



Accounting for Income Taxes

Quarterly Hot Topics

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US Federal

Tax News & Views, published by the Deloitte Tax LLP Tax Policy Group in Washington, DC, provides a compact, reader-friendly perspective on the latest tax developments coming out of Congress affecting businesses and high-wealth individuals.

For updates and perspective on the latest tax developments coming out of Congress, please subscribe to [Tax News and Views](#).

One Big Beautiful Bill Act – A closer look: Inside the new tax law

Deloitte Tax released a report providing an analysis of key themes and policy objectives in the One Big Beautiful Bill Act. The report contains useful resources to help understand what changes have been made to the tax code.

For additional details, please access the report, [A closer look: Inside the new tax law](#).

IRS withdraws proposed built-in gain and loss regulations

On July 1, 2025, the IRS [withdrew](#) two notices of rulemaking containing proposed regulations ([REG-125710-18](#)) on the treatment of built-in items of income, gain, deduction, and loss taken into account by a loss corporation after an ownership change. The proposed regulations would have affected corporations that experience an ownership change under [section 382\(h\)](#).

Notice 2025-31 – Treasury and IRS update Statistical Area Category and Coal Closure Category for energy community bonus credit

On June 23, 2025, Treasury and the IRS released [Notice 2025-31](#) and related Appendices [1](#), [2](#), [3](#), [4](#), and [5](#) to update the Statistical Area Category and the Coal Closure Category, described in sections 3.03 and 30.04 of [Notice 2023-29](#), which taxpayers may rely upon to qualify for the energy community bonus credit amounts or rates under sections [45](#), [45Y](#), [48](#), and [48E](#).

IRS announces improvements to Pre-Filing Agreement program

On June 17, 2025, the IRS announced in [IR-2025-69](#) improvements to its Pre-Filing Agreement (PFA) program, providing large business and international (LB&I) taxpayers updated guidelines and instructions on how to submit a request for a PFA.

The PFA program allows LB&I taxpayers to resolve potential tax issues before filing their return, offering certainty, reducing audit risk, and encouraging voluntary compliance. Key improvements to the PFA program include:

- A redesigned [PFA webpage](#) with program statistics, a streamlined process overview, and direct navigation to dispute prevention resources.
- New step-by-step instructions to submit a PFA request, including response time expectations and post-submission next steps.
- A dedicated webpage ([PFA likely suitable issues and documentation](#)) to help taxpayers identify if a PFA request is appropriate for their situation.
- Updated program guidelines to help businesses align their PFA submissions with tax filing deadlines.

IRS issues updated list of automatic changes (June 2025)

On June 9, 2025, the IRS published in the Internal Revenue Bulletin [Revenue Procedure \(Rev. Proc.\) 2025-23](#), which modifies and supersedes [Rev. Proc. 2024-23](#) and provides an updated list of changes to which the automatic change procedures in [Rev. Proc. 2015-13](#) apply.

Rev. Proc. 2025-23 is generally effective for a [Form 3115, Application for Change in Accounting Method](#), filed on or after June 9, 2025, for a tax year of change ending on or after October 31, 2024. Also, Rev. Proc. 2025-23 provides transition rules for a Form 3115 filed with the IRS before June 9, 2025, which may require action before July 9, 2025.

For additional details, please refer to the Deloitte [tax@hand article](#) dated June 13, 2025.

Notice 2025-27 provides interim simplified method relating to CAMT and relief for underpayment of estimated income tax

On June 2, 2025, the IRS issued [Notice 2025-27](#) on the application of the corporate alternative minimum tax (CAMT), providing an optional simplified method for determining applicable corporation status and relief from certain additions to tax for an applicable corporation's underpayment of estimated tax under [section 6655](#).

For additional details, please refer to the Deloitte [tax@hand article](#) dated June 7, 2025.

Notice 2025-23 proposes removal of partnership basis shifting TOI regulations

On April 17, 2025, the Treasury Department and the IRS published [Notice 2025-23](#) announcing that they intend to publish a notice of proposed rulemaking (forthcoming “NPRM”) proposing to remove [Treas. Reg. § 1.6011-18](#) (“Basis Shifting TOI Regulations”) from the Income Tax Regulations (26 CFR part 1). Notice 2025-23 provides immediate relief from (i) penalties under [section 6707A\(a\)](#) to participants in transactions identified as transactions of interest in the Basis Shifting TOI Regulations that are required to file disclosure statements under [section 6011](#), and (ii) penalties under sections 6707(a) and [6708](#) for material advisors to transactions identified as transactions of interest in the Basis Shifting TOI Regulations that are required to file disclosure statements under [section 6111](#) and maintain lists under [section 6112](#). Lastly, this notice withdraws [Notice 2024-54](#), which describes certain proposed regulations that the Treasury Department and the IRS intended to issue addressing partnership related-party basis shifting transactions.

The forthcoming NPRM, when finalized, will obviate the need for participants and material advisors to comply with all of the transaction of interest requirements they would otherwise be required to follow because of the Basis Shifting TOI Regulations.

Moreover, taxpayers and material advisors may rely on Notice 2025-23 until the forthcoming NPRM is finalized.

