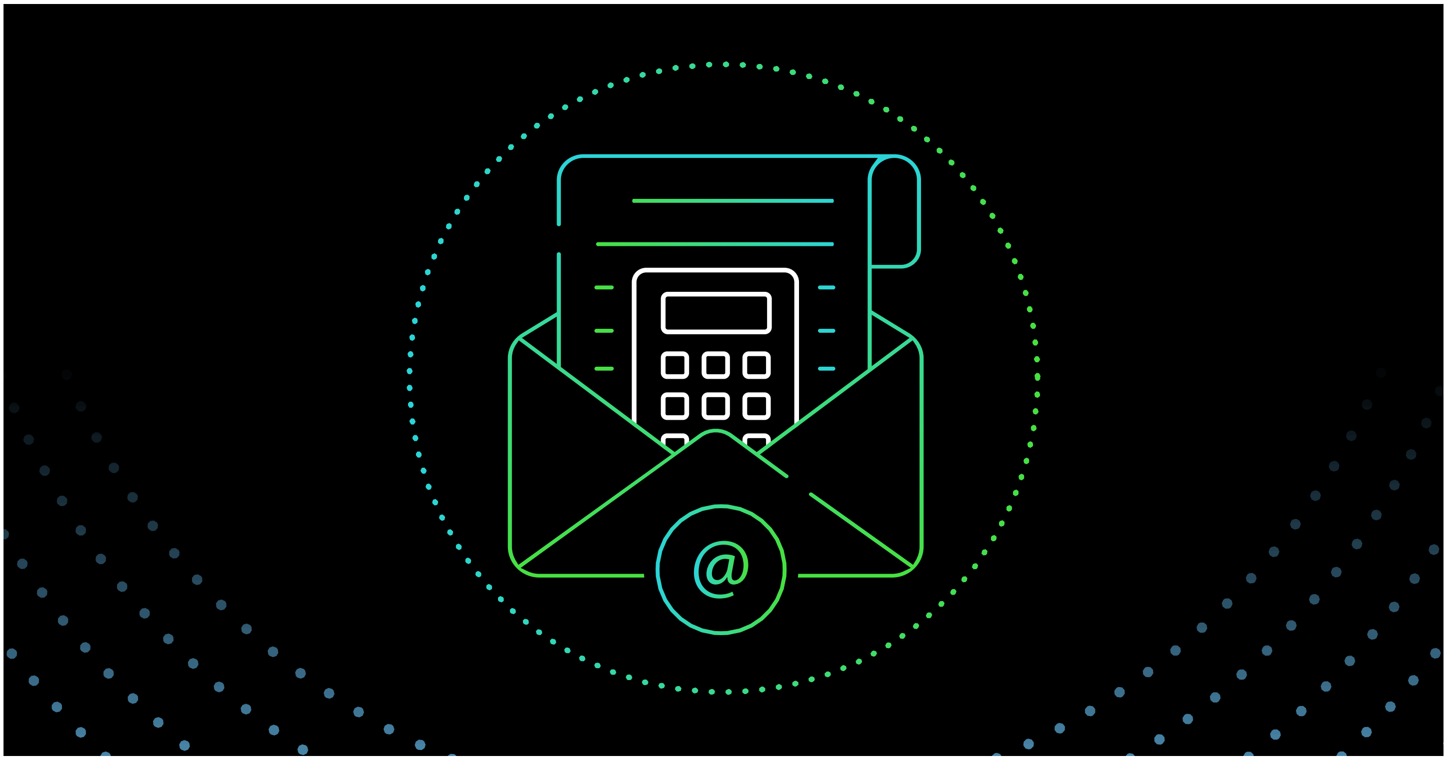
Deloitte.



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.

For updates and perspective on the latest tax developments coming out of Congress, please subscribe to *Tax News & Views.*

Notice 2026-01 provides safe harbor for section 45Q carbon capture credit for 2025

On December 19, 2025, the US Department of the Treasury ("Treasury") and the Internal Revenue Service (IRS) released Notice 2026-01 (the "notice"), providing interim guidance for taxpayers intending to claim the credit for carbon oxide sequestration under section 45Q of the Internal Revenue Code. Specifically, the notice provides taxpayers a safe harbor ("2025 safe harbor") for determining eligibility for the section 45Q credit for qualified carbon oxide that is captured and disposed of in secure geological storage during calendar year 2025, in the event the Environmental Protection Agency (EPA) does not launch the electronic Greenhouse Gas Reporting Tool ("e-GGRT") for filers to prepare and submit information required under subpart RR of 40 CFR part 98 ("subpart RR") for reporting year 2025 by June 10, 2026.

For additional details, please refer to the Deloitte tax@hand article dated December 23, 2025.

Treasury and IRS release final interest capitalization regulations

On October 2, 2025, the Treasury Department and Internal Revenue Service (IRS) issued final regulations (T.D. 10034) that impact interest capitalization associated with improvements to designated property. The final regulations amend Treas. Reg. §§ 1.263A-11(e)(1)(ii) and (iii) to remove the "associated property rule" and similar rules from the interest capitalization requirements for improvements that constitute the production of designated property; clarify that Treas. Reg. § 1.263A-11(f) only applies to property purchased and further produced before it is placed in service; and update the definition of "improvement" for purposes of applying the existing regulations. The final regulations adopt proposed regulations (REG-133850-13) with minor, clarifying changes, and generally conform to the Federal Circuit decision in *Dominion Resources, Inc. v. United States*, 681 F.3d 1313 (Fed. Cir. 2012), which invalidated the associated property rule in the prior regulations.

Final regulations on corporate stock buyback excise tax: Overview

The Inflation Reduction Act of 2022 (P.L. 117-169) (IRA) included section 4501, which imposes an excise tax of 1% on repurchases of stock by certain publicly traded corporations (the "excise tax") beginning after December 31, 2022.

On November 21, 2025, the US Treasury Department ("Treasury") and the Internal Revenue Service (the "Service") released final Treasury regulations ("Treas. Reg.") (T.D. 10037) providing guidance regarding the application of the excise tax (the "final regulations"). The final regulations generally finalized proposed Treasury regulations promulgated on April 9, 2024 (REG-115710-22), the "proposed regulations") with certain modifications; some of which are significant.

For additional details, please refer to the Deloitte tax@hand article dated December 10, 2025.

Tax Court holds relevancy determination required before applying economic substance doctrine in micro-captive case

In *Patel v. Commissioner*, 165 T.C. No. 10 (November 12, 2025), the Tax Court, after previously disallowing deductions for payments to purported micro-captive (section 831(b)) insurance companies (transactions of interest), upheld accuracy-related penalties on underpayments attributable to transactions lacking economic substance, as well as an increased penalty due to inadequate disclosure, but also provided helpful confirmation that the Economic Substance Doctrine applies only after it is determined to be relevant to a transaction.

Interest netting—The hunt for the definition of "same taxpayer"—Update

In our November 2024 *IRS Insights* issue, we discussed the *Bank of America Corp. v. United States* district court decision that Bank of America ("BoA") was not entitled to a $163 million interest netting benefit under section 6621(d) of the Internal Revenue Code ("IRC" or "Code") for pre-merger underpayments and overpayments and BoA's appeal thereof.

On July 29, 2025, the Fourth Circuit in *Bank of America Corp. v. United States*, 148 F.4th 171 (Fourth Cir. 2025), affirmed the district court decision.

For additional details, please refer to the November 2025 edition of *IRS Insights.*

Appeals launches Post Appeals Mediation pilot program

The IRS Independent Office of Appeals ("Appeals") announced a new pilot program aimed at addressing impartiality concerns in the Post Appeals Mediation (PAM) alternative dispute resolution program.

For additional details, please refer to the November 2025 edition of *IRS Insights.*

Two additional federal appellate courts join Third Circuit in holding that the section 6213 deadline is a claims processing rule and not jurisdictional

Section 6213(a) generally states that taxpayers seeking a redetermination of a deficiency "may" file a petition "[w]ithin 90 days ... after the notice of deficiency ... is mailed." Historically, the Tax Court and every federal appellate court that heard the issue had held that section 6213(a)'s deadline was jurisdictional. That was until July 2023 when the US Court of Appeals for the Third Circuit held in *Culp v. Commissioner*, 75 F.4th 196 (2023), that the section 6213(a) 90-day deadline was not jurisdictional and subject to equitable tolling.

Since the Third Circuit's ruling in *Culp*, other section 6213 cases have been heard by the Second and Sixth Circuits with similar, taxpayer-favorable outcomes. See *Buller v. Commissioner*, No. 24-1557 (2d Cir. 2025) and *Oquendo v. Commissioner*, No. 24-1205 (6th Cir. 2025), respectively. A third case, *O'Neill v. Commissioner*, No. 25-5250, is now before the Ninth Circuit.

For additional details, please refer to the November 2025 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!

Alabama:
DOR addresses state tax implications of various OBBBA provisions, including FDDEI and NCTI

A 58-page document posted by the Alabama Department of Revenue (Department) summarizes various provisions under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) and discusses some resulting implications under Alabama's taxation regime—including how the provisions may tie to Alabama's corporate income tax and financial institution excise tax.

