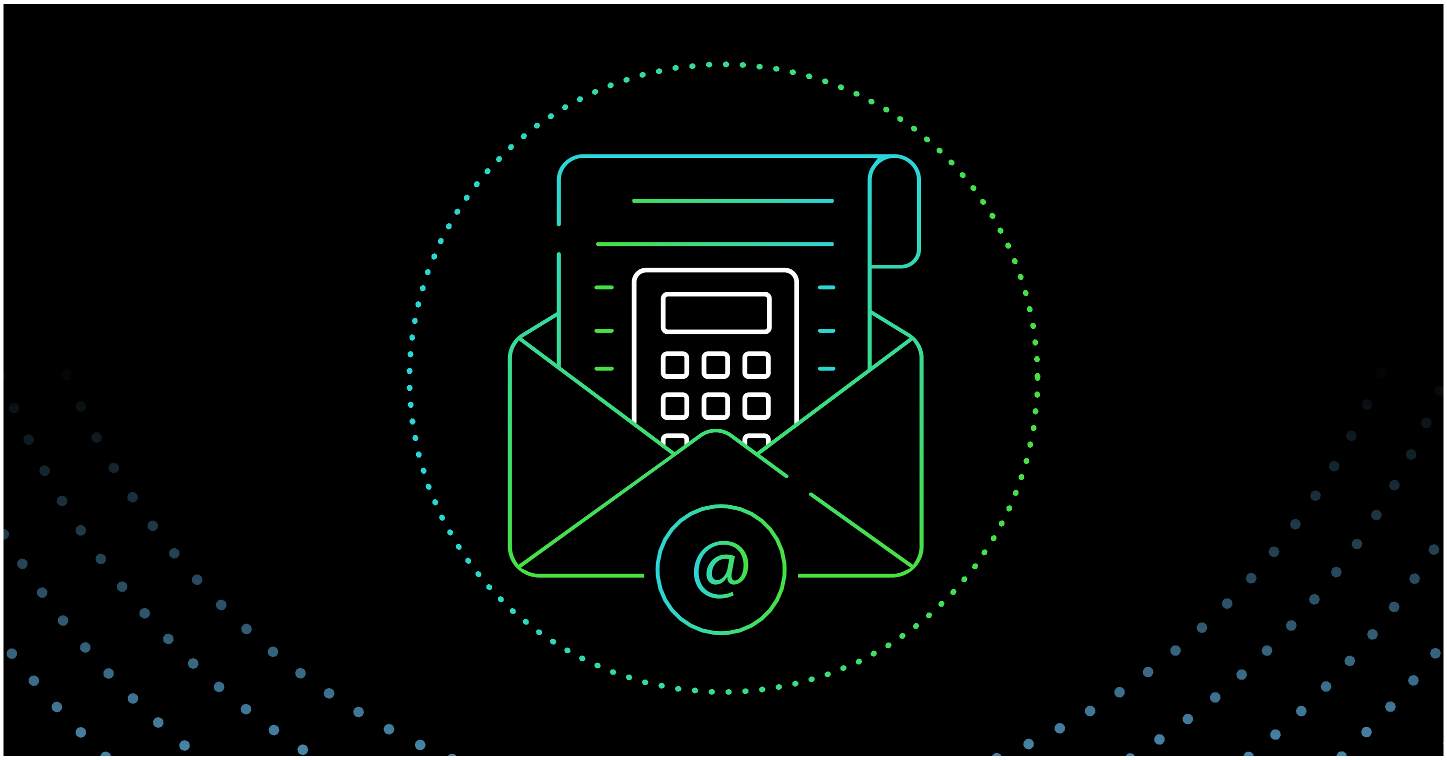

Accounting for Income Taxes
Quarterly Hot Topics

In this issue:

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.

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Notice 2026-40 provides transitional guidance on qualified opportunity zones under OBBBA

Last month, the Department of the Treasury and the Internal Revenue Service released *Notice 2026-40* (the "Notice") to provide transitional guidance and announce their intent to issue similar proposed regulations on the qualified opportunity zone ("QOZ") program under sections 1400Z-1 and 1400Z-2 to reflect amendments made to that program by Public Law 119-21, popularly known as the One Big Beautiful Bill Act. The Notice clarifies several aspects of the ongoing QOZ designation process and the upcoming gain inclusions for current investors, as well as providing several exceptions and safe harbors for existing qualified opportunity funds and qualified opportunity zone businesses to continuously comply with the program requirements after 2026. Notice 2026-40 also indicates that the forthcoming proposed regulations will include similar rules and safe harbors described in this Notice.

Statistical Area, Coal Closure categories for energy community bonus credit updated

On June 10, 2026, the US Treasury Department ("Treasury") and the Internal Revenue Service (IRS) released *Notice 2026-39* ("notice") and related appendices *1*, *2*, and *3* ("appendices") to update the Statistical Area Category and the Coal Closure Category, described in sections 3.03 and 3.04 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 of the Internal Revenue Code ("Code").

For additional details, please refer to the Deloitte *tax@hand article* dated June 19, 2026.

Court vacates IRS Notice 2025-42; wind and solar framework restored

On June 6, 2026, the US District Court for the District of Columbia vacated and remanded Notice 2025-42 to the Internal Revenue Service (IRS) in *Oregon Environmental Council v. Internal Revenue Service*, finding it was arbitrary and capricious and violated the Administrative Procedure Act (APA), 5 US Code (USC) section 706(2)(A). The Treasury Department ("Treasury") and the IRS first released Notice 2025-42 in August 2025 at the directive of Executive Order (EO) 14315, *Ending Market Distorting Subsidies for Unreliable, Foreign-Controlled Energy Sources*. Notice 2025-42 had generally disallowed reliance on the 5% safe harbor to satisfy the beginning of construction (BOC) requirement, except for certain smaller solar facilities, effectively requiring taxpayers to rely on the physical work test instead. It had also required taxpayers to use a continuous program of construction rather than continuous efforts to demonstrate satisfaction of the BOC continuity requirement.

For additional details, please refer to the Deloitte *tax@hand article* dated June 16, 2026.

Guidance on scholarship and energy community credits; wind, solar BOC rules vacated – *See IRS publishes areas qualifying for energy community bonus credit*

On June 10, the IRS published *Notice 2026-39*, which taxpayers may use to determine whether they meet certain requirements under the Statistical Area Category or the Coal Closure Category for purposes of qualifying for energy community bonus credit amounts or rates under IRC sections 45, 45Y, 48, and 48E. This information is provided in appendices 1, 2, and 3 of the notice, which are available on the IRS website. Appendix 1 of the notice addresses the Statistical Area Category, and appendices 2 and 3 address the Coal Closure Category.

For additional details, please refer to the Deloitte *tax@hand article* dated June 13, 2026.

IRS reinstates significant issue ruling program for corporate transactions

On May 5, 2026, the US Internal Revenue Service (IRS) published *Revenue Procedure (Rev. Proc.) 2026-21*, which reinstates a significant issue ruling program for certain corporate transactions under the jurisdiction of the Associate Chief Counsel (Corporate). As a result, in addition to transactional rulings, the IRS will now issue letter rulings on one or more legal issues rather than the entire transaction (or a portion thereof) where those issues (i) are solely under the jurisdiction of the Associate Chief Counsel (Corporate), (ii) are "significant" as defined in Rev. Proc. 2026-21, and (iii) involve the tax consequences or characterization of a transaction (or part of a transaction) described in Internal Revenue Code sections 332, 351, 355, 368, or 1036. Rev. Proc. 2026-21 modifies and amplifies Rev. Proc. 2026-1 and Rev. Proc. 2026-3 and is effective for ruling requests postmarked or received after May 5, 2026.

