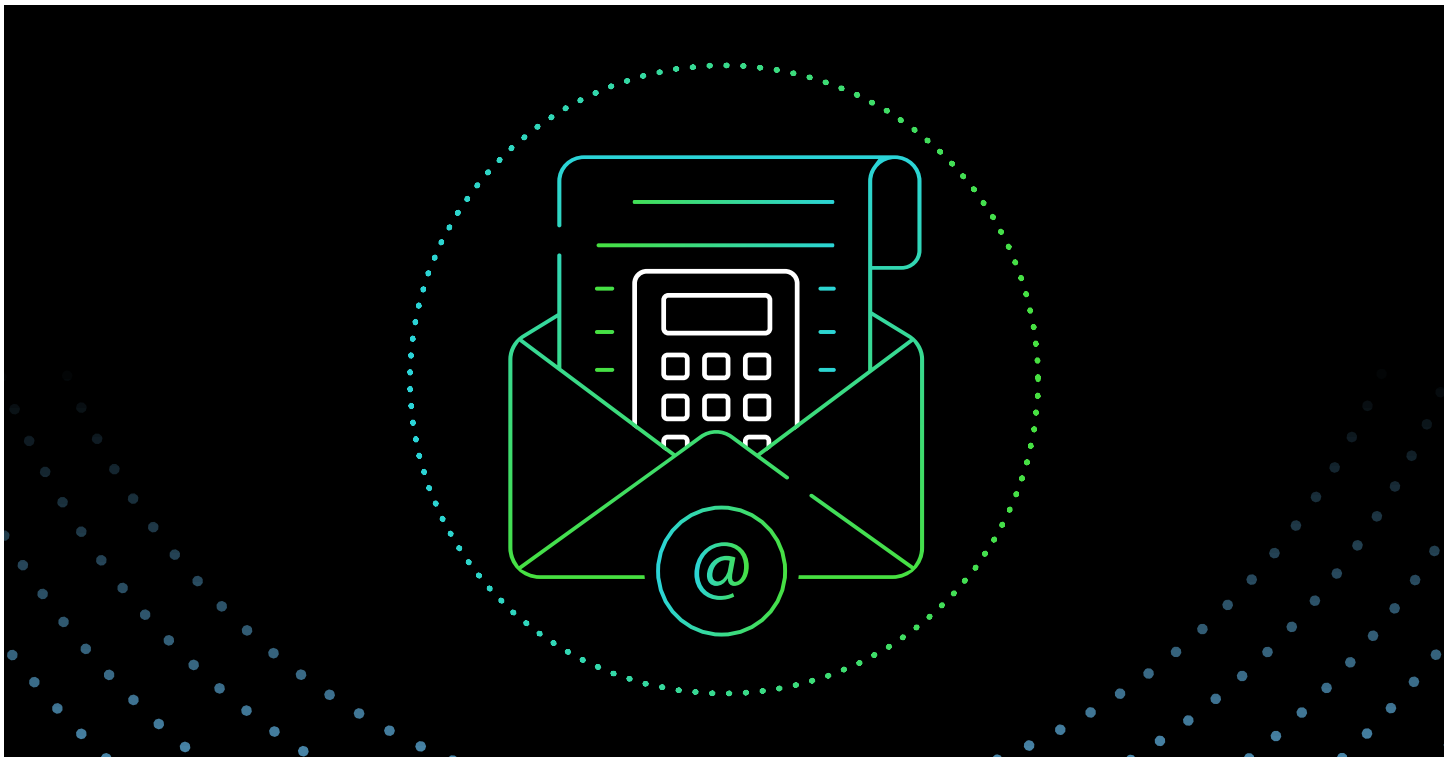




Accounting for Income Taxes

Quarterly Hot Topics

In this issue:

US Federal	1
US Multistate	5
Global Pillar Two Legislative Update Tracker	13
International	13
Accounting Development	15
Up-C Structure Services	16
Other	16

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](#).



Treasury, IRS release proposed rules on opportunity funds

On September 10, the Treasury Department and the IRS released proposed regulations ([REG-116506-25](#)) that would implement new reporting requirements for qualified opportunity funds and qualified opportunity zone businesses. The guidance would require qualified opportunity funds to file information returns with the IRS and furnish statements to investors who dispose of fund interests, while qualified opportunity zone businesses would be required to provide information to qualified opportunity funds that hold interests in those entities. Section 70421 of the OBBBA amended certain provisions involving opportunity funds.

For additional details, please refer to the Deloitte [tax@hand article](#) dated September 19, 2026.

Treasury, IRS release guidance on allocation and apportionment of deductions to certain foreign source income

Also on September 10, the Treasury Department and the IRS released proposed regulations ([REG-117273-25](#)) related to the allocation and apportionment of deductions in computing deduction eligible income (DEI), foreign derived deduction eligible income (FDDEI) under Internal Revenue Code (IRC) section 250(b)(3), and foreign source IRC section 951A category income under IRC section 904(b)(5), as amended by sections 70322 and 70311 of the OBBBA. Deloitte Tax LLP professionals released an [alert](#) addressing the proposed regulations.

For additional details, please refer to the Deloitte [tax@hand article](#) dated September 19, 2026.

IRS issues Revenue Procedure on accounting method changes for R&E expenditures

On September 4, the IRS issued [Rev. Proc. 2026-32](#), modifying the automatic IRS consent procedures under IRC section 446 for changes in accounting methods regarding R&E expenditures under IRC sections 174 and 174A and for long-term contracts under IRC section 460, following changes made by the OBBBA. (The guidance modifies [Rev. Proc. 2025-23](#).)

For additional details, please refer to the Deloitte [tax@hand article](#) dated September 19, 2026.

Proposed regs address deductions for DEI and foreign source sec. 951A category income

On September 10, 2026, the US Department of the Treasury ("Treasury") and the Internal Revenue Service (IRS) released proposed regulations (REG-117273-25), which were published in the Federal Register on 11 September 2026 ("proposed regulations") and provide guidance on the allocation and apportionment of deductions in computing deduction eligible income (DEI) and foreign-derived deduction eligible income (FDDEI) under section 250(b)(3).

Because the proposed regulations provide important guidance on how deductions are allocated for FDDEI computation purposes, they are likely to be of interest to a broad range of domestic corporate taxpayers.

For additional details, please refer to the Deloitte [tax@hand article](#) dated September 17, 2026.

Notice 2026-50 expands and extends safe harbor for section 45Q carbon capture credit

On August 14, 2026, the US Department of the Treasury ("Treasury") and the Internal Revenue Service (IRS) released [Notice 2026-50](#) (the "notice"), which modifies and amplifies [Notice 2026-1](#) by expanding and extending the safe harbor related to the Environmental Protection Agency's (EPA) proposal to eliminate greenhouse gas reporting requirements ("subpart RR reporting") for taxpayers claiming the credit for carbon oxide sequestration under [section 45Q](#) of the Internal Revenue Code. The notice expands the previous safe harbor so that it now encompasses carbon oxide used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project and the determination of the qualified carbon oxide subject to recapture. The notice also extends the applicability period of the safe harbor beyond calendar year 2025.