For additional details, please refer to the November 14, 2025 edition of *State Tax Matters.*

California:
Out-of-State Seller with In-State Inventory Stored through Third-Party Fulfillment Program Owes Annual $800 LLC Tax

In an opinion involving an out-of-state seller of products through a third-party fulfillment company program whereby the seller essentially owned inventory stored at the third-party's in-state warehouses (fulfillment centers) and contracted with that third-party to ship its products from those fulfillment centers to its customers, the California Office of Tax Appeals (OTA) concluded that the seller was "doing business" in California under Cal. Rev. & Tax Code section 23101(a), and thus subject to California's annual $800 limited liability company (LLC) tax for the 2019 tax year at issue. According to the OTA, even though the seller's inventory and sales were minimal – that is, below the threshold amounts under Cal. Rev. & Tax Code section 23101(b)(2) and (3) for the 2019 tax year – the seller nonetheless was actively engaged in transactions in California for the purpose of financial or pecuniary gain or profit and thus satisfied the "doing business" standard under Cal. Rev. & Tax Code section 23101(a) for purposes of being subject to the annual $800 LLC tax.

For additional details, please refer to the December 12, 2025 edition of *State Tax Matters.*

FTB addresses new law that updates state conformity to IRC, extends PTET, and mandates single sales factor for some banks

The California Franchise Tax Board's (FTB) recently posted newsletter addresses new state law that updates 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, for state personal income tax and corporate tax purposes (see S.B. 711, signed by gov. 10/1/25; and previously issued *Multistate Tax Alert*, for more details on this legislation).

For additional details, please refer to the December 5, 2025 edition of *State Tax Matters.*

FTB addresses new law that updates state conformity to IRC but also decouples from various TCJA and OBBBA provisions

The California Franchise Tax Board's (FTB) recently posted newsletter addresses new state law (see S.B. 711, signed by gov. 10/1/25; and previously issued *Multistate Tax Alert*, for more details on this legislation) that updates 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; it also selectively conforms to, modifies, or decouples from various federal income tax provisions enacted after January 1, 2015. In doing so, the FTB notes that this new state law "does not include federal tax law enacted after January 1, 2025," such as the One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21). The FTB also explains that in response to this newly chaptered legislation, it is implementing changes to its tax forms, instructions, and publications as applicable. Moreover, the FTB states that it is "reviewing internal processes and procedures to ensure they align with the specified date change." According to the FTB, the updated tax forms, instructions, and publications will be made available on its "Forms and Publications" webpage.

For additional details, please refer to the November 7, 2025 edition of *State Tax Matters.*

Colorado

Application to Grandfather Business Facilities into Previous EZ Boundaries is Due by December 31, 2025

Colorado recently completed a redesignation of its enterprise zone boundaries which may result in many facilities that previously were in Colorado Enterprise Zones (EZs) losing their EZ designations starting January 1, 2026. However, facilities located in a Colorado EZ during 2025, but no longer within the designated boundaries for 2026, may file an application to have their location potentially "grandfathered" into the previous Colorado EZ boundaries, if action is taken by December 31, 2025. If approved, taxpayers requesting to be grandfathered into the previous Colorado EZ boundaries potentially may receive continued eligibility for certain Colorado EZ tax credits for up to an additional ten tax years. To qualify for this extension, a taxpayer must jointly certify with the EZ administrator that plans were in place for job creation, investment in job training programs, or capital expansion before the announcement of the zone termination. Additionally, detailed business planning documentation supporting the planned investment and job increases must be kept with the taxpayer's tax records and supplied to the EZ administrator or the Colorado Department of Revenue upon request.

For additional details, please refer to the December 12, 2025 edition of *State Tax Matters.*

DOR reminds that business personal property tax credit is not available as of January 1

Updated Colorado Department of Revenue guidance explains that for tax years commencing prior to January 1, 2026, qualifying Colorado corporate and individual income taxpayers and tax-exempt entities potentially may claim a refundable income tax credit for property tax paid on business personal property in Colorado, which is "allowed only for tax imposed on the first $18,000 of the total actual value of business personal property." However, the guidance reminds that such credit may not be claimed on property tax paid in any income tax year commencing on or after January 1, 2026.

For additional details, please refer to the November 21, 2025 edition of *State Tax Matters.*

Delaware

Memo Addresses State Law that Decouples from OBBBA Provisions Related to R&D Expenses, §168(k), and §168(n)

A Delaware Division of Revenue technical information memorandum (TIM) addresses legislation enacted in 2025 [see H.B. 255, signed by gov. 11/19/25, and State Tax Matters, Issue 2025-45, for more details on this 2025 legislation] that decoupled from certain provisions under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21), including the OBBBA provisions pertaining to:

- the expensing of domestic research and experimental (R&D) expenditures in Internal Revenue Code (IRC) section 174A;
- bonus depreciation on the cost of equipment under IRC section 168(k); and
- the special depreciation allowance for qualified production property under IRC section 168(n).

For additional details, please refer to the January 09, 2026 edition of *State Tax Matters.*

New law decouples from OBBBA provisions pertaining to R&E expenses, §168(k), and §168(n)

Recently enacted state legislation decouples Delaware's corporate 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), including the OBBBA provisions pertaining to:

- The expensing of domestic research and experimental (R&E) expenditures in Internal Revenue Code (IRC) section 174A;
- Bonus depreciation on the cost of equipment under IRC section 168(k); and
- The special depreciation allowance for qualified production property under IRC section 168(n).

Essentially, the Delaware legislation applies these federal tax provisions as in effect immediately before enactment of the OBBBA. Other provisions in the bill decouple Delaware's personal income tax from some aspects of the OBBBA.

For additional details, please refer to the November 21, 2025 edition of *State Tax Matters.*

District of Columbia

Temporary Legislation Decouples from Certain OBBBA Provisions Pertaining to R&D Expenses, §163(j), and §168(n)

The "D.C. Income and Franchise Tax Conformity and Revision Temporary Amendment Act of 2025" was enacted without District of Columbia Mayor Muriel Bowser's signature and includes provisions that decouple from certain aspects of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21), including some of the OBBBA provisions pertaining to:

- the expensing of domestic research and experimental (R&D) expenditures in Internal Revenue Code (IRC) section 174A;
- IRC section 163(j)(8) on the definition of adjusted taxable income for the business interest limitation; and
- the special depreciation allowance for qualified production property under IRC section 168(n).

This temporary legislation is subject to a 30-day congressional review period and then scheduled to expire 225 days after it takes effect. Note that similar enacted District of Columbia emergency legislation known as the "D.C. Income and Franchise Tax Conformity and Revision Emergency Amendment Act of 2025" took effect on December 3, 2025, and remains in effect through March 3, 2026 [see A26-0214 (D.C.B. 26-0457), enacted without mayor's signature 12/3/25 and State Tax Matters, Issue 2025-46, for more details on this emergency legislation].

For additional details, please refer to the January 09, 2026 edition of *State Tax Matters.*

Emergency Legislation Further Postpones Unitary Combined Reporting Group Deduction

District of Columbia (District) Mayor Muriel Bowser recently signed the "Fiscal Year 2026 Budget Support Congressional Review Emergency Act of 2025" (Emergency Act), which includes amending the deduction afforded to unitary combined reporting groups where the unitary combined reporting regime applicable to tax years after December 31, 2010, resulted in an increase to the unitary combined group's net deferred tax liability. The District originally had allowed a deduction of the net increase in the taxable temporary difference to be taken equally over a seven-year period (1/7th) commencing with the fifth year of the combined filing – i.e., tax year 2015; however, the District subsequently postponed this deduction to the tenth year of the combined filing under the "Fiscal Year 2017 Budget Support Act of 2016, A21-0488" – i.e., to tax year 2020; and then postponed it again to the fifteenth year of the combined filing under the Fiscal Year 2021 Budget Support Emergency Act of 2020 – i.e., to tax year 2025. Under this recently signed Emergency Act, the deduction is now postponed to the first seven tax years beginning after December 31, 2029. Additionally, in what appears to be an effort to alleviate any underpayment interest that a taxpayer may incur in tax year 2020 or tax year 2025 as a result of the deferral, the new Emergency Act provides that the estimated tax interest from the underpayment may be waived. The new Emergency Act took effect on November 24, 2025, and remains in effect through February 22, 2026.

For additional details, please refer to the December 12, 2025 edition of *State Tax Matters.*

Emergency legislation decouples from certain OBBBA provisions pertaining to R&E expenses, §163(j), and §168(n)

The "D.C. Income and Franchise Tax Conformity and Revision Emergency Amendment Act of 2025" was recently enacted without District of Columbia Mayor Muriel Bowser's signature and includes provisions that decouple from certain aspects of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21), including some of the OBBBA provisions pertaining to:

- The expensing of domestic research and experimental (R&E) expenditures in Internal Revenue Code (IRC) section 174A;
- IRC section 163(j)(8) on the definition of adjusted taxable income for the business interest limitation; and
- The special depreciation allowance for qualified production property under IRC section 168(n).

The DC emergency legislation took effect on December 3, 2025, and remains in effect through March 3, 2026. Note that pending temporary legislation known as the "D.C. Income and Franchise Tax Conformity and Revision Temporary Amendment Act of 2025" (D.C.B. 26-0458), if enacted into law, would temporarily extend these decoupling measures even further.

