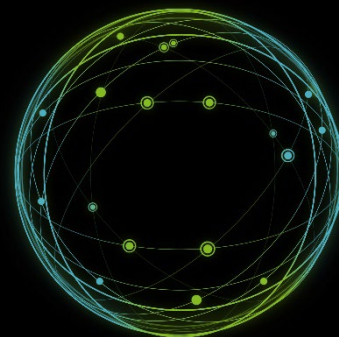


International Tax United States Highlights 2026

Updated January 2026



Recent developments

For the latest tax developments relating to the United States, see [Deloitte tax@hand](#).

Investment basics

Currency: US dollar (USD)

Foreign exchange control: While there are no general restrictions on remittances of profits, dividends, interest, royalties, or fees to nonresidents, sanctions and embargoes apply to listed countries and entities, with restrictions on foreign payments, remittances, and other types of contracts and trade transactions. Regulations are prescribed by the US Treasury, and the Treasury's Office of Foreign Assets Control maintains related lists. Extensive currency transaction reporting and recordkeeping requirements also apply.

Accounting principles/financial statements: The US Securities and Exchange Commission (SEC) requires US domestic publicly traded companies to file their financial statements according to US GAAP, which is set by the Financial Accounting Standards Board (a nongovernmental entity) for public and private companies and nonprofits. Foreign SEC registrants may use IFRS in their US SEC filings.

Principal business entities: These are the corporation, limited liability company, business trust, partnership, and limited partnership, usually created under the laws of one of the 50 states or the District of Columbia. Certain contractual arrangements may be treated as partnerships for federal income tax purposes. US business also may be carried on directly by an individual (sole proprietorship) or a foreign business entity.

Corporate taxation

Rates	
Corporate income tax rate	21% on domestic corporations, subject to potential reduction for certain types of income (e.g., foreign-derived deduction eligible income (FDDEI) (as discussed below))
Branch tax rate	21% on foreign corporations (see also discussion of 30% additional branch profits tax on the dividend equivalent amount (DEA), below)
Capital gains tax rate	21%

Residence: A corporation (or partnership) is "domestic" for federal income tax law purposes if it is created or organized in the US or under the laws of the US, one of the 50 states, or the District of Columbia; this is the case regardless of the location of

management and control of the corporation or partnership. Any other corporation (or partnership) is “foreign.” If a foreign corporation directly or indirectly acquires substantially all of the property held directly or indirectly by a domestic corporation (or substantially all of the property constituting a trade or business of a domestic partnership) (an “inversion”), the foreign corporation may, in certain cases, be treated as a domestic corporation for purposes of applying federal income tax provisions. There may be other cases in which a foreign corporation is treated as a domestic corporation for purposes of US federal income tax law (e.g., the election under Internal Revenue Code (IRC) section 953(d)).

Basis: Domestic corporations are taxed by the federal government on their worldwide income, regardless of where derived. In addition, domestic corporations may be taxed on income derived by their foreign corporate subsidiaries. Profits of controlled foreign corporations (CFCs) are subject to current inclusion in the income of their US shareholders under subpart F of part III of subchapter N of the IRC (“subpart F”) (see “Controlled foreign companies” under “Anti-avoidance rules,” below). Domestic corporations may elect to be taxed on their pro rata shares of the ordinary earnings and net capital gain of passive foreign investment companies (PFICs) in which they own stock.

A foreign corporation is taxable on its income effectively connected with the conduct of a trade or business within the US (“effectively connected income” or ECI), less deductions allocated and apportioned to gross ECI. Gain on the sale or exchange of property is deemed to be ECI if the property is (i) a US real property interest (USRPI), (ii) an interest in a partnership that is engaged in a US trade or business (based on the partner’s share of the ECI that the partnership would derive if it sold its assets), or (iii) a non-capital asset and the corporation was engaged in the conduct of a trade or business within the US at any time during the year in which the gain was derived (regardless of whether there was any actual connection between the gain and the US trade or business). If a foreign corporation deducts interest in computing ECI and the deduction exceeds the US-source interest paid by the corporation, the corporation also may be subject to a tax equal to 30% (or a lower rate under an applicable tax treaty) of such excess. In lieu of a 30% tax on the gross amount of a foreign shareholder’s dividend income from a foreign corporation that earns ECI, the latter is generally subject to a 30% branch profits tax (BPT) on its annual DEA, an amount based generally on its earnings and profits (E&P) attributable to ECI that are not invested in the US trade or business (see “Withholding tax,” below).

An applicable tax treaty may eliminate the income tax on a foreign corporation’s ECI (other than gain on a USRPI) if it is not attributable to a permanent establishment in the US. Both the rate of BPT and the amount of DEA also may be reduced or eliminated under an applicable tax treaty.