For additional details, please refer to the Deloitte [tax@hand article](#) dated September 17, 2026.

Treasury, IRS release wave of tax guidance

Over the month of August 2026, the US Treasury Department and the Internal Revenue Service (IRS) released a series of guidance items, many of which were issued while both chambers of Congress were in recess. Several of the guidance items implement provisions of the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21).

The following is a summary of guidance issued.

- Proposed regulations (REG-117130-25) on foreign-derived deduction eligible income.
- Fact sheet (FS-2026-14) on the limitation on the deduction for business interest expense. (IRS press release)
- Notice 2026-50 on the credit for carbon oxide sequestration.

- Proposed regulations (REG-115646-25) on pro rata share of subpart F income, tested income, or tested loss of a controlled foreign corporation.
- Proposed regulations (REG-103844-26) on foreign currency gain or loss of controlled foreign corporations.

For additional details, please refer to the Deloitte [tax@hand article](#) dated September 5, 2026.

Proposed regulations address OBBBA amendments to s. 951 and 951A pro rata share rules

On August 25, 2026, the US Department of the Treasury ("Treasury") and the Internal Revenue Service (IRS) released proposed regulations (REG-115646-25), later published in the Federal Register on 26 August 2026 (the "proposed regulations"), which address the determination of a US shareholder's (as defined in section[1] 951(b)) pro rata share of a controlled foreign corporation's (as defined in section 957(a)) (CFC) subpart F income, tested income, or tested loss under the amendments to sections 951(a) and 951A made by sections 70323 and 70354 of the legislation commonly known as the One Big Beautiful Bill Act (OBBBA).

The proposed regulations also provide rules for applying the transition rule in section 70354(c)(2) of the OBBBA to certain dividends paid or deemed paid before the OBBBA's pro rata share amendments become effective. These rules are consistent with Notice 2025-75, which was released on 4 December 2025 (the "transition rule notice").

Because the proposed regulations provide important guidance on the OBBBA's changes to how CFC income is included, they are likely to be of interest to a broad range of US multinationals (and also certain foreign multinationals), especially if they are engaged in M&A activity that could result in the direct or indirect change in ownership of foreign subsidiaries.

For additional details, please refer to the Deloitte [tax@hand article](#) dated September 1, 2026.

Notice 2026-28 provides guidance on the premium method for the section 45S paid family and medical leave credit

On August 5, 2026, the Department of the Treasury ("Treasury Department") and the Internal Revenue Service (IRS) released [Notice 2026-28](#) (the "Notice"), providing guidance on the employer credit for paid family and medical leave under section 45S, as amended by section 70304 of the legislation commonly known as the One, Big, Beautiful Bill Act (OBBBA). The Notice addresses the new "premium method" for calculating the credit, added by the OBBBA as an alternative to the existing wage-based method, and various issues related to how to calculate the credit under this method, discussed in detail below. The Notice also states that Treasury and the IRS intend to publish proposed regulations consistent with this guidance.

Rev. Rul. 2026-16 designates ICE Endex as a qualified board or exchange for purposes of section 1256

On August 10, 2026, the IRS issued [Revenue Ruling 2026-16](#), designating ICE Endex, a regulated exchange of the Netherlands, as a qualified board or exchange (QBOE) within the meaning of section 1256(g)(7)(C), as long as ICE Endex remains registered as a foreign board of trade with the Commodity Futures Trading Commission (CFTC). Accordingly, for futures contracts and futures contract options traded on or subject to the rules of ICE Endex entered into on or after September 1, 2026, taxpayers generally are required to account for gain or loss as if the contracts were sold for their fair market value (marked to market) on the last business day of the taxable year. Any gain or loss generally is treated as 60% long-term and 40% short-term capital gain or loss under Section 1256. The ruling grants consent for a taxpayer to change its method of accounting for contracts to which this ruling applies and waives the requirement to file Form 3115, Application for Change in Accounting Method. The accounting-method change applies on a cut-off basis and does not affect contracts entered into before September 1, 2026.

How IRS exam trends may reshape crypto compliance

Governments and tax authorities are increasing scrutiny of cryptocurrency reporting and transaction tracking. New reporting frameworks, along with improved data and system integration, are intended to give tax authorities greater visibility into digital-asset activity and improve compliance. For businesses, this means strengthening data capture, reporting processes, and controls across crypto-related transactions.

For additional details, please refer to the full article on [Deloitte.com](#).

Regs proposed on CFC tax year changes, 10% disallowance of FTCs on section 951A PTEP

On July 31, 2026, the US Department of the Treasury and the Internal Revenue Service (IRS) released proposed regulations (REG-115145-25), later published in the Federal Register on 3 August 2026, that address two international tax provisions from the legislation commonly known as the One Big Beautiful Bill Act (OBBBA). These regulations provide guidance under section* 898(c) on allocating certain foreign income taxes when specified foreign corporations transition from a one-month deferral year to their required taxable year following the repeal of section

898(c)(2). They would also implement section 960(d)(4), which disallows 10% of certain foreign tax credits with respect to taxes paid, accrued, or deemed paid on distributions of section 951A previously taxed earnings and profits (PTEP).

For additional details, please refer to the Deloitte [tax@hand article](#) dated August 14, 2026.

Treasury, IRS release proposed regulations on IRC section 898(c) transition rule and IRC section 960(d)(4) FTC disallowance

The Treasury Department and the IRS released proposed regulations (REG-115145-25) addressing the allocation of foreign taxes of foreign corporations affected by the repeal of the one-month deferral election and the disallowance of foreign tax credits (FTCs) on certain distributions of previously taxed earnings and profits. These proposed regulations implement sections 898(c) and 960(d), as amended by the OBBBA.

For additional details, please refer to the Deloitte [tax@hand article](#) dated August 11, 2026.

Fast Track Settlement Statements are Likely Protected from Use as Evidence in Federal Court, IRS Attorney Says in Email Advice

In recently published email advice, the IRS Chief Counsel attorney concluded that taxpayers are likely barred from using statements made by IRS employees during a Fast Track Settlement (“FTS”) against the IRS in litigation. Based on the IRS attorney’s reasoning, the IRS may also be barred from using statements made by the taxpayer as evidence.

For additional details, please refer to the August 2026 edition of [IRS Insights](#).

Court Concludes That Taxpayers’ Extension of the Time to File, Underestimating Their Tax Liability by More Than \$100,000, is Valid Because the Estimate Was Reasonable

In *Karp v. United States*, the Court of Federal Claims held that an extension requested on Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, was valid, even though the taxpayers reported \$0 estimated tax liability, because \$0 was a bona fide and reasonable estimate under the facts presented.

For additional details, please refer to the August 2026 edition of [IRS Insights](#).

Federal Court Vacates IRS Notice 2025-42; “5% Safe Harbor” for Wind and Solar Facilities Restored

On June 6, 2026, the U.S. District Court for the District of Columbia vacated in full 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).