For additional details, please refer to the Deloitte *tax@hand article* dated May 8, 2026.

Another Circuit Holds IRS Can Automatically Assess Section 6038(b) Penalty, Overturns Tax Court

The Second Circuit recently ruled that the IRS can automatically assess the section 6038(b) penalty for failure to file an information return regarding Controlled Foreign Corporations ("CFCs"). The appellate court overturned the Tax Court's ruling that the IRS must file a suit in district court before it can assess the penalty. So far, the two appellate courts that have heard the issue—the D.C. and Second Circuits—have sided with the IRS.

For additional details, please refer to the May 2026 edition of *IRS Insights*.

Tax Court Finds Administrative Error Does Not Invalidate FPA

In a recent decision, the Tax Court held that an IRS notice of final partnership adjustment ("FPA") to a conservation easement partnership was valid even though the proposed notice had been addressed to the former partnership representative at the incorrect address.

For additional details, please refer to the May 2026 edition of *IRS Insights*.

TIGTA Provides Feedback on IRS Partnership Compliance Initiatives

In the report "The IRS Has Yet to Develop a Successful Strategy for Examining Large Partnership Returns", the Treasury Inspector General for Tax Administration ("TIGTA") evaluated the IRS's partnership compliance activities. Specifically, TIGTA reviewed the IRS's soft letter campaign regarding balance sheet discrepancies and its initiative to audit the largest partnerships.

For additional details, please refer to the May 2026 edition of *IRS Insights*.

Tax Court Applies Economic Substance Doctrine to Disallow Partnership Basis Adjustment

In a recent decision, the Tax Court disallowed approximately $714M of a claimed section 743(b) basis deduction, finding in part that the underlying restructuring transactions lacked economic substance under the Ninth Circuit's common law doctrine. The Court, however, rejected all asserted penalties on reasonable cause grounds.

For additional details, please refer to the May 2026 edition of *IRS Insights*.

Tax Court Cautions: Rejection of IRS Appeals Conference Precludes Subsequent Liability Challenges

In Diversified Group Inc. v. Commissioner, consistent with its prior decisions, the Tax Court held that a taxpayer who has declined an offer to meet with IRS Appeals is barred from challenging the underlying liability in a subsequent Collection Due Process ("CDP") hearing.

For additional details, please refer to the May 2026 edition of *IRS Insights*.

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!*

Introduced Legislation Would Codify a Business Activity Tax "Physical Presence" Requirement

A pending U.S. House bill known as the "Business Activity Tax Simplification Act of 2025" (BATSA) would, if enacted, establish a federal physical presence nexus standard for state income and business tax purposes and expand the application of P.L. 86-272. More specifically, as reintroduced, the bill would prohibit the imposition of state income or other business activity taxes (which do not include sales, use, or other similar types of transaction-based taxes) on an out-of-state entity, unless such entity has a physical presence in the taxing state. The proposed law would also "modernize" P.L. 86-272 – which currently applies only to sales of tangible personal property – by expanding the protections to sales of other forms of property and services (including sales of digital goods or digital services), and to other transactions.

For additional details, please refer to the June 12, 2026 edition of *State Tax Matters*.

U.S. Supreme Court Denies Hearing Florida Attorney General's Motion to Declare California's Apportionment Provision Unconstitutional

The U.S. Supreme Court (Court) denied the Florida Attorney General's filed motion for leave to file a bill of complaint with the Court on behalf of the State of Florida against the State of California, which had requested among other things, that California Code of Regulations, title 18, section 25137(c)(1)(A) ("CCR section 25137(c)(1) (A)") – which excludes certain receipts arising from a substantial and occasional sale from California's single sales factor apportionment formula – be declared unconstitutional in violation of the U.S. Constitution's Commerce, Due Process, and Import-Export Clauses [see State Tax Matters, Issue 2025-42, for details on this motion as originally filed].

For additional details, please refer to the June 5, 2026 edition of *State Tax Matters*.

Multistate Tax Commission - Staff Circulates Briefing Book on Changes in Federal Taxation Affecting State Treatment of Multinational Income

A briefing book prepared by staff of the Multistate Tax Commission (MTC) addresses changes to the federal tax system affecting how multinational income is treated—including a discussion of certain changes under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) involving net controlled foreign corporation tested income (NCTI) and foreign-derived deduction eligible income (FDDEI)—and some resulting state tax implications. According to MTC staff, the purpose of this briefing book is to "provide background information on the interplay of the state and federal tax systems and how the federal system affects state taxation of multinational enterprises," and it notes that "changes in the federal system will affect all states that tax business income, regardless of whether they conform to the new federal provisions." The briefing book includes a section that summarizes how state tax systems have generally treated foreign income, particularly foreign dividends, subpart F income, and "the use of 80/20 rules to determine the tax base of water's edge filing group." Another section of the briefing book provides "possible options available to state policymakers for adapting their tax systems going forward, including conforming to the new federal system or requiring mandatory worldwide combined filing."

For additional details, please refer to the May 29, 2026 edition of *State Tax Matters*.

Alabama

Appellate Court Affirms Parent, Intermediate Holding Sub, and Lower-Tier Bank Can't File Consolidated FIET Returns

In a case involving three affiliates (a parent financial institution, its wholly owned "holding company" subsidiary, and the subsidiary's wholly owned bank), the Alabama Court of Civil Appeals (Court) affirmed an Alabama circuit court ruling and a 2024 Alabama Tax Tribunal decision [see Docket Nos. INC. 20-659-LP; MISC. 21-380-LP; FIET. 22-1113-LP; FIET. 22-1124-LP, Ala. Tax Trib. (5/13/24), and State Tax Matters, Issue 2024-20, for details on the 2024 Alabama Tax Tribunal decision in this case] that the affiliates failed to meet the Alabama statutory requirements in place at the relevant times for the prior tax years at issue (namely, the filing and ownership tests) to file consolidated Alabama financial institution excise tax (FIET) returns. Accordingly, the lower-tier bank was not permitted to offset its profits against the parent's net operating losses (NOLs) and NOL carryforwards on the FIET returns at issue.

For additional details, please refer to the April 17, 2026 edition of *State Tax Matters*.

Arizona

New Law Updates State Conformity to IRC and Conforms to Many OBBBA Provisions

Effective ninety-one days after adjournment of the 2026 Arizona Legislature and applicable "retroactively to taxable years beginning from and after December 31, 2024," new law generally updates the definition of the federal Internal Revenue Code (IRC) for Arizona tax purposes to the IRC as in effect on January 1, 2026, "including those provisions that became effective during 2025 with the specific adoption of all retroactive effective dates, but excluding any changes to the IRC enacted after January 1, 2026," for purposes of computing Arizona income taxes "for taxable years beginning from and after December 31, 2025."

For additional details, please refer to the June 19, 2026 edition of *State Tax Matters*.

Arkansas

New Law Provides Another Corporate Income Tax Rate Reduction by Lowering Top Rate to 4.1%

Applicable for tax years beginning on or after January 1, 2027, recently signed legislation lowers the top Arkansas corporate income tax rate (i.e., on net income exceeding $11,000) for both domestic and foreign corporations from 4.3% to 4.1% [see H.B. 1001(2024), and State Tax Matters, Issue 2024-26, for details on earlier Arkansas corporate income tax rate reductions that were enacted in 2024]. The legislation also lowers some Arkansas individual income tax rates, applicable for tax years beginning on or after January 1, 2026.