A 30% tax is imposed on the gross amount of certain types of a foreign corporation’s US-source non-ECI, and is generally collected by withholding. An applicable tax treaty may reduce or eliminate the tax (see “Withholding tax,” below).

Certain domestic small business corporations owned by US citizens or resident individuals may elect to be treated as an “S corporation.” Generally, S corporations are treated as passthrough entities for federal income tax purposes and the individual shareholders pay tax on income earned through the S corporation.

Taxable income: “Taxable income” is a term of art under the IRC. In the case of a domestic corporation, it refers to the gross amount of nearly all types of income (including, e.g., income from a business, compensation for services, dividends, interest, royalties, rents, fees and commissions, gains from dealings in property, income from a partnership), from whatever source derived (unless a specific exemption or exclusion applies), less allowable deductions for depreciation, amortization, expenses, losses, and certain other items. The deduction for a payment of interest or a royalty may be limited in the case of a “disqualified hybrid amount” or “disqualified imported mismatch amount.”

See “Controlled foreign companies” under “Anti-avoidance rules,” below, for rules relating to the inclusion in a domestic corporation’s gross income of its net CFC tested income (NCTI). In tax years beginning after 2025, a domestic corporation generally may claim a deduction equal to 40% of the sum of its NCTI and the amount treated as a dividend by reason of the foreign income taxes “deemed paid” with respect to NCTI (the “section 78 gross up” on the NCTI). Also in tax years beginning after 2025, a domestic corporation generally may claim a deduction equal to 33.34% of its FDDEI. FDDEI is net income derived in connection with property (other than intangible property or property of a type that is subject to depreciation, amortization, or

depletion by the seller) sold by the taxpayer to a foreign person for a foreign use, or services provided to a person (or with respect to property) located outside the US. “Sold” in some of these cases also means “leased,” “licensed,” “exchanged,” or otherwise disposed of. Special rules apply to related party transactions.

Rate

General

The standard federal corporate income tax rate is 21%. The FDDEI and NCTI deductions (if any) result in a lower effective tax rate for domestic corporations on their FDDEI and NCTI (see “Taxable income,” above). For example, the effective tax rate on FDDEI is generally 14%.

Surtax

There is no surtax.

Alternative minimum tax

- **Base erosion and anti-abuse tax (BEAT):**
 - BEAT applies to a corporation that pays or accrues amounts to a foreign related party (“base erosion payments”) that give rise to deductions or certain other tax benefits (“base erosion tax benefits”), but only if the corporation is an “applicable taxpayer.” BEAT is a minimum tax in the sense that the amount of BEAT liability (the “base erosion minimum tax amount” or BEMTA) is the excess, if any, of (i) the corporation’s regular tax liability (reduced by most credits) over (ii) the BEAT rate times the corporation’s “modified taxable income” (MTI). MTI is taxable income plus base erosion tax benefits and the “base erosion percentage” times the corporation’s net operating loss (NOL) deduction (if any). In tax years beginning after 2025, the general BEAT rate is 10.5%. A rate of 11.5% applies in certain cases involving banks or securities dealers.
 - A corporation is not an applicable taxpayer unless its “aggregate group” has (i) a base erosion percentage of no less than 3% (2% in certain cases involving banks or securities dealers) and (ii) average annual gross receipts of at least USD 500 million for the three-year period ending with the preceding taxable year. The base erosion percentage is roughly the ratio of base erosion tax benefits to a modified version of total deductions. Real estate investment trusts (REITs), regulated investment companies (RICs), and S corporations cannot be applicable taxpayers.
- **Corporate alternative minimum tax (CAMT):**
 - In addition to the standard federal corporate income tax and the BEAT, a 15% CAMT is imposed on the adjusted financial statement income (AFSI) of applicable corporations in excess of the CAMT foreign tax credit for the taxable year (this amount is referred to as the “tentative minimum tax”). Under this provision, an applicable corporation’s minimum tax is equal to the amount by which the tentative minimum tax exceeds the sum of the corporation’s regular corporate income tax liability for the year and its BEAT liability. If an applicable corporation has a CAMT liability, a credit for such amount is available against any subsequent regular corporate income tax liability (plus any BEAT), subject to a limitation. In general, business credits may offset up to 75% of an applicable corporation’s combined CAMT liability and regular corporate income tax liability.
 - An applicable corporation is any domestic corporation (other than a RIC, REIT, or S corporation) that exceeds a USD 1 billion three-year average AFSI, applied based on a three-year lookback period immediately preceding the current taxable year. A different test applies for a domestic corporation that is a member of a foreign-parented multinational group whereby, for the three-year lookback period, (i) the group exceeds a USD 1 billion three-year average AFSI, and (ii) the domestic corporation has at least a USD 100 million three-year average AFSI. In each case, certain grouping rules apply to determine the amount of AFSI of the domestic corporation. In general, although the determination of whether a corporation is an applicable corporation is based on an applicable corporation’s financial statement income, special rules are included that make adjustments for purposes of computing AFSI.