For additional details, please refer to the August 2026 edition of [IRS Insights](#).

Notice provides transitional guidance on qualified opportunity zone incentives

On June 18, 2026, the US Department of the Treasury (“Treasury”) and the Internal Revenue Service (IRS) 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 Internal Revenue Code (IRC) [sections 1400Z-1](#) and [1400Z-2](#) to reflect amendments made to that program by Public Law 119-21, commonly known as the One Big Beautiful Bill Act (OBBBA). 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 (QOFs) and qualified opportunity zone businesses (QOZBs) 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.

For additional details, please refer to the Deloitte [tax@hand article](#) dated July 24, 2026.

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!](#)

MTC adopts revisions to model airline apportionment regulation

On July 30, 2026, the Multistate Tax Commission ("MTC") revised MTC Model Regulation IV.18.(e), which addresses the apportionment of airline income. The revised regulation updates the rules for sourcing airline receipts and addresses revenue streams and business arrangements.

For additional details, please refer to the September 18, 2026 edition of [State Tax Matters](#).

Multistate Tax Commission Adopts Revisions to Model Special Industry (Airlines) Sourcing Rule

The Multistate Tax Commission (MTC) recently adopted changes to its model special industry rule on the sourcing of airline receipts, which stems from the MTC Uniformity Committee's overall project to review and update the MTC's model receipts sourcing regulations [see State Tax Matters, Issue 2025-27, for more details on the project].

For additional details, please refer to the August 21, 2026 edition of [State Tax Matters](#).

Alabama

Appellate Court Affirms "Subject-to-Tax" Intercompany Expense Addback Exception Doesn't Apply

In a case involving whether certain interest paid by an Alabama corporate taxpayer to a related member in Ireland was excepted from Alabama's intercompany expense "addback statute" as being "subject to tax" on the related member's net income in that country, the Alabama Court of Civil Appeals (Court) affirmed a 2025 trial court decision [see Case No. CV-2022-901481, Ala. Cir. Ct. (2/26/25) and State Tax Matters, Issue 2025-20, for details on the trial court's ruling in this case] that based on the evidence at trial and applicable state law involving the ultimate recipient of such payments, Alabama's statutory subject-to-tax exception did not apply in this case.

For additional details, please refer to the September 11, 2026 edition of [State Tax Matters](#).

California

New Law Conforms to Recent Federal Amendments to the Executive Compensation Deduction Limitation under IRC §162(m)

Recently enacted legislation includes provisions that i) conform California law to two recent federal tax law changes to Internal Revenue Code (IRC) section 162(m), relating to the deductibility of certain excessive employee compensation; and ii) authorize a refundable credit under the California Personal Income Tax Law and the California Corporation Tax Law for certain qualifying local news outlets that hire qualifying journalists working in California.

For additional details, please refer to the October 2, 2026 edition of [State Tax Matters](#).

Revised Rule Reflects Single Sales Factor Apportionment for Financial Institutions

The California Franchise Tax Board adopted amendments to its regulation on the apportionment of business income to reflect legislation enacted in 2025, requiring banks and financial institutions to use a single sales factor apportionment formula when apportioning business income to California for taxable years beginning on or after January 1, 2025 [see S.B. 132 (2025) and previously issued Multistate Tax Alert for more details on these law changes].

For additional details, please refer to the October 2, 2026 edition of [State Tax Matters](#).

New Law Decouples from IRC §163(j) for PIT Purposes and from IRC §1446(f)

Pursuant to legislation enacted in 2025 that updated California's general conformity date to the Internal Revenue Code (IRC) from January 1, 2015, to January 1, 2025, for taxable years beginning on or after January 1, 2025, and which selectively conformed to, modified, or decoupled from various federal income tax provisions enacted after January 1, 2015, including provisions under the federal Tax Cuts and Jobs Act of 2017 (TCJA), but which does not reach the later-enacted federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) [see S.B. 711, signed by gov. 10/1/25, and previously issued Multistate Tax Alert for more details on this 2025 legislation].

For additional details, please refer to the September 18, 2026 edition of [State Tax Matters](#).

OTA Says Agricultural Chemical Producer is Not an Agribusiness Eligible for Three-Factor Apportionment

In a nonprecedential opinion involving an out-of-state company that develops and produces insecticides, fungicides, and herbicides, and biological crop protection products, including some agricultural chemical products designed and developed specifically for California farmers, growers, and crops, the California Office of Tax Appeals (OTA) held that based on the provided facts, the company did not derive more than 50% of its gross business receipts from an “agricultural business activity,” as defined in Cal. Rev. & Tax Code section 25128(d)(2), and therefore was not permitted to apportion its business income to California using the equally-weighted, three-factor formula provided in Cal. Rev. & Tax Code section 25128(b) and must instead use the standard single-sales factor formula applicable to most businesses.

For additional details, please refer to the September 11, 2026 edition of [State Tax Matters](#).

OTA Says Divisions of a Single Corporation Were Not Engaged in a Unitary Business

In a pending precedential opinion involving a Denver-based S corporation that conducted business through fourteen divisions, including a beverage distribution division operating solely in Colorado and an interstate long-haul trucking division that picked up and delivered goods in California, the California Office of Tax Appeals (OTA) held that the beverage division did not operate as a unitary trade or business with the corporation's other divisions, and therefore the gain from the 2010 sale of the beverage division's assets was attributable to a separate trade or business not conducted in California and was not apportionable to California.

For additional details, please refer to the September 11, 2026 edition of [State Tax Matters](#).

OTA Explains How Broker-Dealer Must Source Receipts Under Former COP Rules

In a nonprecedential opinion involving a securities broker-dealer engaged in three types of securities trading transactions (i.e., principal trading sales, institutional agency trading sales, and retail agency trading sales), the California Office of Tax Appeals (OTA) addressed the sourcing of such receipts for sales factor purposes under the California costs of performance (COP) rules set forth in former Cal. Rev. & Tax Code section 25136 (as applicable to the tax year at issue) and California Code of Regulations, Title 18, section 25136. The OTA rejected the taxpayer's argument that its costs of purchasing the underlying securities (e.g., stocks and marketable securities) were relevant to its COP analysis and that those costs should be assigned to the states where the target companies whose securities were purchased and sold were headquartered.

For additional details, please refer to the August 7, 2026 edition of [State Tax Matters](#).

OTA Says Nonresident Partners' Gain from Sale of Partnership Interest Attributable to IRC §751(a) Property Is Not California-Source Income

In an opinion involving whether certain California nonresident individuals generated California-source income from their sales of partnership interests for amounts attributable to unrealized receivables and inventory items under Internal Revenue Code (IRC) section 751(a), the California Office of Tax Appeals (OTA) concluded that they did not, reversing the California Franchise Tax Board (FTB) actions in full. Under the facts, the nonresident individuals held interests in a holding-entity partnership that, in turn, held a minority interest in a unitary multistate operating partnership; the holding entity sold portions of that interest, generating gain characterized partly as capital gain under IRC section 741, and partly as ordinary income under IRC section 751(a).