For additional details, please refer to the May 15, 2026 edition of *State Tax Matters*.

State High Court Affirms Gain from Sale of Intangible Assets in Liquidation is Nonbusiness Income

In a case involving an out-of-state company owning and operating restaurant franchises in multiple states (including Arkansas), the Arkansas Supreme Court (Court) affirmed a circuit court's summary judgment and held the gain from the sale of its intangible assets in two transactions where it disposed of substantially all of its real estate and restaurant operations in a complete liquidation constituted nonbusiness income allocable to its Oklahoma commercial domicile.

For additional details, please refer to the April 24, 2026 edition of *State Tax Matters*.

California

New Law Extends and Modifies the Limitation on Business Tax Credits

Recently enacted legislation extends California's existing $5 million annual limitation on business tax credits, which previously applied to taxable years beginning on or after January 1, 2024, and before January 1, 2027, through taxable years beginning before January 1, 2030, subject to specified exceptions.

For additional details, please refer to the July 3, 2026 edition of *State Tax Matters*.

In-State Activities of Company's Employees Exceeded Protections Afforded Under P.L. 86-272

In a nonprecedential opinion involving an out-of-state manufacturer of food products, the California Office of Tax Appeals (OTA) denied the company's petition for rehearing and upheld its earlier opinion that the company (an "S" corporation) was not only subject to California's annual $800 minimum tax for the 2012 and 2013 tax years at issue but also subject to California's net income tax. The OTA concluded the facts showed that the in-state activities of the company's employees were designed not only to solicit orders, but to ingratiate customers and assist buyers in knowing what to order and thus exceeded the protections afforded under P.L. 86-272.

For additional details, please refer to the June 5, 2026 edition of *State Tax Matters*.

Trial Court Issues Final Decision Confirming Agribusiness Eligibility for Three-Factor Apportionment

In a case involving a hog production and harvesting business, a California superior court (Court) has issued its final statement of decision overruling the California Franchise Tax Board's objections to the Court's earlier proposed statement of decision [see previously issued Multistate Tax Alert for details on the Court's earlier proposed statement of decision in this case].

For additional details, please refer to the May 1, 2026 edition of *State Tax Matters*.

Colorado

New Law Changes Combined Reporting Regime, Listed "Tax Haven" Jurisdictions, and Foreign Income Treatment

Recently signed legislation incorporates several tax-related measures, including modifying Colorado's combined reporting regime [see H.B. 1134 (2024) and State Tax Matters, Issue 2024-20, for more details on Colorado's current combined reporting regime] for state corporate income tax years beginning on or after January 1, 2027.

For additional details, please refer to the June 12, 2026 edition of *State Tax Matters*.

Connecticut

New Law Decouples from OBBBA's §168(n) Provisions and Delays Conformity to OBBBA's §174A Provisions

Recently enacted budget legislation addresses select provisions under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21), including decoupling from certain OBBBA provisions.

For additional details, please refer to the May 29, 2026 edition of *State Tax Matters*.

Florida

New Law Updates State Conformity to IRC and Decouples from Some OBBBA Provisions

Effective immediately, and applicable retroactively to tax years beginning on or after January 1, 2026, 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, 2026 (previously, January 1, 2025).

For additional details, please refer to the June 19, 2026 edition of *State Tax Matters*.

Georgia

New Law Lowers Corporate Income Tax Rate and Contingently Phases in Additional Tax Rate Reductions

Effective immediately and applicable to all taxable years beginning on or after January 1, 2026, new law lowers Georgia's corporate income tax rate from 5.19% to 4.99 %. Subject to certain contingencies, Georgia's corporate income tax rate would be reduced further by 0.125% annually beginning on January 1, 2027, until the tax rate reaches 3.99%.

For additional details, please refer to the May 15, 2026 edition of *State Tax Matters*.

Hawaii

New Law Updates State Conformity to IRC But Decouples from Some OBBBA Provisions

Effective immediately, new law updates statutory references to the Internal Revenue Code (IRC), providing that applicable for taxable years beginning after December 31, 2025, references to the IRC in Hawaii income tax laws generally refer to the federal law in effect as amended as of December 31, 2025.

For additional details, please refer to the May 29, 2026 edition of *State Tax Matters*.

Idaho

State High Court Says 2021 Legislation Lowering Corporate Tax Rate Applies to Taxpayer's Entire FY2021

In a case involving an Idaho combined return taxpayer that files its Idaho corporate income tax return based on a fiscal year commencing on October 1 and ending on September 30, the Idaho Supreme Court (Court) affirmed a 2024 district court ruling and held that 2021 legislation lowering Idaho's corporate income tax rate from 6.925% to 6.5% [see H.B. 380 (2021) and State Tax Matters, Issue 2021-19, for more details on this Idaho legislation enacted mid-year in 2021] – but which contained an internal statutory reference date (i.e., applicable for "taxable years commencing on and after January 1, 2001") that differed from the 2021 legislation's effective date (i.e., "retroactively to January 1, 2021") – permitted the taxpayer to apply the lower 6.5% tax rate for its entire 2021 fiscal year.

For additional details, please refer to the May 1, 2026 edition of *State Tax Matters*.

Illinois

Amended Rules Reflect New Finnigan Apportionment for Unitary Business Groups

The Illinois Department of Revenue (Department) has adopted various amended corporate income tax rules, as well as a new corporate income tax rule, reflecting legislation enacted in 2025 [see H.B. 2755 (Public Act 104-0006), signed by gov. 6/16/25, and previously issued Multistate Tax Alert for more details on this Illinois legislation] providing that the apportionment of sales within an Illinois unitary business group must be computed using the "Finnigan" method for tax years ending on or after December 31, 2025.

For additional details, please refer to the June 26, 2026 edition of *State Tax Matters*.

New Law Extends and Revises Limitation on Corporate NOL Carryover Deduction

Recently enacted legislation incorporates several significant Illinois tax law changes, including provisions that extend Illinois' corporation net operating loss (NOL) carryover deduction limitation for taxable years ending on or after December 31, 2027. This NOL carryover deduction limitation previously did not apply to taxable years ending on or after December 31, 2027.

For additional details, please refer to the June 19, 2026 edition of *State Tax Matters*.

DOR Denies Taxpayer's Alternative Apportionment Request to Either Incorporate Property and Payroll Factors or Exclude Throwback Sales

In a recently posted general information letter, the Illinois Department of Revenue (Department) denied an Illinois corporate taxpayer's request to deviate from the use of Illinois' standard single-sales factor apportionment formula that includes "throwback sales" by either i) employing an equally weighted property, payroll, and sales factor apportionment formula that includes throwback sales; or ii) maintaining use of the single-sales factor apportionment formula but excluding certain throwback sales from its apportionment factor calculation.

For additional details, please refer to the May 29, 2026 edition of *State Tax Matters*.

Indiana

Bulletin Addresses State Treatment of OBBBA Changes Involving R&D Expenses

An Indiana Department of Revenue bulletin addresses Indiana's income tax modifications for specified research expenditures, including the implementation of Indiana Code section 6-3-2-29, which was first enacted pursuant to 2023 legislation [see S.B. 419 (2023) and State Tax Matters, Issue 2023-19, for more details on this state legislation] and recently revised to address some implications of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) involving Internal Revenue Code sections 174 and 174A [see S.B. 243, signed by gov. 3/5/26, and State Tax Matters, Issue 2026-10, for more details on this state legislation].

