

INTERNAL REVENUE BULLETIN



HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

ADMINISTRATIVE

Rev. Proc. 2025-27, page 646.

General Rules and Specifications for Substitute Forms and Schedules.

This procedure provides guidelines and general requirements for the development, printing, and approval of the 2025 substitute tax forms. This procedure will be reproduced as the next revision of Publication 1167. Rev. Proc. 2024-33 is superseded.

INCOME TAX

Notice 2025-49, page 627.

This notice provides additional interim guidance to reduce the compliance burdens and costs associated with the application of the corporate alternative minimum tax (CAMT). Specifically, this notice provides rules for certain adjustments to adjusted financial statement income and rules for proposed applicability dates and reliance on the CAMT Proposed Regulations.

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The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned

against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

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Part III

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 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 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

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

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.

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 Regu-

lations 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 commis-

sion 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 AFS 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 tax-

able 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 tax-

able 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 2025-27, 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 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

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

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 rec-

ognizes 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 exclu-

sion 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 correspond-

ing 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 correspond-

ing 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 dis-

position 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 Reg-

ulations, 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 December 1, 2025. Consideration will also be given to any written comment submitted after December 1, 2025, 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 sub-

mitted 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 inventoriable 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).

NOTE. This revenue procedure will be reproduced as the next revision of IRS Publication 1167, General Rules and Specifications for Substitute Forms and Schedules.

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Part 1

Introduction to Substitute Forms

Section 1.1 – Overview of Revenue Procedure 2025-27

1.1.1 Purpose

The purpose of this revenue procedure is to provide guidelines and general requirements for the development, printing, and approval of the 2025 substitute tax forms. Approval will be based on these guidelines. After review and approval, submitted forms will be accepted as substitutes for official IRS forms.

1.1.2 Unique Forms

Certain unique specialized forms require the use of other publications that supplement this publication. See *Part 4*.

1.1.3 Scope

The IRS accepts quality substitute tax forms that are consistent with the official forms and have no adverse impact on processing. The IRS Substitute Forms Program (the Program) administers the formal acceptance and processing of these forms nationwide. While this Program deals with paper documents, it also reviews for approval other processing and filing forms used in electronic filing.

Only those substitute forms that fully comply with these requirements are acceptable. This revenue procedure is updated as required to reflect pertinent tax year form changes and to meet processing and/or legislative requirements.

1.1.4 Forms Covered by This Revenue Procedure

The following types of forms are covered by this revenue procedure.

- IRS tax forms and their related schedules.
 - Worksheets as they appear in the instructions.
 - Applications for permission to file returns electronically and forms used as required documentation for electronically filed returns.
 - Powers of Attorney.
 - Over-the-counter estimated tax payment vouchers.
 - Forms and schedules relating to partnerships, exempt organizations, and employee plans.
-

1.1.5 Forms Not Covered by This Revenue Procedure

The following types of forms are not covered by this revenue procedure. Refer to the publication for questions.

- W-2 and W-3. See Pub. 1141, General Rules and Specifications for Substitute Forms W-2 and W-3.
- W-2c and W-3c. See Pub. 1223, General Rules and Specifications for Substitute Forms W-2c and W-3c.

- 941 and attached schedules. See Pub. 4436, General Rules and Specifications for Substitute Form 941, Schedule B (Form 941), Schedule D (Form 941), Schedule R (Form 941), and Form 8974.
- 1096, 1097-BTC, 1098 series, 1099 series, 3921, 3922, 5498 series, W-2G, and 1042-S. See Pub. 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, and Certain Other Information Returns.
- 1095-A, 1094-B, 1095-B, 1094-C, and 1095-C. See Pub. 5223, General Rules and Specifications for Affordable Care Act Substitute Forms 1095-A, 1094-B, 1095-B, 1094-C, and 1095-C.
- 8027. See Pub. 1239, Specifications for Electronic Filing of Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips.
- Forms 1040-ES (OCR) and 1041-ES (OCR), which may not be reproduced.
- Form 5500 series (for more information on these forms, go to the Department of Labor website at <https://www.efast.dol.gov>).
- Forms used internally by the IRS.
- State tax forms.
- Forms developed outside the IRS.

1.1.6 Other Information Not Covered by This Revenue Procedure

The following information is not covered by this revenue procedure.

- Requests for information or documentation initiated by the IRS.
- General Instructions and Specific Instructions (these are not reviewed by the Program).

Section 1.2 – IRS Contacts

1.2.1 Where To Send Substitute Forms

Send your substitute forms for **approval** to the following offices. Do not send forms with taxpayer data.

Form	Office and Address
5500	Check EFAST2 information at the Department of Labor website at https://www.efast.dol.gov .
Software developer vouchers (see Sections 2.3.7–2.3.9)	Internal Revenue Service Attn: Jason Lane 3211 S. Northpointe Dr. Santa Fe Bldg. Rm 3007 Fresno, CA 93725 Jason.L.Lane@irs.gov
ACA Forms 1094-B, 1095-B, 1094-C, and 1095-C (for more information, see Pub. 5223), and Schedule K-1 forms must be emailed for scannability testing.	mailto:scrips@irs.gov

Form	Office and Address
Schedule K-1 2-D bar-coded forms	For mailing addresses for sending Schedule K-1 2-D bar-coded forms for testing, see <i>Section 7.1.6</i> .
All others covered by this publication (see <i>Section 1.1.4</i>)	Internal Revenue Service Attn: Substitute Forms Program SE:W:CAR:MP:P:TP:TP ATSC 4800 Buford Highway Mail Stop: 061-N Chamblee, GA 30341 substituteforms@irs.gov

Section 1.3 – What’s New

1.3.1 What’s New

The following changes have been made to this year’s revenue procedure.

- **.01 Editorial changes.** We made editorial changes as needed and eliminated repetitive information.
-

Section 1.4 – Definitions

1.4.1 Substitute Form

A tax form (or related schedule) that differs in any way from the official version and is intended to replace the form that is printed and distributed by the IRS. This term also covers those approved substitute forms exhibited in this revenue procedure.

1.4.2 Printed/Preprinted Form

A form produced using conventional printing processes or a printed form that has been reproduced by photocopying or a similar process.

1.4.3 Preprinted Pin-Fed Form

A printed form that has marginal perforations for use with automated and high-speed printing equipment.

1.4.4 Computer-Prepared Substitute Form

A preprinted form in which the taxpayer’s tax entry information has been inserted by a computer, a computer printer, or other computer-type equipment.

1.4.5 Computer- Generated Substitute Tax Return or Form

A tax return or form that is entirely designed and printed using a computer printer on plain white paper. This return or form must conform to the physical layout of the corresponding IRS form, although the typeface may differ. The text should match the text on the officially printed form as closely as possible. Condensed text and abbreviations will be considered on a case-by-case basis.

Exception. All jurats (perjury statements) must be reproduced verbatim.

**1.4.6
Manually Prepared Form**

A preprinted reproduced form in which the taxpayer's tax entry information is entered by an individual using a pen, a pencil, or other nonautomated equipment.

**1.4.7
Graphics**

Parts of a printed tax form that are not tax amount entries or required text. Examples of graphics are line numbers, captions, shadings, special indicators, borders, rules, and strokes created by typesetting, photographics, photocomposition, etc.

**1.4.8
Acceptable Reproduced Form**

A legible photocopy or an exact replica of an original form.

**1.4.9
Supporting Statement
(Supplemental Schedule)**

A document providing detailed information to support a line entry on an official or approved substitute form and filed with (attached to) a tax return.

Note. A supporting statement is not a tax form and does not take the place of an official form.

**1.4.10
Specific Form Terms**

The following specific terms are used throughout this revenue procedure in reference to all substitute forms: format, sequence, line reference, item caption, and data entry field.

**1.4.11
Format**

The overall physical arrangement and general layout of a substitute form.

**1.4.12
Sequence**

Sequence is an integral part of the total format requirement. The substitute form should show the same numeric and logical placement order of data as shown on the official form.

**1.4.13
Line Reference**

The line numbers, letters, or alphanumerics used to identify each captioned line on an official form. These line references are printed to the immediate left of each caption and/or data entry field.

**1.4.14
Item Caption**

The text on each line of a form that identifies the data required.

**1.4.15
Data Entry Field**

Designated areas for the entry of data such as dollar amounts, quantities, responses, and checkboxes.

**1.4.16
Advance Draft**

A draft version of a new or revised form may be posted to the IRS website (<https://www.irs.gov/draftforms>) for information purposes. Substitute forms may be submitted based on these advance

drafts, but any submitter who receives forms approval based on these early drafts is responsible for monitoring and revising forms to reflect any revisions in the final forms provided by the IRS.

1.4.17 Approval

Generally, approval could be in writing or assumed after 20 business days from our receipt for forms that have not been substantially changed by the IRS. This does not apply to newly created or substantially revised IRS forms. However, the Program reserves the right to notify vendors of any inaccuracies even after 20 business days have lapsed.

1.4.18 National Association of Computerized Tax Processors (NACTP)

The NACTP is a nonprofit association that represents tax processing software and hardware developers, electronic filing processors, tax form publishers, tax processing service bureaus, and payroll processors. The association promotes standards in tax processing to advance efficient and effective tax filing. For more information, go to <https://www.nactp.org>.

Section 1.5 – Agreement

1.5.1 Important Stipulation of This Revenue Procedure

Any person or company who uses substitute forms and makes all or part of the changes specified in this revenue procedure agrees to the following stipulations.

- The IRS presumes that any required changes are made in accordance with these revenue procedures and will not be disruptive to the processing of the tax return.
 - Should any of the changes be disruptive to the IRS's processing of the tax return, the person or company agrees to accept the determination of the IRS as to whether the form may continue to be filed.
 - The person or company agrees to work with the IRS in correcting noted deficiencies. Notification of deficiencies may be made by any combination of letter, email, or phone contact and may include the request for the resubmission of unacceptable forms.
-

1.5.2 Response Policy and Stipulations

The Program will email confirmation of receipt of your forms submission, if possible. Even if you do not receive emailed confirmation of receipt, you will receive an emailed "submission receipt," which will provide feedback on your submission. If the Program anticipates problems in completing the review of your submission within the 20-business-day period, the Program will send an interim email notifying you of the extended period for review.

Once the substitute forms have been approved by the Program, you can release them after the final versions of the forms have been issued by the IRS. Before releasing the forms, you are responsible for updating forms approved as draft and for making form changes requested.

The policy has the following stipulations.

- This 20-business-day policy applies to electronic submissions only. It does not apply to substitute submissions mailed to the Program.
- The policy applies to submissions of 15 (optimal) or fewer items and submissions containing 75 pages or less. Submissions of more than 15 items may require additional review time.

- If you send a large number of submissions within a short period of time, processing may be delayed.
- Delays in processing could occur if the Program finds significant errors in your submission or has experienced an increase in submissions. The Program will send you an interim email in this case.
- Any anticipated problems in processing your submission within the 20-business-day period will generate an interim email on or about the 15th business day.
- If any significant inaccuracies are discovered after the 20-business-day period, the Program reserves the right to inform you and will require that changes be made to correct the inaccuracies.
- The policy does not apply to substantially revised forms or to new forms created by the IRS for which you have already made an initial submission.

Part 2

General Guidelines for Submissions and Approvals

Section 2.1 – General Specifications for Approval

2.1.1 Overview

If you produce any substitute tax forms that fully comply or follow the changes specifically outlined by the Program, then you can generate your own substitute forms without further approval. Also, if your substitutes have received approval in the past, and there are no substantial formatting or text changes for the tax year, then changes can be made without additional approval. If your changes are more extensive, you must get IRS approval before using substitute forms. More extensive changes include different font style; decreasing or increasing the font size of caption titles; adjusting or omitting format/layout elements; changing page orientation; and repositioning line items, tables, and legends.