- The tentative minimum tax is determined by applying a 15% tax rate to the AFSI of the corporation for the taxable year (computed taking into account financial statement NOLs) reduced by the CAMT foreign tax credit. AFSI is the net income or loss of the corporation stated on the corporation's applicable financial statement with certain modifications, including adjustments to (i) align the period covered to the corporation's taxable year, (ii) disregard any federal or foreign income taxes taken into account, and (iii) disregard any direct payments made with respect to certain tax credits. The term "applicable financial statement" means, with respect to any taxable year, an applicable financial statement (as defined in IRC section 451(b)(3) or as specified by the secretary of the Treasury in regulations or other guidance) that covers such taxable year. The rule includes a provision for computing AFSI for an applicable corporation that is a partner in a partnership. The CAMT foreign tax credit generally comprises eligible foreign income taxes paid or accrued by the applicable corporation and CFCs of which the applicable corporation is a US shareholder, subject to certain limitations (see "Controlled foreign companies" under "Anti-avoidance rules," below).

Global minimum tax (Pillar Two)

The OECD/G20 Inclusive Framework on BEPS published model global anti-base erosion (GloBE) (or "Pillar Two") rules in 2021. They were designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups with annual consolidated revenue of at least EUR 750 million. However, although the US is a member of the OECD and in the past supported a two-pillar solution, the US has not enacted the model GloBE rules.

Guidance adopted by the OECD inclusive framework in January 2026 provides a "side-by-side" safe harbor under which US-parented groups are exempt from Pillar Two's IIR (income inclusion rule) and UTPR (undertaxed profits rule) for fiscal years beginning on or after 1 January 2026.

Taxation of dividends: A dividends received deduction (DRD) may be available for dividends received by a corporate shareholder from a domestic corporation. The rate is 50% for a less-than-20% shareholder; 65% for a noncontrolling shareholder owning 20% or more; or 100% for distributions among members of the same affiliated group, provided other requirements are met.

A 100% DRD may be available for the foreign-source portion of dividends received by a domestic corporation from a specified 10%-owned foreign corporation. There is (i) a limitation on this DRD if the foreign corporation claims a foreign tax deduction (or other benefit) with respect to the dividend (hybrid dividend), and (ii) a reduction in the DRD for "ineligible amounts" ("extraordinary reduction amounts" and 50% of "extraordinary disposition amounts").

Capital gains: Gains recognized by domestic corporations on capital assets (e.g., assets held for investment) are taxed at the same rate as ordinary income. Capital losses may be deducted against capital gains, but not against ordinary income. Relief from gain recognition is available for sales or exchanges of business assets in certain situations. A foreign corporation generally is exempt from tax on capital gains, unless the gain is from the sale of a USRPI or is connected with the operation of a US trade or business (tax on the latter may be eliminated under an applicable tax treaty in certain cases). Corporations must follow specific ordering rules for the carryback and carryforward of a net capital loss for any taxable year.

Losses: A corporation's NOLs arising in tax years beginning after 31 December 2017 and before 1 January 2021 generally may be carried back to each of the five preceding taxable years, and then may be carried forward indefinitely. For prior taxable years, NOLs generally could be carried back to each of the two preceding taxable years and then forward 20 taxable years. For subsequent taxable years, the NOLs may not be carried back at all but may be carried forward indefinitely.

For NOLs arising in tax years beginning after 31 December 2017, the amount of the NOL deduction allowed is limited to 80% of taxable income (with certain adjustments), starting in taxable years beginning after 31 December 2020. Taxable income for this purpose is computed *before* taking into account the deductions allowed under IRC sections 172, 199A, and 250 and *after* taking into account the NOL deduction for NOLs arising in taxable years beginning before 1 January 2018 and carried to such taxable year.

Foreign tax relief: Foreign income taxes paid or accrued, or deemed paid, by a domestic corporation (or a partnership in which it is a partner) generally may be claimed as a credit against the corporation's US income tax liability, but only to the extent the US tax is allocated to foreign-source taxable income, and only if additional conditions and limitations are satisfied. Taxes are deemed paid by a domestic corporation when they were paid or accrued by a CFC on the CFC's profits that are included under subpart F in the gross income of a domestic corporation. The taxes deemed paid by a domestic corporation with respect to its NCTI, however, are limited to 90% of the foreign income tax liabilities of its CFCs that are properly attributable to their tested incomes and taken into account by the US shareholder in computing its NCTI.