For additional details, please refer to the July 31, 2026 edition of [State Tax Matters](#).

Connecticut

Administrative Bulletin Addresses Law Changes Pertaining to the OBBBA and IRC §§ 174 & 174A

The Connecticut Department of Revenue Services issued a “Taxpayer Services Special Bulletin” (TSSB 2026-2) addressing the Connecticut corporation business tax implications of recently enacted legislation on Connecticut's conformity to Internal Revenue Code (IRC) sections 174 and 174A [see Substitute for S.B. No. 1, signed by gov. 5/26/26 and State Tax Matters, Issue 2026-21, for more details on this legislation]. Under this new law, TSSB 2026-2 explains that Connecticut expressly conforms to IRC section 174 as it existed on July 3, 2025 (i.e., prior to the enactment of the federal One Big Beautiful Bill Act (commonly referenced as “OBBBA” and more formally as P.L. 119-21)) for the income years starting on and after January 1, 2022, and prior to January 1, 2026.

For additional details, please refer to the July 10, 2026 edition of [State Tax Matters](#).

District of Columbia

Emergency Legislation Decouples from Some OBBBA Provisions and Addresses PTETs and UBT

The District of Columbia (D.C.) "Fiscal Year 2027 Budget Support Emergency Act of 2026" was recently enacted without D.C. Mayor Muriel Bowser's signature, and pursuant to a subtitle within it known as the "Tax Code Conformity and Clarification Emergency Amendment Act of 2026," decouples from certain aspects of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) for tax years 2025 through 2029 – including some of the OBBBA provisions.

For additional details, please refer to the August 21, 2026 edition of [State Tax Matters](#).

Florida

New Law Requires Interest on Tax Overpayments to Begin Accruing on the 91st Day After Refund Application is Received

Applicable to tax refund claims filed on or after January 1, 2027, recently enacted legislation generally requires interest on tax overpayments to begin accruing on the 91st day after the Florida Department of Revenue (Department) receives a refund application and effectively removes the prerequisite for a tax refund claim to be deemed "complete" by the Department before such interest may begin to accrue. The legislation also clarifies when interest begins accruing on tax refund denials that are under protest.

For additional details, please refer to the July 17, 2026 edition of [State Tax Matters](#).

DOR Addresses Updated State Conformity to IRC and OBBBA-Related Decoupling

Referencing recently enacted state legislation that 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 [see H.B. 7031, signed by gov. 6/11/26, and [State Tax Matters](#), Issue 2026-24, for more details on this legislation], the Florida Department of Revenue (Department) issued its annual tax information publication (TIP) explaining that while Florida generally will follow the computation of federal taxable income as of January 1, 2026, it continues to require several modifications.

For additional details, please refer to the July 10, 2026 edition of [State Tax Matters](#).

Illinois

DOR Denies Alternative Apportionment Request to Include Payroll and Property in Apportionment Factor

In a recently posted general information letter, the Illinois Department of Revenue (Department) denied an Illinois corporate taxpayer's request to i) deviate from using Illinois' standard single sales factor apportionment formula by also incorporating evenly-weighted property and payroll factors to compute its Illinois corporate income tax, and ii) use a single personal property factor to compute its Illinois personal property replacement tax – holding that the auto manufacturer at issue failed to sufficiently show that applying Illinois' statutory standard formula did not fairly represent the extent of its in-state market.

For additional details, please refer to the September 18, 2026 edition of [State Tax Matters](#).

DOR Denies Taxpayer's Alternative Apportionment Request to Include 50% GILTI in Sales Factor Denominator

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 apportionment formula for the tax year at issue by including 50% of its global intangible low-taxed income (GILTI) in its sales factor denominator, holding that the taxpayer failed to sufficiently show that application of Illinois' standard statutory formula in this case lead to a "grossly distorted result."

For additional details, please refer to the August 28, 2026 edition of [State Tax Matters](#).

Indiana

State High Court Holds in Taxpayer's Favor that Unapportioned Excise Tax Paid to Other State Remains Deductible

In a case involving Indiana's corporate income tax "addback" adjustment for "an amount equal to any deduction or deductions allowed or allowable pursuant to [Internal Revenue Code section 63] for taxes based on or measured by income and levied at the state level by any state of the United States," the Indiana Supreme Court (Court) reversed the Indiana Tax Court's 2024 decision [see Case No. 22T-TA-00015, Ind. Tax Ct. (2/28/24), and [State Tax Matters](#), Issue 2024-10, for details on this 2024 ruling] and held in the taxpayer's favor that the applicable statute (i.e., Indiana Code section 6-3-1-3.5(b)) does not require adding back certain unapportioned wagering taxes it had paid to West Virginia because this particular excise tax on intrastate transactions was neither an income tax (i.e., a tax "based on" income) nor the functional equivalent of an income tax (i.e., a tax "measured by" income).

For additional details, please refer to the July 10, 2026 edition of [State Tax Matters](#).

Louisiana

Amendments to Market-Sourcing Rules Reflect Repeal of Sales Factor Throwout Rule and Other Law Changes

The Louisiana Department of Revenue adopted changes to its market-based sourcing regulations to, among other revisions, reflect legislation enacted in 2023 [see H.B. 631 (2023) / Act 430, and previously issued Multistate Tax Alert for more details on this 2023 legislation] that generally repealed Louisiana's sales factor "throwout" rules for state corporate income tax purposes.

For additional details, please refer to the October 2, 2026 edition of [State Tax Matters](#).

Massachusetts

Appellate Court Affirms that Out-of-State Company is a Manufacturer Subject to Single Sales Factor Apportionment

In a case involving whether an out-of-state footwear design, marketing, and retail company that relied on independent third-party factories overseas to physically produce its shoes constituted a "manufacturing corporation" required to apportion its income using the single sales factor method under Massachusetts' corporate excise tax for the 2015 through 2017 tax years at issue [note that Massachusetts now applies single sales factor apportionment to all corporations, effective for tax years beginning on or after January 1, 2025; see previously issued Multistate Tax Alert for more details on Massachusetts' transition to single sales factor apportionment for most companies], the Massachusetts Appeals Court (Court) affirmed a 2025 Massachusetts Appellate Tax Board (ATB) ruling, which had determined that the company was engaged in manufacturing "in substantial part" and thus subject to single sales factor apportionment [see Docket No. C344671, Mass. App. Tax Bd. (5/5/25) and [State Tax Matters](#), Issue 2025-20, for more details on the ATB ruling in this case].

For additional details, please refer to the August 7, 2026 edition of [State Tax Matters](#).

Appellate Tax Board Says Interplay of P.L. 86-272 and "Finnigan Adjustment" Violates Supremacy Clause

In a case involving a Massachusetts combined reporting group of manufacturing and sales affiliates with some members of the group benefiting from the protections afforded under P.L. 86-272 and thus were not individually taxable in Massachusetts, the Massachusetts Appellate Tax Board (ATB) held that the Massachusetts Department of Revenue's application of the "Finnigan" reallocation rule found within 830 CMR 63.32B.2, which sources a pro-rata share of the Massachusetts sales of a combined group member protected from taxation under P.L. 86-272 to the group's taxable members (often referred to as the "Finnigan adjustment" or "reallocation rule"), violates the U.S. Constitution's Supremacy Clause, because the adjustment "has the effect of imposing a tax on the entirety of income that P.L. 86-272 states to be immune from taxation."