2.1.2 Email Submissions

The Program accepts submissions of substitute forms for review and approval via email. The email address is substituteforms@irs.gov. Include the term “PDF Submissions” on the subject line.

Follow these guidelines.

- The emailed submission should include all the forms you wish to submit in one Portable Document Format (PDF) file. Do not email or attach each form individually.
- The emailed submission should include a maximum of 3 PDF files to include a checksheet, a cover letter or accompanying statement, and a single PDF file that includes all of the forms listed on your checksheet, cover letter, or accompanying statement.
- A submission should contain a maximum of 15 forms.
- An approval checksheet listing the forms you are submitting should always be included in the PDF file along with the forms. Excluding the checksheet can slow the reviewing process down, which can result in a delayed response to your submission. See a sample checksheet in *Exhibit B*.
- Optimize PDF files before submitting.
- The maximum allowable email attachment is 2.5 megabytes.

- The Program accepts zip files.
- To alleviate delays during the peak time of September through December, submit advance draft forms as early as possible.

If the guidelines are not followed, you may need to resubmit.

Emailing PDF submissions will not expedite review and approval. Submitting your substitute forms package via email is the preferred and suggested method for submitting forms for review. If, for some reason, you are not able to email your submission(s), you can mail your submission(s) to:

Internal Revenue Service
Attn: Substitute Forms Program
SE:W:CAR:MP:P:TP:TP
ATSC
4800 Buford Highway
Mail Stop: 061-N
Chamblee, GA 30341

2.1.3 Expediting the Process

Follow these basic guidelines for expediting the process.

- Always include a checklist for the Program's response.
- Include an accompanying statement identifying most, if not all, of the deviations your substitute forms may have from the official IRS versions.
- Follow the guidance in this publication for general substitute form guidelines. Follow the guidance in specialized publications produced by the Program for other specific forms.
- To spread out the workload, send in draft versions of substitute forms when they are posted. **Note.** Be sure to make any changes to approved drafts before releasing final versions.

2.1.4 Schedules

Some schedules are considered to be an integral part of a complete tax return and must be submitted as part of the form. Other schedules may be submitted separately and do not need to be included with the tax form.

2.1.5 Examples of Schedules That Must Be Submitted With the Return

Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, is an example of this situation. For the Form 706 to be considered for approval, all schedules that affect or are applicable to any election or position taken by the filer, as well as all applicable schedules that affect the tax, must be submitted.

2.1.6 Examples of Schedules That Can Be Submitted Separately

Schedules C, D, and E for Form 1040, U.S. Individual Income Tax Return, or Form 1040-SR, U.S. Tax Return for Seniors, are examples of schedules that can be submitted separately. Although printed by the IRS as a supplement to Form 1040 or 1040-SR, these schedules are not required to be submitted for approval with Form 1040 or 1040-SR. These schedules may be separated from Form 1040 or 1040-SR and submitted as substitute forms.

2.1.7
Use and Distribution of
Unapproved Forms

The IRS is continuing a program to identify and contact tax return preparers, forms developers, and software publishers who use or distribute unapproved forms that do not conform to this revenue procedure. The use of unapproved forms hinders the processing of the returns.

Section 2.2 – Highlights of Permitted Changes and Requirements

2.2.1
Methods of Reproducing
IRS Forms

- There are methods of reproducing IRS printed tax forms suitable for use as substitutes without prior approval.
- You can photocopy most tax forms and use them instead of the official ones. The entire substitute form, including entries, must be legible.
 - You can reproduce any current tax form as cut sheets, snap sets, and marginally punched, pin-fed forms as long as you use an official IRS version as the master copy.
 - You can reproduce a form that requires a signature as a valid substitute form. Many tax forms (including returns) have a taxpayer signature requirement as part of the form layout. The jurat/perjury statement/ signature line areas must be retained and worded exactly as on the official form. The requirement for a signature, by itself, does not prohibit a tax form from being properly computer generated.

Section 2.3 – Vouchers

2.3.1
Overview

All payment vouchers (Forms 940-V, 941-V, 943-V, 944-V, 945-V, 1040-ES, 1040-V, 1041-V, and 2290-V) must be reproduced in conjunction with their forms. Substitute vouchers must be the same size as the officially printed vouchers. Vouchers that are prepared for printing on a laser printer may include a scan line.

2.3.2
Scan Line Specifications

	NNNNNNNNN	AA	XXXX	NN	N	NNNNNN	NNN
Item:	A	B	C	D	E	F	G
A.	Social Security Number/Employer Identification Number/Individual Taxpayer Identification Number/Adoption Taxpayer Identification Number (SSN/EIN/ ITIN/ATIN) has 9 numeric (N) spaces.						
B.	Check Digits have 2 alpha (A) spaces.						
C.	Name Control has 4 alphanumeric (X) spaces.						
D.	Master File Tax (MFT) Code has 2 numeric (N) spaces (see <i>Section 2.3.3</i>).						
E.	Taxpayer Identification Number (TIN) Type has 1 numeric (N) space (see <i>Section 2.3.4</i>).						
F.	Tax Period has 6 numeric (N) spaces in year/month format (YYYYMM).						
G.	Transaction Code has 3 numeric (N) spaces.						

2.3.3
MFT Code

- Code Number for Forms:
- 1040 (family) – 30,
 - 940 – 10,

- 941 – 01,
- 943 – 11,
- 944 – 14,
- 945 – 16,
- 1041-V – 05,
- 2290 – 60, and
- 4868 – 30.

2.3.4 TIN Type

Type Number for:

- Form 1040 (family) and Form 4868 – 0; and
- Forms 940, 941, 943, 944, 945, 1041-V, and 2290 – 2.

2.3.5 Voucher Size

The voucher size must be exactly 8.0" x 3.25" (Forms 1040-ES and 1041-ES must be 7.625" x 3.0"). The document scan line must be vertically positioned 0.25 inch from the bottom of the scan line to the bottom of the voucher. The last character on the right of the scan line must be placed 3.5 inches from the right leading edge of the document. The minimum required horizontal clear space between characters is 0.014 inch. The line to be scanned must have a clear band 0.25 inch in height from top to bottom of the scan line, and from border to border of the document. "Clear band" means no printing except for dropout ink.

2.3.6 Print and Paper Weight

Vouchers must be imaged in black ink using OCR A, OCR B, or Courier 10. These fonts may not be mixed in the scan line. The horizontal character pitch is 10 CPI. The preferred paper weight is 20 to 24 pound OCR bond.

2.3.7 Specifications for Software Developers

Certain vouchers may be reproduced for use in the IRS lockbox system. These include the 1040-V, 1040-ES, 1041-V, 94X series, and 2290 vouchers. Software developers must follow these specific guidelines to produce scannable vouchers strictly for lockbox purposes. Also see *Exhibit A*.

- The total depth must be 3.25 inches.
- The scan line must be 0.5 inch from the bottom edge and 1.75 inches from the left edge of the voucher and left justified.
- Software developers' vouchers must be 8.5 inches wide (instead of 8 inches with a cut line). Therefore, no vertical cut line is required.
- Scan line positioning must be exact.
- Do not use the over-the-counter format voucher and add the scan line to it.
- All scanned data must be in 12-point OCR A font.

- The 4-digit NACTP ID code or IRS source code should be placed under the box designated for the payment dollar amount.
- Windowed envelopes must not display the scan line in order to avoid disclosure and privacy issues.

Note. All software developers must ensure that their software uses OCR A font so taxpayers will be able to print the vouchers in the correct font.

2.3.8 Specific Line Positions

Follow these line specifications for entering taxpayer data in the lockbox vouchers.

	Start Row	Start Column	Width	End Column
Line Specifications for Taxpayer Data:				
Taxpayer Name	56	6	36	41
Taxpayer Address, Apt.	57	6	36	41
Taxpayer City, State, ZIP	58	6	36	41
Foreign Country Name	59	6	36	41
Foreign Province/County	60	6	17	22
Foreign Postal Code	60	26	16	41
Line Specifications for Mail-To Data:				
Mail Name	56	43	38	80
Mail Address	57	43	38	80
Mail City, State, ZIP	58	43	38	80
Line Specifications for:				
Scan Line	63	26	n/a	n/a

2.3.9 How To Get Approval

Send an approval sheet with each form type for IRS signature to Jason Lane at Jason.L.Lane@irs.gov. You should include in the email an example of each type of voucher the site will be testing. **Note.** Do not mail any test vouchers to Jason Lane.

You are required to send 25 voucher samples of each form in PDF format by December 5, 2025. You should email the test vouchers to raul.t.mariduena@jpmorgan.com. You can also print the vouchers and send them to his mailing address at:

JP Morgan Chase
Attn: Raul Mariduena
830 Tyvola Road, Suite 114
Charlotte, NC 28217

For further information, contact Jason Lane at Jason.L.Lane@irs.gov, or at 559-550-8740 (not toll free number).

Section 2.4 – Restrictions on Changes

2.4.1 What You Cannot Do to Forms Suitable for Substitute Tax Forms

You cannot, without prior IRS approval, change any IRS tax form or use your own (nonapproved) versions including graphics, unless specifically permitted by this revenue procedure. See *Sections 2.5.7 through 2.5.11*.

You cannot adjust any of the graphics on Form 1040 or 1040-SR (except in those areas specified in *Part 5* of this revenue procedure) without prior approval from the Program.

You cannot rearrange or redistribute data entry fields, and/or allow data entry fields to flow from one page onto the next (that is, each page of a substitute form must contain the exact number of data entry fields as there are on the official IRS form). The order of information on the substitute form must be identical to the IRS version of the form. Publications for specific substitute forms will state allowances for those respective forms.

Note. The 20-business-day turnaround policy may not apply to extensive changes.

Section 2.5 – Guidelines for Obtaining IRS Approval

2.5.1 Basic Requirements

Preparers who submit substitute privately designed, privately printed, computer-generated, or computer-prepared tax forms must develop these substitutes using the guidelines established in this part. These forms, unless there is an exception outlined by this revenue procedure, must be approved by the IRS before being filed.

2.5.2 Conditional Approval Based on Advance Drafts

The IRS cannot grant final approval of your substitute form until the official form has been published. However, the IRS posts advance draft forms on its website at <https://www.irs.gov/draftforms>.

Submission of proposed substitutes of these advance draft forms is encouraged, and conditional approval will be granted based solely on these early drafts. These advance drafts are subject to significant change before forms are finalized. If these advance drafts are used as the basis for your substitute forms, you will be responsible for subsequently updating your final forms to agree with the final official version. These revisions need not be resubmitted for further approval.

Note. Approval of forms based on advance drafts will not be granted after the final version of an official form is published.

2.5.3 Submission Procedures

Follow these general guidelines when submitting substitute forms for approval.

- Any alteration of forms must be within the limits acceptable to the IRS. It is possible that, from one filing period to another, a change in law or a change in internal need (processing, audit, compliance, etc.) may change the allowable limits for the alteration of the official form.

- When approval of any substitute form (other than those exceptions specified in *Part 1, Section 1.2*) is requested, a sample of the proposed substitute form should be emailed for consideration to the Program at the address shown in *Section 1.2.1*.
 - Schedules and forms (for example, Forms 3468, 4136, etc.) that can be used with more than one type of return (for example, Forms 1040, 1040-SR, 1041, 1120, etc.) should be submitted only once for approval, without regard to the number of different tax returns with which they may be associated. Also, all pages of multi-page forms or returns should be submitted in the same package.
-

2.5.4 Approving Offices

Because only the Program is authorized to approve substitute forms, unnecessary delays may occur if forms are sent to the wrong office. You may receive an interim letter about the delay. The Program may then coordinate the response with the originator responsible for revising that particular form. Such coordination may include allowing the originator to officially approve the form. No IRS office is authorized to allow deviations from this revenue procedure.