US Multistate

State Tax Matters

State Tax Matters provides a weekly snapshot of multistate tax developments featuring the latest updates, key state tax concepts, and notifications of upcoming public symposiums and forums. To keep you informed, please [sign up for Deloitte's State Tax Matters today!](#)

Alabama

New law retroactively decouples from TCJA's section 174 R&D deduction changes

Research and experimental (R&D) expenditures for Alabama corporate income tax purposes shall not follow the provisions of [section 174](#), as amended by the TCJA, and as such, Alabama taxpayers may either currently deduct R&D expenditures or treat them as deferred expenses as provided in section 174 prior to tax year 2022.

For additional details, please refer to the May 23, 2025 edition of [State Tax Matters](#).

Alabama Circuit Court says exceptions to intercompany expense addback statute do not apply and Subpart F income exclusion overrides these exceptions

An Alabama circuit court held that neither Alabama's statutory subject-to-tax nor conduit exceptions applied on certain interest paid to an Alabama taxpayer's related member in Ireland, and state law requires Alabama's intercompany expense addback statute exceptions to yield to the statutory exclusion of Subpart F income.

For additional details, please refer to the May 23, 2025 edition of [State Tax Matters](#).

Arkansas

New law adopts market-based sourcing, bright-line nexus standard, and alternative apportionment provisions

New law adopts market-based sourcing of receipts from sales other than tangible personal property with a permitted transition period for certain businesses, adds a bright-line nexus threshold of \$250,000 in annual receipts for nonresident corporations and partnerships, and includes provisions for alternative apportionment.

For additional details, please refer to the April 25, 2025 edition of [State Tax Matters](#).

California

California shifts to SSF apportionment for financial institutions and extends elective PTET

On June 27, 2025, California Governor Newsom signed Senate Bill 101 (the “Budget Act”) and Senate Bill 132, a taxation trailer bill which requires banks and financial institutions to use a single sales factor apportionment formula when apportioning business income to California, as well as extends the elective pass-through entity tax (PTET). Governor Newsom also signed Senate Bill 102, which amended the Budget Act and included a provision to repeal the Budget Act and any related appropriation bills if Assembly Bill 131/Senate Bill 131, a separate public resources trailer bill, was not signed by the Governor on June 30th. On June 30, 2025, Governor Newsom signed Senate Bill 131.

For additional details, please refer to the July 11, 2025 edition of [State Tax Matters](#).

California FTB posts second modified text of proposed market-based sourcing rule changes

After holding six Interested Parties Meetings from 2017 through 2021 on draft changes to California’s market-based sourcing regulation for sales other than sales of tangible personal property, the California Franchise Tax Board is formally proposing to adopt changes to the regulation and has posted a second set of modified proposed changes.

For additional details, please refer to the May 23, 2025 edition of [State Tax Matters](#).

Connecticut

New law extends corporation business tax surcharge and revises certain NOL and combined reporting provisions

New law i) extends Connecticut’s 10% corporation business tax surcharge for three additional years; ii) eliminates Connecticut’s alternative net operating loss (NOL) rule that applied to certain Connecticut combined groups that had more than \$6 billion in NOLs from pre-2013 tax years; and iii) eliminates the \$2.5 million cap on the amount a combined group’s corporation business tax, calculated on a unitary basis, may exceed the tax it would have paid under the nexus combined base tax calculation method.

For additional details, please refer to the July 11, 2025 edition of [State Tax Matters](#).

New law creates credit for residents related to “convenience of the employer” rules adopted by other jurisdictions

Applicable for taxable years commencing on or after January 1, 2020, new law creates an income tax credit for Connecticut residents who successfully win their own legal challenge to the taxing of their income by another qualifying jurisdiction on certain income derived from services rendered.

For additional details, please refer to the July 11, 2025 edition of [State Tax Matters](#).

Florida

New law generally updates state conformity to IRC

Effective immediately, and applicable retroactively to tax years beginning on or after January 1, 2025, recently signed legislation generally updates corporate income tax statutory references in Florida to conform to the Internal Revenue Code (IRC) provisions as in effect on January 1, 2025.

For additional details, please refer to the July 11, 2025 edition of [State Tax Matters](#).

Georgia

New law updates state conformity to IRC

New law updates Georgia’s corporate and individual income tax conformity to the Internal Revenue Code of 1986 (IRC) provided for in federal law enacted on or before January 1, 2025.

For additional details, please refer to the May 23, 2025 edition of [State Tax Matters](#).

New law lowers corporate income tax rate and contingently phases in additional tax rate reductions

New law lowers Georgia's corporate income tax rate from 5.39% to 5.19% and, subject to certain annual revenue goals being met, Georgia's corporate income tax rate would be reduced further by 0.10% annually until the tax rate reaches 4.99%.

For additional details, please refer to the April 18, 2025 edition of [State Tax Matters](#).

Hawaii

New law updates state conformity to IRC

New law updates statutory references to the IRC, providing that applicable for taxable years beginning after December 31, 2024, references to the IRC in Hawaii income tax laws generally refer to the federal law in effect as amended as of December 31, 2024.

For additional details, please refer to the June 6, 2025 edition of [State Tax Matters](#).