For additional details, please refer to the July 31, 2026 edition of [State Tax Matters](#).

Michigan

Guidance Issued on Calculating Premiums and Retaliatory Taxes for Insurer Unitary Business Groups

Pursuant to a 2024 Michigan Court of Appeals decision requiring a unitary business group (UBG) of insurers to file a unitary return that calculates both Michigan premiums tax and Michigan retaliatory tax liabilities at the UBG level, a new Michigan Department of Treasury (Department) notice provides detailed guidance and specifics on how to actually calculate these two tax liabilities at the UBG level [see Case No. 364790, Mich. Ct. App. (6/20/24), and [State Tax Matters](#), Issue 2024-26 for more details on the 2024 decision, as well as Notice to Taxpayers Regarding Nationwide Agribusiness Insurance Co v Department of Treasury, Mich. Dept. of Treasury (2/19/26) and [State Tax Matters](#), Issue 2026-8, for more details on an earlier Department notice addressing the same 2024 decision].

For additional details, please refer to the August 21, 2026 edition of [State Tax Matters](#).

Minnesota

Bulletins Address Updated State Conformity to IRC, OBBBA-Related Decoupling, and Extended PTET Election

Newly posted "2026 Legislative Bulletins" from the Minnesota Department of Revenue address, among other state tax law changes, enacted omnibus tax legislation that i) generally updates Minnesota's definition of the Internal Revenue Code (IRC) to the IRC of 1986, as amended through May 1, 2026 (previously, May 1, 2023); ii) 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 September 18, 2026 edition of [State Tax Matters](#).

Nebraska

District Court Says Alternative Apportionment is Needed to Equitably Account for Section 965 One-Time Repatriation Income

In a case involving an out-of-state parent company with wholly owned domestic and foreign subsidiaries, including controlled foreign corporations (CFCs) that operate outside of the United States, a Nebraska district court concluded that Nebraska law requires the use of an alternative apportionment method on the company's 2017 Nebraska corporate income tax return for purposes of computing its sales factor denominator given the "unique and nonrecurring nature" of certain income (i.e., its "section 965 income") that was deemed repatriated and included in the company's 2017 federal taxable income under Internal Revenue Code section 965 pursuant to law changes under the federal Tax Cuts and Jobs Act of 2017 (TCJA), and similarly included in its Nebraska taxable income pursuant to a 2024 Nebraska Supreme Court case [see Case S-23-564, Neb. (8/30/24) and *State Tax Matters*, Issue 2024-36, for more details on this 2024 decision].

For additional details, please refer to the July 31, 2026 edition of *State Tax Matters*.

New Hampshire

Legislative Summary Highlights Various BET Changes and Modified BPT and BET Credit Carryforward Limits

The New Hampshire Department of Revenue Administration posted a technical information release intended to "provide taxpayers and tax practitioners with a convenient reference guide of relevant statutory changes made during the 2026 Legislative Session by the New Hampshire General Court impacting various taxes administered by the New Hampshire Department of Revenue Administration."

For additional details, please refer to the September 11, 2026 edition of *State Tax Matters*.

State High Court Says Water's Edge Combined Group Can't Offset Capital Gains with Member's Capital Loss Carryback

In a New Hampshire business profits tax (BPT) case involving a water's edge combined group and use of a member's capital loss carryback, the New Hampshire Supreme Court (Court) reversed a 2025 trial court ruling [see Docket No. 217-2023-CV-282, N.H. Superior Ct, Merrimack County (2/21/25) and *State Tax Matters*, Issue 2025-9, for details on the lower court ruling in this case] to hold that the taxpayer cannot apply a long-term capital loss carryback generated by one member of the group to the water's edge group's capital gains under New Hampshire law.

For additional details, please refer to the August 28, 2026 edition of *State Tax Matters*.

New Law Increases BET Annual Receipts Filing Threshold and Potentially Lowers BET Rate

Recently enacted legislation raises the annual gross business receipts threshold for requiring certain businesses to file a New Hampshire business enterprise tax (BET) return from \$250,000 to \$400,000, as well as lowers the BET rate "in the event of certain business tax revenue surpluses." Subject to these annual business tax revenue surplus goals being met and certified, the BET rate potentially may be "reduced by 0.05 percentage points" for taxable periods beginning on or after January 1 of the calendar year immediately following the calendar year in which the certification is issued; however, the BET rate "shall not be reduced below 0.25 percent by operation" of this new provision.

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

New Jersey

New Jersey enacts temporary cap on corporation business tax net operating loss deductions

On June 30, 2026, New Jersey enacted Assembly Bill 5322/Senate Bill 4536 ("A5322/S4536") into law. The legislation supplements the Corporation Business Tax Act to impose a temporary \$1 million cap on the aggregate amount of net operating loss ("NOL") deductions claimed by a taxpayer, other than a public utility, in computing entire net income for a privilege period ending on or after July 31, 2026, but before July 31, 2030. The legislation takes effect immediately and applies to any privilege period ending on or after July 31, 2026.

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

New York

Appellate Court Affirms Dismissal of Taxpayer's Challenge of Certain Article 9-A Apportionment Rule Provisions

In an appeal brought by a payroll services provider challenging certain apportionment provisions within the New York State Department of Taxation and Finance's (Department) Article 9-A Business Corporation Franchise Tax Regulations (specifically, 20 NYCRR Part 4, Apportionment, Subpart 4-1, sections 4-1.2(b)(6) and 4-1.2(c)) [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 Article 9-A Business Corporation Franchise Tax Regulations adopted in December 2023],

the New York Supreme Court, Appellate Division, Third Judicial Department (Court) affirmed the lower court's decision, which had granted the Department's motion for summary judgment to dismiss the action in its entirety [see Case No. 904047-24, N.Y. Sup. Ct., Albany County (12/18/24) and State Tax Matters, Issue 2024-50, for more details on the lower court's decision in this case].

For additional details, please refer to the July 31, 2026 edition of [State Tax Matters](#).

Appellate Court Affirms Receipts from Certain Buy/Sell Arrangements Cannot be Included in Receipts Factor

Affirming the New York Tax Appeals Tribunal's (Tribunal) 2024 ruling in the underlying case [see Decision DTA Nos. 829399, 829400, 829401, and 829402, N.Y. Tax App. Trib. (11/18/24) and State Tax Matters, Issue 2024-48, for more details on the Tribunal's 2024 ruling], the New York Supreme Court, Appellate Division, Third Judicial Department (Court) agreed that an oil and gas company's "buy/sell transactions" constituted exchanges of inventory, rather than sales of tangible personal property, and that the sell side of such transactions was therefore properly excluded from the receipts factor used to calculate the company's business allocation percentage (BAP) for Article 9-A corporate franchise tax purposes.

