in fair value of that asset or liability included in a CAMT entity's FSI, regardless of whether the determinations are required due to the type of asset or liability or due to an election by the CAMT entity. The term fair value measurement adjustment includes changes in value resulting from the application of the lower of cost or market accounting method

under GAAP or the lower of cost and net realizable value accounting method under IFRS. The term fair value measurement adjustment does not include an impairment loss or impairment loss reversal.

(3) Subsequent adjustment date. The term subsequent adjustment date means the earliest day the fair value item matures or is sold, exchanged, terminated, or otherwise disposed of for regular tax purposes. For purposes of the hedge coordination option, a subsequent adjustment date also includes the earliest day on which the AFSI hedge or the hedged item (as applicable) that corresponds to the hedged item or the AFSI hedge with the fair value measurement adjustment that was disregarded under section 5.04 of this notice matures or is sold, exchanged, terminated, or otherwise disposed of for regular tax purposes. In addition, a subsequent adjustment date includes the first day of the taxable year in which the FVI exclusion option or hedge coordination option, as applicable, is no longer applied by a CAMT entity that previously applied the FVI exclusion option or hedge coordination option, as applicable.

.03 FVI exclusion option. Provided the requirements described in section 5.03(1) through (4) and section 5.05 of this notice are satisfied, a CAMT entity may adjust AFSI for a taxable year to disregard a fair value measurement adjustment for a fair value item for that taxable year if the CAMT entity does not mark to market the fair value item for regular tax purposes. For purposes of the FVI exclusion option, a CAMT entity marks to market the fair value item for regular tax purposes to the extent that the CAMT entity recognizes unrealized gain or loss in a taxable year for the fair value item and takes such gain or loss into account in the taxable year. For example, a CAMT entity may mark a fair value item to market for tax purposes due to the application of § 475,

§ 1256, or a similar provision. The determination regarding whether a CAMT entity recognizes unrealized gain or loss in a taxable year and takes such gain or loss into account in the taxable year is made after taking into account any elections made by the CAMT entity and the application of other applicable provisions that may result in unrealized gain or loss not being recognized.

(1) Consistency requirement. A CAMT entity must consistently apply the FVI exclusion option to all fair value items, except for a hedged item or AFSI hedge to which the hedge coordination option in section 5.04 of this notice applies.

(2) Application of FVI exclusion option.

(a) In general. Except as provided in section 5.03(2)(b) of this notice, a CAMT entity (or a controlling domestic shareholder of a CFC under section 5.03(4) of this notice) must indicate in a statement attached to its Federal income tax return that the CAMT entity intends to apply the FVI exclusion option for purposes of determining AFSI. The statement must be titled “FVI Exclusion Option for CAMT” and include the CAMT entity’s name, address, taxpayer identification number, and a statement that the CAMT entity is choosing the FVI exclusion option under section 5.03 of Notice 2025-49. The FVI exclusion option will apply for the taxable year beginning after the date on which the CAMT entity files an original or amended Federal income tax return containing that statement.

(b) Transition period. A CAMT entity may apply the FVI exclusion option for purposes of determining AFSI for its first taxable year beginning on any day during 2024, if the CAMT entity indicates in the statement described in section 5.03(2)(a) of this notice, attached to its original or amended Federal income tax return for that taxable

year, that the CAMT entity intends to apply the FVI exclusion option for that taxable year. Alternatively, a CAMT entity may apply the FVI exclusion option for purposes of determining AFSI for its first taxable year beginning on any day during 2025, if the CAMT entity indicates in the statement described in section 5.03(2)(a) of this notice attached to its Federal income tax return for that taxable year that the CAMT entity intends to apply the FVI exclusion option for that taxable year.

(3) Duration of FVI exclusion option. A CAMT entity applying the FVI exclusion option for a taxable year must continue to apply the FVI exclusion option for purposes of determining AFSI for all subsequent taxable years beginning before the date the forthcoming proposed regulations addressing AFSI adjustments for certain items measured at fair value are published in the *Federal Register* or until the CAMT entity (or a controlling domestic shareholder of a CFC under section 5.03(4) of this notice) indicates in a statement attached to its Federal income tax return that the CAMT entity intends to no longer apply the FVI exclusion option. The statement must be titled “Cessation of FVI Exclusion Option for CAMT” and include the CAMT entity’s name, address, taxpayer identification number, and a statement that the CAMT entity intends to no longer apply the FVI exclusion option under section 5.03 of Notice 2025-49. The FVI exclusion option ceases to apply for the taxable year beginning after the date on which the CAMT entity files an original or amended Federal income tax return containing that statement.

(4) CFCs. In the case of a CAMT entity that is a CFC, the controlling domestic shareholders (as defined in § 1.964-1(c)(5)) of the CFC must file a statement described in section 5.03(2)(a), (2)(b), or (3) of this notice on behalf of the CFC in accordance with

the procedures set forth in § 1.964-1(c)(3). The statement described in § 1.964-1(c)(3)(ii) must be titled “FVI Exclusion Option for CAMT on Behalf of CFC” or “Cessation of FVI Exclusion Option for CAMT on Behalf of CFC,” as applicable, and, in addition to the information set forth in § 1.964-1(c)(3)(ii), must include a statement that the CFC intends to apply or cease to apply the FVI exclusion option under Notice 2025-49. Applying or ceasing to apply the FVI exclusion option on behalf of a CFC is binding on all United States shareholders (as defined in § 951(b) or, if applicable, § 953(c)(1)(A)) of the CFC.

.04 Hedge coordination option. Provided the requirements described in section 5.04(1) through (4) and 5.05 of this notice are satisfied, if a CAMT entity has a hedged item and a corresponding AFSI hedge that are each marked to market for regular tax purposes, as defined in section 5.03 of this notice, but either the hedged item or the AFSI hedge (but not both) does not have a fair value measurement adjustment, the CAMT entity may adjust AFSI for a taxable year to disregard the fair value measurement adjustment on the AFSI hedge or hedged item with the fair value measurement adjustment.

(1) Consistency requirement. A CAMT entity that applies the hedge coordination option must apply the option to all transactions involving a hedged item and a corresponding AFSI hedge that are each marked to market for regular tax purposes but either the hedged item or the AFSI hedge (but not both) does not have a fair value measurement adjustment.

(2) Application of hedge coordination option.

(a) In general. Except as provided in section 5.04(2)(b) of this notice, a CAMT

entity (or a controlling domestic shareholder of a CFC under section 5.04(4) of this notice) must indicate in a statement attached to its Federal income tax return that the CAMT entity intends to apply the hedge coordination option for purposes of determining AFSI. The statement must be titled “Hedge Coordination Option for CAMT” and include the CAMT entity’s name, address, taxpayer identification number, and a statement that the CAMT entity is choosing the hedge coordination option under section 5.04 of Notice 2025-49. The hedge coordination option will apply for the taxable year beginning after the date on which the CAMT entity files an original or amended Federal income tax return containing that statement.

(b) Transition period. A CAMT entity may apply the hedge coordination option for purposes of determining AFSI for its first taxable year beginning on any day during 2024, if the CAMT entity indicates in the statement described in section 5.04(2)(a) of this notice attached to its original or amended Federal income tax return for that taxable year that the CAMT entity intends to apply the hedge coordination option for that taxable year. Alternatively, a CAMT entity may apply the hedge coordination option for purposes of determining AFSI for its first taxable year beginning on any day during 2025, if the CAMT entity indicates in the statement described in section 5.04(2)(a) of this notice attached to its Federal income tax return for that taxable year that the CAMT entity intends to apply the hedge coordination option for that taxable year.