2.5.5 IRS Review of Software Programs, etc.

The IRS does not review or approve the logic of specific software programs, nor does the IRS confirm the calculations on the forms produced by these programs. The accuracy of the program remains the responsibility of the software package developer, distributor, or user.

The Program is primarily concerned with the pre-filing quality review of the final forms that are expected to be processed by IRS field offices. For this purpose, you should submit forms without including any taxpayer information such as names, addresses, monetary amounts, etc.

If the software used is programmed to produce copies with populated fields, then you must use dummy information. This will allow the Program to review and provide feedback or approval. Vendors should use “0” for all number values and “X” for any information that requires alpha characters.

2.5.6 When To Send Proposed Substitutes

Proposed substitutes, which are required to be submitted per this revenue procedure, should be sent as much in advance of the filing period as possible. This is to allow adequate time for analysis and response.

2.5.7 Accompanying Statement

When submitting sample substitutes, you should include an accompanying statement that lists each form number and its changes from the official form (position, arrangement, appearance, line numbers, additions, deletions, etc.). With each of the items, you should include a detailed reason for the change.

When requesting approval, include a checksheet. Checksheets expedite the approval process. The checksheet may look like the example in *Exhibit B* displayed in the back of this revenue procedure or may be one of your own design. Include your email address on the checksheet.

2.5.8 Approval/Nonapproval Notice

The Program will email the checksheet or an approval letter to the originator, unless:

- The requester has asked for a formal letter, or

- Significant corrections to the submitted forms are required.

Notice of approval may impose qualifications before using the substitutes. Notices of unapproved forms may specify the changes required for approval and require resubmission of the form(s) in question. When appropriate, you will be contacted by telephone.

2.5.9 Duration of Approval

Most signature tax returns and many of their schedules and related forms have the tax year printed in the upper right corner. Approvals for these annual forms are usually good for 1 calendar year (January through December of the year of filing). Quarterly tax forms in the 94X series and Form 720 require approval for any quarter in which the form has been revised.

Because changes are usually made to an annual form every year, each new filing season generally requires a new submission of a substitute form. Very rarely is updating the preprinted year the only change made to an annual form. However, if no significant content, formatting, or layout changes were made to a tax form, then review and approval received for the prior tax year can be carried over into the current tax year.

2.5.10 Limited Continued Use of an Approved Change

Limited changes approved for one tax year may be allowed for the same form in the following tax year. Examples are the use of abbreviated words, revised form spacing, compressed text lines, shortened captions, etc., which do not change the integrity of lines or text on the official forms.

If the vendor or filer makes substantial changes to the form, new substitutes must be submitted for approval. If the vendor or filer makes only minor editorial changes to the form, or makes any changes that mirror changes the IRS makes to the form's official version, the new substitute does not need to be submitted for approval. It is the responsibility of each vendor who has been granted permission to produce substitute forms to monitor and revise forms to mirror any revisions to the official forms made by the IRS. If there are any questions, contact the Program.

2.5.11 When Approval Is Not Required

If you received approval for a specific change on a form last year, you may make the same change this year if the item is still present on the official form.

- The new substitute form does not have to be submitted to the IRS and approval based on that change is not required.
- However, the new substitute form must conform to the official current year IRS form in other respects, such as date, Office of Management and Budget (OMB) approval number, attachment sequence number, Paperwork Reduction Act Notice statement, arrangement, item caption, line number, line reference, data sequence, etc.
- The new substitute form must also comply with changes to the guidelines in this revenue procedure. This revenue procedure may have eliminated, added to, or otherwise changed the guideline(s) that affected the change approved in the prior year.
- An approved change is authorized only for the period from a prior tax year substitute form to a current tax year substitute form.

Exception. Forms with temporary, limited, or interim approvals (or with approvals that state a change is not allowed in any other tax year) are subject to review in subsequent years.

**2.5.12
Required Copies**

Generally, you must send us one copy of each form being submitted for approval. However, if you are producing forms for different computer platforms (for example, Microsoft vs. Apple), different tax preparation software (for example, TurboTax® vs. TaxSlayer®), or different types of printers (for example, inkjet vs. impact), and these forms differ **significantly** in appearance, submit one copy for each type of platform, tax preparation software, or printer.

**2.5.13
Requestor's Responsibility**

Following receipt of an initial approval for a substitute forms package or a software output program to print substitute forms, it is the responsibility of the originator (designer or distributor) to provide client firms or individuals with forms that meet the IRS's requirements for continuing acceptability. Examples of this responsibility include:

- Using the prescribed print paper, font size, legibility, state tax data deletion, etc.; and
 - Informing all users of substitute forms of the legal requirements of the Paperwork Reduction Act Notice, which is generally found in the instructions for the official IRS forms.
-

**2.5.14
Source Code**

The Program will assign a unique source code to each firm that submits substitute forms for approval. This source code will be a permanent identifier that must be used on every submission by a particular firm.

The source code consists of three alpha characters and should generally be printed under or to the left of the "Paperwork Reduction Act" statement. Vendors must ensure that the source code is not printed too close to or within the left or bottom 0.5-inch margin to avoid the source code from being cut off during printing.

Section 2.6 – Office of Management and Budget (OMB) Requirements for All Substitute Forms

**2.6.1
OMB Requirements for All
Substitute Forms**

There are legal requirements of the Paperwork Reduction Act of 1995 (the Act). Public Law 104-13 requires the following.

- OMB approves all IRS tax forms that are subject to the Act.
- Each IRS form contains (in the upper right corner) the OMB number, if assigned.
- Each IRS form (or its instructions) states why the IRS needs the information, how it will be used, and whether or not the information is required to be furnished to the IRS.

This information must be provided to every user of official or substitute IRS forms or instructions.

**2.6.2
Application of the
Paperwork Reduction Act**

On forms that have been assigned OMB numbers:

- All substitute forms must contain in the upper right corner the OMB number that is on the official form, and

- The required format is: OMB No. 1545-XXXX (preferred) or OMB # 1545-XXXX (acceptable).
-

2.6.3 Required Explanation to Users

You must inform the users of your substitute forms of the IRS use and collection requirements stated in the instructions for official IRS forms.

- If you provide your users or customers with the official IRS instructions, each form must retain either the Paperwork Reduction Act Notice (or Disclosure, Privacy Act, and Paperwork Reduction Act Notice), or a reference to it as the IRS does on the official forms (usually in the lower left corner of the forms).
- This notice reads, in part, “We ask for tax return information to carry out the tax laws of the United States.”

Note. If no IRS instructions are provided to users of your forms, the exact text of the Paperwork Reduction Act Notice (or Disclosure, Privacy Act, and Paperwork Reduction Act Notice) must be furnished separately or on the form.

2.6.4 Finding the OMB Number and Paperwork Reduction Act Notice

The OMB number and the Paperwork Reduction Act Notice, or references to it, may be found printed on an official form (or its instructions). The number and the notice are included on the official paper format and in other formats produced by the IRS.

Part 3 Physical Aspects and Requirements

Section 3.1 – General Guidelines for Substitute Forms

3.1.1 General Information

The official form is the standard. Because a substitute form is a variation from the official form, you should know the requirements of the official form for the year of use before you modify it to meet your needs. To obtain the most frequently used tax forms, go to <https://www.irs.gov/forms>.

3.1.2 Design

Each form must follow the design of the official form as to format arrangement, item caption, line numbers, line references, and sequence.

3.1.3 State Tax Information Prohibited

Generally, state tax information must not appear on the federal tax return, associated form, or schedule that is filed with the IRS. Exceptions occur when amounts are claimed on, or required by, the federal return (for example, state and local income taxes on Schedule A (Form 1040)).

3.1.4 Vertical Alignment of Amount Fields

IF a form is to be...	THEN...
manually prepared and the official IRS form still has a separate cents entry field	1. the entry column must have a vertical line or some type of indicator in the amount field to separate dollars from cents, and 2. the cents column must be at least 0.3 inch wide.
computer generated	1. vertically align the amount entry fields where possible, and 2. use one of the following amount formats. a) 0,000,000. b) 0,000,000.00.
computer prepared	1. you may remove the vertical line in the amount field that separates dollars from cents, and 2. use one of the following amount formats. a) 0,000,000. b) 0,000,000.00.

3.1.5 Attachment Sequence Number

Many individual income tax forms have a required “attachment sequence number” located just below the year designation in the upper right corner of the form. The IRS uses this number to indicate the order in which forms are to be attached to the tax return for processing. Some of the attachment sequence numbers may change from year to year.

The following apply to computer-prepared forms.

- The sequence number may be printed in no less than 12-point boldface type and centered below the form’s year designation.
- The sequence number may also be placed following the year designation for the tax form and separated with an asterisk.
- The actual number may be printed without labeling it the “Attachment Sequence Number.”

3.1.6 Assembly of Forms

When developing software or forms for use by others, inform your customers/clients that the order in which the forms are arranged may affect the processing of the package. A return must be arranged in the order indicated below.

IF the form is...	THEN the sequence is...
1040 or 1040-SR	• Form 1040 or 1040-SR, and schedules and forms in attachment sequence number order.
any other tax return (Form 1120, 1120-S, 1065, 1041, etc.)	• the tax returns, directly associated schedules (Schedule D, etc.), directly associated forms, additional schedules in alphabetical order, and additional forms in numerical order.

Supporting statements should then follow in the same sequence as the forms they support. Additional information required should be attached last.

In this way, the forms are received in the order in which they must be processed. If you do not send returns to the IRS in order, processing may be delayed.

**3.1.7
Paid Preparer’s
Information and Signature
Area**

On Forms 1040, 1040-SR, and 1120, and any other applicable tax forms, the “Paid Preparer Use Only” area may not be rearranged or relocated. You may, however, add three extra lines to the paid preparer’s address area, and remove the horizontal rules in that area without prior approval.

**3.1.8
Some Common Reasons
for Requiring Changes to
Substitute Forms**

Some reasons that substitute form submissions may require changes include the following.

- Shading areas incorrectly.
 - Failing to include a reference to the location of the Paperwork Reduction Act Notice.
 - Not including parentheses for losses.
 - Not including “Attach Statement” when appropriate.
 - Including line references or entry spaces that do not match the official form.
 - Printing text that is different from the official form.
 - Altering the jurat (perjury statement).
 - Having an incorrect OMB number.
 - Including the IRS catalog number (Cat. No.) on the form.
 - Failing to include preprinted amounts in entry fields.
 - Missing IRS source code or NACTP software ID.
 - Missing 3-letter FFF code on paper Form 1040 from tax software companies that participate in the IRS Free File Program.
 - Incorrect dimensions.
-

Section 3.2 – Paper

**3.2.1
Paper Content**

The paper must be:

- Chemical wood writing paper that is equal to or better than the quality used for the official form,
 - At least 18 pound (17" x 22", 500 sheets), or
 - At least 50 pound offset book (25" x 38", 500 sheets).
-

**3.2.2
Paper With Chemical
Transfer Properties**

There are several kinds of paper prohibited for substitute forms. These are:

1. Carbon-bonded paper, and
2. Chemical transfer paper except when the following specifications are met.

- a. Each ply within the chemical transfer set of forms must be labeled.
- b. Only the top ply (ply one and white in color), the one that contains chemical on the back only (coated back), may be filed with the IRS.

Example. A set containing three plies would be constructed as follows: ply one (coated back), “Federal Return, File with IRS”; ply two (coated front and back), “Taxpayer’s copy”; and ply three (coated front), “Preparer’s copy.”