Idaho

New law clarifies application of recently enacted corporate income tax rate reduction

New law amends recently enacted Idaho legislation by clarifying that Idaho's corporate income tax rate is lowered from 5.695% to 5.3% and follows earlier corporate income tax rate reductions that were enacted in 2024 and 2023.

For additional details, please refer to the April 11, 2025 edition of [State Tax Matters](#).

Illinois

Bulletin summarizes recent enactment of Finnigan apportionment, removal of some intercompany expense addback exceptions, section 163(j) changes, and GILTI taxation changes

An Illinois Department of Revenue (DOR) bulletin summarizes new law that potentially may increase tax liabilities in the current year for some taxpayers – including the shift to the “Finnigan” method for Illinois combined reporting apportionment purposes; removal of certain exceptions under Illinois's intercompany interest and intangible expense “addback” statute; partial incorporation of global intangible low-taxed income (GILTI) in the Illinois tax base; new rules related to section 163(j) limitations; and modified rules for gains from the sale of certain pass-through entities.

For additional details, please refer to the July 11, 2025 edition of [State Tax Matters](#).

Illinois DOR denies alternative apportionment request as taxpayer failed to show unfair representation of in-state activity

Responding to a taxpayer petitioning for use of alternative apportionment, the Illinois DOR denied its request, holding that the taxpayer failed to show that the standard statutory apportionment formula does not fairly represent the extent of its in-state business activities, or that separate accounting more accurately reflected its Illinois market activity.

For additional details, please refer to the June 27, 2025 edition of [State Tax Matters](#).

Illinois Appellate Court affirms that affiliate was not an 80/20 company and must be included in combined return

An Illinois Appellate Court affirmed the Illinois Independent Tax Tribunal's 2021 ruling, which held that a taxpayer filing Illinois income and replacement tax returns on a combined basis for the prior tax years at issue failed to successfully show it could exclude a certain affiliate from its return as an 80/20 company that conducted 80% or more of its business outside the United States.

For additional details, please refer to the May 30, 2025 edition of [State Tax Matters](#).

Illinois DOR denies alternative apportionment requests as taxpayers failed to show unfair representation of in-state activity

Responding to two separate taxpayers petitioning for use of alternative apportionment in computing their respective Illinois corporate income taxes, the Illinois DOR denied both of their requests, holding among other reasons that neither taxpayer sufficiently showed that the standard statutory apportionment formula does not fairly represent the extent of their in-state business activities.

For additional details, please refer to the May 2, 2025 edition of [State Tax Matters](#).

Indiana

Indiana DOR says taxpayer may claim three classes of dividends including some related to GILTI and FDII

An Indiana DOR corporate income tax letter of findings involving a company attempting to deduct various amounts relating to dividends that it received from its partially owned subsidiaries concluded in favor of the taxpayer that it may claim deductions for three classes of dividends – including a deduction for 85% of its GILTI from a 60%-owned company.

For additional details, please refer to the July 11, 2025 edition of [State Tax Matters](#).

Indiana DOR abates late filing and underpayment penalties due in part to combined filer's complex returns and filing history

An Indiana DOR corporate income tax letter of findings involving a multinational conglomerate filing Indiana combined returns with several entities and subgroups concluded that, based on the provided facts, the company met its burden of showing that it was entitled to an abatement of late filing and underpayment penalties based, in part, on the complex nature of its returns and satisfactory filing history.

For additional details, please refer to the July 11, 2025 edition of [State Tax Matters](#).

New law includes sourcing rules for defined investment partnerships and revises some PTET provisions

Recently enacted legislation includes special sourcing rules for the adjusted gross income from defined investment partnerships that is distributed to nonresident partners; and also allows eligible PTETs electing to pay Indiana's entity-level state income tax to claim a credit for taxes withheld or paid on the entity's behalf and make elections to claim certain state tax liability credits.

For additional details, please refer to the May 23, 2025 edition of [State Tax Matters](#).

Updated financial institutions tax bulletin addresses combined returns, PTET, and NOLs

An updated Indiana DOR bulletin on the Indiana financial institutions tax adds language explaining what adjustments may be made when a combined return results in a failure to fairly reflect Indiana source income, information on the pass-through entity tax, some net operating loss calculations, and discussion on state reporting of federal tax return modifications.

For additional details, please refer to the April 18, 2025 edition of [State Tax Matters](#).

Kansas

New law adopts single sales factor apportionment and market-based sourcing

New law includes Kansas corporate income tax provisions that adopt a single sales factor formula to apportion business income, adopt a market-based sourcing methodology on sales of services and intangible property, contingently lower the tax rate, and create a deferred tax impact deduction resulting from Kansas' adoption of single sales factor apportionment.

For additional details, please refer to the May 2, 2025 edition of [State Tax Matters](#).

New law provides for contingent corporate and individual income tax rate reductions

Contingent on whether certain annual state budgetary and fund growth goals are met each year, recently enacted legislation may gradually phase in reduced Kansas income and privilege tax rates potentially resulting in a 4% flat income tax rate for individuals, a combined normal tax and surtax rate of 4% for corporations, a combined normal tax and surtax rate of 2.6% for banks, and a combined normal tax and surtax rate of 2.62% for trust companies and savings and loan associations.

For additional details, please refer to the April 18, 2025 edition of [State Tax Matters](#).

