

Monthly US Tax Bulletin

June 2026



Welcome to the June edition of Grant Thornton Bharat's US Tax Bulletin, a monthly guide to keep you informed of key developments across the federal, state, and local tax landscape. In an environment marked by regulatory shifts, economic uncertainty, and increasing complexity, staying informed is crucial to making strategic, compliant decisions. This newsletter is designed to deliver timely, relevant, and actionable insights to help you navigate the evolving tax landscape with confidence.

This edition features curated updates on recent legislative changes, IRS enforcement priorities, and emerging trends. Whether you are navigating corporate tax reform, assessing cross-border implications, or managing compliance challenges, we aim to support your efforts with clarity and precision.

Federal developments in this edition highlight key IRS initiatives and legislative updates, including the introduction of the foreign filer Transmitter Control Code (TCC) registration system to facilitate electronic filing for foreign entities without US taxpayer identification numbers; proposed H1-B visa reforms introducing a wage-based selection framework with stricter hiring requirements for US workers; simplified Form 8308 reporting for partnership interest transfers involving "hot assets"; a settlement programme for conservation easement disputes; and enhanced IRS support initiatives for small businesses during the National Small Business Week 2026, focusing on compliance, fraud prevention, record keeping, business structuring, tax credits, and the adoption of digital tools and educational resources.

Recent state developments cover important updates, such as New Jersey's alignment of the Net Controlled Foreign Corporation Income (NCTI) and the Foreign-Derived Deduction-Eligible Income (FDDEI) terminology, effective 1 July 2026. In addition, Utah extended sales tax to various digital goods and services, including streaming, e-books, and Software as a Service (SaaS), while exempting items already taxed under other state laws to avoid double taxation. Furthermore, Illinois launched a Remote Retailer Tax Amnesty programme for unpaid sales tax liabilities from 2021 to mid-2026, Kentucky eliminated its 200-transaction nexus threshold, and Indiana introduced a 2026 Tax Amnesty programme covering multiple tax types with penalty waivers, supporting taxpayer compliance and revenue collection.

We recognise that tax considerations are integral to broader business strategy. As such, we remain committed to helping you align your tax planning with your organisational objectives, ensuring you are well-positioned to respond to both immediate developments and long-term regulatory shifts.

We trust this edition provides a valuable perspective on the evolving tax and compliance landscape. As we continue to monitor developments at the federal and state levels, our goal is to keep you informed with timely, actionable insights.

Happy reading!



Lloyd Pinto
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A.

Key developments under US federal laws

IRS to launch new Transmitter Control Code (TCC) system to ease electronic filing for foreign filers

On 4 May 2026, the IRS announced the introduction of a Foreign Filer Transmitter Control Code (TCC) Registration System to address access challenges under the new Information Returns Intake System (IRIS). This initiative enables non-US entities, particularly those whose authorised users lack US taxpayer identification numbers (SSNs or ITINs), to obtain a TCC by first securing a Global Intermediary Identification Number (GIIN) and enrolling through the International Data Exchange System (IDES). This development allows such foreign filers to electronically submit Forms 1042-S, 1099, and similar information returns without relying on US TIN-based authentication. As a result, it significantly reduces compliance barriers, minimises dependence on third-party intermediaries, and facilitates a smoother transition from the legacy Filing Information Returns Electronically (FIRE) system, which is being phased out, to IRIS as the mandatory filing platform beginning in 2027. Filers whose authorised users already hold US TINs must continue using the IRIS platform for TCC applications. Further operational guidance is expected from the IRS in due course.

[Issue Number: 2026-06 Foreign Filer Transmitter Control Code Registration System]

Proposed US bill seeks major reform of H-1B visa programme

On 4 June 2026, Congressman Chip Roy (R-TX) introduced the American White Collar Worker Jobs Act of 2026 in the House of Representatives, proposing significant structural reforms to the H-1B visa programme to strengthen protections for the US workforce. The proposed legislation seeks to replace the current lottery-based visa allocation system with a wage-based selection framework that prioritises higher-paid and highly skilled roles. It would also require employers to undertake demonstrable good-faith efforts to recruit qualified US workers before seeking to hire foreign talent and to impose restrictions on

companies that have recently conducted layoffs from employing H-1B visa holders. The proposal also seeks to eliminate certain pathways and programmes currently associated with the H-1B framework. Notably, it restricts the use of H-1B visas as a pathway to permanent residency and calls for eliminating the Optional Practical Training (OPT) programme, with the stated objective of increasing employment opportunities for US STEM professionals.