For additional details, please refer to the July 31, 2026 edition of [State Tax Matters](#).

New York City

Memo Addresses OBBBA Decoupling Law Changes and Reporting for TY 2025

A New York City Department of Finance memorandum addresses New York State budget legislation enacted earlier this year [see S9009C / A10009C, signed by gov. 5/28/26, and previously issued Multistate Tax Alert for more details on the New York State budget for fiscal year 2027] which, among other things, decoupled New York City's Unincorporated Business Tax (UBT), General Corporation Tax (GCT), Banking Corporation Tax (BTX), and Business Corporation Tax (BCT) (collectively, the "Business Taxes") 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 September 18, 2026 edition of [State Tax Matters](#).

North Carolina

DOR Denies Alternative Apportionment Request to Source Intercompany Transfers of TPP to Ultimate Customer Destination

The North Carolina Department of Revenue denied a company's alternative apportionment request to source certain intercompany sales of tangible personal property to its parent to the ultimate customer's destination, reasoning that because the company here was "not legally or otherwise restricted from modifying its tax structure to mitigate the harm which it claims.

For additional details, please refer to the September 18, 2026 edition of [State Tax Matters](#).

DOR Issues FAQs on Updated IRC Conformity and IRC §174A Decoupling

The North Carolina Department of Revenue issued a series of answers to frequently asked questions (FAQs) pertaining to legislation enacted earlier this year that generally updates North Carolina corporate and individual income tax conformity with the Internal Revenue Code (IRC) as in effect as of July 5, 2025, to reflect passage of the federal One Big Beautiful Bill Act on July 4, 2025 (commonly referenced as "OBBBA" and more formally as P.L. 119-21).

For additional details, please refer to the September 18, 2026 edition of [State Tax Matters](#).

DOR Addresses Implementation of New Law Updating IRC Conformity and Decoupling from IRC §174A

Referencing legislation enacted earlier this year that generally updates North Carolina corporate and individual income tax conformity with the Internal Revenue Code (IRC) as in effect as of July 5, 2025, to reflect passage of the federal One Big Beautiful Bill Act on July 4, 2025 (commonly referenced as "OBBBA" and more formally as P.L. 119-21).

For additional details, please refer to the July 31, 2026 edition of [State Tax Matters](#).

North Carolina conforms to federal partnership audit regime and updates IRC conformity

On July 2, 2026, North Carolina enacted Senate Bill 595 ("S.B. 595"), an omnibus taxation measure. Among other changes, S.B. 595 adopts a state framework for reporting federal partnership adjustments under the federal centralized partnership audit regime, updates North Carolina's conformity to the Internal Revenue Code from January 1, 2023, to July 5, 2025, following the One Big Beautiful Bill Act (OBBBA), and decouples from the federal treatment of domestic research and experimental expenditures. Except as otherwise provided in this Multistate Tax Alert, S.B. 595 is effective when it became law.

For additional details, please refer to the July 17, 2026 edition of [State Tax Matters](#).

New Law Updates State Conformity to IRC, Addresses OBBBA, and Conforms to Aspects of Federal Partnership Audit Regime

Effective immediately, new law generally updates North Carolina corporate and individual income tax conformity with the Internal Revenue Code (IRC) as in effect as of July 5, 2025 (previously, January 1, 2023), including “any provisions enacted as of that date that become effective either before or after that date” – which, according to accompanying bill notes, reflects the passage of the federal One Big Beautiful Bill Act on July 4, 2025 (commonly referenced as “OBBBA” and more formally as P.L. 119-21).

For additional details, please refer to the July 10, 2026 edition of [State Tax Matters](#).

Ohio

State High Court Denies Taxpayer Challenge and Affirms Validity of Financial Institution Tax Rate Structure

In a case involving an out-of-state headquartered financial institution claiming that Ohio’s financial institution tax (FIT) rate structure fails the U.S. Constitution’s Commerce Clause “internal consistency test” and violates the Due Process Clause, the Ohio Supreme Court (Court) affirmed the taxpayer’s denied refund [see Case No. 2022-1361, Ohio Bd. of Tax App. (2/20/25) and State Tax Matters, Issue 2025-8, for details on the underlying 2025 Ohio Board of Tax Appeals ruling] and held the taxpayer failed to show the FIT rate structure was unconstitutional.

For additional details, please refer to the August 21, 2026 edition of [State Tax Matters](#).

Pennsylvania

IRRC Posts Comments on Proposed CNIT Rules Addressing Sourcing Sales from Services

Pennsylvania’s Independent Regulatory Review Commission (IRRC) recently submitted comments to the Pennsylvania Department of Revenue (Department) on the Department’s proposed amended and new state corporate net income tax (CNIT) rules on sourcing revenue from sales of services [see Proposed Amended and New Regulation 61 Pa. Code §§ 153.26 and 153.26a, Penn. Dept. of Rev. (7/13/26) and State Tax Matters, Issue 2026-28, for more details on the Department’s proposed sourcing rules].

For additional details, please refer to the October 2, 2026 edition of [State Tax Matters](#).

DOR Posts Guidance on OBBBA-Related Decoupling and Adjustments Related to IRC §163(j)

A newly posted Pennsylvania Department of Revenue (Department) corporate tax bulletin addresses legislation enacted in 2025 [see H.B. 416 (Act 45), signed by gov. 11/12/25, and previously issued Multistate Tax Alert for more details on this legislation] that decouples Pennsylvania’s corporate net income tax (CNIT) 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 September 18, 2026 edition of [State Tax Matters](#).

DOR Posts Guidance on OBBBA-Related Decoupling, Including Adjustments Related to R&D Expenses, §163(j), and §168(n)

Newly posted Pennsylvania Department of Revenue (Department) guidance addresses legislation enacted in 2025 [see H.B. 416 (Act 45), signed by gov. 11/12/25, and previously issued Multistate Tax Alert for more details on this legislation] that decouples Pennsylvania’s corporate net income tax (CNIT) 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 August 7, 2026 edition of [State Tax Matters](#).

New Law Enables Philadelphia to Decouple BIRT from OBBBA Provisions Pertaining to R&D Expenses, §163(j), and §168(n)

Applicable for tax years beginning after December 31, 2024, recently signed state legislation enables the City of Philadelphia, Pennsylvania (City) to decouple the net income component of the City business income and receipts tax (BIRT) from some aspects of the federal One Big Beautiful Bill Act (commonly referenced as “OBBBA” and more formally as P.L. 119-21), including OBBBA provisions pertaining to:

- the expensing of domestic research and experimental (R&D) expenditures in Internal Revenue Code (IRC) section 174A and related sections;
- the modifications of adjusted taxable income (ATI) and the limitation on business interest under IRC section 163(j);
- and the special depreciation allowance for qualified production property under IRC section 168(n).

For additional details, please refer to the July 17, 2026 edition of [State Tax Matters](#).

