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KPMG report: Partnership “distributive share only” rule in corporate alternative minimum tax

H.R. 5376, commonly called the “Inflation Reduction Act of 2022” (IRA), signed into law on August 16, 2022, added a new corporate alternative minimum tax (CAMT)—a minimum tax based on financial statement income on certain, generally large, corporations.

Under one view, the CAMT’s impact will be limited since it only applies to corporations (other than REITs, RICs and S corporations) and uses a $1 billion threshold to determine if a corporation is in-scope. However, this view may provide false comfort to certain entities because income earned from partnerships, as well as other entities excluded from direct application of the CAMT, may be included for both CAMT scope and liability determinations. In addition, determining whether a corporation is in-scope of CAMT is not nearly as simple as pulling a number from a financial statement, and when a corporation has investments in a partnership or is otherwise related to a partnership, the CAMT determinations are particularly challenging.

Read a **December 2022 report**[1] [PDF 167 KB] prepared KPMG LLP that addresses some of the issues raised in determining whether certain entities are subject to the CAMT regime, which requires partnerships to calculate extensive information to corporate partners

[1] This article will appear in Bloomberg’s *Tax Management Memorandum* (December 19, 2022) and is provided with permission.

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