The file designation, “Federal Return, File with IRS” for ply one, must be printed in the bottom right margin (just below the last line of the form) in 12-point boldface type.

It is not mandatory, but recommended, that the file designation “Federal Return, File with IRS” be printed in a contrasting ink for visual emphasis.

3.2.3 Paper and Ink Color

It is preferred that the color and opacity of paper substantially duplicate that of the original form. This means that your substitute must be printed in black ink and may be on white paper or on the colored paper the IRS form is printed on. Form 1040 or 1040-SR substitute reproductions may be in black ink without the colored shading. The only exception to this rule is Form 1041-ES, which should be printed with a PMS 100 yellow shading in the color-screened area. This is necessary to assist us in expeditiously separating this form from the very similar Form 1040-ES.

3.2.4 Page Size

Substitute or reproduced forms and computer-prepared/-generated substitutes may be the same size as the official form or they may be the standard commercial size (8.5" x 11"). The thickness of the stock cannot be less than 0.003 inch.

Section 3.3 – Printing

3.3.1 Printing Medium

The private printing of all substitute tax forms must be by conventional printing processes, photocopying, computer graphics, or similar reproduction processes.

3.3.2 Legibility

All forms must have a high standard of legibility as to printing, reproduction, and fill-in matter. Entries of taxpayer data may be no smaller than 8 points. The IRS reserves the right to reject those with poor legibility. The ink and printing method used must ensure that no part of a form (including text, graphics, data entries, etc.) develops “smears” or similar quality deterioration. This standard must be followed for any subsequent copies or reproductions made from an approved master substitute form, either during preparation or during IRS processing.

3.3.3 Type Font

Many federal tax forms are printed using Helvetica as the basic type font. It is preferred that you use this type font when composing substitute forms.

3.3.4 Print Spacing	Substitute forms should be printed using a 6 lines/inch vertical print option. They should also be printed horizontally in 10-pitch pica (that is, 10 print characters per inch) or 12-pitch elite (that is, 12 print positions per inch).
3.3.5 Image Size	The image size of a printed substitute form should be as close as possible to that of the official form. You may omit any text on both computer-prepared and computer-generated forms that is solely instructional.
3.3.6 Title Area Changes	To allow a large top margin for marginal printing and more lines per page, the title line(s) for all substitute forms (not including the form’s year designation and sequence number, when present) may be photographically reduced by 40% or reset as one line of type. When reset as one line, the type size may be no smaller than 14 points. You may omit “Department of the Treasury—Internal Revenue Service” and all references to instructions in the form’s title area.
3.3.7 Remove Government Publishing Office (GPO) Symbol and IRS Catalog Number	When privately printing substitute tax forms, the GPO symbol and/or jacket number must be removed. In the same place using the same type size, print the EIN of the printer or designer, or the IRS-assigned source code. (Preferably, this last number should be printed in the lower left area of the first page of each form.) Also, remove the IRS catalog number (Cat. No.) and the recycle symbol if the substitute is not produced on recycled paper.
3.3.8 Printing Single-Page Forms	Substitute single-page forms should be reproduced the same as IRS single-page forms. Other forms or schedules should not be printed on the back or on blank portions of a single-page form. However, printing instructions on the back or on blank portions of a single-page form is acceptable.
3.3.9 Photocopy Equipment	The IRS does not undertake to approve or disapprove the specific equipment or process used in reproducing official forms. Photocopies of forms must be entirely legible and satisfy the conditions stated in this and other revenue procedures.
3.3.10 Reproductions	Reproductions of official forms and substitute forms that do not meet the requirements of this revenue procedure may not be filed instead of the official forms. Illegible photocopies are subject to being returned to the filer for resubmission of legible copies.
3.3.11 Removal of Instructions	Generally, you may remove references to instructions. No prior approval is needed. However, in some instances, you may be requested to include references to instructions.
	Exception. The words “For Paperwork Reduction Act Notice, see separate instructions” must be retained, or a similar statement indicating the location of the Notice must be provided on each form.

Section 3.4 – Margins

3.4.1 Margin Size

The format of a reproduced tax form when printed on the page must have margins on all sides at least as large as the margins on the official form. This allows room for IRS employees to make necessary entries on the form during processing.

- A 0.5-inch to 0.25-inch margin must be maintained across the top, bottom, and both sides of all substitute forms.
 - The marginal, perforated strips containing pin-fed holes must be removed from all forms prior to filing with the IRS.
-

3.4.2 Marginal Printing

Prior approval is not required for the marginal printing allowed when printed on an official form or on a photocopy of an official form.

- With the exception of the actual tax return forms (for example, Forms 1040, 1040-SR, 1120, 940, 941, etc.), you may print in the left vertical margin and in the left half of the bottom margin.
 - Printing is never allowed in the top right margin of the tax return form (for example, Forms 1040, 1040-SR, 1120, 940, 941, etc.). The IRS uses this area to imprint a Document Locator Number for each return. There are no exceptions to this requirement.
-

Section 3.5 – Miscellaneous Information for Substitute Forms

3.5.1 Filing Substitute Forms

To be acceptable for filing, a substitute form must print out in a format that will allow the filer to follow the same instructions that accompany official forms. The form must be legible, must be on the appropriately sized paper, and must include a jurat (perjury statement) where one appears on the published form.

3.5.2 Caution to Software Publishers

The IRS has received returns produced by software packages with approved output where either the form heading was altered or the lines were spaced irregularly. This produces an illegible or unrecognizable return or a return with the wrong number of pages. While many of these problems are caused by individual printer differences, they may delay input of return data and, in some cases, generate correspondence to the taxpayer. Therefore, in the instructions to the purchasers of your product, both individual and professional, stress that their returns will be processed more efficiently if they are properly formatted. This includes:

- Having the correct form numbers, 6-digit form identifying numbers, and titles at the top of the returns; and
 - Submitting the same number of pages as if the form were an official IRS form with the line items on the proper pages.
-

3.5.3 Caution to Producers of Software Packages

If you are producing a software package that generates name and address data onto the tax return, do not, under any circumstances, program either the IRS preprinted check digits or a practitioner-derived name control to appear on any return prepared and filed with the IRS.

3.5.4 Programming to Print Forms

Whenever applicable:

- Use only the following label information format for single filers: JOHN Q. DOE 000 OAK DRIVE HOMETOWN, STATE 00000;
- Use only the following label information format for joint filers: JOHN Q. DOE MARY Q. DOE 000 OAK DRIVE HOMETOWN, STATE 00000; and
- Use “0” for number values and “X” for alpha characters entered in data entry fields as dummy copy.

Part 4 Additional Resources

Section 4.1 – Guidance From Other Revenue Procedures

4.1.1 General

The IRS publications listed below provide guidance for substitute tax forms not covered in this revenue procedure. These publications are available on the IRS website. Use the publication number listed below to search for the requested document.

- Pub. 1141, General Rules and Specifications for Substitute Forms W-2 and W-3.
 - Pub. 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, and Certain Other Information Returns.
 - Pub. 1223, General Rules and Specifications for Substitute Forms W-2c and W-3c.
 - Pub. 4436, General Rules and Specifications for Substitute Form 941, Schedule B (Form 941), Schedule D (Form 941), Schedule R (Form 941), and Form 8974.
 - Pub. 5223, General Rules and Specifications for Affordable Care Act Substitute Forms 1095-A, 1094-B, 1095-B, 1094-C, and 1095-C.
-

Section 4.2 – Electronic Tax Products

4.2.1 The IRS Website

Copies of tax forms and their instructions, publications, fillable forms, and prior-year forms and publications may be found on the IRS website at <https://www.irs.gov/forms>.

Draft forms and instructions may be found at <https://www.irs.gov/draftforms>.

Other tax-related information may be found at <https://www.irs.gov>.

**4.2.2
System Requirements
and Ordering Forms and
Instructions**

For system requirements, contact the National Technical Information Service (NTIS) at <https://www.ntis.gov>. Prices are subject to change.

You can order IRS forms and other tax material at <https://www.irs.gov/orderforms>.

**Part 5
Requirements for Specific Tax Returns**

Section 5.1 – Tax Returns (Forms 1040, 1040-SR, 1120, etc.)

**5.1.1
Acceptable Forms**

Tax return forms (such as Forms 1040, 1040-SR, and 1120) require a signature and establish tax liability. Computer-generated versions are acceptable under the following conditions.

- These substitute forms must be printed on plain white paper.
 - Substitute forms must conform to the physical layout of the corresponding IRS form although the typeface may differ. The text should match the text on the officially published form as closely as possible. Condensed text and abbreviations will be considered on a case-by-case basis. **Caution.** All jurats (perjury statements) must be reproduced verbatim. No text can be added, deleted, or changed in meaning.
 - Various computer graphic print media such as laser printing, inkjet printing, etc., may be used to produce the substitute forms.
 - The substitute form must be the same number of pages and contain the same text on the lines as the official form.
 - All substitute forms must be submitted for approval prior to their original use. You do not need approval for a substitute form if its only change is the preprinted year and you had received a prior-year approval letter. **Exception.** If the approval letter specifies a one-time exception for your form, the next year's form must be approved.
-

**5.1.2
Prohibited Forms**

The following are prohibited.

- Computer-generated tax forms (for example, Form 1040, 1040-SR, etc.) on lined or color-barred paper.
 - Tax forms that differ from the official IRS forms in a manner that makes them nonstandard or unable to process.
-

**5.1.3
Changes Permitted to Form
1040**

Certain changes (listed in *Section 5.2*) are permitted to the graphics of the form without prior approval, but these changes apply only to acceptable preprinted forms. Changes not requiring prior approval are good only for the annual filing period, which is the current tax year. Such changes are valid in subsequent years only if the official form does not change.

**5.1.4
Other Changes Not Listed**

All changes not listed in *Section 5.2* require approval from the IRS before the form can be filed.

Section 5.2 – Changes Permitted to Graphics (Form 1040 or 1040-SR)

**5.2.1
Adjustments**

You may make minor vertical and horizontal spacing adjustments to allow for computer or word-processing printing. This includes widening the amount columns or tax entry areas if the adjustments comply with other provisions stated in revenue procedures. No prior approval is needed for these changes.

Schedules 1–3 cannot be combined for filing purposes. For the client copy of the return, the numbered schedules may be printed two to a page (for example, Schedule 3 below Schedule 2, if both are completed as part of the return). If numbered schedules are combined on the client copy, it must include a statement that it is “Not for Filing.”

**5.2.2
Name and Address Area**

The horizontal rules and instructions within the name and address area may be removed and the entire area left blank. No line or instruction can remain in the area. The heavy-ruled border (when present) that outlines the name, address area, and SSN must not be removed, relocated, expanded, or contracted.

**5.2.3
Required Format**

When the name and address area is left blank, the following format must be used when printing the taxpayer’s name and address.

- 1st name line (35 characters maximum).
 - 2nd name line (35 characters maximum).
 - In-care-of name line (35 characters maximum).
 - City, state (25 characters maximum), one blank character, and ZIP code.
-

**5.2.4
Conventional Name and
Address Data**

When there is no in-care-of name line, the name and address will consist of only three lines (single filer) or four lines (joint filer).

Example of joint filer. Name and address (joint filer) with no in-care-of name line:

JOHN Q. DOE
MARY Q. DOE
000 ANYWHERE ST., APT. 000
ANYTOWN, STATE 00000

Example of in-care-of name line. Name and address (single filer) with in-care-of name line:

JOHN Q. DOE
C/O JOHN R. DOE
0000 SOMEWHERE AVE.
SAMETOWN, STATE 00000

5.2.5
SSN and EIN Area

The broken vertical lines separating the format arrangement of the SSN/EIN may be removed. When the vertical lines are removed, the SSN and EIN formats must be 000-00-0000 or 00-0000000, respectively.