Kentucky

New law updates state conformity to IRC

New law updates Kentucky statutory corporate and personal income tax references to the IRC for tax years beginning on or after January 1, 2025, to the IRC as in effect on December 31, 2024—exclusive of any amendments made subsequent to this date, other than amendments that extend provisions in effect on December 31, 2024, that would otherwise terminate.

For additional details, please refer to the April 4, 2025 edition of [State Tax Matters](#).

Louisiana

New law modifies filing methodology for S corps and certain mobile workforce provisions

New law modifies the filing methodology for S corporations to treat them as pass-through entities under state law, similar to how they are treated under federal law, and also revises Louisiana's mobile workforce employer exemption threshold for nonresident withholding by increasing it from 25 days to 30 days.

For additional details, please refer to the June 27, 2025 edition of [State Tax Matters](#).

Maine

New law updates state conformity to IRC

Applicable to tax years beginning on or after January 1, 2024, new law generally conforms state corporate and personal income tax references to the "Internal Revenue Code" to the federal IRC as in effect as of December 31, 2024.

For additional details, please refer to the July 11, 2025 edition of [State Tax Matters](#).

Maine Revenue Services adopts revised rule that seeks to clarify sourcing receipts from Services

Effective as of June 25, 2025, Maine Revenue Services adopted amendments to its "Rule 801" to help clarify the sourcing of receipts from the performance of services for Maine corporate income tax purposes, including providing a set of examples that illustrate sourcing as applied to certain services.

For additional details, please refer to the July 11, 2025 edition of [State Tax Matters](#).

New law addresses late filing and payment logistics when legislature hasn't yet addressed state response to federal tax law changes

New law seeks to address situations when the Maine Legislature has not yet had the opportunity before Maine Revenue Services begins processing Maine income tax returns to conform or adjust Maine tax laws in response to any relevant federal income tax law changes permitting extensions of time for tax payment or filing and abatement of resulting accrued penalties and interest.

For additional details, please refer to the June 27, 2025 edition of [State Tax Matters](#).

Massachusetts

Information Release summarizes 2024 legislation that revised apportionment provisions for companies without a sales factor

A Massachusetts DOR technical information release summarizes tax provisions in Massachusetts legislation enacted in 2024, including apportionment.

For additional details, please refer to the June 20, 2025 edition of [State Tax Matters](#).

Out-of-state company deemed corporate excise tax 'manufacturer' required to use single sales factor apportionment

The Massachusetts Appellate Tax Board held that an out-of-state company that designed, marketed, and sold footwear was substantially involved in the entirety of its shoe creation process as a manufacturing corporation for state corporate excise tax purposes despite using third-party manufacturers to physically produce the shoes, and thus had to apportion its net income using single sales factor apportionment.

For additional details, please refer to the May 23, 2025 edition of [State Tax Matters](#).

Massachusetts DOR says banks are eligible for research tax credits and may file claims on amended returns or abatement applications

New Massachusetts DOR guidance (TIR 25-3) explains that pursuant to a 2024 Massachusetts Appellate Tax Board decision, all business corporations subject to an excise under M.G.L. c. 63 are allowed to claim the M.G.L. c. 63, § 38M research credit including all financial institutions subject to the excise under M.G.L. c. 63, § 2; and it will allow financial institutions to use the alternative simplified method on an amended return or abatement application to claim this credit.

For additional details, please refer to the May 16, 2025 edition of [State Tax Matters](#).

Massachusetts DOR proposes amendments to corporate nexus rule addressing P.L. 86-272 and internet activity

The Massachusetts DOR is proposing changes to its corporate nexus rule to clarify that certain in-state activities conducted by a vendor through an internet website accessible by persons in the state may not be protected activities within the meaning of P.L. 86-272.

For additional details, please refer to the April 4, 2025 edition of [State Tax Matters](#).

Michigan

Michigan Tax Tribunal says taxpayer successfully showed right to apportion for city income tax purposes

In a case of first impression, the Michigan Tax Tribunal concluded that a taxpayer with its sole brick-and-mortar location in a certain Michigan city had business activities outside that City under the facts, allowing it to apportion its income for City income tax purposes; furthermore, the facts showed that its City business allocation percentage sales factor was 0% for the tax years in question.

For additional details, please refer to the April 25, 2025 edition of [State Tax Matters](#).

Michigan Department of Treasury posts guidance on new refundable R&D credit

A recently posted Michigan Department of Treasury notice addresses Michigan's new refundable R&D income tax credit under Michigan's corporate income tax (CIT) and credit against withholding by flow-through entity employers not subject to the CIT or Michigan business tax noting that the R&D credit's first statutory filing deadline is April 1, 2026.

For additional details, please refer to the April 4, 2025 edition of [State Tax Matters](#).

Minnesota

New law makes research activities credit partially refundable for electing taxpayers

Recently signed tax legislation includes provisions that make Minnesota's corporate income/franchise tax credit for increasing research activities partially refundable for qualifying expenses incurred in taxable years beginning after December 31, 2024, after the credit amounts are appropriately allocated to other members of the unitary group when applicable.

For additional details, please refer to the June 20, 2025 edition of [State Tax Matters](#).