For additional details, please refer to the December 5, 2025 edition of *State Tax Matters.*

Florida

DOR Publishes Annual Guidance on Updated State Conformity to Internal Revenue Code and References OBBBA

Referencing state legislation enacted earlier this year that generally updates corporate income tax statutory references in Florida to conform to the Internal Revenue Code provisions as in effect on January 1, 2025 [see H.B. 7031, signed by gov. 6/30/25, and State Tax Matters, Issue 2025-26, for more details on this legislation], the Florida Department of Revenue issued its annual tax information publication (TIP) explaining that while Florida generally will follow the computation of federal taxable income as of January 1, 2025, it continues to require several modifications. These required state modifications to federal taxable income include provisions involving bonus depreciation, qualified improvement property (QIP) placed in service on or after January 1, 2018, business meal expenses, and film, television, and live theatrical production expenses. The TIP adds that it does not address the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21), which was enacted after the 2025 Florida legislative session ended. However, it states that the Florida Legislature will have the opportunity to consider the OBBBA amendments to the Internal Revenue Code, "including the federal treatment of bonus depreciation, during its next regular legislative session, which is scheduled to begin in January 2026."

For additional details, please refer to the December 12, 2025 edition of *State Tax Matters.*

Illinois

Bulletin Summarizes Enactment of Finnigan Apportionment, Removal of Some Intercompany Expense Addback Exceptions, §163(j) Changes, and GILTI Taxation Changes

An Illinois Department of Revenue informational bulletin summarizes budget 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 budget legislation] that includes many significant Illinois income tax law changes, including provisions that:

- shift from the "Joyce" to "Finnigan" method for Illinois combined reporting apportionment purposes when computing the sales factor numerator and applying the "throwback" and "throwout" rules;
- remove certain exceptions to the intercompany interest and intangible expense addback from Illinois' "80/20 addback" provisions;
- limit the dividends received deduction to 50% for global intangible low-taxed income (GILTI) under Internal Revenue Code (IRC) section 951A [note that subsequently enacted Illinois legislation addressing the federal One Big Beautiful Bill Act (OBBBA) (i.e., S.B. 1911 (2025); see previously issued Multistate Tax Alert for more details on this Illinois legislation) applies the 50% deduction limitation to net controlled foreign corporation tested income (NCTI)];
- align with federal filing guidelines regarding allocations of certain interest expenses for taxpayers subject to the IRC section 163(j) deduction limit; and
- modify the sourcing rules for gains from the sale of certain pass-through entity interests.

The bulletin explains that these various highlighted tax law changes potentially may affect an Illinois taxpayer's required estimated payment amounts or require it to start making estimated payments, noting that the first estimated payment after June 16 should include the additional amounts that would have been due with previous quarterly payments, as well as the full current quarterly payment.

For additional details, please refer to the January 09, 2026 edition of *State Tax Matters.*

"Unused" Federal Bonus Depreciation Subtraction Amounts Generally Cannot be Carried Forward

Responding to a taxpayer's inquiry on whether federal bonus depreciation subtraction amounts that are "unused" in a tax year for Illinois corporate income tax purposes may be carried forward to a future tax year, the Illinois Department of Revenue (Department) concludes that there is no specific provision under the Illinois Income Tax Act (IITA) that permits or allows a carryforward of an "unused" special depreciation deduction amount under IITA section 203(b)(2)(T). According to the Department, this deduction is merely a subtraction from the base income of the corporation in the taxable year in which the bonus depreciation deduction is taken on the taxpayer's federal income tax return, and if the corporation cannot fully utilize the subtraction against its income in a tax year, "the 'unused' subtraction amount is not available to be carried forward to a future tax year."

However, the Department notes that for taxable years ending on or after December 31, 1986, IITA section 207(a) and (b), provides that after applying all the modifications provided for in IITA section 203(b) and the allocation and apportionment provisions of Article 3 of the IITA, "if the corporation has a net Illinois loss, such net loss is allowed as a carryback or carryover deduction" in the same manner as under Internal Revenue Code section 172. Therefore, to the extent that a part or all of the deduction under IITA section 203(b)(2)(T) is reflected in the Illinois net loss for the tax year as an "unused depreciation" amount, the Department explains that "it would automatically be carried back or forward, but only to the extent that it might be reflected, if at all, in the Illinois net operating loss carryback/carryforward."

For additional details, please refer to the January 09, 2026 edition of *State Tax Matters.*

General information letter addresses how investment partnerships may elect and calculate PTET

An Illinois Department of Revenue general information letter addressing state law that allows certain partnerships and S corporations to elect to pay an entity-level state tax on income (PTE tax) (see previously issued *Multistate Tax Alert* for more details on the PTE tax) explains that an investment partnership—as defined under state law applicable for taxable years ending on or after December 31, 2023 (see previously issued *Multistate Tax Alert* for details on the related underlying state legislation)—may elect to pay the PTE tax on income earned or received in Illinois. The letter details underlying PTE tax forms and worksheets that an electing investment partnership must file and complete, including instruction on certain computations and Illinois income allocation calculations.

For additional details, please refer to the December 5, 2025 edition of *State Tax Matters.*

Adopted rule changes reflect financial institution apportionment revisions

The Illinois Department of Revenue adopted changes to two administrative rules that reflect legislation enacted in 2024 (see H.B. 4951 [2024], and previously issued *Multistate Tax Alert* for more details on this 2024 legislation), which for taxable years ending on or after December 31, 2024, modifies the Illinois apportionment factor calculation for financial institutions regarding how certain receipts from trading assets and activities are treated—specifically, receipts from investment assets and activities, and trading assets and activities. The adopted rulemaking also updates the limit for a small loan company and various other references and citations.

For additional details, please refer to the October 3, 2025 edition of *State Tax Matters.*

Indiana

DOR hints at 2026 dates on amnesty program that will provide potential interest and penalty waiver

Pursuant to legislation enacted earlier this year (see H.B. 1001, and *State Tax Matters*, issue 2025-18, for more details on this legislation) requiring the Indiana Department of Revenue (Department) to establish a tax amnesty program for most taxes it administers (e.g., the state adjusted gross income tax, financial institutions tax, and gross retail and use tax) and which provides for a potential waiver of all related penalties and interest, the Department announced that such program "will take place in the second half of 2026." The Department comments that "the exact timeframe, along with other details, will be announced in the coming months."

For additional details, please refer to the December 5, 2025 edition of *State Tax Matters.*

Iowa

Updated GILTI guidance addresses OBBBA's international tax provisions, including NCTI and FDDEI

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). The guidance addresses the Iowa tax treatment of net controlled foreign corporation tested income (NCTI) under the OBBBA (previously known as global intangible low-taxed income (GILTI)) and foreign-derived deduction eligible income (FDDEI) under the OBBBA (previously known as foreign-derived intangible income (FDII)). Originally, Iowa law provided a full net exclusion of GILTI from the Iowa tax base for tax years 2019 through 2025; however, the updated guidance generally explains that Iowa provides no exclusion for NCTI starting with tax year 2026, and NCTI will not be subject to Iowa's foreign dividends received deduction. Accordingly, NCTI will be taxable for Iowa income tax purposes to the extent it is included in federal taxable income starting with tax year 2026. The guidance also explains that Iowa fully conforms with the federal deduction under Internal Revenue Code section 250(a)(1)(A) for FDII for tax years 2019 through 2025, and for FDDEI starting with tax year 2026.

For additional details, please refer to the November 7, 2025 edition of *State Tax Matters.*

DOR certifies that corporate income tax rate for tax years beginning in 2026 remains the same

The Iowa Department of Revenue signed an order certifying that Iowa corporate income tax rates for tax years beginning in 2026 will remain the same as corporate income tax rates for tax years beginning in 2024 and 2025. This certification is made pursuant to legislation enacted in 2022 that permits certain Iowa corporate income tax rate reductions if specified revenue goals are met (see H.F. 2317 [2022], and *State Tax Matters*, issue 2022-9, for more details on this legislation).

For additional details, please refer to the October 24, 2025 edition of *State Tax Matters*.

Kansas

DOR announces no tax rate reductions for TY 2026 based on general revenue fund collections

The Kansas Department of Revenue (Department) announced that pursuant to legislation enacted earlier this year providing for contingent Kansas corporate and individual income tax rate reductions if certain annual state budgetary and fund growth goals are met (see S.B. 269 [2025], and *State Tax Matters*, issue 2025-15, for more details on this legislation), "the Secretary of Revenue will not calculate and publish new income tax rates, and there will be no rate reduction for tax year 2026." In doing so, the Department explained that the amount of total fiscal year adjusted general revenue fund collections from FY 2025 is not in excess of the inflation adjusted base year revenues for FY 2025 and thus no income tax rate reductions are triggered for tax year 2026.

For additional details, please refer to the October 10, 2025 edition of *State Tax Matters.*

Massachusetts

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

The Massachusetts Department of Revenue (Department) adopted changes to its rule on the circumstances pursuant to which certain business corporations may be subject to Massachusetts' corporate excise tax under Mass. Gen. Laws chapter 63—specifically amending 830 CMR 63.39.1(4)(e) to "clarify that certain in-state activities conducted by a vendor through an Internet website accessible by persons in the state may not be protected activities within the meaning of Public Law 86-272."