For additional details, please refer to the July 3, 2026 edition of *State Tax Matters*.

Updated Bulletin Addresses OBBBA-Related Law Changes and Bonus Depreciation, §179 Expensing, and §168(n) Decoupling

An updated Indiana Department of Revenue bulletin addresses, among other changes, implementation of certain provisions in recently enacted Indiana legislation [see S.B. 243, signed by gov. 3/5/26, and State Tax Matters, Issue 2026-10, for more details on this state legislation] that maintained Indiana's decoupling from certain federal income tax allowances for bonus depreciation and Internal Revenue Code (IRC) section 179 expensing and also decoupled from the new special depreciation of qualified production property under IRC section 168(n) as enacted by the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21).

For additional details, please refer to the June 5, 2026 edition of *State Tax Matters*.

DOR Summarizes Legislation Addressing IRC Conformity and Various OBBBA Provisions

An Indiana Department of Revenue (Department) synopsis of tax-related legislation enacted in 2026 includes several summaries referencing new law that updates Indiana's conformity to the Internal Revenue Code (IRC) and provides some changes in response to the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) [see S.B. 243 (2026) and State Tax Matters, Issue 2026-10, for more details on this legislation].

For additional details, please refer to the April 24, 2026 edition of *State Tax Matters*.

Iowa

Updated DOR Guidance Reflects New Law Implementing OBBBA Terminology Change from GILTI to Income under IRC § 951A (NCTI)

The Iowa Department of Revenue (Department) updated its administrative guidance on the Iowa income tax treatment of certain international tax provisions under federal law to address the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21).

For additional details, please refer to the June 19, 2026 edition of *State Tax Matters*.

Kansas

New Law Deletes "GILTI" Reference and Adopts Single Sales Factor Apportionment for Some Liquor Manufacturers

Responding to changes under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21), recently enacted Kansas legislation deletes an "obsolete reference" to global intangible low-taxed income (GILTI) for individual income tax purposes. For tax years commencing on or after January 1, 2027, the legislation also authorizes certain qualifying alcoholic liquor manufacturers meeting specified in-state property and compensation thresholds to use single sales factor apportionment to compute their Kansas taxable income [note: see H.B. 2231 (2025).

For additional details, please refer to the May 1, 2026 edition of *State Tax Matters*.

Kentucky

New Law Modifies Recently Enacted Bill that Decouples from OBBBA's IRC §174A Provisions

New law modifies recently enacted Kentucky legislation [see H.B. 757, enacted without governor's signature on 4/14/26, and previously issued Multistate Tax Alert for more details on this earlier legislation] that decouples from some aspects of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) for taxable years beginning on or after January 1, 2026.

For additional details, please refer to the May 1, 2026 edition of *State Tax Matters*.

New Law Delays Combined Reporting Deferred Tax Liability Deduction Another Two Years

With respect to Kentucky's deferred tax liability deduction applicable to some publicly traded corporations – which was enacted in 2019 to offset the effects of mandatory unitary combined reporting tax changes for financial statement reporting purposes – new law once again delays the deduction's start date to a ten-year period beginning January 1, 2028, rather than a ten-year period beginning January 1, 2026 [see H.B. 8 (2024) and State Tax Matters, Issue 2024-16, for details on 2024 Kentucky legislation that had postponed this same deduction from a ten-year period beginning January 1, 2024, to a ten-year period beginning January 1, 2026].

For additional details, please refer to the April 24, 2026 edition of *State Tax Matters*.

New Law Updates State Conformity to IRC and Decouples from Some OBBBA Provisions

New law incorporates several tax-related measures, including generally updating Kentucky statutory corporate and personal income tax references to the Internal Revenue Code (IRC) for tax years beginning on or after January 1, 2026, to the IRC as in effect on December 31, 2025.

For additional details, please refer to the April 17, 2026 edition of *State Tax Matters*.

Maine

MRS Releases Summary of Legislation Addressing the OBBBA, New PTET and New Independent Office of Tax Appeals

Maine Revenue Services has posted a summary of various tax-related legislation enacted in 2026, including new law addressing Maine's updated conformity to the Internal Revenue Code (IRC), as well as decoupling from certain provisions under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) [see L.D. 2212 (H.P. 1491), signed by gov. 4/10/26, and State Tax Matters, Issue 2026-15; and L.D. 2188 (H.P. 1469), signed by gov. 4/13/26, and State Tax Matters, Issue 2026-16, for more details on this new law].

For additional details, please refer to the June 26, 2026 edition of *State Tax Matters*.

New Law Continues to Decouple from IRC §168(k) Bonus Depreciation Under the OBBBA

Recently signed legislation decouples from certain provisions under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) for taxable years beginning on or after January 1,2025.

For additional details, please refer to the April 24, 2026 edition of *State Tax Matters*.

New Law Updates State Conformity to IRC, Addresses OBBBA, Creates PTET, and Imposes 2% Surcharge on Certain High-Income Individuals

Applicable to tax years beginning on or after January 1, 2025, and "to any prior tax years as specifically provided by the United States Internal Revenue Code of 1986 and amendments to that Code as of December 31, 2025,"new law generally conforms state corporate and personal income tax references to the "Internal Revenue Code" to the federal Internal Revenue Code (IRC) as in effect as of December 31, 2025. However, the legislation also decouples from certain provisions under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21).

For additional details, please refer to the April 17, 2026 edition of *State Tax Matters*.

State High Court Says Out-of-State Manufacturer Has Nexus and In-State Activities Exceeded P.L. 86-272 Protections

In a case involving an out-of-state S corporation operating as a liquor manufacturer and supplier, the Maine Supreme Judicial Court (Court) affirmed summary judgment in the Maine State Tax Assessor's favor, concluding that based on the facts, the out-of-state manufacturer's in-state activities exceeded protections afforded under P.L. 86-272, and thus it was obligated to withhold Maine income tax on behalf of its shareholders for the 2011 through 2017 audit period at issue.

For additional details, please refer to the April 10, 2026 edition of *State Tax Matters*.

Maryland

Summary of Enacted Budget Bill Addresses OBBBA-Related Decoupling and Conformity and PTET Changes

A report issued for the Maryland General Assembly by the Maryland Department of Legislative Services' Office of Policy Analysis summarizes Maryland's recently enacted Budget Reconciliation and Financing Act of 2026 ("BRFA of 2026") [see S.B. 284, signed by gov. 4/8/26 and State Tax Matters, Issue 2026-14, for more details on this enacted budget legislation], including how Maryland decouples from, and conforms with, certain provisions under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21).

For additional details, please refer to the May 8, 2026 edition of *State Tax Matters*.

New Law Decouples from OBBBA's IRC §168(n) Special Depreciation and Limits Certain §168(k) Bonus Depreciation

Maryland's recently enacted "Budget Reconciliation and Financing Act of 2026" includes provisions that decouple from the new qualified production property depreciation under Internal Revenue Code (IRC) section 168(n) as enacted under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) for all taxable years beginning after December 31, 2025, as well as create corresponding modifications.

For additional details, please refer to the April 10, 2026 edition of *State Tax Matters*.

Massachusetts

DOR Posts Guidance on New Law that Partially Conforms to Some OBBBA Provisions

The Massachusetts Department of Revenue posted a technical information release ("TIR 26-4") that provides information on whether the net income measure of the Massachusetts corporate excise tax imposed by G.L. c. 63, and the Massachusetts income tax imposed by G.L. c. 62, conform to certain provisions of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) in light of recently enacted Massachusetts legislation [see H.B. 5470, signed by gov. 6/12/26, and previously issued Multistate Tax Alert for more details on this Massachusetts legislation] that limits such conformity to certain federal research and experimental (R&D) expensing changes, as well as temporarily decouples from certain business interest, depreciation, and expensing provisions.