(3) Duration of hedge coordination option. A CAMT entity applying the hedge coordination option for a taxable year must continue to apply the hedge coordination option for purposes of determining AFSI for all subsequent taxable years beginning before the date the forthcoming proposed regulations addressing AFSI adjustments for

certain items measured at fair value are published in the *Federal Register* or until the CAMT entity (or a controlling domestic shareholder of a CFC under section 5.04(4) of this notice) indicates in a statement attached to its Federal income tax return that the CAMT entity intends to no longer apply the hedge coordination option. The statement must be titled “Cessation of Hedge Coordination Option for CAMT” and include the CAMT entity’s name, address, taxpayer identification number, and a statement that the CAMT entity intends to no longer apply the hedge coordination option under section 5.04 of Notice 2025-49. The hedge coordination option ceases to apply for the taxable year beginning after the date on which the CAMT entity files an original or amended Federal income tax return containing that statement.

(4) CFCs. In the case of a CAMT entity that is a CFC, the controlling domestic shareholders of the CFC must file a statement described in section 5.04(2)(a), (2)(b), or (3) of this notice on behalf of the CFC in accordance with the procedures set forth in § 1.964-1(c)(3). The statement described in § 1.964-1(c)(3)(ii) must be titled “Hedge Coordination Option for CAMT on Behalf of CFC” or “Cessation of Hedge Coordination Option for CAMT on Behalf of CFC,” as applicable, and, in addition to the information set forth in § 1.964-1(c)(3)(ii), must include a statement that the CFC intends to apply or cease to apply the hedge coordination option under Notice 2025-49. Applying or ceasing to apply the hedge coordination option on behalf of a CFC is binding on all United States shareholders (as defined in § 951(b) or, if applicable, § 953(c)(1)(A)) of the CFC.

.05 Adjustments for disregarded fair value measurement adjustments. A CAMT entity that disregards a fair value measurement adjustment under the FVI exclusion

option or the hedge coordination option must apply the guidance provided in this section 5.05.

(1) Other adjustments to a CAMT entity's FSI. If a fair value measurement adjustment disregarded by a CAMT entity under section 5.03 or 5.04 of this notice for a taxable year includes amounts corresponding to items of income, gain, deduction, or loss under chapter 1 of the Code in that taxable year (other than gain or loss from marking to market an item for regular tax purposes), then the CAMT entity includes those amounts in AFSI in that taxable year. See proposed § 1.56A-24(f)(5) (*Example 5*) for an example of a disregarded fair value measurement adjustment that includes taxable income from original issue discount.

(2) Appropriate adjustments. If a CAMT entity disregards a fair value measurement adjustment from AFSI for a taxable year under section 5.03 or 5.04 of this notice, appropriate adjustments are made to any relevant CAMT attributes (for example, the CAMT basis of the fair value item) to reflect that such fair value measurement adjustment has not been included in AFSI and to reflect any amounts included in AFSI under section 5.05(1) of this notice.

(3) Inclusion of disregarded fair value measurement adjustment. In the taxable year of a subsequent adjustment date, the CAMT entity includes in AFSI the cumulative fair value measurement adjustments previously disregarded in determining AFSI under section 5.03 or 5.04 of this notice, net of any amounts included in AFSI under section 5.05(1) of this notice. The CAMT basis and any other relevant CAMT attributes of the fair value item that was subject to section 5.03 or 5.04 of this notice are adjusted to reflect the amounts included in AFSI under this section 5.05(3). Following a subsequent

adjustment date, the CAMT entity uses the CAMT basis of the fair value item that was subject to section 5.03 or 5.04 of this notice immediately following the subsequent adjustment date in order to determine any further income, gain, deduction, and loss included in AFSI with respect to the fair value item.

.06 Examples. The following examples illustrate the application of the guidance in section 5.03(2) and (3) of this notice. For purposes of these examples, X is an applicable corporation and uses the calendar year for its taxable year. The analysis in these examples similarly applies to situations involving the application of the guidance in section 5.04(2) and (3) of this notice.

(1) Example 1: Application of FVI exclusion option.

(a) Facts. X files its 2026 Federal income tax return on April 15, 2027. X indicates in a statement satisfying the requirements of section 5.03(2)(a) of this notice attached to its 2026 Federal income tax return that X intends to apply the FVI exclusion option for purposes of determining AFSI.

(b) Analysis. For purposes of determining the AFSI of X, X will begin to apply the FVI exclusion option for its taxable year beginning January 1, 2028, because this is the taxable year that begins after April 15, 2027, the date on which X filed a Federal income tax return containing a statement indicating its intent to apply the FVI exclusion option.

(2) Example 2: No longer applying the FVI exclusion option.

(a) Facts. X previously indicated in a valid statement attached to its Federal income tax return its intent to apply the FVI exclusion option and has continued to apply the FVI exclusion option. X files its 2027 Federal income tax return on April 15, 2028. X indicates in a statement satisfying the requirements of section 5.03(3) of this notice

attached to its 2027 Federal income tax return that X intends to no longer apply the FVI exclusion option for purposes of determining AFSI.

(b) Analysis. For purposes of determining the AFSI of X, X will cease to apply the FVI exclusion option for its taxable year beginning January 1, 2029, because this is the taxable year that begins after April 15, 2028, the date on which X filed its Federal income tax return containing a statement indicating its intent to no longer apply the FVI exclusion option.

.07 Applicability date and reliance. It is anticipated that the forthcoming proposed regulations will provide that rules consistent with the guidance described in this section 5 will apply for taxable years beginning on or after the date the final regulations addressing AFSI adjustments for certain items measured at fair value are published in the *Federal Register*. For taxable years beginning before the date those forthcoming proposed regulations are published in the *Federal Register*, taxpayers may rely on the guidance described in this section 5. A CAMT entity's reliance on the FVI exclusion option or the hedge coordination option to determine AFSI for a taxable year will not cause the CAMT entity to become subject to, or to violate, the reliance rules, including the consistency requirements, provided in section 3.02(1) of this notice for that taxable year. A CAMT entity that does not rely on the FVI exclusion option or hedge coordination option may continue to rely on proposed § 1.56A-24 until the first taxable year in which the forthcoming proposed regulations are published in the *Federal Register*.

SECTION 6. AFSI ADJUSTMENTS FOR CAMT ENTITIES SUBJECT TO THE
TONNAGE TAX REGIME

.01 Purpose. In response to comments, the Treasury Department and the IRS anticipate that forthcoming proposed regulations will include proposed regulations issued under § 56A(c)(15) and (e) consistent with the guidance in this section 6, which provides adjustments to AFSI for CAMT entities subject to subchapter R of chapter 1 of the Code (tonnage tax regime). In addition, the Treasury Department and the IRS anticipate that the forthcoming proposed regulations will propose modifications to proposed § 1.59-2 to provide that, for purposes of applying the average annual AFSI test in § 59(k)(1)(B) or proposed § 1.59-2(c), AFSI is determined without regard to the AFSI adjustments provided in this section 6.

.02 Coordination of the CAMT rules with the tonnage tax regime.

(1) CAMT entities to which this section applies. The guidance in this section applies only to a CAMT entity that is an electing corporation as defined in § 1355(a)(1) or a corporation that is a member of an electing group as defined in § 1355(a)(2).

(2) Gross income excluded under the tonnage tax regime. The AFSI of a CAMT entity is adjusted to disregard all or a portion of any item of income on the CAMT entity's AFS that corresponds to all or a portion of any item of income that is excluded from the CAMT entity's gross income under § 1357(a) or (b) for regular tax purposes.

