

Monthly US Tax Bulletin

May 2026



Welcome to the May edition of Grant Thornton Bharat's US Tax Bulletin, a monthly guide to keep you informed about 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 make strategic and 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.

Recent federal developments reflect a clear shift toward greater administrative efficiency, digital modernisation, and enhanced taxpayer certainty across complex tax regimes. The Internal Revenue Service's (IRS) reinstatement of limited "significant issue" rulings marks a pragmatic return to targeted guidance for corporate restructurings, while parallel initiatives such as expanded Business Tax Account access and procedural relief for Employee Retention Credit disputes demonstrate a continued push toward improved taxpayer experience and streamlined compliance. At the same time, proposed updates to information reporting thresholds and the OECD's Global Minimum Tax Implementation Toolkit signal ongoing alignment of domestic and global tax frameworks with evolving economic realities. Collectively, these measures underscore a broader objective of balancing regulatory clarity with reduced compliance burden in an increasingly interconnected tax landscape.

Recent state-level tax developments highlight a continued emphasis on balancing federal conformity with state-specific fiscal priorities. While Ohio and Oregon have moved to align aspects of their tax regimes with evolving federal provisions, they have also preserved targeted adjustments and relief mechanisms to address local policy objectives. In contrast, states such as Maryland and Indiana have reinforced their selective decoupling from federal rules, particularly in areas like depreciation, Net Operating Loss (NOL) utilisation, and international tax provisions, to protect revenue bases and standardise state-specific computations. In addition, Alabama's clarification on the applicability of local tax exemptions underscores the growing focus on administrative clarity and jurisdictional autonomy. Collectively, these updates reflect a broader trend of states refining their tax frameworks to achieve greater consistency, control, and efficiency in compliance within a complex federal landscape.

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 insights that are both timely and actionable.

Happy reading!



Lloyd Pinto
Partner and US Tax Leader
Grant Thornton Bharat

A. Key developments in US federal laws

IRS reintroduces limited “significant-issue” rulings for corporate spin-offs and reorganisations

The IRS has reinstated its practice of issuing private letter rulings (PLRs) on discrete “significant issues” arising in corporate reorganisations and spin-offs through Revenue Procedure 2026-21. Under this renewed framework, taxpayers can seek rulings on specific legal questions rather than the entire transaction, provided the issue is narrowly defined, germane and falls within the jurisdiction of the Associate Chief Counsel (Corporate).

This marks a reversal of the IRS’s 2024 policy, which had discontinued such targeted rulings. The updated approach aims to enhance efficiency and provide taxpayers with greater certainty on key aspects of complex transactions, particularly under corporate liquidations (§332), tax-free transfer of property to a corporation (§ 351), spin-offs, split-offs (§355), corporate reorganisation (§368) or stock-for-stock exchanges (§1036). The move follows feedback from taxpayers and practitioners as well as recommendations from the New York State Bar Association, which highlighted the need to restore confidence in the ruling process. Overall, the reinstatement of “significant issue” rulings is expected to improve access to advanced tax guidance while reducing the time and scope involved in obtaining PLRs.

[IRS Revenue Procedure 2026-21]

OECD releases Global Minimum Tax Implementation Toolkit

The Organisation for Economic Cooperation and Development (OECD) released the Global Minimum Tax Implementation Toolkit on 22 April 2026, providing practical guidance to jurisdictions implementing the Global Minimum Tax (GMT) under the Pillar Two Global Anti Base Erosion (GloBE) rules. Approved by the OECD