For additional details, please refer to the October 17, 2025 edition of *State Tax Matters.*

Michigan

Newsletter Addresses Enacted Legislation that Decouples from Certain OBBBA Provisions

A newsletter published by the Tax Policy Division of the Michigan Department of Treasury (Department) reminds Michigan taxpayers about legislation enacted in 2025 [see H.B. 4961, signed by gov. 10/7/25; and previously issued Multistate Tax Alert for more details on this legislation] that decouples from several provisions in the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) for Michigan corporate and individual income tax purposes – including provisions involving Internal Revenue Code (IRC) sections 174A, 168(n), 168(k), 163(j), and 179. The newsletter explains the various decoupling adjustments that must be made for Michigan corporate, flow-through entity, and individual income tax purposes for tax years beginning after December 31, 2024, related to IRC sections 174A, 168(n), 168(k), 163(j), and 179. In addition, the Department says that it is "reviewing and updating the forms and instructions that will be affected." Furthermore, the Department states that it is in the process of developing "additional guidance and other relevant information for taxpayers and preparers."

For additional details, please refer to the January 09, 2026 edition of *State Tax Matters.*

New law decouples from One Big Beautiful Bill Act in computing corporate and individual income taxes

Recently enacted state budget legislation decouples from several provisions in the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) for Michigan corporate and individual income tax purposes for tax years beginning after December 31, 2024—including provisions involving Internal Revenue Code (IRC) sections 174A, 168(n), 168(k), 163(j), and 179. According to a related bill analysis, the state budget legislation preempts state revenue losses from the OBBBA of approximately $540 million in FY 2025–26, $443 million in FY 2026–27, $434 million in FY 2027–28, $349 million in FY 2028–29, and $275 million in FY 2029–30 "by reverting to the pre-OBBBA tax base through decoupling." Specifically, the bill analysis states that the Michigan budget legislation decouples from the following "five federal tax changes" made in the OBBBA:

- Immediate deduction of research and experimental (R&E) expenses under IRC section 174A;
- Special depreciation of certain production property under IRC section 168(n);
- Bonus depreciation allowing for the deduction of 100% of the cost of equipment in the first year under IRC section 168(k);
- Business interest deduction increase under IRC section 163(j); and
- Increased limit on depreciable business assets deduction under IRC section 179.

In this respect, under the new Michigan law, taxable income for Michigan corporate income tax purposes must be calculated as though IRC sections 168(n) and 174A were not in effect, and as though IRC sections 163(j), 168(k), 174, and 179 as in effect on December 31, 2024, applied. For tax years beginning after December 31, 2021, Michigan's budget legislation also provides that taxable income for Michigan corporate income tax purposes must be calculated as if the OBBBA's transition rules related to IRC section 174A do not apply.

For additional details, please refer to the October 10, 2025 edition of *State Tax Matters.*

Minnesota

Updated PTET guidance explains how owners may claim PTET credit on their 2026 tax return

The Minnesota Department of Revenue updated guidance on Minnesota's annual election for some qualifying pass-through entities to pay Minnesota income tax at the entity level (PTET) available for tax years beginning after December 31, 2020, and before January 1, 2026 (see previously issued *Multistate Tax Alert* (July 6, 2021) and previously issued *Multistate Tax Alert* (May 30, 2023) for more details on Minnesota's PTET), clarifying that if a qualifying entity filing a fiscal year return has a taxable year that begins before January 1, 2026, the qualifying owner may claim the PTET credit in the relevant tax year, which "may include their 2026 income tax return." The guidance continues to include definitions of qualifying entities and qualifying owners, direction on how to make the election, clarification on the calculation of income for the PTET for Minnesota residents, assistance on estimated tax payment requirements, and discussion on how partners or shareholders may claim the refundable PTET credit.

For additional details, please refer to the December 5, 2025 edition of *State Tax Matters.*

DOR says adjustments may be required on Minnesota returns due to OBBBA nonconformity

A Minnesota Department of Revenue (Department) release explains that because the definitions used in determining Minnesota taxable income currently are based on the Internal Revenue Code, as amended through May 1, 2023, and therefore do not incorporate the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) enacted on July 4, 2025, Minnesota taxpayers may need to make adjustment(s) to income on their Minnesota returns. Specifically, the Department notes that the OBBBA may impact a taxpayer's federal and Minnesota returns for tax year 2022 and after; accordingly, the Department has "updated forms and instructions" to help Minnesota taxpayers calculate nonconformity adjustments.

For additional details, please refer to the November 7, 2025 edition of *State Tax Matters.*

Maine

Maine Revenue Services says tax returns for TY2025 are under development following governor's OBBBA response

Following the Maine Department of Administrative and Financial Services' recommendations on whether or not Maine should conform to certain changes under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) for tax year 2025, and Maine Governor Janet Mills' subsequent acceptance of those recommendations (see State Tax Matters, issue 2025-41, for details on the underlying recommendations), Maine Revenue Services (MRS) issued related guidance explaining that Maine income tax returns for tax year 2025 are being developed following Governor Mills' instructions. According to MRS, "the return instructions and processing of those returns are contingent on any future state legislative enactment(s) that address the federal tax law changes." MRS also explains that Maine taxpayers "may choose to wait for future state legislative enactment(s) that address the federal tax law changes by filing under extension pursuant to 36 M.R.S. Section 5231(4)"—noting that Maine tax returns filed prior to enactment of any legislation by the Maine Legislature that address the federal tax law changes must be "consistent with the issued Maine tax returns, forms, instructions, and other guidance in effect at the time." Furthermore, MRS explains that any future Maine legislative enactments that differ from the filing instructions in effect at that time may require taxpayers to then file an amended Maine return to address such changes.

For additional details, please refer to the October 31, 2025 edition of *State Tax Matters.*

New Hampshire

Launched tax amnesty program provides potential penalty waiver and reduced interest and ends February 15

Pursuant to legislation enacted earlier this year (see H.B. 2, and *State Tax Matters*, issue 2025-26, for more details on this legislation), the New Hampshire Department of Revenue Administration (Department) issued guidance and announced that from December 1, 2025, through February 15, 2026, "taxpayers have a one-time opportunity to receive amnesty from all penalties and one-half interest on outstanding taxes by paying the tax due and one-half of the applicable per annum interest that has accrued since the tax was due." The Department notes that this tax amnesty program is available regardless of whether it has "assessed the tax due or the taxpayer has filed a return and even if the taxpayer has appealed or intends to appeal." The Department also explains that all taxes that it administers that are "due but unpaid on or before June 30, 2025, are eligible"—including, but not limited to, New Hampshire's business enterprise tax (BET), business profits tax (BPT), interest and dividends tax, communications services tax, and real estate transfer tax.

For additional details, please refer to the December 5, 2025 edition of *State Tax Matters.*

New Jersey

Taxpayer Asks U.S. Supreme Court Whether CBT Royalty Expense "Addback" Exception is Constitutional

In a case involving New Jersey's corporation business tax (CBT) intercompany royalty expense "addback" adjustment and corresponding regulation for tax periods before the implementation of mandatory combined CBT filing in New Jersey [see Case No. A-000595-23-T04, N.J. Sup. Ct., App. Div. (4/29/25) and State Tax Matters, Issue 2025-17, for details on the New Jersey Superior Court, Appellate Division's 2025 decision in this case affirming that the 2020 amended version of the CBT regulation at issue retroactively cured constitutional violations], the taxpayer is asking the U.S. Supreme Court whether New Jersey's scheme for taxing royalty payments violates the U.S. Constitution's Commerce and Due Process Clauses. Specifically, the taxpayer is asking the U.S. Supreme Court whether New Jersey's scheme for taxing royalty payments that i) "conditions the deductibility of related-party royalty payments on the extent of the royalty recipient's in-state activity" burdens and discriminates against interstate commerce in violation of the Commerce Clause; and ii) "limits the deductibility of the royalty expense to the extent the royalty recipient pays tax in the state on the royalty income, indirectly taxes out-of-state activity with no connection to New Jersey" in violation of the Commerce or Due Process Clauses.

For additional details, please refer to the January 09, 2026 edition of *State Tax Matters.*

Updated Bulletin on IRC §163(j) Conformity Addresses OBBBA Implications

The New Jersey Division of Taxation (Division) posted an updated tax bulletin on New Jersey's conformity with Internal Revenue Code (IRC) section 163(j), and "any federal changes to the extent they are consistent with the New Jersey conformity with IRC section 163(j) includes changes made under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21); the federal Tax Cuts and Jobs Act of 2017 (TCJA); and the federal Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act). Specifically with respect to the OBBBA, the bulletin clarifies that New Jersey still conforms with IRC section 163(j), and there is no change to the way IRC section 163(j) income is reported on New Jersey corporation business tax (CBT) returns.

For additional details, please refer to the December 12, 2025 edition of *State Tax Matters.*

Division of Taxation Addresses CBT Implications of OBBBA Terminology Changes for GILTI/NCTI and FDII/FDDEI

The New Jersey Division of Taxation (Division) issued a statement explaining 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." Accordingly, the Division advises that "when reviewing prior materials, keep in mind that any reference to GILTI refers to NCTI and any reference to FDII refers to FDDEI.".

