Monthly US Tax Bulletin

August 2026

Welcome to the August 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 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, Internal Revenue Service (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 tax developments featured in this edition include proposed Treasury regulations addressing the transition from the repeal of the Internal Revenue Code (IRC) §898(c)(2) one-month deferral election and the foreign tax credit disallowance under IRC §960(d)(4). This edition also covers Financial Crimes Enforcement Network's (FinCEN) final rule permanently exempting US companies and US persons from Beneficial Ownership Information (BOI) reporting requirements under the Corporate Transparency Act and the planned deletion of previously-reported BOI data associated with US persons. This edition highlights the IRS and Security Summit's warning to tax professionals regarding evolving phishing and cybersecurity threats, along with IRS guidance on the enhanced employer tax credit for paid family and medical leave. Additional updates cover Form 990 filing relief for certain foreign Fédération Internationale de Football Association (FIFA) member associations participating in the FIFA World Cup 2026, expanded digital self-service capabilities under the IRS Business Tax Account and proposed legislation that would extend the wash sale and constructive sale rules to digital assets.

On the state tax front, this edition highlights New Jersey's proposed temporary limitation on corporate net operating loss (NOL) deductions, Delaware's increase in business entity taxes and filing fees and Alabama's exclusion of separately stated credit card processing fees from the sales and use tax base. This edition also covers Nevada's proposed Voluntary Disclosure Program (VDP) enhancements and New Hampshire's enacted Business Enterprise Tax (BET) relief measures aimed at reducing tax burdens for qualifying businesses.

We recognise that tax considerations are integral to broader business strategy. As such, we remain committed to help 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
Partner and US Tax Leader
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A.

Key developments under US federal laws

Treasury proposes rules for §898(c) transition relief and GILTI-related foreign tax credit disallowance

On 3 August 2026, Treasury and the IRS have issued proposed regulations implementing two international tax provisions enacted under the One Big Beautiful Bill Act (OBBBA). The guidance addresses the transition rules following the repeal of the IRC §898(c)(2) one-month deferral election and the new IRC §960(d)(4) foreign tax credit (FTC) disallowance rule. While retaining the frameworks established in Notices 2025-72 and 2025-77, the proposed regulations introduce several new taxpayer elections under §898, providing additional flexibility in allocating foreign taxes and managing transition-year FTC outcomes. Some of the key aspects of the proposed regulations include:

- The proposed §898(c) regulations adopt the approach outlined in Notice 2025-72 and introduce additional elections to address the mismatch between foreign taxes and related income arising from the mandatory short tax year.
- The new elections provide greater flexibility in allocating foreign taxes, including certain partnership-level taxes and succeeding-year taxes.
- The proposed regulations under IRC §960(d)(4) incorporate the guidance in Notice 2025-77 and clarify the application of the new 10% FTC disallowance for certain foreign taxes associated with distributions of Global Intangible Low-Taxed Income (GILTI)-related previously taxed earnings and profits (PTEP).
- Taxpayers will need to separately track pre- and post-28 June 2025 GILTI PTEP pools to determine the applicability of the disallowance rule.

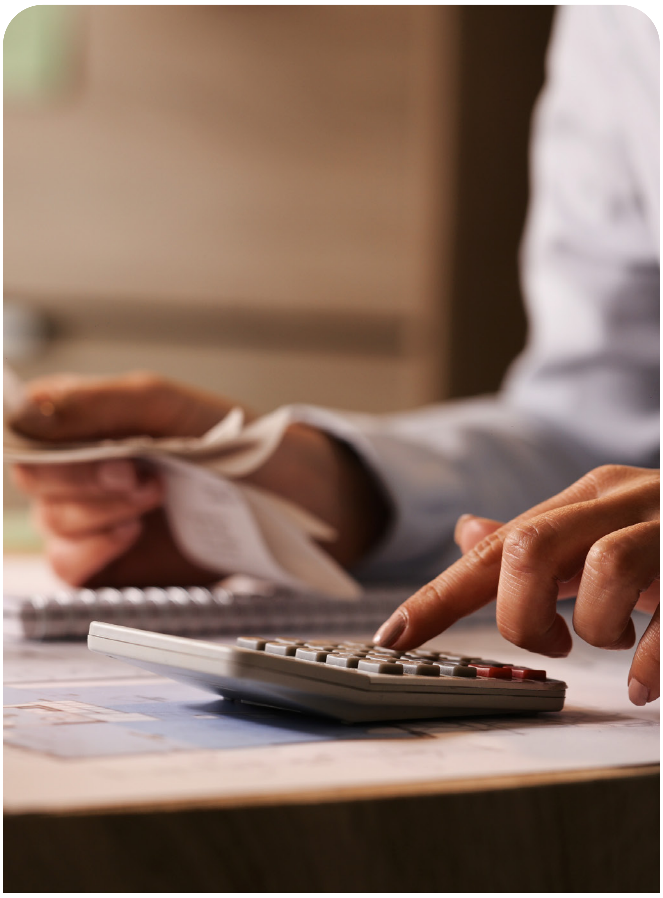
The proposed regulations provide greater certainty on the OBBBA's international tax changes while introducing compliance and tracking requirements that could affect foreign tax credit utilisation for multinational groups.

