



TaxNewsFlash

United States



No. 2023-059
February 17, 2023

Notice 2023-20: Interim guidance regarding certain insurance related issues under corporate alternative minimum tax (CAMT)

The IRS today released an advance version of [Notice 2023-20](#) [PDF 112 KB] (21 pages), providing the additional interim guidance described in section 1 of Notice 2023-7, that is intended to help avoid substantial unintended adverse consequences to the insurance industry from the application of the new corporate alternative minimum tax (CAMT) created by Pub. L. No. 117-169 (commonly called the “Inflation Reduction Act of 2022” (IRA)).

Background and summary

In addition to announcing that the Treasury Department and the IRS intend to issue proposed regulations addressing the application of the CAMT, sections 3 through 7 of Notice 2023-7 provided interim guidance regarding certain time-sensitive CAMT issues that taxpayers may rely on until the issuance of the proposed regulations. Read [TaxNewsFlash](#)

Notice 2023-7 also stated that Treasury and the IRS intended to issue additional interim guidance expected to address, among other issues, certain issues related to the treatment under the CAMT of life insurance company separate account assets that are marked to market for financial statement purposes, the treatment of certain items reported in other comprehensive income (OCI), and the treatment of embedded derivatives arising from certain reinsurance contracts.

Sections 3 through 5 of Notice 2023-20 provide additional interim guidance regarding those issues and other issues intended to be addressed by the proposed regulations that taxpayers may rely on until the issuance of the proposed regulations.

- Section 3 describes rules that address certain CAMT issues regarding variable contracts and similar contracts.
- Section 4 describes rules that address certain CAMT issues regarding funds withheld reinsurance and modified coinsurance agreements.
- Section 5 describes rules that address certain issues that arise under the CAMT for certain formerly tax-exempt entities whose exemption from federal income taxation was repealed by statute and as to which Congress provided special rules for determining the federal income tax basis in their assets held when the repeal of their exemption became effective.

According to a [Treasury release](#) also issued today, Notice 2023-20 “addresses significant distortions that could arise as corporations determine their tax owed under the CAMT because of the interaction of financial accounting rules for certain life insurance assets and the CAMT. To prevent unintended inclusion of non-economic gains or losses that appear on financial statements when determining tax owed under the CAMT, the notice allows taxpayers to use accounting practices that are in line with existing financial statement and tax treatment of these transactions. The guidance also clarifies that certain statutory ‘fresh start’ basis rules for corporations following bankruptcies apply to determine gains or losses under the CAMT.”

Proposed effective date and request for comments

Notice 2023-20 provides that it is anticipated that the proposed regulations will provide that rules consistent with the rules described in sections 3 through 5 of the notice apply for taxable years beginning after December 31, 2022.

Treasury and the IRS request comments on any questions arising from the interim guidance set forth in the notice. Commenters are encouraged to specify the issues on which additional guidance (including additional interim guidance) is needed most quickly, as well as the most important issues on which guidance is needed. Treasury and the IRS also request comments with respect to certain specific questions laid out in the notice. Comments are due by April 3, 2023.

Read the related IRS release—[IR-2023-30](#) (February 17, 2023)

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