For additional details, please refer to the December 12, 2025 edition of *State Tax Matters.*

Updated R&D credit bulletin on IRC §174 conformity addresses OBBBA implications

A recently updated New Jersey Division of Taxation (Division) bulletin addressing research performed in New Jersey and related issues for both New Jersey corporation business tax (CBT) and gross (individual) income tax purposes as it relates to the CBT's research and development (R&D) tax credit and the gross income tax deduction for qualified research expenditures and payments has been updated to include information on the effect of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) on the timing of the R&D deduction for CBT purposes. Specifically, the bulletin explains that the OBBBA allows for a different timing application for the deduction of research expenditures, and that for New Jersey CBT purposes, if there is a timing difference in deducting New Jersey research expenditures, taxpayers must account for this difference on their CBT return by deducting their New Jersey research expenditures in accordance with the provisions of N.J.S.A. 54:10A-4(k)(11). Moreover, the bulletin provides that if taxpayers amend their federal returns pursuant to IRS Rev. Proc. 2025-28, they must also amend their New Jersey CBT returns. The bulletin also explains that New Jersey generally follows the federal rules (including the rules set forth in the OBBBA) for any non-New Jersey research expenditures and research payments because N.J.S.A. 54:10A-4(k)(11) does not apply to non-New Jersey research expenditures and research payments. Therefore, taxpayers with these expenditures and payments "must use the amounts reported as federal taxable income at line 28 of the 1120 (line 29 of Form 1120-F or line 22 of Form 1120S) when filing their New Jersey return."

For additional details, please refer to the December 5, 2025 edition of *State Tax Matters.*

Division of Taxation addresses CBT implications of OBBBA changes to charitable contribution deductions

The New Jersey Division of Taxation (Division) issued a statement explaining that because the federal changes to charitable contribution deductions under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) affect the total deductions that are "above" the entire net income before net operating losses and special deductions, New Jersey conforms to these federal changes for the charitable contribution deduction to the extent they are consistent with the New Jersey Corporation Business Tax (CBT) Act. In doing so, the Division notes that for purposes of the New Jersey CBT Act, "the starting point for taxable income is entire net income before net operating losses and special deductions, with specific statutory adjustments for additions and deductions." A separately issued statement involving New Jersey's gross (individual) income tax explains that federal deductions under the OBBBA regarding overtime, tips, and senior citizens do not affect a taxpayer's New Jersey individual income tax return.

For additional details, please refer to the December 5, 2025 edition of *State Tax Matters.*

No statutory exemption from mandatory unitary combined reporting for casino licensees

The New Jersey Division of Taxation posted a new tax bulletin summarizing casino licensee obligations under New Jersey's corporation business tax (CBT), concluding that with limited statutory exceptions, New Jersey's 2018 CBT amendments require corporations under common ownership that are part of unitary business to file a New Jersey combined return, and there is no applicable statutory exemption for casino licensees. Specifically, the bulletin explains that casino licensees may be taxable members of the combined group, and that New Jersey combined reporting requires nontaxable members and taxable members of a combined group to be included in the New Jersey CBT combined return. As such, "casino licensees and their non-casino licensee affiliates must be included in the combined return filed with New Jersey."

For additional details, please refer to the October 17, 2025 edition of *State Tax Matters.*

New York

Appellate Court Affirms Telecom's Combined Group is Not a Qualified Emerging Tech Company

In a case involving a telecommunications company and its affiliates filing Article 9-A New York combined returns for the 2012, 2013, and 2014 tax years at issue and reporting corporation franchise tax due on the entire net income base, the New York Supreme Court, Appellate Division, Third Department (Court) affirmed [see Decision DTA No. 829691, N.Y. Div. of Tax App. (1/25/24) and State Tax Matters, Issue 2024-6, for details on the 2024 New York State Tax Appeals Tribunal ruling in this case] that the combined group failed to show it was a "qualified emerging technology company" (QETC) under New York's Public Authorities Law (PAL) that would have been eligible to utilize the reduced tax rate available for QETCs. In doing so, the Court concluded that based on its interpretation of the applicable statutory provisions, every member of a combined group must independently meet the definition of a QETC in order for the combined group to receive the reduced taxation rate. Specifically, a claimant must show that each member of its combined group is located in New York and primarily involved in the production or servicing of emerging technologies to meet the definition of a QETC – which was not the case here. Among its arguments to the contrary, the company claimed that a combined group's activities may be aggregated to meet the QETC qualifications.

For additional details, please refer to the January 09, 2026 edition of *State Tax Matters.*

New York City

Tribunal affirms deductibility of redemption-related interest expenses for UBT consistent with federal tax treatment

In a ruling involving a limited liability company's (LLC) ability to deduct for New York City (City) unincorporated business tax (UBT) purposes interest expenses related to a debt-financed distribution, the City Tax Appeals Tribunal (Tribunal) affirmed a 2024 administrative law judge (ALJ) ruling (see *State Tax Matters*, issue 2024-29, for more details on the 2024 ALJ ruling). The Tribunal agreed that, because these interest expenses were allowable deductions for federal income tax purposes, they are also allowable for UBT purposes.

The Tribunal explained that the ALJ had thoroughly discussed the legislative history relating to the UBT and properly concluded that, in line with federal conformity, the UBT was intended to be based on the same business income and deductions as those used for federal income tax purposes, with specified modifications. Moreover, the Tribunal reasoned that the ALJ had correctly concluded that such interpretation was consistent with precedent. Further emphasizing the ALJ's correct determination, the Tribunal stated that "any other interpretation would produce an absurd result, essentially empowering the City to apply the federal income tax under the UBT whenever and however it chooses." The Tribunal added that the City's interpretation in this case "negates federal conformity, which cannot be a correct interpretation" of the statute.

For additional details, please refer to the November 21, 2025 edition of *State Tax Matters.*

Proposed business corporation tax rules released with comments due by November 20

The New York City (City) Department of Finance (Department) released a set of proposed regulations to help implement the City business corporation tax (BCT) and in doing so, comments that the BCT rules are intended to reflect the "sweeping reform" of the City's corporate tax framework that was enacted in 2015. Proposed Chapter 11A will be broken into nine Subchapters that roughly correspond to the organization of New York State's regulations at 20 NYCRR Chapter I, Subchapter A. In this release, the Department proposed Chapter 11A Part 1-1 and Part 1-2.

- Part 1-1 provides definitions of relevant terms that are used throughout the regulations, "including subsequent subchapters of Chapter 11A, which will be promulgated separately from this proposed rule at a later date."
- Part 1-2 sets forth the required minimum activities in the City for corporations to be subject to tax under the BCT.
  - Proposed Chapter 11A Part 1-2 also incorporates a series of examples of activity that does not give rise to nexus and corporations that are exempt from the BCT, and it incorporates the updated Multistate Tax Commission guidelines for corporations related to certain internet activities that exceed the protections afforded under P.L. 86-272. As currently drafted, one of the proposed examples related to P.L. 86-272 application to the BCT states the following:

    "A foreign corporation places Internet 'cookies' onto the computers or other electronic devices of its customers. These cookies gather customer search information that will be used to adjust production schedules and inventory amounts, develop new products, or identify new items to offer for sale. Since this activity does not constitute, and is not entirely ancillary to, the solicitation of orders for sales of tangible personal property, such corporation is not exempt from tax under this section."

The Department's "Statement of Basis and Purposes of Proposed Rule" for this release states that in the coming months, the Department will publish additional proposed rules that set forth the remainder of Chapter 11A. In addition, the Department may promulgate a new proposed rule and notice of public hearing seeking further comment on Subchapter 1 of Chapter 11A at a later time, if necessary. The effective date of this proposed rule, as well as the effective date of future proposed rules adding the subsequent subchapters of Chapter 11A, will not occur until all subchapters of Chapter 11A have completed the rulemaking process under Section 1043 of the New York City Charter.

For additional details, please refer to the October 24, 2025 edition of *State Tax Matters.*

Pennsylvania

NOL Cap Invalidation Applies Prospectively Only Regardless of Taxpayer's Procedural Posture

In a uniformity case challenge involving the statutory limitations for "net loss carryover" (NLC) deductions contained under Pennsylvania law for the 2013 tax year at issue following the Pennsylvania Supreme Court's 2017 decision deeming the NLC deduction invalid and subsequent 2024 holding that its 2017 decision be given prospective effect only [see Case No. 8 MAP 2023, Pa. (11/20/24) and State Tax Matters, Issue 2024-47, for additional details on the Pennsylvania Supreme Court cases], the Pennsylvania Commonwealth Court (Court) denied another taxpayer's petition for reassessment of its underlying 2013 Pennsylvania corporate net income tax (CNIT) liability – holding that the 2024 Pennsylvania Supreme Court case prevented such reassessment. Among its arguments to the contrary, the taxpayer unsuccessfully claimed that the 2024 Pennsylvania Supreme Court case did not control in this situation, because unlike the taxpayer in that case, it was not requesting a refund of taxes already "paid, budgeted and spent" by Pennsylvania but merely contesting a reassessment of tax that had not yet been paid. In holding against the taxpayer, the Court explained that the 2024 Pennsylvania Supreme Court case "definitively decided" the issue of the retroactivity of its 2017 NLC decision and that "precedent controls regardless of the procedural posture of a taxpayer's appeal" – that is, whether the corporation is seeking a refund or challenging an assessment. Because the Pennsylvania Department of Revenue had issued the underlying assessment in the case at hand prior to the 2017 Pennsylvania Supreme Court decision, the Court concluded that the NLC deduction provisions were valid in the tax year at issue and the assessment was appropriate.

Rejecting the taxpayer's claim that prospective application of the 2017 Pennsylvania Supreme Court decision in its case violated certain deference and equity principles, the Court explained that the Pennsylvania Supreme Court in its 2024 decision had fully recognized that "while there may be inequities associated with prospective-only application" of its 2017 NLC decision, "such inequities seem inevitable given that the General Assembly consistently has opted to use a capped NLC deduction since 1994."