[REG-115145-25, 3 August 2026]

FinCEN permanently ends Beneficial Ownership Information Reporting for US companies

On 11 August 2026, the US Department of the Treasury's FinCEN issued a final rule permanently exempting US companies and US persons from BOI reporting requirements under the Corporate Transparency Act (CTA). The rule also directs FinCEN to delete previously-reported BOI associated with US persons from its database. Foreign entities that qualify as reporting companies will continue to be required to report beneficial ownership information for foreign individuals. The final rule also provides additional relief for US persons holding FinCEN identifiers and foreign entities with US company applicants, further reducing compliance obligations for small businesses and individuals.

[US Department of the Treasury Press Release (11 Aug.2026); FinCEN News Release, "FinCEN Permanently Ends Beneficial Ownership Reporting Requirements for Millions of Small Business Owners" (11 August 2026)]



Security Summit and IRS alert tax professionals to phishing threats

The IRS and its Security Summit partners have cautioned tax professionals to remain vigilant against phishing emails, smishing texts, spear phishing, clone phishing, whaling attacks and other cyber schemes aimed at stealing sensitive taxpayer information. As part of the "Protect Your Clients; Protect Yourself "campaign, the IRS highlighted common warning signs of phishing attempts, including unexpected messages, suspicious links, urgent requests and misleading email addresses.

The IRS also reinforced the importance of implementing the **"Security Six"** safeguards: anti-virus software, firewalls, multi-factor authentication, data backups, drive encryption and virtual private networks (VPNs). Tax professionals experiencing a data breach or security incident are encouraged to promptly notify their IRS Stakeholder Liaison and the appropriate state tax authorities.

[IR-2026-85, 4 August 2026]

IRS issues guidance on expanded paid family and medical leave tax credit

On 5 August 2026, the Treasury Department and the IRS issued Notice 2026-28, providing guidance on the enhanced employer tax credit for paid family and medical leave (PFML) under the Working Families Tax Cuts (WFTC). Beginning in 2026, eligible employers may claim a tax credit ranging from 12.5% to 25% for qualifying PFML benefits provided for up to 12 weeks per employee annually. The guidance expands eligibility to employees with at least six months of service, including certain part-time employees working 20 or more hours per week and allows employers to claim the credit based on qualifying insurance premiums in addition to wages paid during leave. It also clarifies that leave provided under state or local mandates may be considered in determining eligibility for the federal credit, although such leave does not count toward the credit calculation. The IRS indicated that proposed regulations will be issued to provide additional guidance on implementing the expanded credit.

[Notice 2026-28, IR-2026-86, 5 August 2026]

IRS reduces compliance burden for associations participating in FIFA World Cup 2026

On 24 July 2026, the IRS issued Revenue Procedure 2026-28, providing Form 990 filing relief to certain FIFA member associations participating in the FIFA World Cup 2026. Under the guidance, eligible foreign participating member associations (PMAs) exempt from federal income tax under IRC §501(a) are not required to file annual information on Form 990, Return of Organization Exempt From Income Tax, for taxable years in which they have no US source income or effectively connected income other than income derived from participation in the tournament, such as FIFA prize money and related promotional income.

The relief, effective 24 July 2026, applies to taxable years beginning on or after 1 January 2025. The IRS noted that the exemption is intended to reduce compliance burdens for qualifying foreign PMAs with limited and temporary US activities related to the FIFA World Cup 2026. The relief does not apply to private foundations or organisations described in IRC §509(a)(3).

[Revenue Procedure 2026-28, 24 July 2026]

IRS expands Business Tax Account with new digital self-service features

In July 2026, the IRS released Fact Sheet FS-2026-11, announcing expanded functionality for its Business Tax Account (BTA), providing eligible businesses and organisations with enhanced self-service tools to manage their federal tax obligations online. New features include access to a growing library of digital IRS notices, the ability to download Employer Identification Number (EIN) verification notices, view installment agreement details and make payments toward accepted Offer in Compromise settlements. In addition, the IRS has broadened BTA eligibility to include a wider range of entities, such as sole proprietors with EINs, qualifying partners and shareholders, S corporations, C corporations, government and tribal entities and tax-exempt organisations, further expanding access to digital tax administration services.