Missouri

Missouri Court of Appeals affirms REIT's rental income is subject to city earnings tax and dividends paid are not deductible

In a case involving an entity owning office buildings in Kansas City, Missouri, and which elected treatment as a real estate investment trust (REIT) for federal tax purposes, a Missouri Court of Appeals affirmed that its receipt of rental income from the buildings qualifies as business activity subject to the City's earnings tax, and federally required dividend paid deductions are not deductible expenses in calculating its City earnings tax liability.

For additional details, please refer to the June 13, 2025 edition of [State Tax Matters](#).

New Hampshire

New law includes tax amnesty program with potential waiver of penalties and reduced interest

Recently enacted legislation requires the New Hampshire Department of Revenue Administration to establish a tax amnesty program for those taxes that it administers and collects which must be conducted from December 1, 2025, through February 15, 2026; qualifying participants potentially may receive a waiver of all underlying penalties and a 50% reduction in interest.

For additional details, please refer to the July 11, 2025 edition of [State Tax Matters](#).

New Jersey

New Jersey Division of Taxation adopts new and amended rules reflecting significant CBT law changes from 2023

The New Jersey Division of Taxation adopted new and amended rules reflecting legislation enacted in 2023 that made significant changes to New Jersey's corporation business tax (CBT) regime wherein some of the revisions incorporate certain parts of the Multistate Tax Commission's updated P.L. 86-272 guidelines, including those involving internet activities.

For additional details, please refer to the June 20, 2025 edition of [State Tax Matters](#).

Retroactively applying rule changes on CBT royalty expense 'addback' exception cures violation

In a case involving New Jersey's CBT intercompany royalty expense addback adjustment and related regulation for periods before mandatory combined filing, the New Jersey Superior Court, Appellate Division, affirmed that with respect to certain constitutional issues raised by a taxpayer, the 2020 amended version of the CBT regulation can apply to the prior tax years at issue to cure a Commerce Clause-related constitutional violation.

For additional details, please refer to the May 2, 2025 edition of [State Tax Matters](#).

New York

Retroactive application of Article 9-A rule on P.L. 86-272 and internet activity violates due process

Dismissing a trade association's argument that the New York State Department of Taxation and Finance's Article 9-A Business Corporation Franchise Tax Regulation regarding P.L. 86-272 and internet activity directly conflicts with the controlling federal statute and is thus invalid, a New York Supreme Court nevertheless held that its retroactive application violated due process.

For additional details, please refer to the May 2, 2025 edition of [State Tax Matters](#).

Oregon

Oregon Tax Court magistrate says in-state activities create substantial nexus and special industry apportionment applies

In an unpublished order of the Magistrate Division of the Oregon Tax Court, the presiding magistrate held that several affiliates of a media and entertainment company constituted broadcasters subject to Oregon's statutory special industry apportionment formula for interstate broadcasters and that their in-state business activities created a substantial nexus satisfying both Due Process and Commerce Clauses.

For additional details, please refer to the April 4, 2025 edition of [State Tax Matters](#).

Pennsylvania

City of Philadelphia ordinance lowers business income and receipts tax rates and ends \$100k exclusion

A recently enacted City of Philadelphia, Pennsylvania ordinance phases in lower tax rates on both the net income and gross receipts components of the City's business income and receipts tax (BIRT) as well as ends the BIRT exclusion on the first \$100,000 in taxable receipts beginning for tax year 2025, for returns due and taxes owed in 2026 and thereafter.

For additional details, please refer to the June 20, 2025 edition of [State Tax Matters](#).

South Carolina

New law updates state conformity to IRC

New law updates South Carolina corporate and personal income tax statutory references to the IRC, referring to the federal law in effect as amended through December 31, 2024, and includes the effective date provisions contained in it.

For additional details, please refer to the May 30, 2025 edition of [State Tax Matters](#).

Tennessee

Updated franchise and excise tax manual clarifies filing periods in F reorganizations

An updated Tennessee DOR franchise and excise tax manual clarifies that in situations involving a corporation that converts to a newly formed disregarded single member limited liability company during the corporation's tax year as part of a federal "F reorganization," the resulting corporation must file a full-year Tennessee franchise and excise tax return that includes the tax attributes of the transferor corporation for the entire tax year, both before and after the F reorganization.

For additional details, please refer to the July 11, 2025 edition of [State Tax Matters](#).

New law authorizes excise taxpayers to make discretionary adjustments in computing tax liability

New law authorizes some Tennessee excise taxpayers to add back to their net earnings certain amounts taken as deductions from their federal taxable income that are also allowed to be taken as deductions in determining the taxpayer's net earnings, as well as certain amounts subtracted from net earnings under Tennessee excise tax law, for purposes of calculating their Tennessee excise tax liability.

For additional details, please refer to the May 9, 2025 edition of [State Tax Matters](#).

Texas

Company's costs for acquiring virtual currency deemed ineligible for COGS and sales of these assets are sourced to location of payor

In a ruling involving a company that acquires and then resells virtual currency to its customers in various transactional formats, the Texas Comptroller of Public Accounts held that the company's costs for acquiring the virtual currency are ineligible for the cost of goods sold (COGS) deduction, and its sales of the same are sourced to the location of the payor for apportionment purposes under Texas franchise tax law.