(3) Deductions, credits, and losses disallowed under the tonnage tax regime. The AFSI of a CAMT entity is adjusted to disregard all or a portion of any item of expense, loss, or other reduction or increase on the CAMT entity's AFS that corresponds to all or a portion of any item of deduction, credit, or loss (including an NOL deduction) that is disallowed under § 1357(c)(1) or 1358(b) for regular tax purposes.

(4) Interest expense disallowed under the tonnage tax regime. The AFSI of a

CAMT entity is adjusted to disregard the portion of any item on the CAMT entity's AFS that corresponds to an item of interest expense that is disallowed under § 1357(c)(3) for regular tax purposes.

(5) Determination of gain or loss on the disposition of a qualifying vessel. The AFSI of a CAMT entity is adjusted to disregard any gain or loss on the CAMT entity's AFS from the disposition of a qualifying vessel (as defined by § 1355(a)(4)). The AFSI of a CAMT entity is further adjusted to include any gain or loss, for regular tax purposes, resulting from the CAMT entity's disposition of such qualifying vessel, taking into account the rules of § 1357(c)(2).

(6) Increase to AFSI for notional shipping income. The AFSI of a CAMT entity is increased by an amount equal to the CAMT entity's notional shipping income for the taxable year as determined under § 1353.

.03 Determining applicable corporation status. For purposes of applying the average annual AFSI test in § 59(k)(1)(B) or proposed § 1.59-2(c), AFSI is determined without regard to the AFSI adjustments provided in section 6.02 of this notice.

.04 Applicability date and reliance. It is anticipated that the forthcoming proposed regulations will provide that rules consistent with the guidance described in section 6 of this notice will apply for taxable years beginning on or after the date the final regulations addressing AFSI adjustments for CAMT entities subject to the tonnage tax regime are published in the *Federal Register*. A CAMT entity that is subject to the tonnage tax regime may rely on the guidance described in this section 6 for taxable years ending before the date the final regulations addressing the coordination of the CAMT rules with the tonnage tax regime are published in the *Federal Register*. A CAMT entity that relies

on the guidance described in this section 6 must apply section 6 in its entirety. A CAMT entity's reliance on any of the guidance in this section 6 for a taxable year will not cause the CAMT entity to become subject to, or to violate, the proposed reliance rules, including the consistency requirements, provided in section 3.02(1) of this notice for such taxable year.

SECTION 7. AFSI ADJUSTMENT FOR CERTAIN EMBEDDED DEPRECIATION DEDUCTIONS

.01 Purpose. In response to comments provided on the CAMT Proposed Regulations, the Treasury Department and the IRS anticipate that the forthcoming proposed regulations will include proposed regulations under § 56A(c)(15) and (e) consistent with the guidance provided in this section 7 to allow a CAMT entity to reduce AFSI for a taxable year by the portion of an NOL carryover attributable to pre-2020 embedded depreciation deductions that is allowed as an NOL deduction for such taxable year under § 172(a). In addition, the Treasury Department and the IRS anticipate that the forthcoming proposed regulations will propose modifications to proposed § 1.59-2 to provide that, for purposes of applying the average annual AFSI test in § 59(k)(1)(B) or proposed § 1.59-2(c), AFSI is determined without regard to the AFSI adjustments provided in section 7.03 of this notice.

.02 Definitions. For purposes of this section 7:

(1) Applicable depreciation percentage. The term applicable depreciation percentage means the fraction determined under section 7.03(4) of this notice.

(2) Deductible tax depreciation. The term deductible tax depreciation has the same meaning as provided in proposed § 1.56A-15(b)(5).

(3) Eligible NOL deduction. The term eligible NOL deduction means, with respect to any pre-CAMT NOL(s), the amount of the pre-CAMT NOL(s) carried forward and allowed as a deduction under § 172(a) in computing taxable income for the taxable year.

(4) Historical tax depreciation. The term historical tax depreciation means the amount of deductible tax depreciation and tax COGS depreciation taken into account in determining the pre-CAMT NOL for a pre-CAMT NOL year.

(5) Original depreciation carryforward. The term original depreciation carryforward means the amount determined in section 7.03(5)(b)(i) of this notice.

(6) Pre-CAMT NOL. The term pre-CAMT NOL means an NOL, as determined under § 172(c), arising in a taxable year ending on or before December 31, 2019.

(7) Pre-CAMT NOL year. The term pre-CAMT NOL year means, with respect to any pre-CAMT NOL, the taxable year in which such pre-CAMT NOL arose.

(8) Remaining depreciation carryforward. The term remaining depreciation carryforward means the amount determined in section 7.03(5)(b) of this notice.

(9) Section 168 property. The term section 168 property has the same meaning as provided in proposed § 1.56A-15(b)(6).

(10) Tax COGS depreciation. The term tax COGS depreciation has the same meaning as provided in proposed § 1.56A-15(b)(7), as determined under proposed § 1.56A-15(d)(3).

.03 AFSI adjustment for pre-2020 embedded depreciation deductions.

(1) In general. A CAMT entity may reduce its AFSI for a taxable year by an amount equal to the portion of an eligible NOL deduction for such taxable year that is

attributable to historical tax depreciation, as determined under section 7.03(2) of this notice. This adjustment does not apply for purposes of computing a CFC's adjusted net income or loss.

(2) Determination of the historical depreciation portion of an eligible NOL deduction.

A CAMT entity may use any reasonable approach to determine the portion of an eligible NOL deduction that is attributable to historical tax depreciation (historical depreciation portion). The Proportional Approach described in section 7.03(4) and the Lesser-of Approach described in section 7.03(5) are deemed to be reasonable approaches. To the extent a CAMT entity has an eligible NOL deduction for a taxable year that is attributable to more than one pre-CAMT NOL, the CAMT entity may use different approaches for determining the historical depreciation portion of the eligible NOL deduction with respect to each pre-CAMT NOL.

(3) Reporting and consistency requirements.

(a) Reporting requirement. If a CAMT entity makes the AFSI adjustment provided in section 7.03(1) of this notice for a taxable year, it must attach a statement to its Federal income tax return for such taxable year. The statement must be titled "AFSI adjustment for embedded depreciation deductions" and include the CAMT entity's name, address, and taxpayer identification number, and a statement that the CAMT entity is choosing to make the AFSI adjustment for pre-2020 embedded depreciation deductions under section 7.03(1) of Notice 2025-49 for the taxable year. In addition, for each pre-CAMT NOL comprising the AFSI adjustment for pre-2020 embedded depreciation deductions, the statement must provide the pre-CAMT NOL year, the approach used to determine the historical depreciation portion of an eligible NOL

deduction attributable to such pre-CAMT NOL, and the amount of the historical depreciation portion of the eligible NOL deduction attributable to such pre-CAMT NOL for the taxable year. If the CAMT entity chooses to use an approach for determining the historical depreciation portion other than the Proportional Approach or the Lesser-of Approach described in section 7.03(4) and (5) of this notice, the statement must include a description of the approach used.

(b) Consistency requirement. Once a CAMT entity chooses to make the AFSI adjustment under section 7.03(1) of this notice for a taxable year with respect to a pre-CAMT NOL, the CAMT entity must continue making such AFSI adjustment for each subsequent taxable year in which the CAMT entity is allowed an eligible NOL deduction with respect to that pre-CAMT NOL or until such time as prescribed by the Treasury Department and IRS in regulations or other guidance. Further, for each taxable year in which a CAMT entity makes the adjustment under section 7.03(1) of this notice with respect to a pre-CAMT NOL, the CAMT entity must use the same approach for determining the historical depreciation portion of an eligible NOL deduction with respect to such pre-CAMT NOL.

