

Monthly US Tax Bulletin

November 2025



Welcome to the November 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 are that the IRS has extended the Form 6765 feedback period for claiming credit for increasing research activities, keeping Section G optional for 2025 and mandatory from 2026, with limited exceptions. The original Form 1099-K reporting threshold has been reinstated, easing the compliance for payment platforms. The IRS proposes relief for reporting on Form 8308 by limiting early disclosure to basic transaction details and "hot assets" information, which will be deferred to the annual Form 1065 and Schedule K-1. The IRS has withdrawn proposed rules on corporate separations and multi-year reporting, reverting to pre-2024 guidance until the revised guidance and procedures are issued. The IRS has withdrawn its proposed §382(h) rules on computing built-in gains and losses after ownership changes and will issue new guidance for the method of computation. In the meantime, companies may continue using the methods as outlined in Notice 2003-65.

Several states have introduced notable tax changes this month. New York will require LLCs to report beneficial ownership commencing in January 2026. California has updated its tax conformity date but continues to diverge from federal rules on interest deductions, special depreciation, research and experimental (R&E) expenses, net operating losses, the research and development credit (R&D), and the alternative minimum tax. Florida repealed the sales tax on commercial rents while Maine adopted new rules for taxing lease payments on tangible personal property. The New Jersey Division of Taxation has launched a Tax Mediation Pilot programme to assist taxpayers in resolving audit controversies involving the Corporation Business Tax (CBT) and Sales and Use Tax (SUT).

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
E: Lloyd.pinto@in.gt.com



A

Key developments under US federal laws

The IRS extends the period for feedback on Form 6765, allowing Section G to be optional for all filers for tax year 2025

The IRS has extended the comment period for the draft instructions of Form 6765, Credit for Increasing Research Activities, through 31 March 2026, following stakeholder requests for additional time. The final instructions for tax year 2025 are expected to be released in January 2026. While feedback continues, Section G Business Component Information will remain optional for tax year 2025. From tax year 2026, it becomes mandatory, with limited exceptions for Qualified Small Businesses and certain low revenue filers. The IRS has also extended the research credit claim transition period, which gives taxpayers 45 days to perfect a research credit claim for refund before the IRS's final determination on the claim, through 10 January 2027. To be eligible for the IRS review, any research credit refund claim postmarked after 18 June 2024 must include specific supporting information. Taxpayers must identify all business components related to the Section 41 research credit for the applicable tax year and describe the research activities conducted for each component. In addition, the claim must include the total qualified expenses for the year, which encompass employee wages, supply costs, and contract research expenses. This information can be reported using Form 6765, Credit for Increasing Research Activities.

[IRS News Releases. IR-2025-99, 1 October 2025]

One, Big, Beautiful Bill Act (OBBBA) reinstates original 1099-K threshold

The OBBBA retroactively restored the original Form 1099-K reporting threshold that existed before the American Rescue Plan Act of 2021 (ARPA). Under this rule, a Third-Party Settlement Organisation (TPSO) is only required to file Form 1099-K if payments to a payee exceed USD 20,000 and involve more than 200 transactions in a calendar year.

Under the ARPA threshold, TPSOs, which are a type of payment settlement entity (PSE), were required to file Form 1099-K for any payee who received over USD 600 in total payments for goods or services, regardless of the number of transactions.

[FS-2025-08, IRS revises & updates Form 1099-K FAQs]

IRS proposes relief to Form 8308 for partnerships reporting “Hot assets” transfers

IRS Form 8308, “Report of a Sale or Exchange of Certain Partnership Interests,” is used by partnerships to report transfers involving “hot assets”, such as unrealised receivables or inventory items as defined under IRC §751(a). Partnerships involved in § 751(a) exchanges must file Form 8308 with their annual Form 1065 and provide copies to both the transferor and transferee partners by 31 January of the following year or within 30 days of knowing about the transaction.

On 19 August 2025, the IRS issued proposed regulations (REG-108822-25) to ease the reporting requirements for Form 8308. The proposal eliminates the need for partnerships to furnish Part IV (hot asset details under Section 751(a)) by 31 January following a transaction. Instead, **only Parts I-III (basic transaction details) must be provided by 31 January or within 30 days of notice.** Part IV would now be reported with the partnership's Form 1065 and included in the Schedule K-1 to be sent to the transferor. The proposed regulations would also modify §1.6050K-1(c)(1) by removing the reference to a “completed copy of Form 8308” and replacing it with a reference to “a copy of Form 8308 filled out in accordance with the instructions to the form.” In addition, the Treasury Department and the IRS would update the instructions for Form 8308 to specify that only the information in Parts I, II, and III is required by the due dates specified in Section 6050K.

The proposed amendment to §1.6050K-1(c)(1)(i) would apply to returns for tax years ending on or after the date the final regulations are published. However, partnerships may rely on



the proposed rules for Section 751(a) exchanges that occur between 1 January 2025 and the final publication date.

Recognising that many partnerships may not have complete data by the 31 January deadline, the IRS issued Notice 2024-19 on 11 January 2024 & Notice 2025-2 on 13 December 2024, granting penalty relief under § 6722 for calendar year 2023 and 2024 exchanges. This **relief is limited to furnishing requirements and does not extend to filing Form 8308** with Form 1065 or to the transferor partner reporting obligations.