No foreign tax credit is available for foreign taxes paid or accrued with respect to dividends from foreign corporations qualifying for the 100% DRD (see "Taxation of dividends," above).

Participation exemption: See "Taxation of dividends," above.

Holding company regime: There is no holding company regime.

Incentives: Incentives include numerous credits for special types of activities (including research and development) and various "expensing" provisions to accelerate the benefits of depreciation deductions.

Compliance for corporations

Tax year: A corporation may adopt as its tax year a fiscal year consisting of 12 months and ending (except in the case of a 52/53-week year) on the last day of any month. Special rules apply in determining the permitted or required taxable year of certain entities (e.g., CFCs (see "Controlled foreign companies" under "Anti-avoidance rules," below)).

Consolidated returns: A group of domestic affiliated corporations may file a consolidated tax return if certain requirements are met, most particularly that the parent company must own directly 80% (by vote and value) or more of the stock of at least one subsidiary in the group, and each subsidiary in the group must be at least 80%-owned (by vote and value) directly by the parent and/or other group subsidiaries. In each case, preferred stock meeting certain requirements may be disregarded.

Filing and payment: For taxable years beginning after 31 December 2015, a corporation generally must file its income tax return by the 15th day of the fourth month following the end of its taxable year (previously, the deadline was the 15th day of the third month following the end of its taxable year). Thus, the due date of the tax return (without extension) for corporate filers with a calendar year end is 15 April rather than 15 March. However, for corporations with a fiscal year ending 30 June, this change is delayed and applies for taxable years beginning after 31 December 2025.

Corporations with a calendar year end may receive an automatic six-month filing extension if an extension form is filed for taxable years beginning before 1 January 2026. A corporation with a 30 June year end may receive an extension of seven months to file its return for taxable years beginning before 1 January 2026. For taxable years beginning on or after 1 January 2026, an automatic six-month extension applies to all corporations, regardless of year end.

An S corporation must file its tax return by the 15th day of the third month following the end of its taxable year. Thus, the original due date for a calendar-year S corporation is 15 March. An S corporation is allowed a six-month extension of time to file its tax return.

Certain partnerships also are required to file US tax returns. Generally, federal income tax on partnership income is imposed on the partners.

The deadlines for state income tax returns and extensions may differ from the federal due dates and extensions.

Related tax must be paid on or before the due date of the income tax return.

Other filings may be necessary on a quarterly or other basis. Quarterly estimated tax payments generally are required.

Penalties: A comprehensive set of penalty and interest provisions for failure to pay and failure to file applies, with relevant amounts generally determined based on the specific form or IRC section at issue.

Rulings: Taxpayers may request a private letter ruling, to be issued relative to a specific taxpayer and specific transaction or series of events. Prefiling agreements also are available, as are advance pricing agreements (APAs).

Individual taxation

Rates		
Individual income tax rate	Taxable income (USD)	Rate
(2025 tax year, married taxpayers filing jointly)	Up to 23,850	10%
	23,851–96,950	12%
	96,951–206,700	22%
	206,701–394,600	24%
	394,601–501,050	32%
	501,051–751,600	35%
	Over 751,600	37%
Long-term capital gains tax rate		20% (maximum)
Additional tax on net investment income	Over USD 250,000	3.8%

Residence: Aliens who have entered the US as permanent residents and who have not officially surrendered or lost the right to permanent residence are taxed as residents. Also taxed as residents are individuals who meet a “substantial presence test,” which requires, subject to further considerations, either physical presence in the US for 183 days or more during a calendar year, or presence of at least 31 days during a calendar year and a cumulative presence of 183 days or more based on a weighted number of days during the calendar year (taken at whole value) and the two immediately preceding calendar years (taken at one-third value for the first preceding calendar year and at one-sixth for the second).

Basis: All US citizens and residents, including resident aliens and citizens who reside outside the US, pay federal tax on their worldwide income, with credits for foreign income taxes (subject to certain limitations). Nonresident alien individuals (NRAs) are taxed only on ECI and US-source non-ECI. Special taxing rules may apply to former US citizens and long-term residents upon or after expatriation. Most of the 50 states and the District of Columbia also collect income tax from nonresidents and individuals who reside in their territory. In addition, US citizens and residents can be subject to the same anti-deferral rules applicable to corporations, discussed above, if they own sufficient stock in a foreign subsidiary.

Taxable income: Individuals generally must include gross income from whatever source derived in their taxable income, including compensation for services (all forms of remuneration and allowances and the value of other perquisites that are not specifically exempted), dividends, interest, royalties, rents, fees and commissions, gains from dealings in property, and income from a partnership, limited liability company, S corporation, estate, or trust. NRAs exclude non-ECI in computing taxable income; however, they are subject to US tax on the gross amounts of such income they receive, generally collected via withholding, if the income is from US sources and not from the sale or exchange of property (see “Withholding tax,” below).