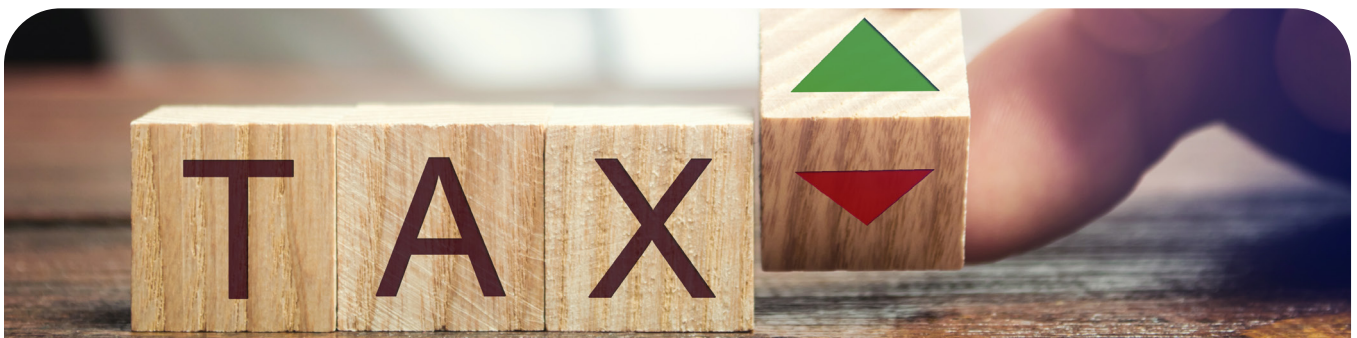
Committee on Fiscal Affairs, the toolkit serves as a modular roadmap covering key aspects of implementation, including identification of in scope multinational enterprise (MNE) groups and GMT revenue, legal adoption of the rules, administrative and IT readiness, compliance procedures and exchange of information. It also explains how jurisdictions may apply the Income Inclusion Rule (IIR), the Undertaxed Profits Rule (UTPR) and the Qualified Domestic Minimum Top Up Tax (QDMTT) to ensure that large MNEs are subject to a minimum level of taxation in each jurisdiction in which they operate. The overall aim is to support consistent, coordinated implementation of the global minimum tax while reducing compliance burdens, improving certainty and minimising the disputes for multinational enterprises and tax authorities alike.

[Global Minimum Tax Implementation Toolkit, 22 April 2026].

IRS introduces extension option for Employee Retention Credit claim disputes

The IRS has announced a new streamlined process on 27 April 2026, allowing taxpayers to request additional time to resolve disallowed Employee Retention Credit (ERC) claims. Taxpayers who have received disallowance notices (Letters 105-C or 106-C) and have six months or less remaining in the statutory two-year period can now fill Form 907 to extend the deadline for administrative review or filing a refund suit. This new option, accessible through the IRS Document Upload Tool, aims to provide relief to taxpayers awaiting appeals review and helps prevent the loss of refund rights due to expiring deadlines. The IRS will review and confirm extension requests in writing, offering taxpayers greater flexibility while maintaining existing compliance procedures.

[IR-2026-58, 27 April 2026]



IRS extends Business Tax Account access to partnerships and government entities

On 6 April 2026, the IRS announced a major expansion of its Business Tax Account (BTA), extending online access to partnerships, tax exempt organisations and federal, state, local, and tribal government entities. Previously, the platform was limited to sole proprietors and corporations. With this expansion, newly eligible organisations can securely manage key federal tax matters online, reducing the need for paper filings or phone interactions. Authorised users can view balances and payment history, make payments, access select notices and transcripts, request compliance checks and review entity information on file. This expansion aligns with the IRS's ongoing efforts to enhance digital services and streamline taxpayers' experience, reducing reliance on paper-based processes and manual interactions.

[IR-2026-46, 6 April 2026]

IRS proposes increased Form 1099 reporting threshold to USD 2,000

On 16 April 2026, the US Treasury Department and the Internal Revenue Service released proposed regulations (REG-113229-25) to align existing information reporting, backup withholding and wagering loss deduction rules with changes enacted under the One Big Beautiful Bill Act (OBBBA). The proposed regulations would raise the general information reporting threshold for payments made during a trade or business from USD 600 to USD 2,000, with inflation indexing beginning after 2026, effective for payments made after 31 December 2025, impacting Forms 1099-MISC, 1099-NEC, W-2, and W-2G and related backup withholding rules. In addition, the proposed regulations amend IRC Section 165 to reflect the OBBBA's limitation of wagering loss deductions to 90% of losses, deductible only to the extent of wagering gains, effective for tax years beginning after 31 December 2025. The IRS stated that the proposed updates are intended to ensure regulatory consistency with current law and reduce taxpayer confusion and comments are requested within 60 days of publication in the Federal Register.

[REG-113229-25]



B. Key developments under US state laws

Ohio Governor signs Senate Bill 9, updating IRC conformity and preserving key return adjustments

Ohio Governor Mike DeWine signed the Substitute Senate Bill 9 on 5 March 2026, updating the state's Internal Revenue Code conformity date to incorporate federal tax changes enacted through 7 March 2025, including those under the OBBBA. The legislation permits taxpayers with tax years ending after 7 March 2025 and before 5 March 2026 to elect to apply the updated federal provisions in their Ohio returns. Ohio continues to decouple from certain federal provisions, requiring add-backs for bonus depreciation under IRC §168(k) and excess §179 expensing, with corresponding deductions allowed over future years. The law took immediate effect under an emergency clause and is intended to maintain conformity while preserving Ohio's existing adjustment framework.

