

The Inflation Reduction Act imposes a 15% corporate alternative minimum tax on adjusted financial statement income of certain corporations with financial statement income exceeding specified thresholds. Relevant accounting guidance would result in 45Q credit monetization elections being accounted for "above-the-line" or outside of federal income tax expense.

IRC §56A(c)(9) indicates that amounts included in financial statement income as a result of a direct pay election are treated as adjustments in computing "adjusted financial statement income" or "AFSI" for purposes of the new 15% corporate minimum tax.

Amounts received for credits for which a taxpayer makes a credit transfer election would similarly result in financial statement income under relevant accounting guidance. IRC §6418(b) clearly indicates that payments received in cash as part of a transfer election are excluded from taxable income. However, there is no guidance indicating that such amounts are similarly excluded from AFSI for purposes of the 15% corporate minimum tax.

Treasury should issue guidance clarifying whether the exclusion from gross income for cash received for the transfer of eligible credits extends to the new 15% book minimum tax.

Taxpayers may have less incentive to invest in green energy projects if amounts received in exchange for the transfer of credits in years ineligible for the direct pay election are subjected to the 15% corporate minimum tax.