5.2.6
Entering Cents

- You may remove the vertical rule that separates the dollars from the cents if it is still included on the official IRS form.
 - All entries in the amount column should have a decimal point following the whole dollar amounts whether or not the vertical line that separates the dollars from the cents is present.
 - You may omit printing the cents, but all amounts entered on the form must follow a consistent format. You are strongly urged to round off the figures to whole dollar amounts, following the official form instructions.
 - When several amounts are added together, the total should be rounded off after addition (that is, individual amounts should not be rounded off for computation purposes).
 - When printing money amounts, you must use one of the following formats: (a) 0,000,000; or (b) 0,000,000.00.
 - When there is no entry for a line, leave the line blank.
-

5.2.7
Changes to Lines

No prior approval is needed for the following changes (for use with computer-prepared forms only). Specific line numbers in the following headings may have changed due to tax law changes.

5.2.8
Dependents on Form 1040

The vertical lines separating columns (1) through (4) may be removed. The captions may be shortened to allow a one-line caption for each column.

5.2.9
Other Lines

Any other line with text that takes up two or more vertical lines may be compressed to one line by using contractions, etc., and by removing instructional references.

5.2.10
Form 1040 – Tax

You may change the line caption to read “Tax” and computer print the words “Total includes tax from” and either “Form(s) 8814” or “Form 4972” or “962 election.” If both forms are used, print both form numbers. This specific line number may have changed.

**5.2.11
Color Screening**

It is not necessary to duplicate the color screening used on the official form. A substitute Form 1040 or 1040-SR may be printed in black and white only with no color screening.

**5.2.12
Other Changes Prohibited**

No other changes to the Form 1040 or 1040-SR graphics are permitted without prior approval except for the removal of instructions and references to instructions.

**Part 6
Format and Content of Substitute Returns**

Section 6.1 – Acceptable Formats for Substitute Forms and Schedules

**6.1.1
Exhibits and Use of
Acceptable Formats**

Exhibit A is an acceptable format for Form 1040-ES.

- If your computer-generated Form 1040-ES appears exactly like *Exhibit A*, no prior authorization is needed.
 - You may computer-generate forms not shown here, but you must design them by following the manner and style discussed in *Part 3*.
 - Take care to observe the other requirements and conditions in this revenue procedure. The IRS encourages the submission of all proposed forms covered by this revenue procedure.
-

**6.1.2
Instructions**

The format of each substitute form or schedule must follow the format of the official form or schedule as to item captions, line references, line numbers, sequence, form arrangement and format, etc. Basically, try to make the form look like the official one, with readability and consistency being primary factors. You may use periods and/or other similar special characters to separate the various parts and sections of the form. Do not use alpha or numeric characters for these purposes. All line numbers and items must be printed even though an amount is not entered on the line.

**6.1.3
Line Numbers**

When a line on an official form is designated by a number or a letter, that designation (reference code) must be used on a substitute form. The reference code must be printed to the left of the text of each line and immediately preceding the data entry field, even if no reference code precedes the data entry field on the official form. If an entry field contains multiple lines and shows the line references once on the left and right sides of the form, use the same number of line references on the substitute form.

In addition, the reference code that is immediately before the data field must either be followed by a period or enclosed in parentheses. There must also be at least two blank spaces between the period or the right parenthesis and the first digit of the data field. (See *Section 6.1.4*.)

**6.1.4
Decimal Points**

A decimal point (a period) should be used for each money amount regardless of whether the amount is reported in dollars and cents or in whole dollars, or whether or not the vertical line that separates the dollars from the cents is present. The decimal points must be vertically aligned when possible.

Example.

5 State and local taxes		
a State and local income taxes.....	5a.	000.00
b State and local real estate taxes.....	5b.	
c State and local personal property taxes....	5c.	000.00
or		
a State and local income taxes.....	(5a)	000.00
b State and local real estate taxes.....	(5b)	
c State and local personal property taxes....	(5c)	000.00

**6.1.5
Multi-Page Forms**

When submitting a multi-page form, send all its pages in the same package. If you will not be producing certain pages, note that in your cover letter.

Section 6.2 – Additional Instructions for All Forms

**6.2.1
Use of Your Own Internal
Control Numbers and
Identifying Symbols**

You may show the computer-prepared internal control numbers and identifying symbols on the substitute form if using such numbers or symbols is acceptable to the taxpayer and the taxpayer’s representative. Such information must not be printed in the top 0.5-inch clear area of any form or schedule requiring a signature. Except for the actual tax return form (Forms 1040, 1040-SR, 1120, 940, 941, etc.), you may print in the left vertical and bottom left margins. The bottom left margin you may use extends 3.5 inches from the left edge of the form. You may print internal control numbers in place of the removed IRS catalog number.

**6.2.2
Required Software ID
Number (Source Code)
on Computer- Prepared
Substitutes**

In the February 2009 Government Accountability Office (GAO) report, “Many Taxpayers Rely on Tax Software and IRS Needs to Assess Associated Risks” (GAO-09-297), the GAO recommended that the IRS require a software identification number on all individual returns to specifically identify the software package used to prepare each tax return. The IRS already has this capability for all *e-filed* returns. In addition, many tax preparation software firms already print an IRS-issued 3-letter source code on paper returns that are generated by their individual tax software. This source code was assigned when the firms were seeking substitute-forms approval under this publication.

In order to follow this GAO recommendation, the IRS will require that all tax preparation software firms include the 3-letter source code on all paper tax returns created by their individual tax preparation software. The many firms that currently have and display their source codes on paper returns generated from their software should continue to do so, and no change is necessary.

We have reviewed all software companies that passed Assurance Testing System (ATS) testing last filing season and have determined that some firms do not currently have source codes. To save you the burden of contacting us and for your convenience, we have assigned source codes to those firms.

You should program your source code to be placed in the bottom left-hand corner of page one of each paper form that will be generated by your individual tax return package. You do not need to apply for a new source code annually.

If you already use a 3-letter source code and we have issued you one in error, you are unsure if you were ever issued one, or you have other questions or concerns, you may contact Tax Forms and Publications Special Services Section at substituteforms@irs.gov.

The IRS requires tax preparation software firms that participate in the IRS Free File Program include the 3-letter FFF code on all paper Form 1040 returns created by their individual tax preparation software.

If you participate in the IRS Free File Program, you should program the 3-letter FFF code to be placed in the bottom left-hand corner of the first page of each paper Form 1040 that will be generated by your individual tax return package. The 3-letter FFF code and the 3-letter source code should be placed next to each other for consistency. If placing the 3-letter FFF code and the 3-letter source code next to each other is not possible, then above or below will be acceptable.

Example. The 3-letter FFF code and the 3-letter source code could be BCA-FFF or BCA FFF. A dash or a space is needed to separate the 3-letter FFF code and the 3-letter source code.

6.2.3
**Descriptions for Captions,
Lines, etc.**

Descriptions for captions, lines, etc., appearing on the substitute forms may be limited to one print line by using abbreviations and contractions, and by omitting articles, prepositions, etc. However, sufficient keywords must be retained to permit ready identification of the caption, line, or item.

6.2.4
Determining Final Totals

Explanatory detail and/or intermediate calculations for determining final line totals may be included on the substitute form. Preferably, such calculations should be submitted in the form of a supporting statement. If intermediate calculations are included on the substitute form, the line on which they appear may not be numbered or lettered. Intermediate calculations may not be printed in the right column. This column is reserved only for official numbered and lettered lines that correspond to the ones on the official form. Generally, you may choose the format for intermediate calculations or subtotals on supporting statements to be submitted.

6.2.5
**Instructional Text on the
Official Form**

Text on the official form, which is solely instructional (for example, “See instructions,” etc.), may generally be omitted from the substitute form.

6.2.6
Intermingling Is Prohibited

Showing more than one form or schedule on the same printout page is prohibited. Both sides of the paper may be used for multi-page forms, but it is unacceptable to intermingle forms.

For instance, Schedule E can be printed on both sides of the paper because the official form is multi-page, with page 2 continued on the back. However, do not print Schedule E on the front page and Schedule SE on the back page, or Schedule A on the front and Form 8615 on the back, etc. Both pages of a substitute form must match the official form. The back page may be left blank if the back page of the official form contains only the instructions.

6.2.7
Identifying Substitutes

Identify all computer-prepared substitutes clearly. Print the form designation 0.5 inch from the top margin and 1.5 inches from the left margin. Print the title centered on the first line of print. Print the tax year and, where applicable, the sequence number on the same line 0.5 inch to 1 inch from

the right margin. Include the taxpayer's name and SSN on all forms and attachments. Also, print the OMB number as reflected on the official form.

6.2.8 Negative Amounts

Negative (or loss) amount entries should be enclosed in brackets or parentheses or include a minus sign. This assists in accurate computation and input of form data. The IRS preprints parentheses in negative data fields on many official forms. These parentheses should be retained or inserted on printouts of affected substitute forms.

Part 7 Miscellaneous Forms and Programs

Section 7.1 – Specifications for Substitute Schedules K-1

7.1.1 Requirements for Schedules K-1 That Accompany Forms 1041, 1065, and 1120-S

Because of significant changes to improve processing, prior approval is now required for substitute Schedules K-1 that accompany Form 1041 (for estates and trusts), Form 1065 (for partnerships), or Form 1120-S (for S corporations). Substitute Schedules K-1 should be as close as possible to exact replicas of the official IRS schedules and follow the same process for submitting other substitute forms and schedules. Before releasing their substitute forms, software vendors are responsible for making any subsequent changes that have been made to the final official IRS forms after the draft forms have been posted.

Submit substitute Schedule K-1 forms, in PDF format, to scrips@irs.gov for scannability acceptance. Schedule K-1 forms that require testing do not need to be mailed to the Program. You must include information on the substitute forms that can be tested. This information should be dummy information. Use an "X" for alpha characters and "0" for numbers. The IRS will review and provide feedback of any changes needed so that your forms can be recognized correctly.

Include the 6-digit form ID code in the upper right of Schedules K-1 of Forms 1041, 1065, and 1120-S. Allow at least 0.25 inch of white space around the 6-digit code.

- 661117 for Form 1041.
- 651123 for Form 1065.
- 671124 for Form 1120-S.

Schedules K-1 that accompany Forms 1041, 1065, or 1120-S must meet all specifications. The specifications include, but are not limited to, the following requirements.

- You will no longer be able to produce Schedules K-1 that contain only those lines or boxes that taxpayers are required to use. All lines must be included.
- The words "* See attached statement for additional information." must be preprinted in the lower right-hand side on Schedules K-1 of Forms 1041, 1065, and 1120-S.
- All Schedules K-1 that are filed with the IRS should be printed on commercial standard size (8.5" x 11") paper (the international standard (A4) of 8.27" x 11.69" may be substituted).

- 10-point Helvetica Light Standard is preferred for all entries that are typed or made using a computer.
- Submissions should include the IRS source code or NACTP vendor ID code printed on the lower left corner of the form or in place of the IRS catalog number.
- Each recipient's information must be on a separate sheet of paper. Therefore, you must separate all continuously printed substitutes, by recipient, before filing with the IRS.
- No carbon copies or pressure-sensitive copies will be accepted.
- The Schedule K-1 must contain the name, address, and SSN or EIN of both the entity (estate, trust, partnership, or S corporation) and the recipient (beneficiary, partner, or shareholder).
- The Schedule K-1 must contain the tax year, the OMB number, the schedule number (K-1), the related form number (1041, 1065, or 1120-S), and the official schedule name in substantially the same position and format as shown on the official IRS schedule.
- The Schedule K-1 must contain all the line items as shown on the official form, except for the instructions, if any are printed on the back of the official Schedule K-1.
- The line items or boxes must be in the same order and arrangement as those on the official form.
- The amount of each recipient's share of each item must be shown. A partial percent should be reflected as a decimal (for example, 50 1/2% should be 50.5%). Furnishing a total amount of each item and a percentage (or decimal equivalent) to be applied to such total amount by the recipient does not satisfy the law and the specifications of this revenue procedure.
- State or local tax-related information may not be included on the Schedules K-1 filed with the IRS.