For additional details, please refer to the January 09, 2026 edition of *State Tax Matters.*

New law decouples from OBBBA provisions pertaining to R&E expenses, §163(j), and §168(n)

Recently enacted state budget legislation 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), including OBBBA provisions pertaining to:

- The expensing of domestic research and experimental (R&E) 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 November 14, 2025 edition of *State Tax Matters.*

City of Philadelphia reminds businesses of reduced BIRT rates and end of $100K deduction

The City of Philadelphia, Pennsylvania (City) Department of Revenue issued a release reminding taxpayers of City business income and receipts tax (BIRT) law changes beginning for tax year 2025 (i.e., for returns due and taxes owed in 2026 and thereafter) pursuant to an ordinance enacted earlier this year (see Bill No. 250199, signed by mayor 6/13/25; City of Philadelphia Approves $6.8 Billion 'One Philly 2.0' FY26 Budget, City of Philadelphia, Pa., Office of the Mayor (6/12/25); and *State Tax Matters*, issue 2025-24, for additional details on this ordinance). Specifically, the release explains that for tax year 2025, the rate on the net income portion of the BIRT will fall to 5.71. The rate on the gross receipts portion of the BIRT will be reduced to 1.410 mills for tax year 2025. The release also explains that "these reductions continue gradually until 2030, when more aggressive reductions are scheduled," and that by fiscal year 2039, the City is scheduled to eliminate the gross receipts portion of the BIRT and bring the BIRT rate of the net income portion to 2.8%. Additionally, "due to a legal challenge" and the same new ordinance, the release reminds that the BIRT's statutory deduction on the first $100,000 in taxable receipts ends beginning with tax year 2025.

For additional details, please refer to the November 7, 2025 edition of *State Tax Matters.*

Rhode Island

Emergency Rules Address New Law that Decouples from OBBBA Provisions

The Rhode Island Department of Revenue (Department) issued two emergency 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]. In doing so, the Department explains that because Rhode Island has decoupled from the OBBBA provisions, "certain modifications and deductions allowed federally must be added back for Rhode Island tax purposes." According to the Department, the intent of these emergency regulations is to "preserve Rhode Island's tax base and provide clarity and guidance to taxpayers and tax professionals in light of the new and retroactive tax impacts for businesses and individuals." The Department states that these two emergency regulations went into effect on December 15, 2025, are effective for 120 days, and may be renewed for an additional 60 days.

For additional details, please refer to the December 19, 2025 edition of *State Tax Matters.*

DOR issues TY2025 guidance on new law that decouples from some OBBBA provisions

The Rhode Island Department of Revenue (Department) issued tax year 2025 guidance on the Rhode Island income tax implications of the federal One Big Beautiful Bill Act (now commonly referenced as "OBBBA" and more formally as P.L. 119-21), "from which Rhode Island decoupled in its Fiscal Year 2026 Budget" (see H.B. 5076 (2025), and *State Tax Matters*, issue 2025-27, for additional details on this Rhode Island budget legislation). The new advisory follows a previous advisory (see ADV 2025-18: Rhode Island Decouples from Recently Enacted Federal Legislation-H.R. 1 Domestic Research and Experimental Expenditures, R.I. Dept. of Rev. (9/12/25) and *State Tax Matters*, issue 2025-36, for details on this earlier guidance), which had addressed some retroactive implications of Rhode Island's tax treatment of domestic research and experimental (R&E) expenditures. In the newer advisory, the Department states that for businesses, the OBBBA includes the following provisions that are now allowed at the federal level, but which are not allowed under Rhode Island law:

- Changes to business interest expenses;
- Changes to R&E expensing;
- Increase in cap for depreciation of business assets;
- Deduction for qualified sound recording equipment; and
- Changes to qualified opportunity zone designations.

Accordingly, some of these items "will need to be added back for Rhode Island tax purposes." The advisory also addresses certain required adjustments for Rhode Island income tax purposes, as well as details the related schedules that must be filed.

For additional details, please refer to the October 10, 2025 edition of *State Tax Matters.*

Tennessee

Updated Franchise and Excise Tax Manual Addresses Implications of Various OBBBA Provisions

The Tennessee Department of Revenue (Department) updated its Tennessee franchise and excise tax manual to, among other changes, set forth its analysis of various provisions under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) that "stand to impact the determination of net earnings subject to excise tax." In it, the Department addresses whether Tennessee's franchise and excise tax conforms to, decouples from, or requires adjustments pertaining to the following OBBBA provisions:

- bonus depreciation allowing for the deduction of 100% of the cost of equipment in the first year under Internal Revenue Code (IRC) section 168(k);
- special depreciation of certain production property under IRC section 168(n);
- immediate deduction of research and experimental (R&D) expenses under IRC section 174A;
- business interest deduction increase under IRC section 163(j);
- increased limit on depreciable business assets deduction under IRC section 179; and
- various modifications to the deduction for foreign-derived deduction eligible income (FDDEI) (previously known as foreign-derived intangible income (FDII)) and net controlled foreign corporation tested income (NCTI) (previously known as global intangible low-taxed income (GILTI)).

Other revisions to the manual include an updated discussion regarding mixed affiliated groups to explain the potential Tennessee consolidated net worth implications for these groups "in light of the transition to single sales factor apportionment and to clarify the sales factor sourcing provisions to be used by mixed affiliated group members." Another revision updates a discussion regarding apportionment factors to "explain that, although the standard apportionment formula is now the single sales factor, the property and payroll factors are still applicable for certain franchise and excise tax purposes.".

For additional details, please refer to the January 09, 2026 edition of *State Tax Matters.*

DOR guidance addresses OBBBA and says state remains coupled with TCJA bonus depreciation

Referencing the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) and its provisions that set the bonus depreciation applicable percentage at 100% for qualified property acquired after January 19, 2025, a Tennessee Department of Revenue notice explains that pursuant to current state law, Tennessee remains coupled with the bonus depreciation provisions as amended by the federal Tax Cuts and Jobs Act of 2017 (TCJA). Accordingly, Tennessee excise taxpayers must "continue to apply the bonus depreciation applicable percentages set forth in the TCJA bonus depreciation schedule for excise tax purposes." As a result, the notice explains that any taxpayers taking federal bonus depreciation deductions pursuant to the OBBBA must correspondingly make appropriate adjustments on Schedule J of their Tennessee excise tax returns, and it provides some illustrative examples for doing so. Regarding the OBBBA provisions permitting bonus depreciation to be taken for federal income tax purposes on the newly designated category of property—that is, "qualified production property"—the notice states that because this federal provision does not exist in the TCJA's depreciation provisions, it is not applicable for Tennessee excise tax purposes. Accordingly, the notice concludes that taxpayers cannot take any bonus depreciation deductions with respect to qualified production property for Tennessee excise tax purposes; and such taxpayers must depreciate the property for excise tax purposes in accordance with the federal "MACRS" depreciation provisions applicable to nonresidential real property. These taxpayers must make "appropriate bonus depreciation addback and deduction adjustments" on Schedule J of their Tennessee excise tax returns.

For additional details, please refer to the December 5, 2025 edition of *State Tax Matters.*

DOR addresses excise tax treatment of federal employee retention credit under CARES Act

In a notice addressing the employee retention credit (ERC)—a federal payroll tax credit that was established pursuant to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—the Tennessee Department of Revenue explains that the Tennessee excise tax starting point takes into account this reduced federal deduction, and thus, the ERC is included in the excise tax base in this manner. The notice also explains that Tennessee excise tax law contains a provision that allows a deduction for any expense, other than income taxes, not deducted in determining federal taxable income for which a credit against the federal income tax is allowable. However, according to the notice, the ERC, "by design, is allowed against certain federal payroll (employment) taxes, rather than the federal income tax." In this respect, the notice concludes that the federally disallowed expenses associated with the ERC cannot be deducted under this provision and are not otherwise deductible for Tennessee excise tax purposes.

For additional details, please refer to the December 5, 2025 edition of *State Tax Matters.*

Texas

Amendments to Franchise Tax Rule Address Economic Nexus for Certain Entities

The Texas Comptroller of Public Accounts adopted changes to Title 34 of the Tex. Admin. Code (TAC) section 3.586 concerning nexus for Texas franchise tax purposes by including an additional subsection to determine whether economic nexus exists for certain non-Texas taxable entities (i.e., entities not organized or chartered in Texas). Specifically, the revised rule mandates that entities apportioning margin using a method other than gross receipts (e.g., the apportionment methods as described in TAC sections 3.591(c)(1) and 3.591(c)(2) for regulated investment company (RIC) services and employee retirement plan services, respectively) nevertheless must use gross receipts as sourced to Texas under TAC sections 3.591(e) and (f) to determine whether economic nexus exists for Texas franchise tax purposes.

For additional details, please refer to the January 09, 2026 edition of *State Tax Matters.*

Comptroller Announces Policy Change on Conformity to Internal Revenue Code

Following an earlier December 2025 news release aligning Texas franchise tax rules for depreciation with bonus depreciation authorized by the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) [see News Release: Acting Texas Comptroller Kelly Hancock Updates Franchise Tax Depreciation Rules to Align with Federal Provisions, Tex. Comptroller of Public Accounts (12/1/25) and State Tax Matters, Issue 2025-46, for more details on this news release], the Texas Comptroller of Public Accounts (Comptroller) issued a memo announcing a policy change regarding conformity of all components of the Texas franchise tax to the Internal Revenue Code (IRC). The memo explains that while the Comptroller "has historically required a taxable entity to use the IRC in effect for the federal tax year beginning January 1, 2007, to compute amounts taken from the applicable federal tax return," the Comptroller has determined after further reexamination that "not all amounts taken from the applicable federal tax return used to compute the franchise tax are tied to the 2007 IRC." Specifically, the memo provides that beginning with the report year 2026 franchise tax return, "a taxable entity will determine amounts taken from the federal tax return under the federal tax law in effect for that federal tax year, unless the [Texas] statute or rule references the IRC." Where the [Texas] statute or rule references the IRC, the memo clarifies that a taxable entity must "compute such amounts under the 2007 IRC."