(4) Proportional Approach. Under the Proportional Approach, the historical depreciation portion of an eligible NOL deduction for a taxable year is calculated by multiplying the eligible NOL deduction for the taxable year by the applicable depreciation percentage for the corresponding pre-CAMT NOL. The applicable depreciation percentage for a corresponding pre-CAMT NOL means the fraction: (i) the numerator of which is the CAMT entity's historical tax depreciation for the pre-CAMT NOL year, and (ii) the denominator of which is the sum of the CAMT entity's total cost of

goods sold taken into account in computing gross income for regular tax purposes for that pre-CAMT NOL year and the CAMT entity's total deductions allowed in computing taxable income for regular tax purposes for that pre-CAMT NOL year.

(5) Lesser-of Approach.

(a) In general. Under the Lesser-of Approach, the historical depreciation portion of an eligible NOL deduction for a taxable year is the lesser of (i) the amount of the remaining depreciation carryforward for the corresponding pre-CAMT NOL as of the beginning of the taxable year, as determined under section 7.03(5)(b) of this notice, or (ii) the amount of the eligible NOL deduction attributable to the pre-CAMT NOL for such taxable year. If the amounts in (i) and (ii) are equal, the historical depreciation portion of an eligible NOL deduction for the taxable year equals such equal amount.

(b) Determination of remaining depreciation carryforward as of the beginning of the taxable year.

(i) Step 1. Calculate the amount of the original depreciation carryforward for the applicable pre-CAMT NOL as the lesser of:

(A) the amount of the CAMT entity's historical tax depreciation for the pre-CAMT NOL year; or

(B) the amount of the pre-CAMT NOL for such pre-CAMT NOL year.

(ii) Step 2. The amount of the remaining depreciation carryforward of the pre-CAMT NOL as of the beginning of a taxable year is the amount of the original depreciation carryforward described in Step 1 minus the cumulative amounts attributable to such pre-CAMT NOL that reduced AFSI under section 7.03(1) of this notice for taxable years preceding the current taxable year. For this purpose, such

cumulative amounts include amounts that would have reduced AFSI if the CAMT had been in effect in all taxable years preceding the taxable year and the CAMT entity chose to make the adjustment under this section 7.03(1) using the Lesser-of Approach with respect to the corresponding pre-CAMT NOL in all such preceding taxable years, as applicable.

.04 Determining applicable corporation status. For purposes of applying the average annual AFSI test in § 59(k)(1)(B) or proposed § 1.59-2(c), AFSI is determined without regard to the AFSI adjustment provided in section 7.03(1) of this notice.

.05 Examples. The following examples illustrate the guidance in section 7.03 of this notice. Unless otherwise specified, X is an applicable corporation, uses the calendar year for its taxable year and for its financial accounting period year, and none of its NOLs may be carried back under § 172(b)(1).

(1) Example 1. Proportional Approach.

(a) Facts: Taxable year 2018. For regular tax purposes, X had a pre-CAMT NOL of \$100x for its taxable year ending December 31, 2018 (2018 pre-CAMT NOL). For its taxable year ending December 31, 2018, X had \$200x of total cost of goods sold taken into account in computing gross income and \$300x of total deductions allowed in computing taxable income for regular tax purposes. The amount of tax COGS depreciation and deductible tax depreciation taken into account in determining the 2018 pre-CAMT NOL (the historical tax depreciation for the 2018 pre-CAMT NOL) was \$50x. X carried its 2018 pre-CAMT NOL forward under § 172(b)(2).

(b) Facts: Taxable year 2024. X's taxable year ending December 31, 2024, was the first taxable year in which X was eligible to claim an NOL deduction under § 172(a)

with respect to the 2018 pre-CAMT NOL. For its taxable year ending December 31, 2024, X claimed an eligible NOL deduction under § 172(a) attributable to the 2018 pre-CAMT NOL of \$30x. As such, X's unused 2018 pre-CAMT NOL to carry forward to its taxable year ending December 31, 2025, and subsequent taxable years under § 172(b)(2) is \$70x.

(c) Facts: Taxable year 2025. During its taxable year ending December 31, 2025, X claims its remaining 2018 pre-CAMT NOL carryforward as an eligible NOL deduction under § 172(a) (\$70x).

(d) Facts: AFSI adjustment for taxable years 2024 and 2025. For the taxable years ending December 31, 2024, and December 31, 2025, X makes the AFSI adjustment provided in section 7.03(1) of this notice with respect to its 2018 pre-CAMT NOL, and X attaches the statement described in section 7.03(3)(a) of this notice to its Federal income tax returns for both taxable years. X chose to use the Proportional Approach to determine its historical depreciation portion of the eligible NOL deductions that are attributable to the 2018 pre-CAMT NOL.

(e) Analysis: Determination of applicable depreciation percentage for 2018 pre-CAMT NOL. Under section 7.03(4) of this notice, X's applicable depreciation percentage for the 2018 pre-CAMT NOL is 10%, computed by dividing \$50x, X's historical tax depreciation for the 2018 pre-CAMT NOL year, by \$500x, the sum of X's total cost of goods sold taken into account in computing gross income (\$200x) and X's total deductions allowed in computing taxable income for regular tax purposes (\$300x) for the 2018 pre-CAMT NOL year ($\$50x / (\$200x + \$300x) = 10\%$).

(f) Analysis: AFSI adjustment for taxable year ending December 31, 2024.

Under the Proportional Approach described in section 7.03(4) of this notice, the historical depreciation portion of the eligible NOL deduction for X's taxable year ending December 31, 2024, is \$3x, determined by multiplying the amount of the eligible NOL deduction for 2024, \$30x, by the applicable depreciation percentage for the 2018 pre-CAMT NOL, 10%. Accordingly, X reduces AFSI for its taxable year ending December 31, 2024, under section 7.03(1) of this notice by \$3x ($\$30x \times 10\%$).

(g) Analysis: AFSI adjustment for taxable year ending December 31, 2025.

Since X chose to make the AFSI adjustment under section 7.03(1) of this notice with respect to the 2018 pre-CAMT NOL for the taxable year ending December 31, 2024, X must continue making the AFSI adjustment for the eligible NOL deduction attributable to the 2018 pre-CAMT NOL for its taxable year ending December 31, 2025. Further, X must continue using the Proportional Approach for determining the historical depreciation portion of eligible NOL deductions attributable to the 2018 pre-CAMT NOL. Thus, for its taxable year ending December 31, 2025, X's historical depreciation portion of the eligible NOL deduction attributable to the 2018 pre-CAMT NOL is \$7x, calculated by multiplying the eligible NOL deduction for its taxable year ending December 31, 2025, \$70x, by the applicable depreciation percentage for the 2018 pre-CAMT NOL, 10%. Accordingly, X reduces AFSI for its taxable year ending December 31, 2025, under section 7.03(1) of this notice by \$7x ($\$70x \times 10\%$).

(2) Example 2. Lesser-of Approach.

(a) Facts: Taxable year 2019. For regular tax purposes, X had a pre-CAMT NOL of \$30x (2019 pre-CAMT NOL) and \$60x of historical tax depreciation for its taxable year ending December 31, 2019. X carried its 2019 pre-CAMT NOL forward under

§ 172(b)(2).