The entity may have to pay a penalty if substitute Schedules K-1 are filed that do not conform to specifications.

Additionally, the IRS may consider the Schedules K-1 that do not conform to specifications as not being able to be processed and may return Form 1041, 1065, or 1120-S to the filer to be filed correctly.

Schedules K-1 that are 2-D bar-coded will continue to require prior approval from the IRS. (See *Sections 7.1.3 through 7.1.5.*)

7.1.2 Special Requirements for Recipient Copies of Schedules K-1

Standardization for reporting information is required for recipient copies of substitute Schedules K-1 of Forms 1041, 1065, and 1120-S. Uniform visual standards are provided to increase compliance by allowing recipients and practitioners to more easily recognize a substitute Schedule K-1. The entity must furnish to each recipient a copy of Schedule K-1 that meets the following requirements.

- Include the 6-digit form ID code in the upper right of Schedules K-1 of Forms 1041, 1065, and 1120-S. Allow white space around the 6-digit code.
 - 661117 for Form 1041.
 - 651123 for Form 1065.
 - 671124 for Form 1120-S.

- You will no longer be able to produce Schedules K-1 that contain only those lines or boxes that taxpayers are required to use. All lines must be included.
- The words “* See attached statement for additional information.” must be preprinted in the lower right-hand side on Schedules K-1 of Forms 1041, 1065, and 1120-S.
- The Schedule K-1 must contain the name, address, and SSN or EIN of both the entity and recipient.
- The Schedule K-1 must contain the tax year, the OMB number, the schedule number (K-1), the related form number (1041, 1065, or 1120-S), and the official schedule name in substantially the same position and format as shown on the official IRS schedule.
- All applicable amounts and information required to be reported must be titled and numbered in the same manner as shown on the official IRS schedule. The line items or boxes must be in the same order and arrangement and must be numbered like those on the official IRS schedule.
- The Schedule K-1 must contain all items required for use by the recipient. The instructions for the schedule must identify the line or box number and code, if any, for each item as shown on the official IRS schedule.
- The amount of each recipient’s share of each item must be shown. A partial percent should be reflected as a decimal (for example, 50 1/2% should be 50.5%). Furnishing a total amount of each line item and a percentage (or decimal equivalent) to be applied to such total amount by the recipient does not satisfy the law and the specifications of this revenue procedure.
- Instructions to the recipient that are substantially similar to those on or accompanying the official IRS schedule must be provided to aid in the proper reporting of the items on the recipient’s income tax return. Where items are not reported to a recipient because they do not apply, the related instructions may be omitted.
- The quality of the ink or other material used to generate recipients’ schedules must produce clearly legible documents. In general, black chemical transfer inks are preferred.
- In order to assure uniformity of substitute Schedules K-1, the paper size should be standard commercial (8.5" x 11") (the international standard (A4) of 8.27" x 11.69" may be substituted).
- The paper weight, paper color, font type, font size, font color, and page layout must be such that the average recipient can easily decipher the information on each page. The preferred font is Helvetica and a minimum of 10-point font.
- State or local tax-related information may be included on recipient copies of substitute Schedules K-1. All non-tax-related information should be separated from the tax information on the substitute schedule to avoid confusion for the recipient.
- The legend “Important Tax Return Document Enclosed” must appear in a bold and conspicuous manner on the outside of the envelope that contains the substitute recipient copy of Schedule K-1.
- The entity may have to pay a penalty if a substitute Schedule K-1 furnished to any recipient does not conform to the specifications of this revenue procedure and results in impeding processing.

7.1.3 Requirements for Schedules K-1 With Two-Dimensional (2-D) Bar Codes

Electronic filing is the preferred method of filing; however, 2-D bar code is the best alternative method for paper processing.

In an effort to improve efficiency and increase data accuracy, the IRS partnered with the tax software development community on a 2-D bar code project in 2003. Certain tax software packages have been modified to generate 2-D bar codes on Schedules K-1. As a result, when Schedules K-1 are printed using these programs, a bar code will print on the page.

Rather than manually transcribe information from the Schedule K-1, the IRS will scan the bar code and electronically upload the information from the Schedule K-1. This will result in more efficient operations within the IRS and fewer transcription errors for your clients.

Note. If software vendors do not want to produce bar-coded Schedules K-1, they may produce the official IRS Schedules K-1 but cannot use the expedited process for approving bar-coded Schedules K-1 and their parent returns as outlined in *Section 7.1.6*.

In addition to the requirements in *Sections 7.1.1* and *7.1.2*, the bar-coded Schedules K-1 must meet the following specifications.

- The bar code should be printed in the space labeled “For IRS Use Only” on each Schedule K-1. The entire bar code must be printed within the “For IRS Use Only” box surrounded by a white space of at least 0.25 inch.
- Bar codes must be printed in PDF417 format.
- The bar codes must always be in the specified format with every field represented by at least a field delimiter (carriage return). Leaving out a field in a bar code will cause every subsequent field to be misread.
- Be sure to include the 6-digit form ID code in the upper right of Schedules K-1 of Forms 1041, 1065, and 1120-S. Allow white space around the 6-digit code.
 - 661117 for Form 1041.
 - 651123 for Form 1065.
 - 671124 for Form 1120-S.

7.1.4 2-D Bar Code Specifications for Schedules K-1

Follow these general specifications for preparing all 2-D bar-coded Schedules K-1.

- Numeric fields.
 - Do not include leading zeros (except TINs, ZIP codes, and percentages).
 - If negative value, the minus sign “-” must be present immediately to the left of the number and part of the 12-position field.
 - Do not use non-numeric characters except that the literal “STMT” can be put in money fields.
 - All money fields should be rounded to the nearest whole dollar amount—if a money amount ends in 00 to 49 cents, drop the cents; if it ends in 50 to 99 cents, truncate the cents and increment the dollar amount by one. Use the same rounding technique for the bar-coded and the printed Schedules K-1.
 - All numeric-only fields are right justified (except TINs and ZIP codes).

- All field lengths are expressed as maximum lengths. If the value in the field has fewer positions or the software program does not support that many positions, put in the bar code only those positions actually used.
- Alpha fields.
 - Do not include leading blanks (left justified).
 - Do not include trailing blanks.
 - Use uppercase alpha characters only.
- Variable fields.
 - Do not include leading blanks (left justified).
 - Do not include trailing blanks.
 - Use uppercase alpha characters, numerics, and special characters as defined in each field.
- Delimit each field with a carriage return.
- Express percentages as 6-digit numbers without the percent sign. Left justify with a leading zero(s) (for percentages less than 100%) and no decimal point (decimal point is assumed between 3rd and 4th positions). Examples: 25.32% expressed as “025320”; 105% expressed as “105000”; 8.275% expressed as “008275”; 10.24674% expressed as “010247”.
- It is vital that the print routine reinitialize the bar code prior to printing each succeeding Schedule K-1. Failure to do this will result in each Schedule K-1 for a parent return having the same bar code as the document before it.

7.1.5 Approval Process for Bar- Coded Schedules K-1

Prior to releasing commercially available tax software that creates bar-coded Schedules K-1, the printed schedule and the bar code must both be tested. If your company is creating bar-coded Schedules K-1, you must receive certification for both the printed Schedule K-1, as well as the bar code, before offering your product for sale. Bar-code testing must be done using the final official IRS Schedule K-1. Bar-code approval requests must be resubmitted for any subsequent changes to the official IRS form that would affect the bar code. Below are instructions and a sequence of events that will comprise the testing process.

- The IRS has released the final Schedule K-1 bar-code specifications by publishing them on the IRS website (see <https://www.irs.gov/e-file-providers/k-1-bar-code-certification-process>).
- The IRS will publish a set of test documents that will be used to test the ability of tax preparation software to create bar codes in the correct format.
- Software developers will submit two identical copies of the test documents—one to the IRS and one to a contracted testing vendor.
- The IRS will use one set to ensure the printed schedules comply with standard substitute forms specifications.
- If the printed forms fail to meet the substitute forms criteria, the IRS will inform the software developer of the reason for noncompliance.
- The software developer must resubmit the Schedule(s) K-1 until it passes the substitute forms criteria.

- The testing vendor will review the bar codes to ensure they meet the published bar-code specifications.
- If the bar code(s) does not meet published specifications, the testing vendor will contact the software developer directly, informing them of the reason for noncompliance.
- Software developers must submit new bar-coded schedules until they pass the bar-code test.
- When the bar code passes, the testing vendor will inform the IRS that the developer has passed the bar-code test and the IRS will issue an overall approval for both the substitute form and the bar code.
- After receiving this consolidated response, the software vendor is free to release software for tax preparation as long as any subsequent revisions to the schedules do not change the fields.
- Find the mailing address for the testing vendor next in *Section 7.1.6*. Separate and simultaneous mailings to the IRS and the vendor will reduce testing time.

7.1.6 Procedures for Reducing Testing Time

In order to help provide incentives to the software development community to participate in the Schedule K-1 2-D project, the IRS has committed to expediting the testing of bar-coded Schedules K-1 and their associated parent returns. To receive this expedited service, follow the instructions below.

- Mail the parent returns (Forms 1041, 1065, 1120-S) and associated bar-coded Schedule(s) K-1 to the address below in a separate package from all other approval requests.

Internal Revenue Service
Attn: K-1 Substitute Forms Analyst
SE:W:CAR:MP:T:T:SP
Room 6411
1111 Constitution Ave. NW
Washington, DC 20224

- Mail one copy of the parent form(s) and Schedule(s) K-1 to the IRS and another copy to the testing vendor at the address below.

Leidos-IRS Paper and Remittance
Processing Support (PRPS II)
Attn: Dane Hawkins
9737 Washingtonian Blvd.
Gaithersburg, MD 20878

- Include multiple email and phone contact points in the packages.
- While the IRS can expedite bar-coded Schedules K-1 and their associated parent returns, it cannot expedite the approval of nonassociated tax returns.
- Vendors are encouraged to go to <https://www.nactp.org> for compliance guidelines in regards to file size and error-correction level.
- Submissions should include the IRS source code or NACTP vendor ID code printed on the lower left corner of the form or in place of the IRS catalog number.
- If a change is made to the bar code after approval, be sure to increment the version number.

Section 7.2 – Guidelines for Substitute Forms 8655

7.2.1 Increased Standardization for Forms 8655

Increased standardization for reporting information on substitute Forms 8655 is now required to aid in processing and for compliance purposes. Follow the guidelines in *Section 7.2.2*.

7.2.2 Requirements for Substitute Forms 8655

Follow these specific requirements when producing substitute Forms 8655.