While supporters view the proposal as a move to curb misuse and protect domestic employment, the bill remains at an early stage, and current H-1B rules continue to apply unless enacted into law.

[The American White-Collar Worker Jobs Act of 2026, sponsored by Congressman Chip Roy, Press Release 4 June 2026]

IRS finalises Form 8308 reporting requirements for partnership interest transfers

On 20 May 2026, the IRS issued final regulations (TD 10048) revising the information reporting requirements applicable to sales or exchanges of partnership interests involving “hot assets”, i.e., unrealised receivables and inventory under the Internal Revenue Code §751(a). The final rules adopt without substantive changes in the proposed regulations issued on 19 August 2025, and are intended to ease compliance burdens for partnerships. Under the revised framework, partnerships are no longer required to furnish the complete Form 8308 - “Report of a Sale or Exchange of Certain Partnership Interests” - details, including Part IV, to transferors and transferees by the 31 January deadline.

Instead, partnerships must provide only key transaction information (Parts I-III of Form 8308) by 31 January of the year following the transfer, or within 30 days of notification. Full reporting, including Part IV relating to “hot assets,” continues to be required when filing Form 8308 as an attachment to Form 1065. These regulations apply to returns filed for taxable years ending on or after 20 May 2026 and are expected to provide practical relief by aligning disclosure timelines with the availability of complete transaction information.

[TD 10048, 20 May 2026]

IRS offers a limited-time settlement programme for conservation easement disputes

On 13 May 2026, the IRS announced a limited-time settlement initiative to resolve ongoing conservation easement disputes outside litigation. The programme allows taxpayers to forgo the claimed charitable deduction and instead claim a deduction limited to their actual out-of-pocket investment, providing a more predictable resolution framework.

This initiative follows widespread scrutiny of conservation easement transactions in which taxpayers claimed substantial deductions for donated land rights. The IRS and courts have identified significant misuse, particularly involving inflated valuations and tax shelter arrangements. In litigation, courts have allowed only a small portion (5–7%) of the claimed deductions, while imposing substantial penalties of up to 40% on underpayments, along with interest. Under the settlement terms, taxpayers have 90 days from receipt of the offer to accept a reduced 10% valuation misstatement penalty. A further 45-day window is available with a 20% penalty, after which the opportunity expires. Interest continues to accrue until full payment is made.

Overall, the initiative offers a pragmatic alternative to protracted litigation, enabling taxpayers to mitigate exposure to potentially higher penalties and the uncertainty of court outcomes.

[IR-2026-65, 13 May 2026]

IRS highlights support for small businesses during National Small Business Week

On 5 May 2026, the IRS announced a suite of resources and initiatives to support small businesses during the National Small Business Week, observed through 9 May. As part of this effort, the IRS is emphasising its continued support for small businesses through a range of tools, guidance, and educational resources. The IRS highlighted key areas of importance for small business owners, including enhanced vigilance against scams, maintaining proper records, choosing the right business structure, and ensuring timely tax compliance. It also encouraged businesses to plan proactively by leveraging available tax credits and deductions and making timely estimated tax payments, particularly for entrepreneurs and gig workers. In addition, the IRS promoted the use of digital tools, such as e-filing and business tax accounts, to simplify compliance, along with preparedness measures to manage risks. Ongoing support through webinars, workshops, and regular tax updates reinforces the IRS's commitment to helping small businesses stay compliant and financially resilient.

[IR-2026-61, 5 May 2026]



B.

Key developments under US state laws

New Jersey aligns terminology for NCTI and FDDEI without changing tax treatment

The New Jersey Division of Taxation revised Technical Bulletin TB-110 on 6 May 2026 to reflect the federal renaming of the Global Intangible Low-Taxed Income (GILTI) and the Foreign-Derived Intangible Income (FDII) as the Net Controlled Foreign Corporation Income (NCTI) and Foreign-Derived Deduction-Eligible Income (FDDEI), respectively. The update does not change the underlying tax treatment. The NCTI continues to be treated as dividend income eligible for the state's dividend exclusion, subject to ownership thresholds and a 5% claw-back provision, (The claw-back provision requires that the taxpayer's entire dividend exclusion to be reduced by 5% of all dividends and deemed dividends received by the taxpayer during the same privilege period) while the IRC §250 deduction remains disallowed and the gross FDDEI is included in the entire net income. The guidance also reiterates existing reporting and allocation rules for both separate and combined filers, making the update administrative in nature.