(b) Facts: Taxable year 2025. X's taxable year ending December 31, 2025, is the first taxable year in which X is eligible to claim an NOL deduction under § 172(a) with respect to the 2019 pre-CAMT NOL. X claims an eligible NOL deduction for its taxable year ending December 31, 2025, with respect to its 2019 pre-CAMT NOL of \$5x. As of December 31, 2025, X has an unused 2019 pre-CAMT NOL of \$25x, which is carried forward under § 172(b).

(c) Facts: Taxable year 2026. During its taxable year ending December 31, 2026, X claims the remaining amount of its 2019 pre-CAMT NOL carryforward as an eligible NOL deduction under § 172(a) (\$25x).

(d) Facts: AFSI adjustment for taxable years 2025 and 2026. For the taxable years ending December 31, 2025, and December 31, 2026, X makes the AFSI adjustment provided in section 7.03(1) of this notice with respect to its 2019 pre-CAMT NOL, and X attaches the statement described in section 7.03(3)(a) of this notice to its Federal income tax returns for both taxable years. X chooses to use the Lesser-of Approach to determine its historical depreciation portion of the eligible NOL deductions that are attributable to the 2019 pre-CAMT NOL.

(e) Analysis: Determination of original depreciation carryforward. Under section 7.03(5)(b)(i) of this notice, X determines the amount of the original depreciation carryforward for the 2019 pre-CAMT NOL of \$30x, which is the lesser of X's historical tax depreciation for the 2019 pre-CAMT NOL year, \$60x, or the amount of the pre-CAMT NOL for the 2019 pre-CAMT NOL year, \$30x.

(f) Analysis: Determination of remaining depreciation carryforward as of the

beginning of the taxable year ending December 31, 2025. As of the beginning of X's taxable year ending December 31, 2025, the amount of remaining depreciation carryforward of the 2019 pre-CAMT NOL is \$30x, computed by subtracting from the amount of the original depreciation carryforward, \$30x, the cumulative amounts that reduced AFSI under section 7.03(1) of this notice with respect to the 2019 pre-CAMT NOL for taxable years preceding 2025, \$0x.

(g) Analysis: AFSI adjustment for taxable year ending December 31, 2025.

Under the Lesser-of Approach described in section 7.03(5) of this notice, X's historical depreciation portion of its eligible NOL deduction attributable to its 2019 pre-CAMT NOL is \$5x, determined as the lesser of the remaining depreciation carryforward attributable to the 2019 pre-CAMT NOL as of the beginning of X's taxable year ending December 31, 2025, \$30x, or the amount of the eligible NOL deduction attributable to the 2019 pre-CAMT NOL, \$5x. Accordingly, X reduces its AFSI under section 7.03(1) of this notice for its taxable year ending December 31, 2025, by \$5x.

(h) Analysis: AFSI adjustment for taxable year ending December 31, 2026. Since X chose to make the AFSI adjustment under section 7.03(1) of this notice with respect to the 2019 pre-CAMT NOL for the taxable year ending December 31, 2025, X must continue making the AFSI adjustment for the eligible NOL deduction attributable to the 2019 pre-CAMT NOL for its taxable year ending December 31, 2026. Further, X must continue using the Lesser-of Approach for determining the historical depreciation portion of eligible NOL deductions attributable to the 2019 pre-CAMT NOL. Thus, as of the beginning of X's taxable year ending December 31, 2026, X's remaining depreciation carryforward under section 7.03(5) of this notice for the 2019 pre-CAMT NOL is \$25x,

computed as the original depreciation carryforward, \$30x, minus the cumulative amounts that reduced AFSI under section 7.03(1) of this notice with respect to the 2019 pre-CAMT NOL for the taxable years preceding X's taxable year ending December 31, 2026, \$5x. Under section 7.03(5), X's historical depreciation portion of its eligible NOL deduction attributable to its 2019 pre-CAMT NOL for its taxable year ending December 31, 2026, is \$25x, determined as the lesser of the remaining depreciation carryforward for the 2019 pre-CAMT NOL as of the beginning of the taxable year, \$25x, or the amount of the eligible NOL deduction for the taxable year ending December 31, 2026, attributable to the 2019 pre-CAMT NOL, \$25x. Accordingly, X reduces its AFSI under section 7.03(1) for its taxable year ending December 31, 2026, by \$25x.

.06 Applicability date and reliance. It is anticipated that the forthcoming proposed regulations will provide that rules consistent with the guidance described in this section 7 will apply for taxable years beginning on or after the date the final regulations addressing the adjustment to AFSI for pre-2020 embedded depreciation deductions are published in the *Federal Register*. For taxable years beginning before the date such forthcoming proposed regulations are published in the *Federal Register*, taxpayers may rely on the guidance in this section 7. A CAMT entity's reliance on any of the guidance in this section 7 for a taxable year will not cause the CAMT entity to become subject to, or to violate, the proposed reliance rules, including the consistency requirements, provided in section 3.02(1) of this notice for such taxable year.

SECTION 8. AFSI ADJUSTMENTS FOR NONLIFE INSURANCE COMPANY NOL CARRYBACKS

.01 Purpose. In response to comments received on the CAMT Proposed

Regulations, the Treasury Department and the IRS anticipate that the forthcoming proposed regulations will include proposed regulations under § 56A(c)(15) and (e) consistent with the guidance provided in this section 8 to allow an eligible CAMT entity to make certain adjustments to AFSI for nonlife insurance company NOL carrybacks. In addition, the Treasury Department and the IRS anticipate that the forthcoming proposed regulations will propose a modification to proposed § 1.59-2(c) to provide that, for purposes of applying the average annual AFSI test in § 59(k)(1)(B) or proposed § 1.59-2(c), AFSI is determined without regard to the AFSI adjustments provided in this section 8.

.02 Definitions. For purposes of this section 8:

(1) Eligible CAMT entity. The term eligible CAMT entity means a CAMT entity that is a nonlife insurance company.

(2) Eligible return. The term eligible return means either an amended return for an NOL carryback year or an application for tentative carryback adjustment that includes the carryback of a nonlife insurance company NOL to an NOL carryback year.

(3) Financial statement net operating loss (FSNOL). The term financial statement net operating loss has the meaning provided in proposed § 1.56A-23(b).

(4) Loss year. The term loss year means the taxable year in which an NOL arose for regular tax purposes.

(5) NOL carryback year. The term NOL carryback year means a taxable year to which a nonlife insurance company NOL is carried under § 172(b)(1)(C)(i).

(6) Nonlife insurance company. The term nonlife insurance company means an insurance company, as defined in § 816(a), other than a life insurance company.

(7) Nonlife insurance company NOL. The term nonlife insurance company NOL means a net operating loss of a nonlife insurance company subject to § 172(b)(1)(C) for regular tax purposes.

.03 AFSI adjustments for nonlife insurance companies.

(1) AFSI adjustment for an NOL carryback year. If an eligible CAMT entity takes an NOL deduction for regular tax purposes on an eligible return for an NOL carryback year, the AFSI for such taxable year is reduced by an amount equal to the NOL deduction taken for regular tax purposes for such taxable year (NOL carryback amount).

(2) AFSI adjustment for taxable years succeeding a loss year.

(a) In general. If an eligible CAMT entity reduces AFSI by an NOL carryback amount for an NOL carryback year under section 8.03(1) of this notice, that CAMT entity has a corresponding increase to AFSI in one or more later taxable years under section 8.03(2)(b) of this notice equal to the absolute value of the reduction to AFSI for the NOL carryback year under section 8.03(1) of this notice (NOL inclusion). If a nonlife insurance company NOL results in an NOL deduction for more than one NOL carryback year, the NOL inclusions resulting from those NOL carryback amounts must be combined and treated as a single NOL inclusion for purposes of section 8.03(2)(b) of this notice.