For additional details, please refer to the June 26, 2026 edition of *State Tax Matters*.

New Law Partially Conforms to Some OBBBA Provisions and Creates New Tax for Some Passthrough Entities

Recently enacted budget legislation addresses whether the net income measure of the Massachusetts corporate excise tax imposed by G.L. c. 63, and the Massachusetts income tax imposed by G.L. c. 62, conform to certain provisions of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21), and effectively adopts a selective approach to conformity with some OBBBA changes.

For additional details, please refer to the June 19, 2026 edition of *State Tax Matters*.

Minnesota

New Law Updates State Conformity to IRC, Decouples from Some OBBBA Provisions, and Extends PTET Election 2 More Years

Recently signed omnibus tax legislation incorporates several changes to Minnesota corporate income/franchise tax and individual income tax laws, including generally updating Minnesota's definition of the Internal Revenue Code (IRC) to the IRC of 1986, as amended through May 1, 2026 (previously, May 1, 2023), and providing that any changes to the IRC incorporated by federal legislation are retroactively effective to when the changes were effective for federal purposes. However, the legislation decouples Minnesota's income tax from some aspects of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21).

For additional details, please refer to the May 29, 2026 edition of *State Tax Matters*.

New Jersey

New Law Caps CBT NOL Deduction at $1 Million until July 31, 2030

Effective immediately, and applicable to New Jersey corporation business tax (CBT) privilege periods ending on or after July 31, 2026, new law imposes a temporary $1 million cap on use of net operating loss (NOL) deductions. Specifically, the legislation provides that the amount of any NOL deduction claimed by a CBT taxpayer shall not, in the aggregate, exceed $1 million for a privilege period ending on or after July 31, 2026, but before July 31, 2030.

For additional details, please refer to the July 3, 2026 edition of *State Tax Matters*.

Updated CBT Nexus Bulletin Clarifies P.L. 86-272 Protections on Certain NFT Transfers

A New Jersey Division of Taxation nexus bulletin reflecting legislation enacted in 2023 that made significant changes to New Jersey's corporation business tax (CBT) for privilege periods ending on and after July 31, 2023.

For additional details, please refer to the June 12, 2026 edition of *State Tax Matters*.

Updated CBT Bulletin Reflects OBBBA's Changes from GILTI and FDII to NCTI and FDDEI

The New Jersey Division of Taxation (Division) posted an updated New Jersey corporation business tax (CBT) bulletin referencing its previously issued statement – "Federal Renaming for GILTI and FDII Under the One Big Beautiful Bill Act for Corporation Business Tax," [see State Tax Matters, Issue 2025-47, for details on this earlier statement] – which essentially reiterates that despite federal income tax terminology changes under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) that respectively "rename" global intangible low-taxed income (GILTI) as net controlled foreign corporation tested income (NCTI), and foreign-derived intangible income (FDII) as foreign-derived deduction eligible income (FDDEI), the "treatment of these concepts for New Jersey Corporation Business Tax purposes is unchanged and remains as set forth in the published guidance and regulations."

For additional details, please refer to the May 15, 2026 edition of *State Tax Matters*.

New Mexico

Revised NOLs from Closed Years Cannot be Carried Forward on Amended Corporate Return

In a ruling involving whether the New Mexico Taxation and Revenue Department (Department) must recognize revised net operating loss (NOL) carryforward amounts reported on a taxpayer's amended 2021 New Mexico corporate income tax return that were based on updated apportionment factors for its 2016 through 2018 and 2020 loss years, the New Mexico Administrative Hearings Office (AHO) concluded that while the amended 2021 return was timely as to tax year 2021, those earlier loss years were already closed to amendment under applicable state statute of limitation periods.

For additional details, please refer to the April 17, 2026 edition of *State Tax Matters*.

New York

Notice Addresses OBBBA Decoupling Law Changes and Reporting for TY 2025

A New York State Department of Taxation and Finance notice addresses recently enacted budget legislation [see S9009C / A10009C, signed by gov. 5/28/26, and recently issued Multistate Tax Alert for more details on the New York State budget for fiscal year 2027] which, among other things, decoupled New York State personal income tax, corporate franchise tax, and insurance franchise tax from select provisions of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21).

For additional details, please refer to the June 19, 2026 edition of *State Tax Matters*.

Enacted Budget Extends Top Corporate Tax Rate, Decouples from Some OBBBA Provisions, and Creates a Pied-à-terre Surcharge

New York Governor Kathy Hochul signed New York's FY 2027 Budget ("Budget Bill"), which adopts some aspects of her Executive Budget framework [see State Tax Matters, Issue 2026-3, for details on Governor's Hochul's FY 2027 Executive Budget]. Notably, the enacted Budget Bill does not adopt several proposals advanced earlier in the session, including increased corporate tax rates, additional top personal income tax brackets, a tax on all-cash real estate transactions valued above $1 million, and reductions to the New York State and New York City pass-through entity tax (PTET) credits.

For additional details, please refer to the June 5, 2026 edition of *State Tax Matters*.

Appellate Court Affirms that Article 9-A Rule on P.L. 86-272 and Internet Activity is Not Preempted by Federal Statute

In a case brought forth by an industry trade association representing remote sellers that challenged the validity of the New York State Department of Taxation and Finance's (Department) Article 9-A Business Corporation Franchise Tax Regulation adopted in December 2023 involving P.L. 86-272 and internet activity (specifically, 20 NYCRR section 1-2.10 ("Rule")) [see Repeal of preexisting 20 NYCRR Subchapter A, Parts 1 through 9, the Business Corporation Franchise Tax, and Adoption of New 20 NYCRR Subchapter A, Parts 1 through 9; Repeal of preexisting 20 NYCRR Subchapter B, the Franchise Tax on Banking Corporations Regulations; and Adopted Amendments to 20 NYCRR Subchapter C, the Franchise Taxes on Insurance Corporations, N.Y. Dept. of Tax. & Fin. (12/11/23); Notice of Adoption, N.Y. Dept. of Tax. & Fin. (12/27/23); and previously issued Multistate Tax Alert for more details on the 2023-adopted Article 9-A Business Corporation Franchise Tax Regulations], the New York Supreme Court, Appellate Division, Third Department (Court) determined that the lower court appropriately held the Rule is not preempted by P.L. 86-272 [see Case No. 903320-24, N.Y. Sup. Ct., Albany County (4/28/25) and State Tax Matters, Issue 2025-17, for details on the lower court's ruling, which dismissed the trade association's federal statute preemption argument but held that the Rule's retroactive application violated due process].

For additional details, please refer to the May 8, 2026 edition of *State Tax Matters*.

ALJ Says Mandatory S Corp Election was Triggered and Results in Gains from IRC § 338(h)(10) Election

In a case involving a "hybrid" corporation (i.e., a company filing as a federal S corporation but electing to file as a New York C corporation) that was sold to another entity during the 2020 tax year at issue in a deemed asset sale pursuant to an Internal Revenue Code section 338(h)(10) election, an administrative law judge (ALJ) with the New York State Division of Tax Appeals held that the entity's self-created goodwill in the transaction constituted "investment income" for purposes of determining whether its investment income was greater than 50% of its federal gross income and thus a mandatory New York S corporation election was triggered under N.Y.S. Tax Law § 660 (i).