In implementing this new policy, the memo provides that: (i) a taxable entity may also include on the report year 2026 franchise tax return a one-time net deprecation adjustment in cost of goods sold (COGS) for qualifying assets under Texas Tax Code section 171.1012(c)(6); (ii) the net depreciation adjustment is "based on the difference in depreciation claimed for federal income tax and the depreciation claimed for franchise tax COGS for a given asset;" and (iii) any unused depreciation adjustment may be carried forward to consecutive reports until exhausted. The memo also explains additional implications of the policy change, including the impact on total revenue as reported for Texas franchise tax purposes. Specifically, the memo notes that for categories of income or expense that reference the IRC, such items must be determined under the 2007 IRC and provides the following illustrative example:

Texas Tax Code section 171.1011(c)(1)(B)(ii) subtracts from total revenue foreign royalties and foreign dividends, including amounts determined under IRC section 78 or sections 951-964. Any foreign royalties and foreign dividends are determined under current federal tax law; however, by contrast, amounts under IRC section 78 and sections 951-964 "are determined under the 2007 IRC" and do not include the current IRC section 951A global intangible low-taxed income (GILTI) as GILTI was added to the IRC after January 1, 2007.

For additional details, please refer to the January 09, 2026 edition of *State Tax Matters.*

Comptroller aligns franchise tax rules for depreciation with OBBBA provisions

In a news release, the Texas Comptroller of Public Accounts announced "an update to the agency's interpretation of Texas franchise tax depreciation rules, allowing Texas businesses to take advantage of bonus depreciation authorized by the federal One Big Beautiful Bill Act" (commonly referenced as "OBBBA" and more formally as P.L. 119-21). According to the release, this decision follows a "statutory review confirming that Texas franchise tax law provides the flexibility to apply the current Internal Revenue Code (IRC) for depreciation calculations—rather than the outdated 2007 IRC, which required businesses to spread asset deductions over multiple years." Effective with the 2026 Texas franchise tax report, the news release states that Texas will align its franchise tax depreciation rules with the bonus depreciation provisions under the OBBBA whereby "businesses may elect to deduct the full cost of qualifying fixed assets—such as machinery, equipment and furnishings—acquired after Jan. 19, 2025." The news release comments that this policy change not only delivers "upfront tax relief," but also "eliminates the burden of maintaining two different sets of books for federal and state taxes, slashing red tape for business operations in Texas."

For additional details, please refer to the December 5, 2025 edition of *State Tax Matters.*

Virginia

New policy reflects how blended apportionment approach with non-unitary PTE is unconstitutional

A Virginia Department of Taxation (Department) administrative bulletin addresses a 2024 Virginia Court of Appeals decision (see Case No. 0701-23-2, Va. Ct. of App. (11/12/24) and *State Tax Matters*, issue 2024-47, for details on this 2024 decision), which held that the Department's long-standing general policy that a corporation use blended apportionment factors when the corporation is an owner of a pass-through entity (PTE) is "inconsistent with the U.S. Constitution to the extent that such corporation and such PTE do not have a unitary relationship," and provides new Virginia corporate income tax return filing instructions for "impacted corporations." Specifically, the bulletin provides that if there is not a unitary relationship between a corporate owner and the PTE, then PTE income may not be included in the corporation's "Income Subject to Apportionment," Line 3(g) of Virginia Schedule 500A. Similarly, the bulletin provides that the PTE's apportionment factors may not be included in the corporation's apportionment factors, Line 1 or 2 of Virginia Schedule 500A. Instead, to reflect the PTE's income on the Virginia corporate income tax return on a non-blended basis, the bulletin states:

- The corporation's share of the PTE's income must be included on Line 3(b) of Form 500A along with allocated dividend income;
- The corporation's share of the PTE's income from Virginia sources, determined by the PTE using its own apportionment formula as if it were a corporation, must be included on Line 3(i) of Form 500A along with any dividend income allocated to Virginia;
- The box on Line 3(i) of Form 500A must be checked; and
- The corporation's return must include a statement listing the name and "FEIN" of each non-unitary PTE apportioned on a non-blended basis.

Furthermore, the bulletin explains that because this 2024 Virginia Court of Appeals decision represents a "meaningful change" to the Department's general policy, the Department will, for taxable year 2024 and before:

- Not require returns, including amended returns, to be filed in accordance with this new policy; instead, "such returns will be permitted to apply the Department's long-standing blended apportionment policy, even if no unitary relationship exists" and
- Allow returns, including amended returns, to be filed in conformity with the 2024 Virginia Court of Appeals case to reflect this updated guidance.

For additional details, please refer to the October 31, 2025 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"), the Wisconsin Tax Appeals Commission (Commission) 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. In doing so, the Commission referenced a 2019 Wisconsin Court of Appeals decision [see Case No. 2018AP2024, Wis. Ct. App. (10/31/19), for more details on this 2019 decision], and reasoned that there must be a contract in order for end-users of the AP's computer software to have a licensor-licensee relationship with the taxpayer, and given that there was no such contract in this case, the taxpayer does not license its software to the end-users of the AP's computer software. Accordingly, the Commission held that Wis. Stat. §71.25(9)(df) is not applicable to determine the sourcing of the income the taxpayer derives from end-users of the AP's computer software. Additionally, the Commission reasoned that because the purchaser is billed for the intangible product at an address in Wisconsin, under both Wis. Stat. §§71.25(9)(dj) and (dk), 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 December 12, 2025 edition of *State Tax Matters.*

Global Pillar Two Legislative Update Tracker

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

International

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

OECD Pillar Two: Side-by-side package released

On January 5, 2026, the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting ("Inclusive Framework") published details of a "side-by-side package" in relation to the Pillar Two global minimum tax rules ("Pillar Two"). The document includes agreed-upon administrative guidance on a side-by-side system, a permanent simplified effective tax rate (ETR) safe harbor, an extension of the transitional country-bycountry (CbC) reporting safe harbor, and a substance-based tax incentive (SBTI) safe harbor.

For additional details, please refer to the Tax News and Views article dated January 7, 2026.

Notice 2025-78: Guidance on FDDEI exclusions under section 250 following OBBBA

On December 4, 2025, the US Treasury Department and Internal Revenue Service (IRS) released Notice 2025-78, announcing forthcoming proposed regulations under section 250(b)(3) of the Internal Revenue Code (IRC) (the "notice"). The notice addresses the scope of new exclusions from deduction eligible income (DEI) for certain sales or dispositions of property, as introduced by section 70322(a)(1) of P.L. 119-21, 139. Stat. 72 (July 4, 2025) (commonly referred to as "OBBBA"). The proposed rules clarify the treatment of income and gain from the sale or other disposition of intangible property and other depreciable, amortizable, or depletable property for foreign-derived deduction eligible income (FDDEI) purposes and provide anti-abuse guidance and illustrative examples.

For additional details, please refer to the Deloitte tax@hand article dated December 11, 2025.

Notice 2025-72 provides guidance on allocating foreign taxes

On November 25, 2025, the US Department of the Treasury ("Treasury") and the Internal Revenue Service (IRS) issued Notice 2025-72 (the "notice"), providing guidance on the allocation of foreign income taxes following the repeal of Internal Revenue Code (IRC) section 898(c)(2) and announcing forthcoming regulations under IRC section 987. This article summarizes key aspects of the notice, focusing on the types of taxes subject to such allocation and the allocation mechanics, and provides a brief discussion of section 987 transition rules related to the section 987 amortization election and short taxable years.

For additional details, please refer to the Deloitte tax@hand article dated December 3, 2025.

Sourcing borrow fees in securities lending and repo transactions

On October 23, 2025, the US Internal Revenue Service (IRS) released Notice 2025-63 (the "notice") to announce that the Department of the Treasury and the IRS intend to issue proposed regulations providing that certain borrow fees (including negative rebates) paid with respect to a "securities lending transaction" or "sale-repurchase transaction" are sourced based on the recipient's residence, which would be determined in the same manner as under Internal Revenue Code (IRC) section 988(a)(3)(B). Taxpayers may rely on the rules set forth in the notice with respect to such transactions that are entered into before the forthcoming proposed regulations are published (which themselves generally will apply prospectively to taxable years ending after the date on which they are published).

For additional details, please refer to the Deloitte tax@hand article dated October 28, 2025.

Treasury, IRS reverse course for testing domestically controlled QIEs under FIRPTA

On October 20, 2025, the US Department of the Treasury and the Internal Revenue Service (IRS) released for public inspection proposed regulations (REG-109742-25) that make a significant change in how a qualified investment entity (QIE) determines whether it is domestically controlled.

For additional details, please refer to the Deloitte tax@hand article dated October 21, 2025.