For additional details, please refer to the July 11, 2025 edition of [State Tax Matters](#).

Texas enacts changes to R&D tax credit

On June 22, 2025, Texas Senate Bill 2206 ("S.B. 2206") was enacted into law. S.B. 2206, which is effective January 1, 2026, makes significant changes to the State's research and development (R&D) tax credits and incentives.

For additional details, please refer to the [Tax Alert](#) dated July 1, 2025.

New law requires registered securities market operators to exclude certain transaction rebate payments from franchise tax base

Applicable to franchise tax reports originally due on or after such date, newly signed legislation requires that a taxable entity qualifying as a registered securities market operator exclude from its total revenue in calculating its Texas franchise tax liability any transaction rebate payments made by the operator to a defined broker or dealer as part of a securities transaction.

For additional details, please refer to the May 23, 2025 edition of [State Tax Matters](#).

Timber company's road construction and maintenance costs eligible for COGS

In a ruling involving a timber company, the Texas Comptroller of Public Accounts explained the company's costs of constructing and maintaining logging roads qualified as deductible cost of goods sold (COGS) under Tex. Tax Code section 171.1012(c)(4) related to inbound transportation costs, along with the corresponding depreciation costs under Tex. Tax Code section 171.1012(c)(6), for purposes of the Texas franchise tax margin calculation.

For additional details, please refer to the April 18, 2025 edition of [State Tax Matters](#).

New R&D credit memos indicate depreciable property expenses cannot qualify as supply QREs and federal intra-group transaction regs do not apply to Texas R&D credit

A newly published Texas Comptroller of Public Accounts memo states that for purposes of Texas franchise tax R&D credit calculations, if an expense for depreciable property is allowed under [section 174](#), that expense cannot be a supply qualified research expense (QRE) under [section 41](#) while another recent memo explains the federal intra-group transaction rules do not apply when determining the Texas R&D franchise tax credit or sales tax exemption.

For additional details, please refer to the April 4, 2025 edition of [State Tax Matters](#).

Utah

Former unitary group member cannot claim portion of NOL carryover belonging to its prior unitary group

An administrative law judge with the Utah State Tax Commission held that a former member of a Utah unitary group could not claim a portion of the group's net operating loss (NOL) carryovers on its own Utah corporation franchise tax return after a spin-off transaction, because the taxpayer failed to provide a legal basis allowing it to claim an NOL carryforward deduction belonging to a different Utah taxpayer.

For additional details, please refer to the April 18, 2025 edition of [State Tax Matters](#).

New law lowers corporate and personal income tax rates from 4.55% to 4.50%

New law lowers Utah corporate and individual income tax rates from 4.55% to 4.50% following previous Utah income tax rate reductions that were enacted in 2024 and 2023.

For additional details, please refer to the April 4, 2025 edition of [State Tax Matters](#).

Virginia

Legislative summary addresses recent law changes that pause rolling conformity with IRC

The Virginia Department of Taxation posted a summary of recently enacted state tax law changes, including budget legislation providing that Virginia generally will not automatically conform to any amendment to the IRC enacted on or after January 1, 2025, but before January 1, 2027, that impacts its general fund revenues.

For additional details, please refer to the June 20, 2025 edition of [State Tax Matters](#).

Virginia Supreme Court denies reviewing holding that Department of Taxation invalidly tried to tax company's income from non-unitary LLC

In a case involving income earned from a company's minority ownership in a limited liability company (LLC) and the Virginia Department of Taxation's attempt to combine the LLC's apportionment factors with the company's to determine the company's income subject to Virginia corporate income tax, the Virginia Supreme Court denied reviewing the 2024 Virginia Court of Appeals ruling, which held that such treatment was unconstitutional because the entities were not unitary.

For additional details, please refer to the June 6, 2025 edition of [State Tax Matters](#).

Enacted budget bill includes provisions that pause rolling conformity with IRC

Revising state law that updates state corporate and individual income tax statutory references to federal income tax law as it exists as soon as any federal tax law changes are enacted, Virginia's budget bill provides that Virginia will not conform to certain federal law changes enacted on or after January 1, 2025, but before January 1, 2027, that impact its general fund revenues.

For additional details, please refer to the May 16, 2025 edition of [State Tax Matters](#).

Wisconsin

Wisconsin Appellate Court agrees that parent failed to show intercompany royalties had business purpose and economic substance

In a Wisconsin corporate franchise tax case involving a parent company and its created wholly owned intellectual property (IP) subsidiary that licensed transferred IP back to the parent in exchange for royalties, a Wisconsin Court of Appeals affirmed the parent failed to show it had a valid nontax business purpose for entering into the licensing transactions and that the transactions had economic substance.

For additional details, please refer to the June 13, 2025 edition of [State Tax Matters](#).

Wisconsin Appellate Court agrees that P.L. 86-272 only protects sales of TPP, not services or intangibles

A Wisconsin Court of Appeals recently held that an out-of-state corporation selling travel services to Wisconsin residents through in-state independent consultants was subject to Wisconsin corporate franchise tax, because among other reasons, such in-state service activity was not protected by P.L. 86-272, which only extends its protections to the solicitation of sales of tangible personal property (TPP).

For additional details, please refer to the June 6, 2025 edition of [State Tax Matters](#).