For additional details, please refer to the April 3, 2026 edition of *State Tax Matters*.

New York City

New Law Extends Expiring General Corporation Tax Rates Another Three Years

Effective immediately, new law extends for another three years (i.e., from 2026 to 2029) certain tax rates that had been set to expire, specifically tax rates under New York City's general corporation tax (GCT). Additionally, the legislation delays certain scheduled New York City personal income tax rate changes until taxable years beginning after 2029 (previously, taxable years beginning after 2026).

For additional details, please refer to the June 12, 2026 edition of *State Tax Matters*.

Oregon

New Law Decouples from Bonus Depreciation Permitted Under the OBBBA

Effective on the 91st day after the date on which the 2026 regular session of the 83rd Legislative Assembly adjourns sine die, newly signed legislation decouples Oregon from certain tax provisions under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21).

For additional details, please refer to the April 17, 2026 edition of *State Tax Matters*.

New Law Updates "GILTI" References to "NCTI" and Extends PTET Election for 2 More Years

Effective on the 91st day after the date on which the 2026 regular session of the 83rd Legislative Assembly adjourns sine die, newly signed legislation adds references to net controlled foreign corporation tested income (NCTI) in place of global intangible low-taxed income (GILTI) for Oregon corporate excise (income) tax purposes in response to the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21). The Oregon bill also extends the ability for qualifying pass-through entities to elect to be subject to Oregon's pass-through entity level tax (PTE-E) through to tax years beginning before January 1, 2028.

For additional details, please refer to the April 3, 2026 edition of *State Tax Matters*.

Pennsylvania

BFR Says Out-of-State Company is Not Subject to CNIT Due to P.L. 86-272 Protections

A Pennsylvania Board of Finance and Revenue (BFR) ruling involving an out-of-state provider of aircraft, engines and related parts concluded the company successfully showed that, based on the provided facts, it was not subject to Pennsylvania's corporate net income tax (CNIT) as its in-state solicitation activities did not exceed the protections afforded under P.L. 86-272.

For additional details, please refer to the April 3, 2026 edition of *State Tax Matters*.

Rhode Island

New Law Decouples from Some OBBBA Provisions and Creates High-Income Surtax for Individuals

Recently enacted state budget legislation addresses whether Rhode Island conforms to certain provisions of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) for state corporation and personal income tax purposes for tax years beginning on or after January 1, 2026, as well as creates a new "surtax" for state personal income tax purposes for tax years beginning on or after January 1, 2027, on Rhode Island taxable income exceeding $1 million.

For additional details, please refer to the June 19, 2026 edition of *State Tax Matters*.

New Rules Address Law Changes that Decouple from OBBBA Provisions

The Rhode Island Department of Revenue (Department) adopted two new permanent regulations providing guidance on the Rhode Island income tax (both business corporation and personal income taxes, respectively) implications for tax years 2025 and prior due to the federal One Big Beautiful Bill Act (now commonly referenced as "OBBBA" and more formally as P.L. 119-21), and Rhode Island's subsequently enacted decoupling legislation [see H.B. 5076 (2025) and State Tax Matters, Issue 2025-27, for additional details on this enacted Rhode Island budget legislation, as well as ADV 2025-20: Rhode Island Decouples from Recently Enacted Federal Legislation-H.R. 1, R.I. Dept. of Rev. (10/2/25) and State Tax Matters, Issue 2025-39, for subsequently issued administrative guidance].

For additional details, please refer to the April 3, 2026 edition of *State Tax Matters*.

South Carolina

Appellate Court Affirms that DOR May Require Combined Reporting and Underlying Taxpayer Must File Combined Return

In a recently published opinion, the South Carolina Court of Appeals (Court) affirmed a 2023 South Carolina Administrative Law Court ruling [see Case No. 19-ALJ-17-0416-CC, S.C. Admin. Law Ct. (8/8/23) and State Tax Matters, Issue 2023-32, for more details on the 2023 ALJ ruling], which held that the South Carolina Department of Revenue (Department) has the authority to require combined unitary reporting ("CUR") under state law; and that based on the underlying case facts, i) separate entity reporting did not fairly reflect a parent company's in-state business activity due, in part, to the transfer pricing of intercompany transactions, and ii) combined reporting with the parent's affiliates provided a reasonable and equitable result.

For additional details, please refer to the June 19, 2026 edition of *State Tax Matters*.

Texas

Adopted Changes to COGS Rule Reflect New IRC Conformity Policy and Net Depreciation Adjustment

The Texas Comptroller of Public Accounts (Comptroller) adopted changes to its Texas franchise tax administrative rule on calculating margin and cost of goods sold (COGS) that "address the policy change to conform the franchise tax to the current-year federal income tax provisions" (rather than the Internal Revenue Code in effect for the federal tax year beginning January 1, 2007) to compute certain items included for Texas franchise tax purposes beginning with the 2026 report year [see previously issued Multistate Tax Alert for more details on the new administrative policy].

For additional details, please refer to the June 12, 2026 edition of *State Tax Matters*.

Appellate Court Affirms Federal Law Preempts Taxing Air Carrier's Gross Receipts from Transportation Revenues

Rejecting the Texas Comptroller of Public Accounts' (Comptroller) position, the Texas Fifteenth Court of Appeals (Court) affirmed a 2024 district court decision [see Case No. D-1-GN-16-000621, Tex. Dist. Ct., Travis County, Tex. (8/7/24), and State Tax Matters, Issue 2024-33, for details on the 2024 Travis County Texas District Court decision in this case] by concluding the federal Anti-Head Tax Act (AHTA) – which prohibits states from imposing any tax on gross receipts from air commerce or air transportation – preempts Texas's franchise tax as applied to the air carrier's baggage fees, passenger ticket sales, and air freight transportation (i.e., "transportation revenues").

For additional details, please refer to the April 17, 2026 edition of *State Tax Matters*.

Comptroller Updates Memo on New IRC Conformity Policy and Net Depreciation Adjustment

Following its December 2025 memorandum announcing a new administrative interpretation on how the Texas Comptroller of Public Accounts (Comptroller) views Texas conformity to the federal Internal Revenue Code beginning with the 2026 Texas franchise tax report year and will follow current federal tax law to determine certain items including depreciation [see Memorandum 202512012M and previously issued Multistate Tax Alert for more details on its new administrative policy], the Comptroller recently announced it has replaced the 2025 policy memo with an updated version that "clarifies the depreciation adjustment is intended for all taxpayers with qualifying assets, regardless of whether those assets were disposed of in the accounting period on which the 2026 report is based."

For additional details, please refer to the April 3, 2026 edition of *State Tax Matters*.

Proposed Changes to COGS Rule Reflect New IRC Conformity Policy and Net Depreciation Adjustment

The Texas Comptroller of Public Accounts (Comptroller) recently proposed changes to its Texas franchise tax administrative rule on calculating margin and cost of goods sold (COGS) to "address the policy change to conform the franchise tax to the current-year federal income tax provisions" (rather than the Internal Revenue Code in effect for the federal tax year beginning January 1, 2007) to compute certain items included for Texas franchise tax purposes beginning with the 2026 report year [see previously issued Multistate Tax Alert for more details on the new administrative policy].

For additional details, please refer to the April 3, 2026 edition of *State Tax Matters*.