Rates: Rates are progressive up to 37%. For the 2025 tax year (i.e., returns filed in 2026), the threshold for the 37% bracket is USD 626,350 for single taxpayers and USD 751,600 for married taxpayers filing jointly. For individuals who earn in excess of 200,000 for single taxpayers and USD 250,000 for married taxpayers filing jointly, there is an additional 3.8% tax on net investment income.

In addition to the regular income tax, individuals may be subject to an alternative minimum tax (AMT), which is triggered where an individual’s tentative AMT liability exceeds that individual’s regular income tax liability. The AMT is imposed at a rate of 26% on the taxable excess (AMT income minus an “exemption amount”) up to specified levels, and at a rate of 28% on the taxable excess above these levels. The exemption amounts, subject to phase-out thresholds, for the individual AMT for the 2025 tax year are USD 88,100 for single taxpayers and USD 137,000 for married taxpayers filing jointly, and will be automatically indexed for inflation thereafter.

Capital gains: The excess of net long-term capital gains (generally, gains from investments held for more than one year, although the holding period requirement is expanded to three years for gains on an applicable partnership interest) over net

short-term capital losses (net capital gains) generally is taxed at a maximum rate of 20%. For individuals who earn in excess of 200,000 for single taxpayers and USD 250,000 for married taxpayers filing jointly, there is an additional 3.8% tax on net investment income, including capital gains. The net capital gains rate also is applicable to qualified dividends received from domestic corporations generally and from certain foreign corporations.

Deductions and allowances: Individual taxpayers are entitled to a standard deduction (USD 15,750 for single taxpayers and USD 31,500 for married taxpayers filing jointly for tax year 2025) from adjusted gross income in calculating taxable income, or they may “itemize” deductions for items including mortgage interest, medical and dental expenses, state and local income or sales and property taxes, investment interest expense, and charitable contributions, subject to certain limitations. Credits also are available.

In addition, a 20% deduction is available against “domestic qualified business income” from a partnership, S corporation, or sole proprietorship. The deduction is subject to limitations for taxpayers with taxable income in excess of a threshold amount (USD 182,100 for single taxpayers and USD 364,200 for married taxpayers filing jointly for tax year 2025).

Foreign tax relief: Foreign income taxes generally may be claimed as a credit against the US income tax on taxable income but only to the extent the US tax is allocated to foreign-source taxable income, and only if additional conditions and limitations are satisfied.

Compliance for individuals

Tax year: The tax year for an individual is typically a calendar year, or a fiscal year can be approved by the Internal Revenue Service under limited circumstances.

Filing status: The categories for individuals filing are single, married filing jointly, married filing separately, head of household, or qualifying widow(er).

Filing and payment: Employers must withhold federal, state, and local income taxes from employees’ wages (where applicable) and must remit these taxes to the respective government agencies. Individual self-assessment tax returns are due (without extension) by the 15th day of the fourth month following the end of the tax year (or the sixth month, in the case of certain NRAs, other than those whose wages are subject to income tax withholding). An extension of six months is granted if the taxpayer makes an election on or before the due date for the return and pays the estimated final tax due.

Penalties: A comprehensive set of penalty and interest provisions for failure to pay and failure to file applies, with relevant amounts generally determined based on the specific form or IRC section at issue. See also “Disclosure requirements” under “Anti-avoidance rules,” below.

Rulings: Taxpayers may request a private letter ruling to be issued relative to a specific taxpayer and specific transaction or series of events.

Other: Individuals are required to file a statement with their income tax returns to report interests in specified foreign financial assets if the aggregate value of those assets exceeds certain thresholds. Reporting thresholds vary based on the individual’s filing status (see above) and on whether the taxpayer resides in the US or abroad. For example, single taxpayers living in the US have a filing requirement if the total value of specified foreign financial assets is more than USD 50,000 on the last day of the tax year, or more than USD 75,000 at any time during the tax year. Applicable assets include financial accounts, foreign stock and securities, interests in foreign entities, and other financial instruments and contracts. Failure to disclose for any taxable year will subject the individual to a USD 10,000 penalty (with the continuation penalty capped at USD 50,000) and a 40% penalty on an understatement of tax attributable to nondisclosed assets.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	30%	30%
Interest	0%	0%	0%/30%	0%/30%
Royalties	0%	0%	30%	30%

Gross-basis taxes imposed on *foreign corporations* and NRAs, as discussed below, apply only to *US-source* income that is *not* ECI. Thus, the individual types of income discussed below that are subject to such taxes should be understood to be limited to items of those types that are *US-source* income and *not* ECI.