Global Pillar Two Legislative Update Tracker

To see how Deloitte can provide you with support on Pillar Two and to receive updates on legislation being introduced to implement Pillar Two, please sign up for [Deloitte's Global Pillar Two Legislative Tracker](#) today!

International

This compilation is intended to be an overview of major international tax developments during the quarter that may have ASC 740 implications. For more summaries of other current international income tax news and developments for the current quarter please refer to the additional publications listed at the end.

One Big Beautiful Bill – US tax law impact on non-US headquartered multinational businesses

Deloitte UK issued an [article](#) providing a high-level summary of notable provisions that might be relevant to non-US headquartered multinational businesses that are included or were under consideration.

Belgium

Innovation income deduction for copyrighted software: New BELSPO guidelines

Belgium's innovation income deduction (IID) regime allows taxpayers to exempt part of their intellectual property (IP)-linked revenue from taxation. The list of qualifying IP rights includes "copyrighted software," i.e., copyrighted computer programs, including any derivative work or modification of an existing computer program. Software is considered intellectual property when it results from a research and/or development project or program, as validated by the Belgian Science Policy Office (BELSPO) following an advice request from the taxpayer.

On May 31, 2025, BELSPO published the second results of this consultation group, representing the joint view of BELSPO and FPS Finance on new practical working guidelines regarding the IID.

For additional details, please refer to the Deloitte [tax@hand article](#) dated June 4, 2025.

Bermuda

Corporate income tax administrative regulations released

On May 13, 2025, the government of Bermuda issued the [Corporate Income Tax \(Administrative\) Regulations 2025](#) related to the administration of the Corporate Income Tax Act 2023 (CIT Act). The regulations will enter into effect on June 2, 2025, and generally are consistent with the CIT administrative provisions in the [third consultation paper](#) published by the government in February 2025. The CIT Act applies to Bermuda constituent entity (BCE) groups (comprising one or more BCEs of an in-scope multinational enterprise group) for fiscal years starting on or after January 1, 2025.

For additional details, please refer to the Deloitte [tax@hand article](#) dated May 22, 2025.

Brazil

Government issues provisional measure amending taxation on financial income

On June 11, 2025, the Brazilian government issued a provisional measure (PM 1,303/2025) introducing a new regulatory framework for the taxation of investments in the financial and capital markets, which covers fixed income investments, stock exchange investments, investment funds, derivatives, incentivized securities, and crypto assets. The changes apply to both local and foreign investors.

For additional details, please refer to the Deloitte [tax@hand article](#) dated June 17, 2025.

Government publishes new decrees increasing IOF rates

On May 22 and 23, 2025, the Brazilian government published two new decrees (Decree No. 12,466/2025 and Decree No. 12,467/2025, respectively) amending the financial transactions tax (IOF) legislation (Decree No. 6,306/2007).

The IOF rates imposed on credit, insurance, and foreign exchange transactions have been amended.

For additional details, please refer to the Deloitte [tax@hand article](#) dated May 26, 2025.

Germany

Federal tax court decisions clarify conditions for a permanent establishment

In two decisions both dated December 18, 2024 (and published on May 2, 2025), Germany's federal tax court (BFH) clarified the conditions under which an outbound permanent establishment (PE) exists. In the first decision, the BFH ruled that a shared office space that includes a designated and lockable drawer cabinet was sufficient for establishing a PE under the Germany-Switzerland double tax treaty. In the second decision, the BFH confirmed that the existence of an outbound PE requires a minimum period of six months where there is both the existence of a fixed place of business and activities at such place through which the business of the company is carried out.

For additional details, please refer to the Deloitte [tax@hand article](#) dated May 5, 2025.

Guidance issued on 'transaction matrix' transfer pricing documentation requirements

On April 2, 2024, the German Ministry of Finance published a decree that provides guidance on the requirements of a "transaction matrix," which contains information on a taxpayer's cross-border business relationships with related parties and permanent establishments and is a required part of transfer pricing documentation under section 90 paragraph 3 of the Fiscal Code (AO). The transaction matrix was introduced by the Fourth Bureaucracy Relief Act, which is effective as from January 1, 2025, in order to support a more risk-oriented field audit approach.

For additional details, please refer to the Deloitte [tax@hand article](#) dated April 4, 2025.

Hong Kong

Global minimum tax and domestic minimum top-up tax legislation passed

On May 28, 2025, the [Inland Revenue \(Amendment\) \(Minimum Tax for Multinational Enterprise Groups\) Bill 2024](#) was passed by Hong Kong SAR's Legislative Council. The legislation introduces significant tax reforms in HKSAR to implement the OECD Pillar Two rules and the Hong Kong minimum top-up tax.

For additional details, please refer to the Deloitte [tax@hand article](#) dated May 28, 2025.

Italy

Supreme Court rules on 'look-through approach' for certain medium- and long-term loans

On February 20, 2025, the Italian Supreme Court published Decision No. 4427 on the application of the exemption from Italian withholding tax for outbound interest payments to qualified EU financial entities provided by article 26, paragraph 5-bis of Presidential Decree No. 600/1973 (DPR 600/1973). The court concluded that the "look-through approach" could be applied to determine whether the qualifying conditions for exemption were met. Since the Italian Supreme Court's decisions are centered on legal interpretation, the analysis of factual elements of the specific circumstances usually plays only a marginal role.