Vermont

New Law Updates State Conformity to IRC and Decouples from Some OBBBA Provisions, Including IRC § 250 Deduction

Effective retroactively on January 1, 2026, and applicable to taxable years beginning on and after January 1, 2025, recently enacted legislation generally updates statutory references to the Internal Revenue Code (IRC) for Vermont personal and corporate income tax purposes, referring to the federal income tax law as in effect on December 31, 2025 (previously, December 31, 2024), but "without regard to the federal income tax rates" under IRC section 1. However, the new law also decouples components of Vermont's corporate income tax from certain provisions enacted by the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21).

For additional details, please refer to the June 26, 2026 edition of *State Tax Matters*.

Virginia

Noncodified Provisions Related to Intangible Expense "Addback" Statutes Remain in Effect

Similar to state budget bills enacted in previous years (since 2014), applicable retroactively for taxable years beginning on and after January 1, 2004, Virginia's new budget includes non-codified provisions that limit the "subject to tax" statutory exception to Virginia's intercompany intangible expense addback statute – regarding income that is subject to a tax based on or measured by net income or capital imposed by Virginia, another state, or a foreign government – to the portion of intercompany expense payments to the related member that owns the intangible property that corresponds to the portion of the related member's income where it has sufficient nexus to be subject to taxes based on or measured by net income or capital in other states – i.e., on a post-apportionment basis.

For additional details, please refer to the July 3, 2026 edition of *State Tax Matters*.

Taxpayer Successfully Shows It's No Longer a Retail Company Required to Use Single Sales Factor Apportionment

The Virginia Department of Taxation (Department) issued a ruling in a corporate taxpayer's favor that, based on the provided facts, its original North American Industry Classification System (NAICS) "retail" classification code did not properly reflect its primary activities for the taxable years ended December 31, 2021 through 2023 ("tax years at issue"), and thus the company was not required to apportion its income as a retail company under Virginia Code § 58.1-422.1 using a single sales factor.

For additional details, please refer to the June 26, 2026 edition of *State Tax Matters*.

Intercompany Loan Interest is Not Subject to Addback Statute Due to Valid Business Purpose

The Virginia Department of Taxation (Department) issued a ruling in the taxpayer's favor that its interest expenses paid pursuant to an intercompany loan agreement that was part of a centralized cash management system used by the taxpayer and many of its affiliates was *not* required to be added back on its Virginia corporate income tax return under Virginia's intercompany expense "addback statute," as the taxpayer successfully showed that the cash-management system had a valid business purpose other than the avoidance or reduction of tax due.

For additional details, please refer to the April 10, 2026 edition of *State Tax Matters*.

Wisconsin

State High Court Denies Reviewing Case that Held Intercompany Royalties Had No Business Purpose or Economic Substance

The Wisconsin Supreme Court denied the taxpayer's request to review a 2025 Wisconsin Court of Appeals corporate franchise tax decision 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 where the Wisconsin Court of Appeals had affirmed that 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 [see Appeal No. 2024AP957, Wis. Ct. App. (6/4/25), and State Tax Matters, Issue 2025-23, for details on the 2025 appellate court decision].

For additional details, please refer to the May 29, 2026 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.

Australia

Federal Budget 2026-27 tax reform changes introduced into parliament

On June 26, 2026, Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and Income Tax Rates Amendment (Tax Reform No. 1) Bill 2026 received Royal Assent. The bills introduce legislation to implement the Federal Budget 2026-27 announcements in respect of: (1) Negative gearing limitations; (2) Capital gains tax (CGT) discount changes and minimum tax; (3) An AUD 250 Working Australians Tax Offset (WATO); (3) An AUD 1,000 standard deduction for work-related expenses.

For additional details, please refer to the Deloitte *tax@hand article* dated May 29, 2026 and Deloitte *tax@hand article* dated June 22, 2026.

ATO issues updated guidance on TP issues related to inbound distribution arrangements

On April 22, 2026, the Australian Taxation Office (ATO) issued updated Practical Compliance Guideline PCG 2019/1, titled Transfer pricing issues related to inbound distribution arrangements. The update represents the first revision of the PCG since its original publication in 2019.

For additional details, please refer to the Deloitte *tax@hand article* dated April 28, 2026.

Brazil

QDMTT regulations amended

On June 19, 2026, the Brazilian tax authorities published Normative Instruction No. 2,329/2026 (NI 2,329), amending Normative Instruction No. 2,228/2024 (NI 2,228), which regulates Brazil's qualified domestic minimum top-up tax (QDMTT) implemented through an additional social contribution on net profits (CSLL).

The amendments address two key areas: (i) the operational mechanics of the centralized payment election for the additional CSLL, and (ii) clarifications to the transitional country-by-country (CbC) reporting safe harbor where the Brazilian constituent entity's fiscal year does not align with the multinational enterprise (MNE) group's CbC reporting fiscal year. The changes come ahead of the first QDMTT payment deadline, which is the last business day of July 2026 for fiscal year 2025 liabilities.

For additional details, please refer to the Deloitte *tax@hand article* dated June 19, 2026.

Regulations issued on VAT reform

On April 30, 2026, Brazil's first detailed regulations regarding the federal VAT (CBS) and state and municipal VAT (IBS) were released pursuant to Decree No. 12,955/2026 issued by the federal government and Resolution No. 6/2026 issued by the IBS steering committee. The regulations follow Congress's approval of Complementary Law No. 214/2025 and No. 227/2026 establishing indirect tax reform.

For additional details, please refer to the Deloitte *tax@hand article* dated April 30, 2026.

Germany

Upper house approves law addressing double RETT on share deal transactions

The final bill includes amendments to the real estate transfer tax (RETT) rules, an increase in the minimum trade tax rate, and other tax measures. Also, the final bill no longer includes the controversial tax relief measures for individuals that were deemed to provide relief from high energy prices, which the upper house of parliament rejected in May of 2026.

For additional details, please refer to the Deloitte *tax@hand article* dated June 19, 2026.

CJEU ruling on Portuguese RETT may have implications for purposes of German RETT

On June 4, 2026, the Court of Justice of the European Union (CJEU) ruled that provisions of Portuguese real estate transfer tax (RETT) law relating to the taxation of the transfer of shares in certain cases are incompatible with Council Directive 2008/7/EC concerning indirect taxes on the raising of capital. This article discusses the potential implications for German RETT purposes.

For additional details, please refer to the Deloitte *tax@hand article* dated June 16, 2026.

Federal tax court confirms dividends paid to US "S corporation" qualify for 0% WHT

On May 28, 2026, Germany's federal tax court published its long-awaited decision confirming the lower tax court of Cologne's 2022 decision ruling that a US "S corporation," which is a transparent entity for US federal income tax purposes, was entitled to a 0% withholding tax (WHT) rate pursuant to article 10 (3) (a) (bb) of the Germany-US double tax treaty (DTT). The federal tax court also ruled that, pursuant to section 50d (1) sentence 11 of the German income tax code (ITC) at that time, the shareholders of the S corporation were generally required to file for the dividend WHT refund and not the S corporation itself, and that such provision is merely procedural and does not govern whether a particular treaty provision applies in determining the dividend WHT rate.

For additional details, please refer to the Deloitte *tax@hand article* dated June 1, 2026.

Federal tax court clarifies applicable WHT rate during liquidation process

In a decision dated March 3, 2026 (and published on May 15, 2026), Germany's federal tax court ruled that a 0% dividend withholding tax (WHT) rate under the EU parent-subsidiary directive applied to a German company's distribution of operating profits that were generated prior to a liquidation period, even though the dividend was resolved and paid during the liquidation period. The federal tax court in its decision sided with the taxpayer and confirmed a decision of the lower tax court of Cologne dated October 26, 2022.