The withholding taxes imposed on *withholding agents* are imposed whenever the withholding agent has control, receipt, custody, disposal, or payment of items of US-source income (other than gains on the sale or exchange of property) of a foreign corporation, foreign partnership, or NRA. Thus, withholding agents generally *can* be liable for the tax even if the income *is* ECI, unless a properly completed withholding certificate is provided to the withholding agent on which it can rely to treat the income as ECI not subject to withholding.

Dividends: No withholding tax applies to dividends paid to residents. The gross amount of dividends paid by a domestic corporation and received by a foreign corporation or NRA generally is subject to a 30% gross-basis tax unless the rate is reduced under an applicable tax treaty. Dividends paid by a narrow class of “grandfathered” 80/20 companies (domestic corporations that derive at least 80% of their income for the three-year testing period from an active foreign business (their own or their subsidiaries’)) existing before 2011 are eligible for relief from gross-basis tax in the hands of foreign corporations. A withholding agent is generally required to withhold 30% on payment of a distribution by a domestic corporation to a foreign corporation, foreign partnership, or NRA, unless the payer elects to treat some of the distribution as not a dividend, and in the case of the amount treated as a dividend, unless it receives a withholding certificate from the payee on which it can rely to not withhold or withhold at a lower treaty rate. If the domestic corporation is a US real property holding corporation or was one in the prior five years, the payer may be required to withhold a higher amount on a payment to a foreign partnership or an NRA.

Dividends received by a foreign corporation or NRA from a foreign corporation out of the latter’s earnings attributable to ECI are generally not subject to US gross-basis or withholding tax; the foreign corporation’s branch profits tax on its DEA (see “Basis” under “Corporate taxation,” above) serves as a substitute for shareholder-level taxation of such earnings.

Interest: No withholding tax applies to interest paid to residents. The gross amount of US-source interest income received by a foreign corporation or NRA on an obligation of a domestic corporation or a noncorporate US resident is generally subject to a 30% gross-basis tax unless the interest is exempt from the tax under the IRC or an applicable tax treaty. Interest on certain portfolio debt obligations, short-term obligations, bank deposits, and debts of grandfathered 80/20 companies generally may be exempt under the IRC. A withholding agent is generally required to withhold 30% on an interest payment from a US obligor to a foreign corporation, foreign partnership, or NRA, unless it receives a withholding certificate from the payee on which it can rely to not withhold or withhold at a lower treaty rate.

Royalties: No withholding tax applies to royalties paid to residents. Royalties received by a foreign corporation or NRA for the use of intangible property in the US are subject to a 30% gross-basis tax unless the rate is reduced or eliminated under an applicable tax treaty or the income is ECI, and a withholding agent is generally required to withhold 30% on a payment to a foreign corporation, foreign partnership, or NRA for such use, unless it receives a withholding certificate from the payee on which it can rely to not withhold or withhold at a lower treaty rate.

Fees for technical services: Fees for personal services, including technical services, are US-source income only in cases where the services are performed in whole or in part within the US, in which case such US-source income may be ECI (and thus not subject to the gross-basis tax).

Branch remittance tax: The US imposes a branch profits tax on a foreign corporation's DEA, as discussed in the "Basis" section of "Corporate taxation," above.

Other: Any other US-source non-ECI income characterized as "fixed or determinable annual or periodical" income (FDAPI) is generally subject to a 30% gross-basis tax, collected by withholding, unless the tax is eliminated or the rate is reduced under an applicable tax treaty. All income other than gains from sales or exchanges of property is generally treated as FAPI. In addition, a 30% gross-basis tax, collected by withholding, applies to the following property gains (if from US sources): gains from the sale or exchange of intangible property (or interests therein) to the extent the gains are from payments contingent on the productivity, use, or disposition of the property (or interests) sold or exchanged; gains from timber sales; and gains from the disposal of coal or iron ore with a retained economic interest. A nonfinal tax also must be withheld on proceeds from the disposition of a USRPI (at 15%) and interests in partnerships engaged in a US trade or business (at 10%). Partnerships that earn "effectively connected taxable income" (ECTI) must generally withhold on the shares of ECTI allocable to foreign partners (at 21% in the case of a corporate partner's share, and 37% in the case of an NRA's share).

Anti-avoidance rules

Transfer pricing: The tax authorities may adjust income in related party transactions that are not at arm's length. Detailed regulations prescribe the scope, specific methodologies, and principles. Documentation is required. APAs, both bilateral and unilateral, may be negotiated.

Annual country-by-country reporting is required by a US entity that is the ultimate parent entity of a multinational enterprise group with annual revenue of USD 850 million or more.

