

# Monthly US Tax Bulletin

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Welcome to the January 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 for making 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.

The most notable federal tax updates this month include the IRS proposing transition rules in Notice 2025-75 under the One Big Beautiful Bill Act (OBBA), clarifying that certain mid 2025 dividends that do not increase U.S. taxable income will not reduce Subpart F or GILTI inclusions when CFC stock is acquired mid year, for CFC tax years beginning from 28 June 2025 to 1 January 2026. The IRS has finalised the regulations for the 1% Stock Repurchase Excise Tax under IRC §4501, effective 21 November 2025, with specific exceptions for reorganisations, retirement plans, small repurchases, dealers, RICs/REITs, and dividend-treated transactions. The Treasury and the IRS, under Notice 2025-77, have proposed rules to limit foreign tax credits on distributions of previously taxed earnings and profits (PTEP) as specified in §960(d)(4). Furthermore, Notice 2025-78 provides clarifications on the exclusions from deduction-eligible income under IRC §250, defines the scope of intangible and depreciable property, and outlines changes that may reduce the Section 250 deductions, effective 16 June 2025. Lastly, the U.S. Citizenship and Immigration Services (USCIS) has launched the Gold Card Programme, which requires significant donations and online registration, using Form I-140G, for employment-based immigrant visas.

Several states have introduced notable tax changes this month. Tennessee reaffirms adherence to the TCJA bonus depreciation phase-out schedule for excise tax purposes, rejecting the OBBBA's 100% bonus depreciation and requiring adjustments on Schedule J. Minnesota announces non-conformity with federal tax changes after 1 May 2023, including the OBBBA provisions, requiring businesses to use Schedule M4NC to report adjustments for bonus depreciation, research and experimental expenses, interest limitations, and other deductions when filing 2025 returns. New Jersey updates its research and development tax credit rules under the Technical Bulletin (TB) 114, allowing same year deductions and offering a 10% non-refundable credit on qualified research expenses. Compliance requirements include the submission of Form 306. Louisiana issued guidance on the sales tax treatment of transportation charges, specifying when delivery fees are taxable or exempt.

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!

## A.

# Key developments under US federal laws

## IRS proposes transition rule CFC dividend reductions for Subpart F and GILTI under OBBBA

The Treasury Department and IRS have released **Notice 2025-75**, outlining proposed regulations under the OBBBA to govern the transition period for applying Subpart F or GILTI inclusion **Section 951(a)(2)(B)** to CFCs. The transition rule modifies how reductions for dividends are calculated when U.S. shareholders acquire CFC stock during the middle of the year.

Erstwhile U.S. shareholders of CFCs must include **Subpart F income** and **GILTI** in their taxable income. Typically, if stock is acquired mid-year, prior dividends reduce the inclusion amount.

Subject to the transition rule if:

- Dividends paid on or before 28 June 2025, and the shareholder did not own stock during that period, or
- Dividends paid after 28 June 2025 but before the first taxable year starting after 31 December 2025.

will not be treated as dividends (or deemed dividends) for purposes of reducing Subpart F or GILTI inclusion if those dividends do not increase the U.S. taxable income. This occurs when the dividends are excluded or deducted under provisions such as the participation exemption in Section 245A. In such cases, these dividends will be ignored and not counted as a reduction from the inclusion amount.

The proposed regulations apply to CFC taxable years that began on or after 28 June 2025 but before 1 January 2026. Taxpayers may rely on these rules immediately, provided they use them consistently until the final regulations are published.

**[Notice 2025-75]**

## IRS finalises guidance on Stock Repurchase Excise Tax introduced by Inflation Reduction Act

The IRS has finalised regulations under the Internal Revenue Code (IRC) §4501, which take effect on 21 November 2025. These regulations establish the 1% excise tax on corporate stock repurchases introduced by the Inflation Reduction Act of 2022 and apply to publicly traded U.S. companies and certain affiliates that repurchase stock after 31 December 2022.

Exceptions to the Stock Repurchase Excise Tax:

- **Qualifying reorganisations:** Repurchases as part of a Section 368(a) reorganisation with no gain or loss to shareholders.
- **Retirement plans and ESOPs:** Repurchased stock (or equivalent value) contributed to employer-sponsored retirement plans or ESOPs.
- **Small repurchases:** No tax if the total repurchased stock value during the taxable year does not exceed USD 1 million.
- **Securities dealers:** Repurchases by dealers in the ordinary course of business.
- **RICs and REITs:** Repurchases by regulated investment companies or real estate investment trusts.
- **Dividend treatment:** Transactions treated as dividends for tax purposes.

Corporations must compute the tax based on the fair market value of repurchased shares, apply exceptions and netting adjustments (which reduce the tax base by the fair market value of the stock issued during the taxable year), and comply with new reporting requirements on Form 7208.