Australia

ATO releases updated guidance on advance pricing arrangement program

On October 29, 2025, the Australian Taxation Office (ATO) released updated guidance on the advance pricing arrangement (APA) program in Practice Statement Law Administration PS LA 2015/4, reinforcing the direction of the APA program and better reflecting the ATO's current APA process. The revised guidance provides greater clarity on potential APA eligibility, processes, mutual expectations, and timing. This update to PS LA 2015/4 sits alongside the ATO's latest APA program statistics, public and multinational business tax certainty programs, published on September 18, 2025.

For additional details, please refer to the Deloitte tax@hand article dated November 7, 2025.

Bermuda

Tax Credits Act 2025 and Corporate Income Tax Amendment (No. 2) Act 2025 enacted

On December 11, 2025, the Tax Credits Act 2025 ("Credits Act") and the Corporate Income Tax Amendment (No. 2) Act 2025 ("Amendment Act") were enacted in Bermuda. The enacted legislation follows consultation papers released in September 2025. Both enacted pieces of legislation incorporate amendments made to the draft versions previously included in the September consultation papers.

For additional details, please refer to the Deloitte tax@hand article dated December 23, 2025..

Brazil

Dividend withholding tax legislation enacted

Brazil enacted Law No. 15,270/2025 on November 26, 2025, as a result of the conversion of Bill No. 1,087/2025, introducing a 10% withholding tax on dividends paid to nonresident individuals, nonresident legal entities, and certain resident individuals, effective as from January 1, 2026. Dividends related to profits earned in calendar year 2025 are exempt from taxation, provided their distribution is approved by December 31, 2025, and the dividends are enforceable under civil or corporate law, provided their payment, credit, use, or delivery occurs under the terms originally set forth in the act of approval.

For additional details, please refer to the Deloitte tax@hand article dated November 26, 2025.

Superior Court of Justice allows INE deductions related to prior fiscal years

On November 12, 2025, Brazil's Superior Court of Justice (STJ) delivered a significant decision in favor of taxpayers, ruling that companies can deduct for corporate income tax purposes interest on net equity (INE) distributions calculated based on fiscal years prior to the fiscal year such distributions are approved by a shareholders' resolution. This long-awaited judgment provides clarity for companies and an additional level of comfort in their right to claim such deductions not used in prior fiscal years.

For additional details, please refer to the Deloitte tax@hand article dated November 24, 2025.

France

Special law to guarantee continuity of nation adopted

A special law to guarantee the continuity of the nation was adopted by the French parliament on December 23, 2025.

After strained discussions in the National Assembly and the Senate regarding the 2026 draft finance bill, the Joint Committee failed to reach an agreement on the budget on December 19, 2025. As a result, discussions on the 2026 finance bill were suspended and the French parliament will not be able to adopt a budget before the end of the year.

For additional details, please refer to the Deloitte tax@hand article dated December 23, 2025.

Administrative Supreme Court rules that losses must be offset on a FIFO basis

The French Administrative Supreme Court (Conseil d'Etat) ruled on November 14, 2025, that corporate tax losses carried forward to subsequent fiscal years must be offset against taxable profits in chronological order, with the oldest losses first (i.e., on a "first in, first out" or FIFO basis), against the first available profits (Conseil d'Etat, n°493824).

For additional details, please refer to the Deloitte tax@hand article dated December 10, 2025.

Germany

Federal tax authorities update view on reduced WHT rates under Germany-US tax treaty

The German federal tax authorities have recently introduced an updated view on determining the applicable dividend withholding tax (WHT) rate under the provisions of the Germany-US double tax treaty (DTT) for dividend payments from a German subsidiary to its US parent entity, where the German subsidiary is treated as a disregarded entity (DRE) for US tax purposes (i.e., where a “check-the-box” election is made for US tax purposes to treat the subsidiary as a branch of its US parent entity).

For additional details, please refer to the Deloitte tax@hand article dated December 4, 2025.

Ireland

Finance Bill 2025 published

On October 16, 2025, the Irish government published Finance Bill 2025, setting the legislative framework for the EUR 1.3 billion tax measures announced by the Minister for Finance, Paschal Donohoe, as part of Budget 2026. This bill, notably shorter than in recent years, largely reflects anticipated budget measures while introducing some additional provisions. Together, the bill and Budget 2026 underscore the government’s strategic focus on targeted tax policies designed to support entrepreneurship and innovation, and to address structural challenges such as the housing supply crisis.

For additional details, please refer to the Deloitte tax@hand article dated October 16, 2025.

Revenue publishes guidance on taxability of employer-provided meals

Irish Revenue has published guidance on the taxability of employer-provided meals to staff, which is effective as of October 1, 2025. This has been a topical issue in the context of Revenue interventions over the last number of years and, while clear guidance is certainly welcome, there are some key steps for employers to take to ensure tax-free treatment can be applied.

For additional details, please refer to the Deloitte tax@hand article dated October 1, 2025.

Luxembourg

Parliament approves key tax and social measures for 2026

On December 17, 2025, the Luxembourg parliament adopted, in a first vote, several bills including tax measures that would be effective as from 2026 as the State Council waived the obligation for a second vote on December 19, 2025 (Bill n°8526 creating a tax credit for investments in startups, Bill n°8546 on administrative cooperation, Bill n°8600 on the budget, Bill n°8633 on defense bonds, Bill n°8634 on pensions, and Bill n°8640 on certain tax adjustments linked to the pension reform). The budget bill (Bill n°8600) was subsequently voted and enacted on December 22, 2025. The draft bill on the carried interest regime has not been voted yet given the time needed to better define the potential beneficiaries, further to the request from the State Council. However, it is expected to be voted at the very beginning of 2026 and to still apply for fiscal year 2026, as initially foreseen.

For additional details, please refer to the Deloitte tax@hand article dated December 22, 2025..

Netherlands

2026 tax plan package adopted by Senate

On December 16, 2025, the Dutch Senate approved the following bills that are part of the 2026 tax plan package:

- 2026 tax plan;
- Other tax measures for 2026;
- Second Act amending the Dutch Minimum Taxation Act 2024;
- Implementation of the EU directive on the exchange of top-up tax information returns;
- Differentiation of air passenger tax;
- Amendment of Environmental Management Act relating to carbon border adjustment mechanism; and
- Streamlining right of access for tax purposes

The Retention of Reduced VAT Rate on Culture, Media and Sports Act had already been adopted by both the House of Representatives and the Senate. While most bills will enter into force on 1 January 2026, for various measures a later date of coming into force applies. One example is the differentiation of air passenger tax, which will not be implemented until 1 January 2027.

For additional details, please refer to the Deloitte tax@hand article dated December 19, 2025..

House of Representatives adopts bills from 2026 tax plan package

On November 27, 2025, the Dutch House of Representatives approved the following bills that are part of the 2026 tax plan package:

- 2026 tax plan;
- Other tax measures for 2026;
- Second Act amending the Dutch Minimum Taxation Act 2024;
- Implementation of the EU directive on the exchange of top-up tax information returns;
- Differentiation of air passenger tax;
- Amendment of Environmental Management Act relating to a carbon border adjustment mechanism; and
- Streamlining right of access for tax purposes.

For some of these bills, amendments and motions have been adopted by the House of Representatives, the most important of which is discussed below. The bills will now go to the Senate, which is expected to vote on them on December 16, 2025. The Retention of Reduced VAT Rate on Culture, Media and Sports Act has already been adopted by both the House of Representatives and the Senate.

For additional details, please refer to the Deloitte tax@hand article dated November 28, 2025.

United Kingdom

HMRC updates to Capital Gains Manual

The UK tax authority (HM Revenue & Customs or HMRC) on December 12, 2025, published updates to its Capital Gains Manual to provide guidance on changes announced at Budget 2025 that took immediate effect as of November 26, 2025, HMRC's approach to statutory clearances, and how certain corporate reorganization provisions might apply in the context of international mergers.

For additional details, please refer to the Deloitte tax@hand article dated December 15, 2025.

Accounting Developments

FASB amends guidance on interim reporting

On December 8, 2025, the FASB issued ASU 2025-11, which is intended to improve the navigability of the guidance in ASC 270 and clarify when it applies. Under the amendments, an entity is subject to ASC 270 if it provides "interim financial statements and notes in accordance with GAAP." The ASU also addresses the form and content of such financial statements, adds lists to ASC 270 of the interim disclosures required by all other codification topics, and establishes a principle under which an entity must "disclose events since the end of the last annual reporting period that have a material impact on the entity." As the Board stated in the proposed guidance and reiterates in the ASU, the amendments are not intended to "change the fundamental nature of interim reporting or expand or reduce current interim disclosure requirements."

For additional details, please refer to the Deloitte *Heads Up*, volume 32, issue 18, dated December 8, 2025.

FASB issues guidance on the accounting for government grants

On December 4, 2025, the FASB issued ASU 2025-10, which adds guidance to ASC 83 on the recognition, measurement, and presentation of government grants. In the absence of such guidance, many for-profit entities historically have analogized to other GAAP, including IAS 20 or ASC 958-605, when accounting for government grants. In developing the ASU's recognition and measurement framework, the FASB largely leveraged the guidance in IAS 20.

For additional details, please refer to the Deloitte *Heads Up*, volume 32, issue 17, dated December 4, 2025.

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—May 11–15, 2026 | Live |Las Vegas, NV

More details and registration coming soon!

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.

1633 Broadway
New York, NY 10019-6754
United States