DOR Proposes Rules on Sourcing Sales from Services and is Accepting Comments

The Pennsylvania Department of Revenue (Department) released proposed rules to provide guidance related to Act 52 of 2013 “for sourcing revenue from sales of services in the computation of corporate net income tax” and to “codify existing guidance in light of a 2023 Pennsylvania Supreme Court decision upholding the Department’s apportionment methodology for sourcing revenue from sales of service” [see Case No. J-16-2022, Pa. (2/22/23) and State Tax Matters, Issue 2023-9, for more details on the 2023 Pennsylvania Supreme Court decision].

For additional details, please refer to the July 17, 2026 edition of [State Tax Matters](#).

Rhode Island

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

A recently posted Rhode Island Department of Revenue, Division of Taxation (Department) legislative summary discusses newly enacted budget legislation that decouples from 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.

For additional details, please refer to the July 31, 2026 edition of [State Tax Matters](#).

DOR Discusses Upcoming 75-Day Amnesty Program that Offers Potential 100% Penalty Waiver and Reduced Interest

A recently posted Rhode Island Department of Revenue, Division of Taxation (Department) legislative summary discusses newly enacted budget legislation requiring it to establish a tax amnesty program that will run for a 75-day period beginning on December 3, 2026 through February 15, 2027, and generally be open to eligible taxpayers owing any tax (including state corporate income and sales/use taxes) that it imposes [see H.B. 7127, signed by gov. 6/12/26, and State Tax Matters, Issue 2026-24, for more details on the budget legislation].

For additional details, please refer to the July 31, 2026 edition of [State Tax Matters](#).

South Carolina

New Law Says Administrative Agencies are Not Entitled to Deference from Reviewing Courts

Effective immediately, newly enacted legislation modifies South Carolina’s standard for review of a state agency’s interpretation of South Carolina statutes and regulations. Specifically, the legislation provides that in interpreting a South Carolina statute or regulation, the reviewing court shall not defer to the agency’s interpretation of the statute or regulation and “instead shall interpret the statute or regulation de novo.”

For additional details, please refer to the July 17, 2026 edition of [State Tax Matters](#).

Tennessee

Updated Franchise and Excise Tax Manual Clarifies Treatment of NOL and Credit Carryforwards in Certain Reorganizations

The Tennessee Department of Revenue updated its Tennessee franchise and excise tax manual to, among other changes, clarify the treatment and disposition of net operating loss (NOL) and tax credit carryforwards “in the case of certain conversion, merger, and reorganization transactions.” The manual generally explains that “each taxpayer is considered a separate entity for Tennessee franchise and excise tax purposes,” and that “when there is a merger, consolidation, or like transaction the successor entity cannot use loss carryovers generated by a predecessor entity.” Additionally, “when two or more businesses merge, only losses of the survivor corporation will be allowed.”

For additional details, please refer to the September 4, 2026 edition of [State Tax Matters](#).

Utah

Amended Rule Reflects Statutory Revisions to Financial Institution Sales Factor Sourcing

The Utah State Tax Commission (Commission) amended one of its rules to reflect legislation enacted in 2025 [see S.B. 219 (2025) and State Tax Matters, Issue 2025-12, for more details on this legislation] that, effective for taxable years beginning on or after January 1, 2026, provides that a financial institution’s sales from defined investment and asset and trading activities generally are not sourced to Utah for state corporation franchise (income) tax purposes.

For additional details, please refer to the September 25, 2026 edition of [State Tax Matters](#).

Wisconsin

Software Sales Must be Sourced In-State Because End-Users are Not Taxpayer's Licensees

In a ruling involving an out-of-state corporation ("the taxpayer") specializing in creating database management system software ("DMS software") that contracts with an in-state third-party ("the AP") that develops software applications using the taxpayer's DMS software to ultimately deliver those software applications to its own software application customers ("end-users"), a Wisconsin circuit court (Court) largely affirmed a 2025 Wisconsin Tax Appeals Commission decision [see Docket No. 20-W-174, Wis. Tax App. Comm. (11/20/25) and *State Tax Matters*, Issue 2025-47, for more details on the 2025 ruling], which held that based on the circumstances and terms of the respective agreements among the taxpayer, the AP, and the end-users, the income the taxpayer receives from the AP's customers for the use of its DMS software alongside the AP's software must be sourced to Wisconsin under state law.

For additional details, please refer to the September 4, 2026 edition of *State Tax Matters*.

DOR Lists Common Errors in Calculating Apportionment Sales Factor

A Wisconsin Department of Revenue bulletin explains some "common errors" made by corporations, partnerships, tax-option (S) corporations, and nonresident estates, trusts, and individuals when calculating the apportionment sales factor for purposes of determining their Wisconsin taxable income. In doing so, the bulletin notes that Wis. Stats. section 71.25(9)(f) "lists specific items that are not considered 'sales'" for apportionment purposes, and then it provides a non-exclusive list of "common errors" that it has identified of items that generally must be excluded from the sales factor.

For additional details, please refer to the August 7, 2026 edition of *State Tax Matters*.

Taxpayer Asks U.S. Supreme Court to Review Decision on Scope of P.L. 86-272 Protections

In a case addressing whether an out-of-state corporation that sold travel services to Wisconsin residents through at least 100 in-state independent consultants was subject to Wisconsin corporate franchise tax for the tax years at issue, the taxpayer is asking the U.S. Supreme Court whether the protections afforded under P.L. 86-272 extend only to taxpayers that solicit sales of tangible personal property, or "is the federal law concerned with the level of in-state business activity regardless of how the taxpayer earns its income?"

For additional details, please refer to the July 17, 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.

Germany

BFH rules treaty may preclude domestic law hidden profit distribution adjustment

In two decisions dated June 24, 2026 and published on August 20, 2026, involving substantively identical fact patterns, Germany's federal tax court (BFH) clarified the extent to which article 9 (1) of a double tax treaty (DTT) corresponding to article 9 (1) of the OECD model tax convention (MTC) may restrict the application of Germany's hidden profit distribution rules. The BFH ruled that article 9 (1) may preclude a hidden profit distribution arising solely because an arrangement with a controlling shareholder or a person related to that shareholder was not clearly agreed in advance (e.g., due to the absence of a written advance agreement) based on formal arm's length requirements.

For additional details, please refer to the Deloitte *tax@hand article* dated August 26, 2026.

Federal tax court refers German tax treatment of cross-border mergers to CJEU

In a decision dated May 20, 2026 that was published on August 6, 2026, the German federal tax court referred the question to the Court of Justice of the European Union (CJEU) of whether the addback of 5% deemed nondeductible business expenses in the case of a tax-exempt cross-border merger gain (resulting in an effective 95% participation exemption instead of a 100% participation exemption) is compatible with the EU merger directive (Directive 2009/133/EC). The referral brings a long-disputed issue in German reorganization tax law before the CJEU for further clarification.

For additional details, please refer to the Deloitte [tax@hand article](#) dated August 10, 2026.