For additional details, please refer to the Deloitte [tax@hand article](#) dated April 1, 2025.

United Kingdom

HMRC publishes guidance on cost contribution arrangement advance pricing agreements

On June 19, 2025, the UK tax authority, HM Revenue & Customs (HMRC), added two new pages to its International Manual ([INTM422160](#) and [INTM422170](#)), on cost contribution arrangement (CCA) advance pricing agreements (APAs). As announced in the March 2025 consultation Advance tax certainty for major projects, HMRC is offering clearance on the UK transfer pricing treatment of CCAs via unilateral APAs under existing legislation. The new guidance sets out how HMRC operate the CCA APA program, and describes the circumstances in which HMRC may enter into such an agreement.

For additional details, please refer to the Deloitte [tax@hand article](#) dated June 30, 2025.

HMRC issues updated guidance on repayment interest

HMRC has updated its International Manual ([INTM333520](#)) to reflect that as of July 1, 2025, EU and European Economic Area resident companies will no longer be entitled to "repayment interest" in relation to a repayment of income tax where a company makes a claim for relief under a double tax treaty with the UK. Companies that are within the charge to UK corporation tax with respect to the underlying income will continue to be entitled to receive repayment interest.

For additional details, please refer to the Deloitte [tax@hand article](#) dated June 9, 2025.

Updated guidance on loan relationship unallowable purpose rule issued

On May 7 2025, the UK tax authority (HMRC) updated its [guidance](#), contained within pages CFM38100 to CFM38200 of HMRC's Corporate Finance Manual, on the loan relationships for unallowable purposes rule (sections 441 and 442 of the Corporation Tax Act 2009). If it applies, the unallowable purpose rule can deny corporation tax relief for debits, such as interest expenses, arising on a loan relationship.

For additional details, please refer to the Deloitte [tax@hand article](#) dated May 16, 2025.

Accounting Development

Income tax disclosure considerations related to the adoption of ASU 2023-09

Deloitte [Heads Up article](#) dated May 20, 2025, discusses an entity's presentation and disclosure requirements upon its adoption of [ASU 2023-09](#). The ASU, which the FASB issued in December 2023, requires entities to consistently categorize and provide greater disaggregation of information in the rate reconciliation. They must also further disaggregate income taxes paid.

The ASU's disclosure requirements apply to all entities subject to ASC 740. As the FASB notes in ASC 740-10-50-11A, the "objective of these disclosure requirements is for an entity, particularly an entity operating in multiple jurisdictions, to disclose sufficient information to enable users of financial statements to understand the nature and magnitude of factors contributing to the difference between the effective tax rate and the statutory tax rate."

For public business entities (PBEs), the ASU is effective for annual periods beginning after December 15, 2024 (i.e., 2025 for calendar-year-end PBEs). Entities other than PBEs have an additional year to adopt the ASU. Early adoption is permitted.

Accounting considerations related to One Big Beautiful Bill Act

Deloitte [Heads Up article](#) dated July 15, 2025 discusses the accounting under ASC 740 for income tax effects of the new legislation known as the "One Big Beautiful Bill Act." It highlights the firm's current understanding of the business tax provisions of the legislation that may have a more substantive impact on financial statements in the period of the law's enactment.

Up-C Structure Services

For Up-C structures, the Up-C Services group offers virtual webcasts from Deloitte specialists covering recent US federal income tax and ASC 740 developments relevant to these businesses organized as Up-Cs. Please contact Jill Wilde at jiwilde@deloitte.com (+1 904 665 1433) to be added to our virtual webcast distribution list.

Other

For upcoming webcasts that give you valuable insights on important developments affecting your business and feature practical knowledge from Deloitte specialists and CPE credits, please visit [Dbriefs webcasts](#).

For other information regarding newly issued accounting standards, exposure drafts, and other key developments, refer to our [Quarterly Accounting Roundup](#).

Deloitte Tax Accounting Conference: Partnership Structures & UP-Cs – September 15-17, 2025 | Live in Charlotte, North Carolina

This conference will concentrate on partnerships, joint ventures, and Up-C structures. Participants will learn about income tax fundamentals for partnerships and common tax issues in complex passthrough structures, insolvency issues, current tax policy updates, compensation considerations, tax basis shifting, and tax receivable agreements.

Reserve a spot – space is limited ! Click [Register!](#)

Learn more

Additional resources you may find helpful

- [Accounting for Income Taxes—Quarterly Hot Topics archive](#)
 - [Tax News & Views webcast series](#)
 - [Deloitte Tax Accounting & Provision Services homepage](#)
 - [Deloitte Tax Accounting & Provisions Dbriefs webcast series](#)
 - [Deloitte Heads Up Newsletter archive](#)
 - [Global Tax Developments Quarterly—Accounting for Income Taxes](#)
 - [tax@hand](#)
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Talk to us

If you have any questions or comments about the ASC 740 implications described above or other content of Accounting for Income Taxes Quarterly Hot Topics, contact the Deloitte Washington National Tax Accounting for Income Taxes Group at:

USNationalWNTActIncomeTaxesGrp@deloitte.com

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