(b) Timing and amount of NOL inclusion.

(i) In general. The entire amount of an NOL inclusion is carried to the first taxable year succeeding the loss year of the nonlife insurance company NOL, the carryback of which gave rise to the NOL inclusion. For such taxable year and any relevant subsequent taxable year, AFSI is increased by the lesser of—

(A) The remaining NOL inclusion as of the beginning of the taxable year; or

(B) The absolute value of any reduction to AFSI taken into account for the taxable year under § 56A(d) or proposed § 1.56A-23(c), reduced (but not below zero) by the amount of any other increase to AFSI for an NOL inclusion for the taxable year that is attributable to an earlier loss year.

(ii) Remaining NOL inclusion. For purposes of section 8.03(2)(b)(i)(A) of this notice, the remaining NOL inclusion means the amount of the NOL inclusion determined under section 8.03(2)(a) of this notice, reduced (but not below zero) by any amount of that NOL inclusion taken into account as an increase to AFSI under section 8.03(2)(b)(i) of this notice in a prior taxable year.

.04 Determining applicable corporation status. For purposes of applying the average annual AFSI test in § 59(k)(1)(B) or proposed § 1.59-2(c) for any taxable year, AFSI is determined without regard to the AFSI adjustments provided in section 8.03 of this notice.

.05 Applicability date and reliance. It is anticipated that the forthcoming proposed regulations will provide that rules consistent with the guidance described in section 8 of this notice will apply for taxable years beginning on or after the date the final regulations addressing AFSI adjustments related to nonlife insurance company NOL carrybacks are published in the *Federal Register*. For taxable years beginning before the date those forthcoming regulations are published in the *Federal Register*, taxpayers may rely on the guidance in this section 8. A taxpayer's reliance on the guidance in this section 8 for a taxable year will not cause the corporation to become subject to, or to violate, the proposed reliance rules, including the consistency requirements, provided in section

3.02(1) of this notice for that taxable year.

SECTION 9. AFSI ADJUSTMENT FOR ELIGIBLE GOODWILL AMORTIZATION

.01 Purpose. In response to comments received on the CAMT Proposed Regulations, the Treasury Department and the IRS anticipate that the forthcoming proposed regulations will include proposed regulations under § 56A(c)(15) and (e) consistent with the guidance provided in this section 9 to allow a CAMT entity to adjust AFSI for eligible goodwill that is amortizable under § 197 and acquired in a transaction that was announced to the public on or before October 28, 2021 (the date the House of Representatives Committee on Rules released the first version of the legislative text of H.R. 5376 that contained the CAMT), or if such transaction was not announced to the public, closed and completed on or before October 28, 2021. In addition, the Treasury Department and the IRS anticipate that the forthcoming proposed regulations will propose modifications to proposed § 1.59-2 to provide that, for purposes of applying the average annual AFSI test in § 59(k)(1)(B) or proposed § 1.59-2(c), AFSI is determined without regard to the AFSI adjustments provided in sections 9.04 and 9.05 of this notice.

.02 Definitions. For purposes of this section 9:

(1) Covered book goodwill amortization expense. The term covered book goodwill amortization expense means any of the following items that are taken into account in FSI with respect to eligible goodwill--

(a) Amortization expense;

(b) Other recovery of AFS basis (including from an impairment loss) that occurs prior to the taxable year in which the disposition of the eligible goodwill occurs for regular tax purposes; or

(c) Impairment loss reversal.

(2) Covered book goodwill expense. The term covered book goodwill expense means an amount (if any), other than covered book goodwill amortization expense, that--

(a) Reduces FSI; and

(b) Is reflected in the basis for depreciation, as defined in §§ 1.167(g)-1 and 1.197-2(f)(1)(ii) (determined without regard to any basis adjustments described in § 1016(a)(2) and (3)), of eligible goodwill for regular tax purposes.

(3) Deductible goodwill tax amortization. The term deductible goodwill tax amortization means eligible goodwill tax amortization, as defined in section 9.02(5) of this notice, that is allowed as a deduction in computing taxable income.

(4) Eligible goodwill. The term eligible goodwill means goodwill that meets the requirements of section 9.03 of this notice.

(5) Eligible goodwill tax amortization. The term eligible goodwill tax amortization means amortization deductions allowed under § 197 with respect to eligible goodwill.

.03 Eligible goodwill.

(1) In general. For purposes of section 9 of this notice, eligible goodwill is goodwill that is--

(a) An amortizable section 197 intangible under § 197(c)(1) and (d)(1)(A); and

(b) Acquired in a transaction that was either (i) announced to the public on or before October 28, 2021, or (ii) if such transaction was not announced to the public, closed and completed on or before October 28, 2021.

(2) Eligible goodwill that is not depreciable under § 197 for regular tax purposes.

Eligible goodwill does not include goodwill that is not subject to amortization under § 197 for regular tax purposes.

.04 AFSI adjustment for eligible goodwill.

(1) In general. The AFSI of a CAMT entity for a taxable year may be adjusted as follows--

(a) Reduced by deductible goodwill tax amortization with respect to eligible goodwill, but only to the extent of the amount allowed as a deduction in computing taxable income for the taxable year; and

(b) Adjusted to disregard covered book goodwill amortization expense and covered book goodwill expense, and amounts described in section 9.05(6) of this notice with respect to eligible goodwill, including eligible goodwill placed in service for regular tax purposes in a taxable year subsequent to the taxable year the eligible goodwill is treated as placed in service for AFS purposes

(2) Eligible goodwill held by a partnership. If eligible goodwill is held by a partnership, rules similar to proposed § 1.56A-16(d)(2) apply. However, if the CAMT entity otherwise applies any proposed modifications to the proposed CAMT regulations in Notice 2025-28, the CAMT entity must apply any applicable modifications in determining the effect of the partnership's eligible goodwill on AFSI for the taxable year.

(3) Consistency requirement. If a CAMT entity chooses to make the adjustment to AFSI provided in this section 9.04 for a taxable year and has eligible goodwill attributable to more than one transaction described in section 9.03(1)(b) of this notice as of the beginning of such taxable year, the CAMT entity must make the AFSI adjustment provided in this section 9.04 with respect to all such eligible goodwill. In addition, once

a CAMT entity chooses to make the AFSI adjustment provided in this section 9.04 for a taxable year, such CAMT entity must continue making such adjustment for all subsequent taxable years until all such eligible goodwill is disposed of for regular tax purposes or such time as prescribed by the Treasury Department and IRS in regulations or other guidance.

.05 AFSI adjustment upon disposition of eligible goodwill.

(1) In general. In the case of a CAMT entity that makes the adjustment provided in section 9.04 of this notice to determine AFSI for any taxable year, except as otherwise provided in section 9.05(7) of this notice, if such CAMT entity disposes of eligible goodwill for regular tax purposes, the CAMT entity must adjust AFSI for the taxable year in which the disposition occurs to redetermine any gain or loss taken into account in the CAMT entity's FSI with respect to the disposition for the taxable year (including a gain or loss of zero) by reference to the CAMT basis (in lieu of the AFS basis) of the eligible goodwill as of the date of the disposition (disposition date), as determined under section 9.05(2) of this notice. To the extent the CAMT basis of the eligible goodwill is negative (for example, because of differences between regular tax basis and AFS basis), this negative amount is required to be recognized as AFSI gain upon disposition of the eligible goodwill.