For additional details, please refer to the Deloitte *tax@hand article* dated May 18, 2026.

Federal tax court rules new or amended double tax treaties could result in exit tax

The German federal tax court in two separate decisions dated November 19, 2025 and published on April 9, 2026 ruled that the conclusion of a new double tax treaty (DTT) or the amendment of an existing DTT could result in exit taxation for German tax purposes if such conclusion or amendment excludes or limits an existing German taxing right.

The exclusion or limitation of Germany's right to tax the disposal of an asset is generally treated as equivalent to a disposal of that asset at its fair market value (FMV), which should trigger a capital gain equal to the difference between the FMV of the asset and its tax basis.

It was previously unclear whether such exit taxation could only be triggered through an action of the taxpayer (e.g., by transferring an asset to a foreign permanent establishment) or whether a change in legislation ("passive exit taxation") could also result in such capital gains taxation. The German tax authorities in the past have taken the view that a mere change in legislation (which also includes the conclusion or amendment of a DTT) that results in an exclusion or limitation of Germany's taxing right could be sufficient to trigger a capital gains taxation.

For additional details, please refer to the Deloitte *tax@hand article* dated April 15, 2026.

France

Depreciation allowances on prototypes are eligible for the research tax credit

In a decision issued on June 17, 2026, France's Council of State (Administrative Supreme Court) held that the fact that a fixed asset is characterized as a prototype does not prevent the related depreciation allowances from being eligible for the research tax credit (RTC). The decision puts an end to a series of decisions against eligibility and takes a position in its favor.

For additional details, please refer to the Deloitte *tax@hand article* dated June 22, 2026.

Former interest deduction limit applies despite lender waiving favorable tax regime

The French Supreme Administrative Court ruled on April 10, 2026 (Conseil d'Etat, n° 503452) that the retroactive waiver by a foreign lending company of a favorable tax regime—which had resulted in an effective tax rate below 25% of the French standard corporate income tax rate—does not preclude the application of the former French anti-hybrid rule to the French borrower (article 212(I)(b) of the French Tax Code (FTC), repealed by the 2020 Finance Law).

For additional details, please refer to the Deloitte *tax@hand article* dated April 23, 2026.

Mexico

Effective income tax rates: SAT audit approach for large taxpayers

Mexico's Service Tax Administration (SAT) in its 2026 Master Plan has stated that effective income tax (ISR) rates are now one of the main selection criteria for audits of large taxpayers.

The SAT calculates the effective ISR rates based on institutional information, such as annual returns, digital tax receipts, tax reports, informative returns, customs declarations ("pedimentos"), and other information available in the SAT's databases. A taxpayer's effective ISR rate is calculated by dividing the ISR paid in a tax year by the taxable income for the same year.

As of May 2026, the SAT has issued seven publications with the effective ISR rates based on fiscal years 2022 and 2023, which together comprise 40 economic sectors. Each publication has incorporated additional sectors as the SAT's risk assessment advances.

The SAT has expressly stated that having an effective ISR rate below the applicable published rate does not constitute a tax liability determination, but it may increase the risk of audit. Taxpayers with rates lower than the applicable published rate have begun to receive invitation letters from the SAT to self-correct through amended returns.

For additional details, please refer to the Deloitte *tax@hand article* dated May 12, 2026.

Hong Kong

Bill enhancing preferential asset and wealth management industry tax regimes gazette

The Inland Revenue (Amendment) (Preferential Tax Regimes for Funds, Family-Owned Investment Holding Vehicles and Carried Interest) Bill 2026 ("bill") which would enhance the preferential tax regimes for funds, family-owned investment holding vehicles (FIHVs) managed by single family offices, and carried interest was published in Hong Kong SAR's (HKSAR's) official gazette on 12 June 2026. The enhanced provisions would have retroactive effect as from the year of assessment 2025-26. As a transitional administrative measure, the HKSAR Inland Revenue Department (IRD) has agreed that taxpayers eligible for the tax exemption or concession proposed under the bill may submit their tax returns for the year of assessment 2025-26 on that basis, even before the enactment of the legislation.

For additional details, please refer to the Deloitte *tax@hand article* dated June 17, 2026.

Bill to enact certain tax measures in 2025 Policy Address and 2026-27 Budget passed

Hong Kong SAR's (HKSAR's) Legislative Council on 13 May 2026 passed the Inland Revenue (Amendment) (Tax Concessions, Concessionary Deductions and Allowances) Bill 2026, intended to enact the following tax measures proposed in the 2025 Policy Address and the 2026-27 Budget:

- A one-time 100% tax reduction of profits tax, salaries tax, and tax under personal assessment for the year of assessment 2025-26, capped at HKD 3,000. The tax reduction would be reflected in the taxpayer's final tax payable for the year of assessment (YOA) 2025-26.
- An extension of the claim period for additional child allowance for newborns from one year to two years starting from the YOA 2026-27, applicable to children born on or after 1 April 2025.
- An increase in allowances and deductions under salaries tax and tax under personal assessment starting from the YOA 2026-27.

Chief Executive John Lee Ka-chiu signed the enacted legislation, officially published as the Inland Revenue (Amendment) (Tax Concessions, Concessionary Deductions and Allowances) Ordinance 2026, and it was officially published in the HKSAR Government Gazette on May 22, 2026.

For additional details, please refer to the Deloitte *tax@hand article* dated May 14, 2026.

United Kingdom

National Insurance Contributions (Employer Pensions Contributions) Act 2026 enacted

On April 29, 2026 the National Insurance Contributions (Employer Pensions Contributions) Act 2026 received Royal Assent. This creates a power for the Treasury to apply national insurance contributions to salary-sacrificed pension contributions that exceed GBP 2,000 per annum as from April 2029.

For additional details, please refer to the Deloitte *tax@hand article* dated May 1, 2026.

Accounting Development

Disclosure Trends From the 2025 Reporting Season

The global business landscape continues to undergo rapid and dynamic change. Alongside evolving regulations, ongoing macroeconomic and trade realignments, and heightened geopolitical uncertainty, advances in generative artificial intelligence (AI) continue to reshape the business world. Amid such complexity and ambiguity, high-quality, transparent financial reporting is essential for communicating to investors how companies are responding to, and being influenced by, these broader global developments and trends.

We have examined how Fortune 500 companies have addressed various disclosures in their latest annual reports in light of these evolving themes. This *Financial Reporting Spotlight* offers insights into how companies have approached those disclosures and examines the *new income tax disclosures* required this year. While disclosures are most meaningful when tailored to a company's specific facts and circumstances, understanding broader trends may be informative.

For additional details, please refer to the April 2026 edition of *Financial Reporting Spotlight*.

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 Hector Gomez at hecgomez@deloitte.com (+1 469 417 2897) to be added to our virtual webcast distribution list.

Deloitte Up-C Virtual Roundtable – July 22, 2026

Please join us for the next Deloitte Up-C Virtual Roundtable, where Deloitte subject matter specialists will discuss potential tax receivable agreement and related ASC 740 calculation effects from a partnership exam under the Bipartisan Budget Act of 2015 regime. Click *Register* to join.

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 – December 07-11, 2026 | Virtual

More details to come and registration expected to open in October of 2026!

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 Home Page*
- *Deloitte Tax Accounting & Provisions Dbriefs Webcasts Series*
- *Deloitte Heads Up Newsletter Archive*
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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 US Tax Accounting and Provision Services at: ustaxacctgandprovisionservices@deloitte.com.

1633 Broadway
New York, NY 10019-6754
United States