[Senate Bill 9, Ohio]

Maryland limits Federal Bonus Depreciation for state tax purposes

Maryland SB 284 (2026) strengthens the state's decoupling from federal accelerated depreciation provisions by requiring taxpayers to add back bonus depreciation under IRC §168(k) and excess §179 expense, with recovery of these amounts over future years through prescribed adjustments. The legislation removes or restricts prior preferential treatment available to certain manufacturers, thereby extending the decoupling framework more broadly across

taxpayers. It also does not conform to newer federal provisions, such as IRC §168(n), which require depreciation to be computed under standard state rules rather than allowing immediate expensing. Overall, these changes are intended to defer deductions, protect state revenues and create a more uniform approach to cost recovery, resulting in higher Maryland taxable income in early years and increased compliance requirements.

[Senate Bill 284, Maryland]

Alabama proposes new rule on local sales and use tax exemptions

The Alabama Department of Revenue adopted Rule 810-6-4-.21.03 on 16 March 2026 to clarify the application of county and municipal sales and use tax exemptions. Under the rule, any new or amended exemption enacted at the state level applies only to state sales and use taxes and does not extend to local taxes **unless a county or municipality separately adopts the exemption through a resolution or ordinance**. To be effective, the local government must provide notice of such action to the Department by 1 July preceding the exemption's effective date. Local exemptions generally take effect on 1 September of a fiscal year and must specify their duration. In the absence of such an approval, taxpayers will benefit from the exemption only at the state level while remaining subject to local sales taxes. The rule also establishes the procedures for submitting and rescinding exemptions and requires the department to maintain a public list of approved local exemptions.

[Revenue, Alabama Department of New Rule 810-6-4-.21.03 Certification]



Oregon enacts Senate Bill 1510, introducing key corporate and pass through tax updates

On 31 March 2026, Oregon Governor Tina Kotek signed Senate Bill 1510 into law, introducing targeted updates to corporate and pass-through entity (PTE) taxation. The legislation generally becomes effective 91 days after legislative adjournment, subject to specific tax-year provisions.

Key changes include updates to Oregon's corporate tax statutes to align terminology with federal law by replacing references to "global intangible low-taxed income (GILTI)" with "net controlled foreign corporation (CFC) tested income" under IRC §951A. The bill also clarifies the state's Dividends Received Deduction (DRD) framework, allowing a 70% subtraction for qualifying dividends and an 80% subtraction for dividends from corporations with at least 20% ownership, including CFC-tested income. Consistent with federal principles, deductions disallowed at the federal level are not permitted for Oregon tax purposes.

In addition, SB 1510 extends Oregon's elective pass through entity (PTE) tax regime for tax years beginning before 1 January 2028, ensuring the continued availability of this SALT-cap mitigation mechanism, which was previously set to expire at the end of 2025. Under this regime, pass-through entities may elect to pay tax at the entity level, thereby enabling a corresponding federal deduction while providing owners with a credit for the taxes paid on their behalf.

[\[SB 1510, Oregon\]](#)

Indiana advances Net Operating Loss (NOL) and decoupling reforms under Senate Bill 243

On 5 March 2026, Indiana enacted Senate Bill 243, introducing key updates to its corporate tax framework. The law continues to disallow NOL carrybacks while permitting a 20-year carry forward and clarifies that NOLs must be computed using Indiana-specific rules, incorporating state adjustments, such as bonus depreciation add-backs, lower §179 limits, interest limitation adjustments, and research expenditure differences. Indiana also applies limitations similar to IRC §382, following ownership changes, restricting NOL utilisation on a state basis for tax years ending after 4 July 2025.

Indiana maintains its decoupling from federal provisions by allowing immediate expense of specified research and experimental expenditures instead of federal amortisation, with add-backs required where federal treatment differs. The state also does not conform to federal depreciation provisions under §168(k) and certain special depreciation provisions, including §168(n), requiring taxpayers to recompute Indiana's taxable income without such federal deductions. In addition, SB 243 requires a full add-back of the federal §250 deduction, increasing the state tax base for income, such as the Global Intangible Low-Taxed Income (GILTI) and Foreign-Derived Intangible Income (FDII) for tax years beginning on or after 1 January 2026.

[\[Senate Bill 243, Indiana\]](#)



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