(2) Adjustments to the AFS basis of eligible goodwill. For purposes of applying section 9.05(1) of this notice, the CAMT basis of the eligible goodwill as of the disposition date is the AFS basis of the eligible goodwill as of that date--

(a) Decreased by the full amount of eligible goodwill tax amortization with respect to such goodwill as of the disposition date (regardless of whether any amount of eligible

goodwill tax amortization was capitalized for regular tax purposes and not yet taken into account as a reduction to AFSI through an adjustment described in section 9.04(1)(a) of this notice as of the disposition date);

(b) Increased by the amount of any covered book goodwill expense with respect to such property;

(c) Increased by the amount of any covered book goodwill amortization expense, if any, that reduced the AFS basis of such property as of the disposition date;

(d) Decreased by any reduction to the CAMT basis of such property under proposed § 1.56A-21, taking into account the proposed modifications to proposed § 1.56A-21 contained in Notice 2025-46 if the CAMT entity otherwise applies such modifications in determining AFSI for the taxable year; and

(e) Increased or decreased, as appropriate, by the amount of any adjustments to AFS basis that are disregarded for AFSI and CAMT basis purposes under the CAMT Proposed Regulations with respect to such goodwill, taking into account any proposed modifications to the CAMT Proposed Regulations contained in Notice 2025-46 if the CAMT entity otherwise applies such modifications in determining AFSI for the taxable year.

(3) Special rules regarding adjustments to the AFS basis of eligible goodwill. For purposes of determining the CAMT basis of the eligible goodwill under section 9.05(2) of this notice, rules similar to proposed § 1.56A-16(e)(2)(ii) apply.

(4) Disposition of eligible goodwill by a partnership. If a partnership disposes of eligible goodwill, rules similar to proposed § 1.56A-16(e)(3) apply. However, if the CAMT entity otherwise applies any proposed modifications to the proposed CAMT

regulations in Notice 2025-28, the CAMT entity must apply any applicable modifications in determining the effect of the disposition on AFSI for the taxable year.

(5) Treatment of amounts recognized in FSI upon the disposition of eligible goodwill. Except as otherwise provided in the CAMT Proposed Regulations (or as otherwise provided in Notice 2025-28 or Notice 2025-46 if the CAMT entity applies a proposed modification to the CAMT Proposed Regulations contained in such notices), if a CAMT entity disposes of eligible goodwill for regular tax purposes and recognizes gain or loss from the disposition in its FSI, the gain or loss (as redetermined under section 9.05(1) of this notice) is recognized for AFSI purposes in the taxable year of disposition, regardless of whether any gain or loss with respect to the disposition is realized, recognized, deferred, or otherwise taken into account for regular tax purposes.

(6) Subsequent AFS dispositions. If eligible goodwill is disposed of for regular tax purposes before it is treated as disposed of for AFS purposes, any AFS basis recovery with respect to such eligible goodwill that is reflected in FSI following the date such eligible goodwill is disposed of for regular tax purposes is disregarded in determining AFSI.

(7) Intercompany transactions. If a member of a tax consolidated group disposes of eligible goodwill for regular tax purposes in an intercompany transaction, rules similar to proposed § 1.56A-16(e)(6) apply, taking into account any applicable proposed modifications to proposed § 1.1502-56A contained in Notice 2025-46 if the member otherwise applies such modifications in determining AFSI for the taxable year.

.06 Determining applicable corporation status. For purposes of applying the average annual AFSI test in § 59(k)(1)(B) or proposed § 1.59-2(c), AFSI is determined without

regard to the AFSI adjustments provided in sections 9.04 and 9.05 of this notice.

.07 Applicability date and reliance. It is anticipated that the forthcoming proposed regulations will provide that rules consistent with the guidance described in section 9 of this notice will apply for taxable years beginning on or after the date of the final regulations addressing the adjustment to AFSI for eligible goodwill are published in the *Federal Register*. For taxable years beginning before the date such forthcoming proposed regulations are published in the *Federal Register*, taxpayers may rely on the guidance in this section 9. A CAMT entity's reliance on any of the guidance in this section 9 for a taxable year will not cause the CAMT entity to become subject to, or to violate, the proposed reliance rules, including the consistency requirements, provided in section 3.02(1) of this notice for such taxable year.

SECTION 10. AFSI ADJUSTMENTS FOR ACCOUNTING PRINCIPLE CHANGES AND RESTATEMENTS OF A PRIOR YEAR AFS

.01 Purpose. In response to comments received on the CAMT Proposed Regulations, the Treasury Department and the IRS anticipate that the forthcoming proposed regulations will include modifications to proposed § 1.56A-17(c)(2) and (d)(1) consistent with the guidance provided in this section 10, which provides a simplified approach to determine the accounting principle change amount and the AFSI restatement adjustment.

.02 Accounting principle change amount.

(1) In general. (a) Except as provided in section 10.02(2) of this notice, if a CAMT entity implements a change in accounting principle in its AFS for a taxable year, the accounting principle change amount is equal to the amount of the net cumulative

adjustment to the CAMT entity's beginning retained earnings for the taxable year that results from the change in accounting principle, adjusted to--

(i) Disregard any portion of the cumulative retained earnings adjustment attributable to taxable years ending on or before December 31, 2019; and

(ii) Reflect the AFSI adjustments provided in § 56A, the CAMT Proposed Regulations, or other guidance to the extent the cumulative retained earnings adjustment is attributable to FSI items to which those AFSI adjustments apply.

(b) Except as provided in section 10.02(2) of this notice, if a CAMT entity is treated as implementing a change in accounting principle under proposed § 1.56A-17(c)(5) for a taxable year, the accounting principle change amount is equal to the difference between the CAMT entity's beginning retained earnings reflected in the CAMT entity's current AFS as of the beginning of the taxable year and the CAMT entity's ending retained earnings reflected in the CAMT entity's former AFS as of the end of the immediately preceding taxable year (retained earnings difference), adjusted to--

(i) Disregard any portion of the cumulative retained earnings adjustment attributable to taxable years ending on or before December 31, 2019; and

(ii) Reflect the AFSI adjustments provided in § 56A, the CAMT Proposed Regulations, or other guidance to the extent the cumulative retained earnings adjustment is attributable to FSI items to which those AFSI adjustments apply.

(2) Simplified accounting principle change amount. A CAMT entity that implements a change in accounting principle, or is treated as implementing a change in accounting principle under proposed § 1.56A-17(c)(5), for a taxable year may use the simplified

accounting principle change amount described in this section 10.02(2) in place of the accounting principle change amount. The simplified accounting principle change amount is the accounting principle change amount described in section 10.02(1)(a) or (b) of this notice, as applicable, determined without regard to section 10.02(1)(a)(i) or 10.02(1)(b)(i) of this notice, respectively.

.03 AFSI restatement adjustment.