Interest deduction limitations: The deduction for "business interest" (interest allocable to a trade or business that is not investment interest) generally is limited to (i) business interest income, plus (ii) generally 30% (or 50% for 2019 and 2020, as amended by the CARES Act) of the taxpayer's adjusted taxable income (ATI), plus (iii) the taxpayer's "floor plan financing interest expense." ATI is computed without regard to any (i) item of income, gain, deduction, or loss that is not allocable to the trade or business; (ii) business interest income or expense; (iii) the 20% deduction for certain passthrough income; (iv) the NOL deduction; (v) deductions under IRC section 199A for qualified business income; (vi) for taxable years beginning before 1 January 2022, any depreciation, amortization, or depletion; and (vii) such other adjustments as provided by the secretary of the Treasury. There are some exceptions to the rules for certain taxpayers, including electing real property trades or businesses, electing farming businesses, and certain utilities and electing small businesses.

The limitation generally applies at the taxpayer level. In the case of a group of affiliated corporations filing a consolidated return, the limitation applies at the consolidated tax return filing level. Special rules apply to partnerships.

Disallowed interest that is not currently deductible may be carried forward and deducted in future years if certain conditions are satisfied.

Controlled foreign companies: A controlled foreign corporation (CFC) is a foreign corporation, more than 50% (by vote or value) of whose stock is owned (directly, indirectly, or by attribution) by one or more US shareholders (US persons that each own at least 10% of the foreign corporation's stock (by vote or value)).

Most types of net income of a typical CFC are either "tested income" or "subpart F income," unless the income is subject to an effective foreign income tax rate of 18.9% or more. Tested income and subpart F income are, under subpart F, included currently in the gross income of the CFC's US shareholders as NCTI or as subpart F income inclusions.

Subpart F income is one of five defined types of net income or expense, of which "foreign base company income" is a common type. Tested income is any other net income of a CFC (except for foreign oil and gas extraction income and three other specified types of income). NCTI is the excess of (i) the aggregate of a US shareholder's pro rata shares of the tested incomes of its CFCs that have tested income, over (ii) the aggregate of a US shareholder's pro rata shares of the "tested losses" of its CFCs that have tested losses. As discussed above (see "Taxable income" under "Corporate taxation"), a corporate US shareholder is allowed a deduction equal to 40% of its NCTI and the associated section 78 gross up.

A distribution received by a US shareholder from its CFC generally is excluded from gross income to the extent attributable to E&P previously included in the US shareholder's gross income (PTEP) as NCTI, global intangible low-taxed income (GILTI, the post-2017, pre-2026 version of NCTI), or a subpart F income inclusion. The foreign-source portion of a distribution of E&P in excess of PTEP may be eligible for a 100% DRD in the hands of a corporate US shareholder (see "Taxation of dividends" under "Corporate taxation," above).

Anti-hybrid rules: See "Taxable income" under "Corporate taxation," above.

Economic substance: A transaction that nominally meets the requirements for beneficial treatment under a provision of the IRC may be denied the beneficial treatment if the transaction lacks economic substance. While this is a common law doctrine, the IRC clarifies that in the case of any transaction to which the doctrine is relevant, a transaction will be treated as having economic substance only if (i) it changes in a meaningful way (apart from federal income tax effects) the taxpayer's economic position, and (ii) the taxpayer has a substantial purpose (apart from federal income tax effects) for entering into such transaction.

A penalty may be imposed on an underpayment of tax attributable to a disallowance of claimed tax benefits by reason of a transaction lacking economic substance or failing to meet the requirements of any similar rule of law. The penalty rate is 20% of the underpayment but is increased to 40% if the taxpayer does not disclose the relevant facts on the tax return. No exceptions to the penalty (e.g., for reasonable cause and good faith) are available.

Disclosure requirements: Corporations with USD 10 million or more in assets are required to file Schedule UTP, disclosing information about tax positions treated as "uncertain" for financial statement purposes.

Certain taxpayers subject to the base erosion provisions are required to report information such as base erosion payments, information for determining the base erosion minimum tax, and other information deemed necessary by the secretary of the Treasury (see "Alternative minimum tax: Base erosion and anti-abuse tax (BEAT)" under "Corporate taxation," above).

Foreign Account Tax Compliance Act (FATCA) rules, which are designed to prevent US persons from evading US tax through foreign accounts and foreign entities, are enforced by the imposition of a 30% withholding tax on certain categories of US-source income, and on the gross proceeds of post-2018 dispositions of instruments giving rise to US-source dividends or interest, in situations where insufficient information is provided, or insufficient due diligence is performed, by foreign financial institutions (FFIs) or nonfinancial foreign entities (NFFEs) with respect to whether the ultimate owners of financial accounts or foreign entities are US persons.

