



5x5 series: Insights and actions

Corporate AMT considerations for an Inbound Company

An applicable corporation is any corporation (other than an S corporation, a RIC, or a REIT) which meets the average annual AFSI test (AFSI test) for one or more preceding tax years that end after December 31, 2021. The AFSI test is met for a tax year if the average annual AFSI (determined without regard to financial statement net operating losses (NOL)) for the three-year period ending with such year exceeds \$1 billion.



5 insights you should know

Corporate AMT imposes a 15% minimum tax on the adjusted financial statement income (AFSI) of an applicable corporation

AFSI is the net income or loss set forth on the taxpayer's applicable financial statement (AFS), subject to certain adjustments

A corporation is eligible to claim a credit against regular tax (plus any BEAT) for corporate AMT paid in prior years

General business credits including R&D may generally offset up to approximately 75% of the sum of a corporation's regular tax and AMT

Applies to tax years beginning after December 31, 2022

5 actions to take now

- 1 Compute AFSI:** To be an "applicable corporation" for CY23, a calendar-year taxpayer would have to meet the average AFSI test for CY22. Whether the AFSI test is met for CY22 is computed by averaging AFSI for CY20, CY21, and CY22
- 2 Claim a credit:** A corporation is eligible to claim a credit against regular tax (plus any BEAT) for corporate AMT paid in prior years
- 3 Determine if you are a member of an Foreign Parent Multinational Group (FPMG):** A FPMG is, with respect to any tax year, two or more entities if at least one entity is a domestic corporation and another entity is a foreign entity, such entities are included in the same applicable financial statements
- 4 Determine if FPMG meets the AFSI test:** FPMG meets the AFSI test for a tax year if the average annual AFSI of the corporation for the three-year period ending with such year, inclusive of the AFSI of all members of the FPMG, exceeds \$1 billion and the corporation's average annual AFSI for the same three-year period, exclusive of the AFSI of foreign members, is at least \$100 million
- 5 Model impact of AMT interaction with Pillar 2:** Corporate AMT may be treated as covered taxes that reduce the likelihood of top-up taxes under Pillar 2; in contrast, corporate AMT credits may cause a Pillar 2 liability. Determine whether any corporate AMT should be allocated to CFCs.

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