(1) In general. Except as provided in section 10.03(2) of this notice, if a CAMT entity issues a restated AFS and, as a result, the CAMT entity's FSI for a taxable year ending after December 31, 2019, is restated on or after the date the CAMT entity filed its original Federal income tax return for such taxable year (restatement year), the CAMT entity accounts for the restatement by adjusting its AFSI for the taxable year in which the restated AFS is issued (AFSI restatement adjustment). The AFSI restatement adjustment equals the cumulative effect of the restatement on the CAMT entity's FSI for the restatement year, including any restatement of the CAMT entity's beginning retained earnings for the restatement year, adjusted to--

(a) Disregard any portion of the retained earnings restatement attributable to taxable years ending on or before December 31, 2019; and

(b) Reflect the AFSI adjustments provided in § 56A, the CAMT Proposed Regulations, or other guidance to the extent the AFSI restatement adjustment relates to one or more FSI items to which AFSI adjustments provided in § 56A, the CAMT Proposed Regulations, or other guidance apply. For example, to the extent the AFSI restatement adjustment includes a Federal income tax component, § 56A(c)(5) and proposed § 1.56A-8 apply to disregard that component.

(2) Simplified AFSI restatement adjustment. A CAMT entity required to make an AFSI restatement adjustment for a taxable year, pursuant to section 10.03(1) of this notice, may use the simplified restatement adjustment described in this section 10.03(2) in place of the AFSI restatement adjustment. The simplified AFSI restatement adjustment is the AFSI restatement adjustment described in section 10.03(1) of this notice, determined without regard to section 10.03(1)(a) of this notice.

.04 Applicability date and reliance. It is anticipated that the forthcoming proposed regulations will provide that rules consistent with the guidance described in section 10 of this notice will apply to changes in accounting principle implemented in, and restated AFS issued in, taxable years beginning on or after the date the final regulations addressing AFSI adjustments for accounting principle change amounts and AFSI restatement adjustments are published in the *Federal Register*. For changes in accounting principle implemented in, and restated AFS issued in, taxable years beginning before the date such forthcoming proposed regulations are published in the *Federal Register*, taxpayers may rely on the guidance in this section 10. However, regardless of when such forthcoming proposed regulations are published in the *Federal Register*, a taxpayer may rely on the guidance provided in this section 10, for accounting principle changes implemented in, and restated AFS issued in, any taxable year beginning before January 1, 2026. A CAMT entity's reliance on any of the guidance in this section 10 for a taxable year will not cause the CAMT entity to become subject to, or to violate, the proposed reliance rules, including the consistency requirements, provided in section 3.02(1) of this notice for such taxable year.

SECTION 11. REQUEST FOR COMMENTS

.01 Comments regarding guidance provided in section 5 of this notice. The Treasury Department and the IRS request comments on the interim guidance set forth in section 5 of this notice.

(1) Interim AFSI adjustments for certain fair value items. The Treasury Department and the IRS continue to study whether the interim guidance described in this section 5 creates unintended results, including mismatches or distortions between AFSI and regular taxable income, and request comments identifying those unintended results. Commenters are also encouraged to specify the issues on which additional guidance is needed for fair value items.

(2) Coordination with proposed § 1.56A-22. The Treasury Department and the IRS request comments on how the rules in proposed § 1.56A-22(c) and proposed § 1.56A-22(d) and the guidance described in section 5.02 through section 5.07 of this notice should be coordinated.

.02 Procedures for Submitting Comments.

(1) Deadline. Written comments should be submitted by **[INSERT DATE 60 DAYS AFTER DATE OF RELEASE]**. Consideration will also be given to any written comment submitted after **[INSERT DATE 60 DAYS AFTER DATE OF RELEASE]**, although such comments may not be considered in the development of the forthcoming proposed regulations if such consideration would delay the publication of the forthcoming proposed regulations.

(2) Form and manner. The subject line for the comments should include a reference to Notice 2025-49. All commenters are strongly encouraged to submit comments electronically. Comments may be submitted in one of two ways:

(a) electronically via the Federal eRulemaking Portal at <https://www.regulations.gov> (type IRS-2025-0202 in the search field on the <https://www.regulations.gov> homepage to find this notice and submit comments); or

(b) by mail to: Internal Revenue Service, CC:PA:01:PR (Notice 2025-49), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington, D.C., 20044.

(3) Publication of comments. The Treasury Department and the IRS will publish for public availability any comment submitted electronically and on paper to the IRS's public docket on <https://www.regulations.gov>.

SECTION 12. PAPERWORK REDUCTION ACT

The Paperwork Reduction Act of 1995 (44 U.S.C. §§ 3501-3520) (PRA) required that a Federal agency obtain the approval of the Office of Management and Budget (OMB) before collecting information from the public, whether such collection of information is mandatory, voluntary, or required to obtain or retain a benefit. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. The collections of information in this notice are in sections 4.04(3), 5.03(2) and (3), 5.04(2) and (3), and 7.03(3)(a) of this notice.

Section 4.04(3) of this notice requires a CAMT entity to file a statement with its Federal income tax return if it chooses to use a reasonable method to determine regulatory asset book inventorable depreciation under section 4.04(2) of this notice to make the AFSI adjustment described in section 4 of this notice. The information requested in section 4.04(3) of this notice is required to obtain the benefit of making the AFSI adjustment described in section 4 of this notice. This information will be used by

the IRS to confirm compliance with the guidance in section 4 of this notice. The likely respondents are corporations.

Section 5.03(2) and 5.04(2) of this notice requires a CAMT entity to file a statement with its Federal income tax return if it chooses to apply the FVI exclusion option or hedge coordination option. The information requested in section 5.03(2) and 5.04(2) of this notice is required to obtain the benefit of using the FVI exclusion option or hedge coordination option. This information will be used by the IRS to confirm compliance with the FVI exclusion option or hedge coordination option. The likely respondents are corporations.

Section 5.03(3) and 5.04(3) of this notice requires a CAMT entity to file a statement with its Federal income tax return if it chooses to no longer apply the FVI exclusion option or hedge coordination option. The information requested in section 5.03(3) and 5.04(3) of this notice is required to no longer obtain the benefit of using the FVI exclusion option or hedge coordination option. This information will be used by the IRS to confirm whether the CAMT entity ceases to apply the FVI exclusion option or hedge coordination option. The likely respondents are corporations.

Section 7.03(3)(a) of this notice requires a CAMT entity to file a statement with its Federal income tax return if it chooses to make the AFSI adjustment described in section 7.03 of this notice. The information requested in section 7.03(3)(a) of this notice is required to obtain the benefit of making the AFSI adjustment described in section 7.03 of this notice. This information will be used by the IRS to confirm compliance with the guidance in section 7 of this notice. The likely respondents are corporations.

The reporting requirements in this notice will be included within OMB control number

1545-0123 in accordance with the PRA procedures under 5 CFR § 1320.10. The recordkeeping requirements are considered general tax records under § 1.6001-1(e). For PRA purposes, general tax records are already approved by OMB under 1545-0123 for business filers.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by § 6103.

SECTION 13. DRAFTING AND CONTACT INFORMATION

The principal authors of this notice are Samuel Terhaar of the Office of the Associate Chief Counsel (Income Tax & Accounting); Justin Karlin of the Office of Associate Chief Counsel (Financial Institutions & Products); and Timothy Blauch of the Associate Chief Counsel (International). Other personnel from the Treasury Department and the IRS participated in its development. For further information regarding sections 4, 7, and 9 of this notice, contact the Office of the Associate Chief Counsel (Income Tax & Accounting), Branch 7, at (202) 317-7005 (not a toll-free number). For further information regarding section 5 of this notice, contact Justin Karlin at (202) 317-6842 (not a toll-free number). For further information regarding section 6 of this notice, please contact Timothy Blauch at (202) 317-3485 (not a toll-free number). For further information regarding section 10 of this notice, contact James Yu at (202) 317-4718. For further information regarding sections 3 and 8 and all other aspects of this notice, contact Madeline Padner at (202) 317-7006 (not a toll-free number).