These FATCA rules are in addition to other rules requiring that details of transactions, holdings, and tax positions be disclosed on US tax returns, or by US payers and withholding agents, depending on the nature and size of the transaction.

Exit tax: There are special rules regarding the tax treatment of US companies that invert. For US individuals who renounce their citizenship, expatriation taxes apply.

General anti-avoidance rule: There is no general anti-avoidance rule.

Other: The US has numerous structure-specific regimes, including the anti-inversion and PFIC provisions.

Sales tax

Taxable transactions: The US does not levy a federal value added tax or sales tax. Individual states and localities levy sales tax at various rates, subject to statutory requirements.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the federal level.

Social contributions and payroll taxes: Social security taxes comprise old age, survivors, and disability insurance (OASDI), and “hospital insurance” (also known as “Medicare”). The taxes generally are borne equally by the employer and the employee, with the employer responsible for remitting each employee’s portion to the federal government. For 2026, the OASDI tax is imposed on the first USD 184,500 of wages, at the combined rate of 12.4%. The Medicare tax is imposed on total wages, at the combined rate of 2.9%.

Individuals also must pay a 0.9% additional Medicare tax on wages, compensation, or self-employment income that exceeds a threshold amount (USD 200,000 if single, USD 250,000 if married filing jointly, and USD 125,000 if married filing separately).

The employer’s portion of social security taxes is deductible for income tax purposes. Persons who are self-employed are subject to a separate tax that is comparable to the social security tax paid by employers.

The US has totalization agreements in force with over 20 countries to eliminate dual social security taxation and to help ensure benefit protection for employees.

The employer also must pay federal and state unemployment taxes (where applicable) and, as noted above, social security taxes. The federal unemployment insurance rate is 6% on the first USD 7,000 of each employee’s wages. State unemployment insurance, mandatory in all 50 states and the District of Columbia, varies widely. The employer receives a credit, up to a maximum of 5.4% (the credit is lower for states classified as “credit reduction states” that have outstanding Federal Unemployment Tax Act (FUTA) loans), against the federal tax for amounts paid to state unemployment insurance funds.

Capital duty: There is no capital duty.

Real property tax: Tax generally is imposed by local governments at various rates.

Transfer tax: Transfer taxes may be imposed at the state and/or local level. See “Inheritance/estate tax,” below, for federal transfer taxes.

Stamp duty: The federal government does not levy a stamp tax. Documentary stamp taxes may be imposed at the state and/or local level. “Stamp” taxes also may be imposed on items such as alcohol and tobacco.

Net wealth/worth tax: There is currently no US net wealth tax or net worth tax.

Inheritance/estate tax: For US citizens and residents, a unified estate and gift tax is imposed, generally based on the net value of the transferred assets of the donor or decedent in excess of USD 13,990,000 for tax year 2025 and USD 15 million for tax year 2026. In the case of assets inherited from a decedent, heirs generally are not subject to income tax on the appreciation of the assets in the hands of the decedent. A donee of a gift, however, is subject to tax on the appreciation of the assets in the hands of the donor, once the asset is sold.

For NRAs, estate taxes are imposed only on property situated in the US with a value in excess of USD 60,000. This threshold may be modified by certain tax treaties.

For US citizens and residents, a gift tax is imposed on gifts made during a person’s life, and it is unified with the estate tax. The gift tax is imposed on any transfer of a future interest in property and any transfer of a present interest in property that exceeds the USD 19,000 present interest annual exclusion per donee in 2025 and 2026. Certain exclusions are allowed for gifts made directly to educational institutions or medical providers.

As part of its overall transfer tax system, the federal government imposes a generation-skipping tax on certain transfers. The generation-skipping transfer tax exemption matches the estate and gift lifetime exemption of USD 13,990,000 for 2025 and USD 15 million for 2026. Various states also impose various estate, gift, and/or inheritance taxes.

The top tax rate for estate, gift, and generation-skipping tax is 40%.

Other: The federal government imposes a variety of excise taxes, in addition to the social security taxes on wages described above. In addition, the 50 states and the District of Columbia, as well as local governments, impose various income, franchise, gross receipts, license, stamp, estate, property, and other taxes based on the capital of a corporation.

Individuals, estates, and certain trusts must pay an additional 3.8% tax on net investment income over a threshold amount (for tax year 2025, for individuals, USD 250,000 if married filing jointly or a qualifying widow(er), USD 125,000 if married filing separately, and USD 200,000 in other cases; for estates and certain trusts, USD 15,650).

Tax treaties: The US has concluded more than 70 income tax treaties.

For information on the US tax treaty network, visit [Deloitte International Tax Source](#).

Tax authorities: Internal Revenue Service

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