- The first line of the title must be “Reporting Agent Authorization.”
 - If you want to include a reference to “State Limited Power of Attorney,” it can be in parentheses under the title. “State” must be the first word within the parentheses.
 - You must include “Form 8655” on the form.
 - While the line numbers do not have to match the official form, the sequence of the information must be in the same order.
 - The size of any variable data must be printed in a font no smaller than 10 points.
 - For adequate disclosure checks, the following must be included for each taxpayer.
 - Name.
 - EIN.
 - Address.
 - At this time, Form 944 will not be required if Form 941 is checked. Only those forms that the reporting agent company supports need to be listed.
 - The jurat (perjury statement) must be identical with the exception of references to line numbers.
 - A contact name and number for the reporting agent are not required.
 - Any state information included should be contained in a separate section of the substitute form. Preferably, this information will be in the same area as line 19 of the official form.
 - All substitute Forms 8655 must be approved by the Program as outlined in the Form 8655 specifications in this publication.
 - If you have not already been assigned a 3-letter source code, you will be given one when your substitute form is submitted for approval. This source code should be included in the lower left corner of the form.
 - The 20-business-day assumed approval policy does not apply to Form 8655 approvals.
-

7.2.3 Exception for Form 8655

Because of how Form 8655 is processed and distributed to recipients, vendors are allowed to affix their logos onto the substitute version of the form. **This exception is for Form 8655 only.**

Section 7.3 – Guidelines for Substitute Image Character Recognition (ICR) Forms

7.3.1 Overview

The following suggestions may be used as a guideline for creating easily scanned substitute tax forms. If you choose to participate, use the Form 1040 format provided in *Exhibit C* and *Exhibit D*. The grid view is for user ease of understanding only and should be removed before printing forms for submission.

Note. The exhibits are to show formatting only and are not a current copy of the form. Use the most current version of any form to create the substitute tax form.

7.3.2 Automated Processing of Certain Forms

Certain forms have been redesigned for automated processing via ICR technology. As a result, these forms have different requirements for reproduction. These specific requirements apply to both the form image as well as the format of the variable data.

7.3.3 Form Design Requirements

- Forms should have a 0.5-inch margin on all sides.
 - Nothing should be printed within the 0.5-inch margins.
 - Vertical and horizontal lines should be replicated as they are on the IRS form.
 - Printing should be in black ink on white paper. No color or shading should be used.
 - Reproduce the exact text on each line as it appears on the IRS form. Do not abbreviate or leave out text.
-

7.3.4 Data Format Requirements

- See *Section 3.3*.
- Rows 1–3 and 64–66 and columns 1–5 and 81–85 should be left blank.
- SSN and EIN fields should have dashes (for example, 999-99-9999 or 99-99999999).
- Do not use real data unless specifically directed (for example, printing 12345678912 vs. XXXXXXXXXXXX for bank routing number as required by Pub. 1345).
- Dollar value fields should be printed with commas and no decimals (for example, 999,999,999).
- Data placement should match defined areas on the form. Variable data should not be printed outside defined areas (for example, first, middle, last, and suffix fields should be printed where they appear on the IRS form, not combined).
- Do not populate blank value fields with a zero. If there is no value for a field, leave it blank. Exceptions include calculated fields with valid inputs that result in a value of zero.
- Vendor codes and company-specific printing information should only appear in the spaces designated on the form.

Part 8
Additional Information

Section 8.1 – Forms for Electronically Filed Returns

8.1.1
Electronic Filing Program

Electronic filing is a method by which authorized providers transmit tax return information to an IRS Service Center in the format of the official IRS forms. The IRS accepts both refund and balance due forms that are filed electronically.

8.1.2
Applying To Participate in IRS e-file

Anyone wishing to participate in IRS *e-file* of tax returns must submit an *e-file* application. The application can be completed and submitted electronically on the IRS website at <https://www.irs.gov> after first registering for e-services on the website. For specific information about completing an *e-file* application to participate in IRS *e-file* of tax returns, refer to Pub. 3112, IRS *e-file* Application & Participation.

8.1.3
Obtaining the Taxpayer Signature/Submission of Required Paper Documents

Taxpayers choosing to electronically prepare and file their returns will be required to use the Self-Select PIN method as their signatures.

Electronic return originators (EROs) can *e-file* individual income tax returns only if the returns are signed electronically using either the Self-Select or Practitioner PIN method.

Taxpayers must use Form 8453, U.S. Individual Income Tax Transmittal for an IRS *e-file* Return, to send supporting documents that are required to be submitted to the IRS.

For specific information about electronic filing, refer to Pub. 1345, Handbook for Authorized IRS *e-file* Providers of Individual Income Tax Returns.

8.1.4
Guidelines for Preparing Substitute Forms in the Electronic Filing Program

A participant in the electronic filing program who wants to develop a substitute form should follow the guidelines throughout this publication and send a sample form for approval to the Program at substituteforms@irs.gov. If you do not prepare substitute Form 8453 using a font in which all IRS wording fits on a single page, the form will not be accepted.

Note. Use of unapproved forms could result in suspension of the participant from the electronic filing program.

Section 8.2 – Effect on Other Documents

8.2.1
Effect on Other Documents

This revenue procedure supersedes Revenue Procedure 2024-33, 2024-44 I.R.B. 1030.

Section 8.3 – Exhibits

Exhibit A — Form 1040-ES Voucher 20XX

Exhibit B — Substitute Form Checksheet

Exhibit C — Form 1040 With Grid

Exhibit D — Form 1040 Without Grid

Exhibit A

Form 1040-ES Voucher

Form 1040-ES (OCR) Department of the Treasury Internal Revenue Service		20XX OMB No. 1545-0074	Estimated Tax	Payment Voucher 1	Calendar year— Due April XX, 20XX	
Make your check or money order payable to "United States Treasury." Enter your SSN and "20XX Form 1040-ES" on your payment. If your name, address, or SSN is incorrect, see instructions.			Amount of estimated tax you are paying by check or money order.	Dollars 0,000	Cents	
			For Privacy Act and Paperwork Reduction Act Notice, see instructions. Pay online at IRS.gov/epay . Simple. Fast. Secure.			
John Q. Doe 000 Someplace Somewhere Blvd. City, St 00000			PO Box 00000 City, St 00000 - 0000			
000000000 XX DOE 00 0 20XX12 000						

IRS Checksheet

Exhibit B

Substitute Forms Checksheet

Checksheet of IRS Substitute Forms

Submitted on:

Enter the following information:

Company:

Contact:

Phone:

Fax:

Source Code:

[illegible]

Authorized Name: _____

Title: _____

Reviewer's Name: _____

Telephone: _____

Date: _____

Exhibit C

Form 1040 Department of the Treasury—Internal Revenue Service		20XX	
U.S. Individual Income Tax Return		OMB No. 1545-0074	
Your first name and middle initial XXXXXXXXXXXXX X		Last name XXXXXXXXXXXXXXXXXXXX	
Your social security number 999999999			
If joint return, spouse's first name and middle initial XXXXXXXXXXXXX X		Last name XXXXXXXXXXXXXXXXXXXX	
Spouse's social security number 999999999			
Home address (number and street). If you have a P.O. box, see instructions.		Apt. no.	
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX		XXXXXX	
City, town or post office. If you have a foreign address, also complete spaces below.		State ZIP code	
XXXXXXXXXXXXXXXXXXXX		XX 9999999999	
Foreign country name		Foreign postal code	
XXXXXXXXXXXXXXXXXXXX		9999999999999999	
Filing Status		Standard Deduction - Someone can claim:	
Check only ☒ Single		☒ You as a dependent ☒ Your spouse as a dependent	
one box. ☒ Married filing jointly		☒ Spouse itemizes on a separate return or you were a dual-status alien	
☒ Married filing separately (MFS)		AgeBlindness You Spouse	
☒ Head of household (HOH)		Born before 1/2/1958: ☒ ☒	
☒ Qualifying surviving spouse (QSS)		Blind: ☒ ☒	
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent: XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX		Presidential Election Campaign	
		Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.	
☒ Yes ☒ No		☒ You ☒ Spouse	
Digital Assets		At any time during 20XX, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.)	
☒ Yes ☒ No			
Dependents (see instructions):		(4) Check the box if qualifies for (see instructions):	
(1) First name Last name		(2) Social security number (3) Relationship to you	
Child tax credit Credit for other dependents			
If more than four dependents, see instructions and check:		XXXXXX XXXXX	
☒ XXXXXXXXXXXX XXXXXXXXXXXX		999999999 XXXXXXXXXXXX	
XXXXXX XXXXX		999999999 XXXXXXXXXXXX	
XXXXXX XXXXX		999999999 XXXXXXXXXXXX	
XXXXXX XXXXX		999999999 XXXXXXXXXXXX	
Income		1a Total amount from Form(s) W-2, box 1 (see instructions)	
1a 999,999,999		1b Household employee wages not reported on Form(s) W-2	
1b 999,999,999		1c Tip income not reported on line 1a (see instructions)	
1c 999,999,999		1d Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	
1d 999,999,999		1e Taxable dependent care benefits from Form 2441, line 26	
1e 999,999,999		1f Employer-provided adoption benefits from Form 8839, line 29	
1f 999,999,999		1g Wages from Form 8919, line 6	
1g 999,999,999		1h Other earned income (see instructions)	
1h 999,999,999		1i Nontaxable combat pay election (see instructions)	
1i 999,999,999		1j Add lines 1a through 1h	
1j 999,999,999		2a Tax-exempt interest	
2a 999,999,999		2b Taxable interest	
2b 999,999,999		3a Qualified dividends	
3a 999,999,999		3b Ordinary dividends	
3b 999,999,999		4a IRA distributions	
4a 999,999,999		4b Taxable amount	
4b 999,999,999		5a Pensions and annuities	
5a 999,999,999		5b Taxable amount	
5b 999,999,999		6a Social sec. ben.	
6a 999,999,999		6b Taxable amount	
6b 999,999,999		7 Capital gain or (loss). Attach Schedule D if required.	
7 999,999,999		8 Other income from Schedule 1, line 10	
8 999,999,999		9 Add lines 12, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	
9 999,999,999		10 Adjustments to income from Schedule 1, line 25	
10 999,999,999		11 Subtract line 10 from line 9. This is your adjusted gross income	
11 999,999,999		12 Standard deduction or itemized deductions (from Schedule A)	
12 999,999,999		13 Qualified business income deduction from Form 8995 or Form 8995-A	
13 999,999,999		14 Add lines 12 and 13	
14 999,999,999		15 Subtract line 14 from line 11. If zero or less, enter -0-	
15 999,999,999		This is your taxable income	
15 999,999,999			
For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.		Form 1040 (20XX)	

Exhibit C (continued)

