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Balance sheet

Corporate Alternative Minimum Tax

By Ann E. Woolum, CPA

Congress passed new legislation creating a new corporate alternative minimum tax to help offset and pay for the clean energy ("go-green") tax credits and incentives provided under the same legislation. Unlike the pre-2018 corporate alternative minimum tax (old AMT), which was imposed on taxable income as adjusted, the new corporate alternative minimum tax (new AMT) is imposed on adjusted financial statement income. Thus, the new AMT applies if 15% of the corporation's adjusted financial statement income minus any alternative minimum tax foreign tax credits exceed its regular tax plus its base erosion anti-abuse tax for the year (enacted in 2017 to discourage U.S. and foreign corporations from avoiding tax liability by shifting profits out of the U.S.).

However, the new AMT applies only to applicable corporations whose average annual adjusted financial statement income for the 3-tax-year period ending with the current tax year exceeds \$1,000,000,000 (\$1 billion). Special rules apply to members of a foreign parented multinational group

that may cause the new AMT to apply if the average adjusted financial statement income for the corporation equals or exceeds a \$100,000,000 (\$100 million). In addition, there are a number of aggregation rules, under which related businesses may be aggregated for purposes of the income test, including a rule that includes income of a partnership in which the corporation is a partner.

Both the rules regarding which corporations satisfy the income test and are subject to the tax and the rules regarding the various adjustments to financial statement income are complex and we expect that IRS will be issuing guidance regarding many outstanding issues.

Based on the above income levels, most small businesses will not be affected by this new AMT. If you have any questions, we are available to discuss this new alternative minimum tax with you. Please contact us to discuss.



Items presented are not intended to be technically complete. Additional information may be required to make an informed decision. You cannot rely upon this information for avoiding tax penalties.