**[Department Of The Treasury, Internal Revenue Service, TD 10037]**

## Treasury and IRS propose rules to limit foreign tax credit on previously taxed earnings and profits (PTEP) distributions

The IRS and Treasury have published Notice 2025-77 to issue guidance on the proposed regulations under § 960(d)(4), (Deemed paid credit for taxes properly attributable to tested income) introduced by the OBBBA. These rules affect the U.S. shareholders of CFCs by limiting foreign tax credits on certain distributions of previously taxed earnings and profits (PTEP). Specifically, when income is excluded under §959(a), which generally removes the amounts previously taxed under Subpart F or GILTI, the foreign taxes tied to those distributions will not be entirely creditable. The notice clarifies that §960(d)(4) applies to foreign taxes related to PTEP from §951A inclusions in tax years ending after 28 June 2025. To implement this, the IRS will create separate PTEP groups for pre- and post-28 June 2025 inclusions, with only the latter subject to a 10% foreign tax credit disallowance. The rule applies to the U.S. shareholders' tax years ending after 28 June 2025, even if the CFC earned the income earlier.

**[Notice 2025-77]**

## IRS proposes reduced Foreign-Derived Income Deduction (IRC §250) for corporations

On 4 December 2025, the IRS issued Notice 2025-78, previewing proposed regulations under IRC §250 following amendments introduced by the One Big Beautiful Bill Act of 2025 (OBBA). The guidance clarifies exclusions from deduction-eligible income (DEI), including income and gains from the sale or disposition of intangible property and other depreciable, amortisable, or depletable property. Licenses and leases for foreign use remain eligible for foreign-derived deduction eligible income (FDDEI). The notice also defines the scope of excluded property, addresses treatment within consolidated groups, and introduces an anti-abuse rule for related party transactions. These proposed changes apply to transactions after 16 June 2025, but taxpayers may rely on the notice immediately if applied consistently, potentially reducing Section 250 deductions for domestic corporations in 2025 and beyond.

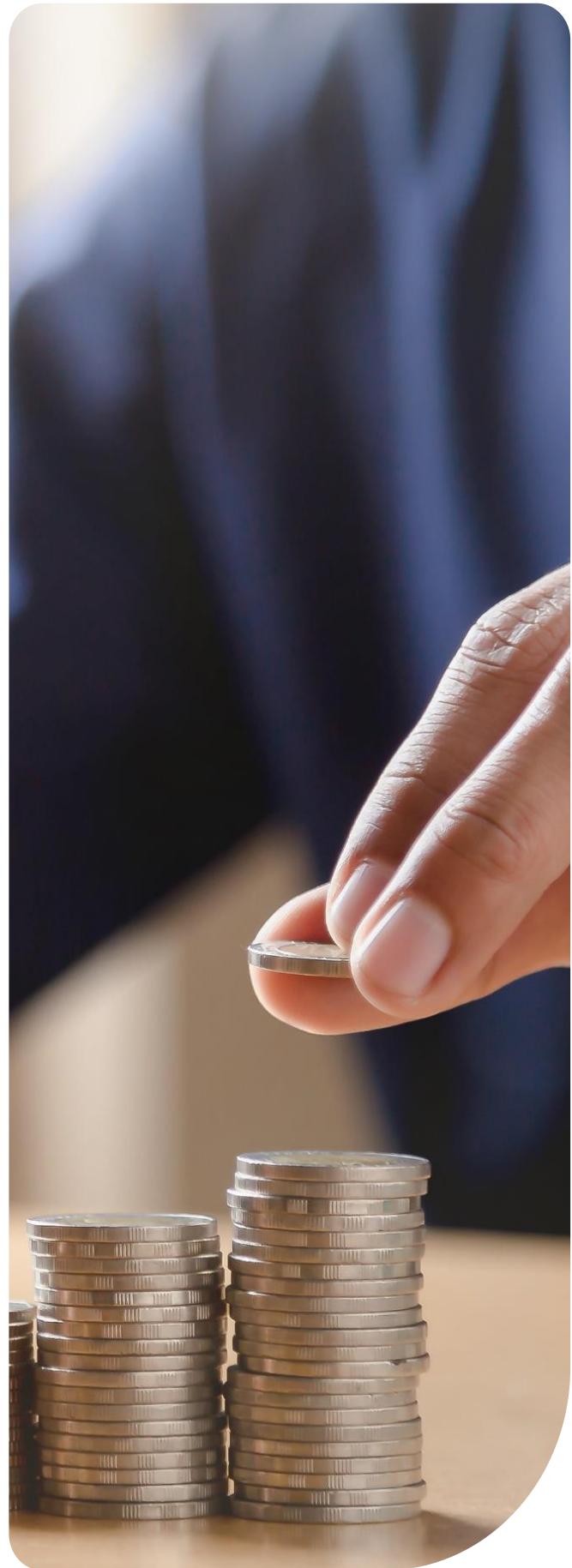
[Notice 2025-78]

## Form I-140G released: Key steps for Gold Card immigration

On 10 December 2025, the U.S. Citizenship and Immigration Services (USCIS) published Form I-140G, Immigrant Petition for the Gold Card programme, an employment-based pathway to permanent residence created under Executive Order 14351. The U.S. Department of Homeland Security has launched the Gold Card Program under Executive Order 14351. It was signed by President Donald Trump on 19 September 2025 and was published in the Federal Register on 24 September 2025. The executive order established the requisite gift amounts of USD 1 million for an individual donating on their own behalf and USD 2 million for a corporation or similar entity donating on behalf of an individual, respectively. This programme is offering employment-based immigrant visas to individuals of extraordinary or exceptional ability.