Form 1040 With Grid

Form 1040 (20XX)		Page 2	
Name	XX		SSN 999999999
Tax and Credits	16	Tax (see instructions). Check if any from Form(s): 1 ☒ 8814 2 ☒ 4972	
	3	☒ XXXXXXXXX 999,999,999	16 999,999,999
	17	Amount from Schedule 2, line 3	17 999,999,999
	18	Add lines 16 and 17	18 999,999,999
	19	Child tax credit or credit for other dependents from Schedule 8812	19 999,999,999
	20	Amount from Schedule 3, line 8	20 999,999,999
	21	Add lines 19 and 20	21 999,999,999
	22	Subtract line 21 from line 18. If zero or less, enter -0-	22 999,999,999
	23	Other taxes, including self-employment tax, from Schedule 2, line 21	23 999,999,999
	24	Add lines 22 and 23. This is your total tax	24 999,999,999
Payments	25	Federal income tax withheld from:	
	a	Form(s) W-2	25a 999,999,999
	b	Form(s) 1099	25b 999,999,999
	c	Other forms (see instructions)	25c 999,999,999
	d	Add lines 25a through 25c	25d 999,999,999
	26	20XX estimated tax payments and amount applied from 20XX return	26 999,999,999
If you have a qualifying child, attach Sch. EIC.	27	Earned income credit (EIC)	27 999,999,999
	28	Additional child tax credit from Schedule 8812	28 999,999,999
	29	American opportunity credit from Form 8863, line 8	29 999,999,999
	30	Reserved for future use	30
	31	Amount from Schedule 3, line 15	31 999,999,999
	32	Add lines 27, 28, 29, and 31. These are your total other payments and refundable credits	32 999,999,999
	33	Add lines 25d, 26, and 32. These are your total payments	33 999,999,999
Refund	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34 999,999,999
	35a	Amount of line 34 you want refunded to you. If Form 8888 is attached, check here ☒ 35a 999,999,999	
Direct deposit? See instructions.	b	Routing number 999999999 c Type: ☒ Checking ☒ Savings	
	d	Account number 99999999999999999999	
	36	Amount of line 34 you want applied to your 20XX estimated tax	36 999,999,999
Amount You Owe	37	Subtract line 33 from line 24. This is the amount you owe. For details on how to pay, go to www.irs.gov/Payments or see instructions	37 999,999,999
	38	Estimated tax penalty (see instructions)	38 999,999,999
Third Party Designee	Do you want to allow another person to discuss this return with the IRS? See instructions ☒ Yes. Complete below. ☒ No		
	Designee's name	Phone no.	Personal identification number (PIN)
	XX	999-999-9999	999999
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
Joint return? See instructions. Keep a copy for your records.	Your signature	Date	If the IRS sent you an Identity Protection PIN, enter it here (see Instr.) 999999
	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX		
	Spouse's signature. If a joint return, both must sign.	Date	If the IRS sent your spouse an Identity Protection PIN, enter it here (see Instr.) 999999
	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX		
	Your occupation	Spouse's occupation	
	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX	
	Phone no. 999-999-9999	Email address	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
Paid Preparer	Preparer's name	Date	PTIN
	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX	01/01/10	999999999999
	Preparer's signature	Check if:	
	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX	☒ Self-employed	
Use Only	Firm's name	Phone no.	
	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX	999-999-9999	
	Firm's address	Firm's EIN	
	XXXXXXXXXXXXXXXXXXXX XX XXXXXXXXX	999999999999	
Go to www.irs.gov/Form1040 for instructions and the latest information.			
Form 1040 (20XX)			

Exhibit D**Form 1040 Without Grid**

Form 1040		Department of the Treasury—Internal Revenue Service		20XX	
U.S. Individual Income Tax Return		OMB No. 1545-0074		(IRS Use Only—Do not write or staple in this space.)	
Your first name and middle initial XXXXXXXXXXXXX X		Last name XXXXXXXXXXXXXXXXXXXX		Your social security number 999999999	
If joint return, spouse's first name and middle initial XXXXXXXXXXXXX X		Last name XXXXXXXXXXXXXXXXXXXX		Spouse's social security number 999999999	
Home address (number and street). If you have a P.O. box, see instructions.				Apt. no. XXXXX	
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX				Taxpayer Date of Death 01/01/01	
City, town or post office. If you have a foreign address, also complete spaces below. XXXXXXXXXXXXXXXXXXXX				Spouse's Date of Death 01/01/01	
Foreign country name XXXXXXXXXXXXXXXXXXXX				State ZIP code XX 9999999999	
Foreign province/state/country XXXXXXXXXXXXXXXXXXXX				Foreign postal code 9999999999999999	
Filing Status		Standard Deduction - Someone can claim:		Presidential Election Campaign	
Check only ☒ Single		☒ You as a dependent ☒ Your spouse as a dependent		Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.	
one box. ☒ Married filing jointly		☒ Spouse itemizes on a separate return or you were a dual-status alien		☒ You ☒ Spouse	
☒ Married filing separately (MFS)		Age/Blindness			
☒ Head of household (HOH)		You Spouse			
☒ Qualifying surviving spouse (QSS)		Born before 1/2/1958: ☒ ☒			
		Blind: ☒ ☒			
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent. XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX					
Digital Assets At any time during 20XX, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☒ Yes ☒ No					
Dependents (see instructions):					
(1) First name		(2) Social security number		(3) Relationship to you	
Last name				(4) Check the box if qualifies for (see instructions):	
				Child tax credit Credit for other dependents	
If more than four dependents, see instructions and check here ☒		XXXXXXXXXXXXX XXXXXXXXXXXXXXXX 999999999		XXXXXXXXXXXXX ☒ ☒	
		XXXXXXXXXXXXX XXXXXXXXXXXXXXXX 999999999		XXXXXXXXXXXXX ☒ ☒	
		XXXXXXXXXXXXX XXXXXXXXXXXXXXXX 999999999		XXXXXXXXXXXXX ☒ ☒	
		XXXXXXXXXXXXX XXXXXXXXXXXXXXXX 999999999		XXXXXXXXXXXXX ☒ ☒	
Income					
1a Total amount from Form(s) W-2, box 1 (see instructions)		1a 999,999,999		1a 999,999,999	
b Household employee wages not reported on Form(s) W-2		1b 999,999,999		1b 999,999,999	
c Tip income not reported on line 1a (see instructions)		1c 999,999,999		1c 999,999,999	
d Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		1d 999,999,999		1d 999,999,999	
e Taxable dependent care benefits from Form 2441, line 26		1e 999,999,999		1e 999,999,999	
f Employer-provided adoption benefits from Form 8839, line 29		1f 999,999,999		1f 999,999,999	
g Wages from Form 8919, line 6		1g 999,999,999		1g 999,999,999	
h Other earned income (see instructions)		1h 999,999,999		1h 999,999,999	
i Nontaxable combat pay election (see instructions)		1i 999,999,999		1i 999,999,999	
j Add lines 1a through 1h		1j 999,999,999		1j 999,999,999	
2a Tax-exempt interest		2a 999,999,999		2a 999,999,999	
3a Qualified dividends		3a 999,999,999		3a 999,999,999	
4a IRA distributions		4a 999,999,999		4a 999,999,999	
5a Pensions and annuities		5a 999,999,999		5a 999,999,999	
6a Social sec. ben.		6a 999,999,999		6a 999,999,999	
c If you elect to use the lump-sum election method, check here (see instructions)		X		X	
7 Capital gain or (loss). Attach Schedule D if required.		7 999,999,999		7 999,999,999	
If not required, check here		X		X	
8 Other income from Schedule 1, line 10		8 999,999,999		8 999,999,999	
9 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income		9 999,999,999		9 999,999,999	
10 Adjustments to income from Schedule 1, line 26		10 999,999,999		10 999,999,999	
11 Subtract line 10 from line 9. This is your adjusted gross income		11 999,999,999		11 999,999,999	
12 Standard deduction or itemized deductions (from Schedule A)		12 999,999,999		12 999,999,999	
13 Qualified business income deduction from Form 8995 or Form 8995-A		13 999,999,999		13 999,999,999	
14 Add lines 12 and 13		14 999,999,999		14 999,999,999	
15 Subtract line 14 from line 11. If zero or less, enter -0-.		15 999,999,999		15 999,999,999	
This is your taxable income					

For Disclosure, Privacy Act, and Paperwork Reduction Act Notices, see separate instructions.

Form 1040 (20XX)

DAA

Form 1040 (20XX)		Page 2		
Name <u>XX</u>		SSN <u>999999999</u>		
Tax and Credits	16 Tax (see Instructions). Check if any from Form(s): 1 ☒ 8814 2 ☒ 4972 3 ☒ XXXXXXXXXX <u>999,999,999</u> 17 Amount from Schedule 2, line 3 18 Add lines 16 and 17 19 Child tax credit or credit for other dependents from Schedule 8812 20 Amount from Schedule 3, line 8 21 Add lines 19 and 20 22 Subtract line 21 from line 18. If zero or less, enter -0- 23 Other taxes, including self-employment tax, from Schedule 2, line 21 24 Add lines 22 and 23. This is your total tax	16 <u>999,999,999</u> 17 <u>999,999,999</u> 18 <u>999,999,999</u> 19 <u>999,999,999</u> 20 <u>999,999,999</u> 21 <u>999,999,999</u> 22 <u>999,999,999</u> 23 <u>999,999,999</u> 24 <u>999,999,999</u>		
Payments	25 Federal income tax withheld from: a Form(s) W-2 25a <u>999,999,999</u> b Form(s) 1099 25b <u>999,999,999</u> c Other forms (see Instructions) 25c <u>999,999,999</u> d Add lines 25a through 25c 25d <u>999,999,999</u> 26 20XX estimated tax payments and amount applied from 20XX return 26 <u>999,999,999</u> 27 Earned income credit (EIC) 27 <u>999,999,999</u> 28 Additional child tax credit from Schedule 8812 28 <u>999,999,999</u> 29 American opportunity credit from Form 8863, line 8 29 <u>999,999,999</u> 30 Reserved for future use 30 <u> </u> 31 Amount from Schedule 3, line 15 31 <u>999,999,999</u> 32 Add lines 27, 28, 29, and 31. These are your total other payments and refundable credits 32 <u>999,999,999</u> 33 Add lines 25d, 26, and 32. These are your total payments 33 <u>999,999,999</u>			
Refund	34 If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid 34 <u>999,999,999</u> 35a Amount of line 34 you want refunded to you. If Form 8888 is attached, check here ☒ 35a <u>999,999,999</u> b Routing number <u>999999999</u> c Type: ☒ Checking ☒ Savings d Account number <u>9999999999999999999</u> 36 Amount of line 34 you want applied to your 20XX estimated tax 36 <u>999,999,999</u>			
Amount You Owe	37 Subtract line 33 from line 24. This is the amount you owe. For details on how to pay, go to www.irs.gov/Payments or see Instructions 37 <u>999,999,999</u> 38 Estimated tax penalty (see Instructions) 38 <u>999,999,999</u>			
Third Party Designee	Do you want to allow another person to discuss this return with the IRS? See Instructions ☒ Yes. Complete below. ☒ No Designee's name <u>XX</u> Phone no. <u>999-999-9999</u> Personal identification number (PIN) <u>99999</u>			
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. Joint return? ☐ See Instructions. Keep a copy for your records. <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"> Your signature <u>XX</u> Spouse's signature. If a joint return, both must sign. <u>XX</u> </td> <td style="width: 50%;"> Date <u>01/01/10</u> Date <u>01/01/10</u> </td> </tr> </table> If the IRS sent you an identity Protection PIN, enter it here (see instr.) <u>999999</u> If the IRS sent your spouse an identity Protection PIN, enter it here (see instr.) <u>999999</u>		Your signature <u>XX</u> Spouse's signature. If a joint return, both must sign. <u>XX</u>	Date <u>01/01/10</u> Date <u>01/01/10</u>
Your signature <u>XX</u> Spouse's signature. If a joint return, both must sign. <u>XX</u>	Date <u>01/01/10</u> Date <u>01/01/10</u>			
Paid	Preparer's name <u>XX</u>			
Preparer	Preparer's signature <u>XX</u> Date <u>01/01/10</u> PTIN <u>999999999999</u> Check if: ☒ Self-employed			
Use Only	Firm's name <u>XX</u> Phone no. <u>999-999-9999</u> Firm's address <u>XX</u> Firm's EIN <u>9999999999</u>			

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the

new ruling holds that it applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the

new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.
ER—Employer.

ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
FR—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.

PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statement of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2025–27 through 2025–52 is in Internal Revenue Bulletin 2025–52, dated December 22, 2025.

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We Welcome Comments About the Internal Revenue Bulletin

If you have comments concerning the format or production of the Internal Revenue Bulletin or suggestions for improving it, we would be pleased to hear from you. You can email us your suggestions or comments through the IRS Internet Home Page (www.irs.gov) or write to the Internal Revenue Service, Publishing Division, IRB Publishing Program Desk, 1111 Constitution Ave. NW, IR-6230 Washington, DC 20224.