[New Jersey, TB-110 - Revised 6 May 2026 Tax: Corporation Business Tax]

Utah expands sales tax to digital services under S.B. 162

Effective **1 July 2026**, Utah has extended its sales and use tax regime to cover a broad range of digital goods and services, irrespective of the delivery method. The scope now includes digital audio-visual works, digital audio content, e-books, gaming services, and pre-written computer software.

The tax applies to **both streaming and subscription-based models**, whether for single-use or ongoing access, and regardless of whether content is downloaded or accessed temporarily. It also encompasses software delivered electronically via the "load-and-leave" methods or via seller-hosted platforms, such as Software as a Service (SaaS). Notably, Utah defines seller-hosted pre-written software as software accessed through the internet or a seller's

server, regardless of whether access is permanent or downloads are made. The applicable rate aligns with the general framework, 4.70% state tax (plus 0.15% additional levy), and applicable local taxes.

Importantly, transactions already subject to tax under Utah's **multi-channel video or audio service tax act** remain exempt from sales and use tax, thereby preventing double taxation.

From a compliance standpoint, businesses supplying digital goods in Utah will need to ensure robust systems and accurate record-keeping to apply tax correctly. At the same time, consumers may be required to self-assess use tax where it is not collected at source.

[S.B. 162, 23 March 2026, UTAH]

Illinois launches Remote Retailer Tax Amnesty programme

The Illinois Department of Revenue has introduced a Remote Retailer Tax Amnesty programme for the out of state sellers with unpaid sales tax liabilities. The programme will run from 1 August to 31 October 2026, offering eligible remote retailers a one-time opportunity to regularise past tax liabilities for the period 1 January 2021 through 30 June 2026. Eligible remote retailers can regularise past liabilities by filing returns and paying dues during the amnesty window, in exchange for a full waiver of penalties and interest. To simplify compliance, participants may apply standardised tax rates of 9% for general merchandise and 1.75% for qualifying items, in place of detailed jurisdictional calculations. The state will grant a full waiver of penalties and interest, along with protection from further enforcement actions for the covered periods. To avail the benefit, taxpayers must register, file electronic returns, and pay the full liability (or enter an approved payment plan) within the amnesty window. The initiative is intended to encourage voluntary compliance and provide a streamlined pathway for remote sellers to resolve historical tax exposure.

[Authority: 35 ILCS 120/2 13; Illinois Department of Revenue, FY 2026-28]

Kentucky eliminates the 200-transaction Nexus threshold

The state of Kentucky has enacted **House Bill 757**, introducing significant changes to its economic nexus standards. Effective 1 August 2026, the state will eliminate the 200-transaction threshold, retaining only the USD 100,000 gross receipts threshold for determining the sales tax nexus for remote sellers and marketplace providers. As a result, businesses that were previously required to register solely based on transaction volume should reassess their sales levels in Kentucky to determine their ongoing compliance obligations. Taxpayers falling below the revised threshold may evaluate whether to maintain or discontinue their registrations, subject to applicable considerations. Overall, the legislation reflects Kentucky's efforts to modernise its tax regime by expanding the tax base to digital transactions and strengthening compliance obligations for remote and technology-driven businesses.

[H.B. 757, Kentucky, enacted 14 April 2026]

Indiana introduces 2026 Tax Amnesty programme

The state of Indiana has introduced a Tax Amnesty programme effective from 18 May 2026, applicable to unpaid liabilities across all tax types administered by the Department of Revenue for periods ending before 1 January 2024. Under the programme, eligible taxpayers may settle outstanding liabilities with a full waiver of penalties, interest, fees, and related costs, as well as relief from liens and enforcement actions. **The amnesty window will run from 15 July 2026 to 9 September 2026.** Taxpayers must file electronically and either make a full payment or enter an approved payment plan within this period to qualify. The department has also launched an eligibility tool via the INTIME portal to help taxpayers identify qualifying liabilities. The programme was established pursuant to H.B. 1001 (signed 6 May 2025) and is expected to enhance significant state revenue, following the success of prior amnesty initiatives.

[Indiana Tax Amnesty 2026, 18 May 2026]



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