The USCIS website notes that registration on trumpcard.gov is required before filing Form I-140G. After registration, the USCIS will notify the submitter to proceed with filing Form I-140G online. The process begins with filing Form I-140G, which must be completed accurately and signed electronically through a USCIS Online Account. Each application requires a non-refundable filing fee of USD 15,000 per person. Providing false or incomplete information can result in denial and severe penalties, making accuracy and compliance essential throughout the process.

[ I-140G, Immigrant Petition for the Gold Card Programme, 12/10/2025 ]



## B.

# Key developments under U.S. state laws

## Tennessee maintains alignment with the Tax Cuts and Jobs Act (TCJA) Bonus Depreciation Schedule

On 1 December 2025, Tennessee issued the important Notice No. 25-36, reaffirming that the state remains aligned with the Tax Cuts and Jobs Act (TCJA) bonus depreciation provisions under the Tennessee Works Tax Act.

For excise tax purposes, taxpayers must apply the TCJA phase-out schedule: 80% for assets acquired in 2023, 60% in 2024, 40% in 2025, 20% in 2026, and 0% thereafter. Although the federal OBBBA now allows 100% bonus depreciation for qualified property acquired after 19 January 2025, Tennessee has not adopted this change. Taxpayers must continue using the TCJA schedule for excise tax purposes and make adjustments on Schedule J of their excise tax returns. In addition, Tennessee does not permit bonus depreciation for qualified production property, despite the federal allowance under the OBBBA.

[Tennessee Important Notice No. 25-36, 12/01/2025]

## Minnesota issues guidance on federal tax law non-conformity for 2025

Minnesota has not adopted federal tax law changes enacted after 1 May 2023, including provisions from the 2025 Federal Tax Budget and Reconciliation Bill (H.R. 1) and the OBBBA. This creates non-conformity, which means businesses must restore prior law treatment when filing Minnesota returns. To address this, taxpayers must use Schedule M4NC to report the adjustments between federal taxable income under current law and Minnesota's conformity to the Internal Revenue Code as of 1 May 2023. Key adjustments include full expensing for bonus depreciation property, research and experimental expenditures, modifications to business interest limitations, and other changes affecting deductions and credits. Taxpayers must compute these differences and include the schedule when filing Form M4 for the tax year 2025.

[2025 Federal Non-conformity Minnesota Department of Revenue]

## New Jersey Updates Research and Development Credit Rules for Businesses

On 25 November 2025, the New Jersey Division of Taxation updated its guidance on the state's research and development (R&D) tax credit under the Technical Bulletin TB-114. For privilege periods beginning on or after 1 January 2022, the Corporation Business Tax (CBT) taxpayers can deduct qualifying New Jersey research expenditures in the same year the credit is claimed, regardless of federal timing rules. Taxpayers can claim a credit equal to 10% of qualified research expenses and basic research payments for work performed in New Jersey, following the same method used for federal credit calculations as per IRC §41 (Regular Credit Method or Alternative Simplified Credit (ASC) Method, as applicable). The credit is non-refundable with a 7-year carryforward (15 years for certain industries). The bulletin also clarifies the rules for combined groups, partnerships, S corporations, and cannabis businesses, as well as substantiation requirements. Additionally, it addresses timing differences under the OBBBA and confirms that credits cannot reduce tax below the statutory minimum. For New Jersey CBT purposes, taxpayers claiming the R&D credit must complete Form 306 and submit it with their original timely filed return or an amended return to comply with the documentation requirements.

[New Jersey Division of Taxation Technical Bulletin No. TB114(r), 11/25/2025]

## Louisiana issues Revenue Information Bulletin clarifying Sales Tax rules on transportation charges

The Louisiana Department of Revenue has issued a bulletin clarifying the taxability of transportation charges under the state and local sales and use tax laws. The Louisiana Department of Revenue has issued a Revenue Information Bulletin (RIB) to clarify the application of state and local sales and use taxes to transportation charges (including shipping, freight, and delivery) in transactions involving the sale or purchase of tangible personal property, digital products, leases and rentals, and services.

For tangible personal property and digital products, delivery charges billed by the seller are taxable, even if separately stated, unless a third-party carrier is contracted and the seller does not charge the purchaser. For leases and rentals, separately stated delivery charges are not taxable, as they are excluded from gross proceeds. Similarly, transportation charges related to taxable services are exempt from sales tax. If the underlying transaction is exempt, then the associated transportation charges are also exempt.

[Revenue Information Bulletin No. 25-025]

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