[IRS, Fact Sheet FS-2026-11, July 2026]

US House Bill would extend wash sale and constructive sale rules to digital assets

On 8 June 2026, Representative Jodey Arrington introduced H.R. 9172, the “Applying Existing Tax Anti-Abuse Rules to Digital Assets Act,” which would extend the existing wash sale and constructive sale rules to digital assets, including cryptocurrencies. Key provisions of the bill include:

- Applying the wash sale rules under IRC §1091 to digital assets, potentially disallowing losses were substantially identical assets are repurchased within 30 days.
- Extending the constructive sale rules under IRC §1259 to certain appreciated digital asset positions.
- Treating certain tokenized and wrapped digital assets as substantially identical to economically equivalent assets for anti-abuse purposes.
- Excluding certain qualified US dollar stablecoins and providing an exception for digital assets acquired through validation activities such as staking and mining.

If **enacted,** legislation would align the tax treatment of digital assets more closely with that of traditional financial assets and limit tax-loss harvesting opportunities involving cryptocurrency transactions. assets and limit tax-loss harvesting.

[H.R. 9172, Applying Existing Tax Anti-Abuse Rules to Digital Assets Act, 8 June 2026]

B.

Key developments under US state laws

New Jersey proposes temporary cap on Net Operating Loss (NOL) deductions

New Jersey lawmakers have advanced Assembly Bill A5322, which would temporarily limit the use of NOL deductions for Corporation Business Tax (CBT) purposes. Under the proposal, taxpayers other than public utilities would be limited to claiming up to USD 1 million of NOL deductions per privilege period for periods ending on or after 31 July 2026 and before 31 July 2030, with the cap prorated for short taxable periods. The bill would allow taxpayers to utilise previously disallowed NOL deductions in later periods, subject to certain restrictions and would extend the carry forward period for affected NOLs by an additional six privilege periods. If enacted, the measure would accelerate CBT collections in the near term while preserving taxpayers' ability to benefit from deferred NOL deductions over time.

[Assembly Bill A5322, New Jersey]

Delaware adopts higher fees and entity taxes

Delaware has enacted House Bill 400, which increases a wide range of Division of Corporations filing fees and annual taxes. Effective 1 August 2026, the legislation raises caps on expedited filing fees and increases several corporate filing charges, while annual taxes for partnerships and LLCs increase from USD 300 to USD 400 (with certain provisions effective 1 January 2026). The measure is intended to generate additional state revenue and may increase compliance and transactional costs for businesses organised or registered in Delaware.

[House Bill 400, Delaware, 21 May 2026]

Alabama excludes credit card processing fees from sales tax base

Alabama has enacted SB 221 (Act 2026-587), which excludes separately stated credit card transaction fees from the sales and use tax base for electronic payment transactions, effective 1 September 2026. The exclusion applies to fees charged to recover interchange and payment processing costs associated with credit and debit card transactions. The legislation also directs the Alabama Department of Revenue to issue guidance on implementation. Businesses that impose credit card processing fees should review their invoicing, point-of-sale and tax calculation systems to ensure eligible fees are separately identified and properly excluded from taxable sales once the new rules take effect.

[SB 221 (Act 2026-587), Alabama]

Nevada proposes additional changes to voluntary disclosure program

On 18 June, 2026, the Nevada Tax Commission proposed amendments to its VDP, expanding the program to additional taxes and fees, including the Modified Business Tax. The proposal would require electronic filing through the department of taxation's portal, prohibit anonymous applications and require taxpayers to identify themselves and any authorised representatives.

Accepted taxpayers generally must file delinquent returns, pay estimated taxes and provide requested information within 90 days, with a one-time extension of up to 90 additional days available in certain cases. The proposal also formalises an eight-year lookback period and establishes defined timelines for payment, penalty relief and appeals, providing greater certainty for taxpayers seeking to resolve historical Nevada tax liabilities.

[Proposed Regulation of the Nevada Tax Commission, Legislative Counsel Bureau File No. R140-26I 18 June 2026]

New Hampshire enacts Business Enterprise Tax (BET) relief measures

On 10 July 2026, New Hampshire enacted HB 155-FN, introducing significant changes to its Business Enterprise Tax (BET) regime, effective 1 January 2027. The legislation increases the BET filing threshold from USD 250,000 to USD 400,000 for both gross business receipts and enterprise value tax base, with biennial inflation adjustments beginning in 2029. The legislation also introduces an automatic BET rate reduction mechanism tied to certified business tax revenue surpluses, subject to a minimum rate of 0.25%. The changes are intended to ease compliance burdens on smaller businesses while providing a framework for future tax relief when state revenues exceed projections.

[HB 155-FN, 10 July 2026, New Hampshire]

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