Federal tax court adopts broad interpretation of partnership double deduction rule

In a decision dated June 11, 2026 and published on August 6, 2026, Germany's federal tax court overturned a decision of the lower tax court of Muenster in favor of the tax authorities' interpretation of the specific German double deduction rule for partnerships. The federal tax court disallowed the deduction of interest expense for German tax purposes in a structure where interest expense incurred by a Dutch resident BV partner would otherwise have been deductible at the level of the German limited liability partnership (KG), even though no formal deduction was available for Dutch tax purposes at the level of the BV due to the Dutch tax consolidation regime. In doing so, the federal tax court adopted an economic interpretation of the double deduction rule that broadens the application of the rule.

For additional details, please refer to the Deloitte [tax@hand article](#) dated August 7, 2026.

Italy

Pillar Two side-by-side package transposed into domestic law

On August 11, 2026, Legislative Decree No. 148/2026 ("omnibus decree") was published in the Italian official gazette with the aim, among other things, of transposing the "side-by-side package" (published by the OECD/G20 Inclusive Framework on BEPS ("inclusive framework") on January 5, 2026 in relation to the Pillar Two/global anti-base erosion (GloBE) rules) into the Italian legal framework.

The omnibus decree introduces a new provision (article 39-bis, amending Legislative Decree No. 209/2023 (which implemented in Italy the provisions of Council Directive (EU) 2022/2523)) establishing three simplification regimes aligned with the side-by-side package, namely.

- The side-by-side safe harbor;
- The ultimate parent entity (UPE) safe harbor; and
- The substance-based tax incentive safe harbor.

For additional details, please refer to the Deloitte [tax@hand article](#) dated September 3, 2026.

Mexico

SAT invites taxpayers to apply for up to 100% reduction in fines and surcharges

Through Statement 51-2026, issued on July 27, 2026, Mexico's Service Tax Administration (SAT) reminded individuals and entities with tax liabilities of its invitation to join the 2026 Tax Regularization Program, a mechanism that allows taxpayers to obtain a reduction of up to 100% in fines, surcharges, and government charges, in addition to the possibility of covering liabilities in up to six installments.

The program's benefit is aimed at taxpayers whose total income in fiscal year 2024 did not exceed MXN 300 million, and that either:

- Have federal tax liabilities or countervailing duties;
- Are being audited by the tax authorities; or
- Have final and definitive tax credits determined by the SAT or the National Customs Agency of Mexico.

For additional details, please refer to the Deloitte [tax@hand article](#) dated July 30, 2026.

Switzerland

The Federal Act enacted on September 18, 2026

On September 21, 2026, the Federal Act was published in the Federal Gazette and was formally enacted. The Federal Act was adopted by Parliament on December 19, 2025 and the referendum period for a change of the Swiss net operating loss ("NOL") carryforward period from 7 to 10 years lapsed on April 17, 2026. The law change has a retroactive effect and NOLs generated after January 1, 2020 will be subject to the new 10-year carryforward period. NOLs generated in tax years prior to January 1, 2020 will be subject to the 7-year carryforward period. The law takes effect on January 1, 2028. The law changes will apply to both the direct federal direct tax as well as cantonal and municipal income taxes.

For companies with a fiscal year that does not align with the calendar year, the end of the fiscal year determines the applicable period. For example, a company with a fiscal year running from February 1, 2019 to January 31, 2020 that incurred a loss during this period will have that loss subject to the extended ten-year carryforward period.

United Kingdom

HMRC publishes updates to the capital allowances guidelines for compliance

On July 27, 2026, the UK tax authorities (HM Revenue & Customs or HMRC) published updates to the capital allowances guidelines for compliance (GfC), help to avoid errors in claims for plant and machinery allowances – GfC5.

GfC5 sets out common areas of error when claiming capital allowances on plant or machinery. It has been updated to reflect changes announced at Budget 2025 and now includes subsections on the 40% first-year allowance, which took effect as from 1 January 2026, and hybrid writing down allowances following the reduction in the main rate writing down allowance from 18% to 14% from 1 April 2026 for corporation tax purposes.

For additional details, please refer to the Deloitte [tax@hand article](#) dated August 3, 2026.

Accounting Development

Proposed Codification Improvements Affecting ASC 740

On September 2, 2026, the FASB issued an exposure draft for Proposed Accounting Standards Update, Codification Improvements, as part of its standing project to address stakeholder suggestions and make incremental improvements to U.S. GAAP, including clarifications, error corrections, and other minor improvements. Comments on the proposal are due November 19, 2026.

The proposed ASU includes the following two issues related to income taxes:

- **Issue 16: Clarify Intraproduct Tax Allocation Guidance.** The proposal would amend ASC 740-10-55-38(b)(2) to clarify that a carryback refund is an example, but not the only mechanism, to realize a tax benefit in the current year through a carryback.
- **Issue 17: Remove References to Extraordinary Items.** The proposal would replace the phrase "an extraordinary gain" with "a gain on discontinued operations" in ASC 740-20-55-9(a) and remove the term "extraordinary" from ASC 908-360-15-2(b), consistent with the amendments in ASU 2015-01 that eliminated the concept of extraordinary items.

For additional information, see the FASB's Proposed Accounting Standards Update, [Codification Improvements](#).

SEC Regulation Committee Highlights – Income Tax Disclosure Observations

In December 2023, the FASB issued ASU 2023-09, which establishes new income tax disclosure requirements within ASC 740, including requirement for entities to annually disaggregate the income tax rate reconciliation between the eight categories by both percentages and reporting currency amounts. Under the ASU, certain categories must be further disaggregated on the basis of a quantitative threshold of 5 percent "of the amount computed by multiplying the income (or loss) from continuing operations before income taxes by the applicable statutory federal (national) income tax rate."

For SEC registrants that are required to provide comparative financial statements, a reconciling item may exceed the 5 percent disclosure threshold in one year presented but not in other comparative years. This topic was discussed at the June 9, 2026, Center for Audit Quality (CAQ) SEC Regulations Committee joint meeting with the SEC staff, where the staff shared the observations regarding income tax disclosures made in compliance with these requirements. The following is an excerpt from those [meeting minutes](#):

For items that exceed the 5 percent threshold in the current period, but did not in the comparative period(s), the [SEC] staff will not issue a review comment if the registrant chooses not to disclose the immaterial amount in the comparative period(s). For example, if an amount trips the 5 percent threshold in Year 2 but not in Year 1, the [SEC] staff will not comment if the registrant discloses the amount for Year 2 but chooses not to disclose the amount for Year 1 because it's immaterial (i.e., putting a dash in the line will not trigger a staff comment).

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.

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

Our Deloitte Tax Accounting Conference (DTAC) 2026 program will be virtual on December 07-11, 2026 and offers three different courses over the one-week period. Each course will cover ASC 740 topics reflecting today's complex tax environment. Click [REGISTER NOW](#) to join.

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](#)
 - [tax@hand](#)
-

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.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

Deloitte.com | [Legal](#) | [Privacy](#)

1633 Broadway
New York, NY 10019-6754
United States

Copyright © 2026 Deloitte Development LLC. All rights reserved.

[Deloitte RSS Feeds](#)