[REG-108822-25]

IRS withdrawal of spinoff regulations eases some corporate burden

On 30 September 2025, the IRS formally withdrew two proposed regulations originally published on 16 January 2025:

- **REG-112261-24**, addressing non-recognition of gain or loss in corporate separations, incorporations, and reorganisations under Sections 355, 357, 361, and 368.
- **REG-116085-23**, which would have imposed **multi year reporting requirements** for such corporate separations

With this withdrawal, the IRS has reverted to its pre-2024 guidance and procedures, easing compliance burden on corporations and their stakeholders, particularly around spin-offs and reorganisations. Although the **IRS mandates taxpayers to maintain thorough documentation of**

transactions, they can now proceed without adhering to the previously proposed requirements. Looking ahead, while the IRS may develop more rigorous regulations in the future, taxpayers should stay informed and carefully support their corporate structuring strategies to withstand potential scrutiny in these areas.

[[federalregister.gov- 2025-19018.pdf](https://www.federalregister.gov/2025-19018.pdf) IRB 2025-42 (Rev. 10-14-2025)]

IRS withdraws proposals on Section 382(h) on built-in gains and losses

On 2 July 2025, the IRS and Treasury officially withdrew the two proposed regulations under Section 382(h) that referred to the built-in items of income, gain, deduction, and loss considered by a loss corporation after an ownership change. REG-125710-18, which was issued on 10 September 2019 and 14 January 2020 - these proposals adopted mandatory safe harbour methods for calculating built-in gains and losses, including the Section 1374 approach, and introduced several administrative changes. Due to significant feedback, the IRS has withdrawn both sets of proposed rules. Taxpayers may continue to rely on Notice 2003-65 for ownership changes until new regulations are issued, allowing the adoption of either the Section 1374 approach (actual recognition of gains/losses over time) or the Section 338 approach (a hypothetical asset sale at the time of ownership change) for determining built-in items.

[[90 FR 28946/ Bulletin No. 2025-30, REG-125710-18, page 263](https://www.irs.gov/irb/2025-30/REG-125710-18)]



B

Key developments under US state laws

Beneficial Ownership Reporting mandatory for New York LLCs

Beginning 1 January 2026, the New York LLC Transparency Act (NY LLCTA) will require most LLCs formed or authorised to do business in New York to disclose beneficial ownership information (BOI) to the Department of State.

The bill amends the definitions of the terms “beneficial owner”, “reporting company”, and “exempt company” to set the scope of specific provisions relating to beneficial owners of limited liability companies. It authorises the Department of State to further clarify any such definitions.

On 17 June 2025, the New York State legislature passed Senate Bill 8432 that would require non-exempt foreign and domestic LLCs to report beneficial ownership information to the Department of State.

This reporting requirement in the state takes effect on 1 January 2026 and applies to non-exempt LLCs, which are required to disclose their beneficial owners. For new entities, this reporting is applicable at the time of formation. For existing LLCs, compliance is required by 1 January 2027. The Act introduces a new compliance requirement for businesses, with potential penalties for non-compliance.

[Senate Bill 8432, LLC Transparency Act: Laws of 2023, Chapter 772 power point]

California updates corporate tax rules to align with federal standards

Senate Bill 711 (SB 711), enacted on 2 October 2025, amends California's Revenue and Taxation Code by updating the conformity reference date to the federal Internal Revenue Code (IRC) from 1 January 2015 to 1 January 2025. This change, effective for taxable years beginning on or after 1 January 2025, aligns California Corporation Tax Law with federal provisions enacted during that period, except where specifically excluded or modified by state law.

Legislative highlights not conforming to federal law at a glance:

- The state does not conform to **business interest limitation** (§ 163(j)); therefore, the federal limitation on business



interest deductions is not applicable under the California tax law.

- The state continues to conform to the 1 January 2015 version of IRC Section 174, allowing immediate deduction of **research and experimental (R&E) expenditures**.
- **Bonus depreciation** continues to follow its policy of non-conformity with federal bonus depreciation provisions under the Internal Revenue Code.
- California continues to diverge from the federal treatment of **net operating loss (§172)**, as well as federal carryback and carry-forward limits.
- **The Corporate Alternative Minimum Tax (CAMT)** retains the federal alternative minimum tax provisions as they existed on 1 January 2015, thereby decoupling from the current federal CAMT, which imposes a minimum tax based on adjusted financial statement income for applicable corporations.
- **California's research credit** has been overhauled to allow taxpayers to elect the Alternative Simplified Credit method under IRC § 41(c)(4), with reduced state percentages for qualified research expenses of 3% and 1.3% in place of the federal 14% and 6%.

[Senate Bill 711]

Florida repeals sales tax on commercial rents

Effective 1 October 2025, the state sales tax imposed on rent or license fees for the use of real property (commercial rentals of office space, retail units, warehouses, and self-storage facilities) under Section 212.031, Florida Statutes (F.S.), is repealed with the enactment of House Bill 7031.

However, sales tax and applicable surtax will still apply to rent or license fees for occupancy periods through September 2025, even if the payment is made after 1 October. In addition, the repeal does not affect taxes imposed under Section 212.03 of the Florida statutes, which continue to apply to the transient accommodations of six months or less, parking or storage spaces for motor vehicles, docking or storage for boats, and tie-down or storage for aircraft.

As a result of this repeal, no new credit allocations under the Florida Tax Credit Scholarship programme for commercial rentals will be issued after 1 July 2025. Lessees may still use the credits earned before that date to offset the sales tax due on rent paid through September 2025.

[Section 37 of House Bill 7031 er, F.S section 212.03, TIP 25A01-04 (24 July 2025)]

Maine adopts rules for leases and rentals of tangible personal property

On 6 October 2025, the Maine Revenue Services officially adopted a new rule under Chapter 326, titled, “Leases and Rentals of Tangible Personal Property.” This new rule outlines the requirements for leases and rentals of tangible personal property under the Maine Sales and Use Tax Law. This rule is effective for lease and rental transactions occurring on or after 1 January 2025.

Under this rule, the lessor is now required to collect sales tax from the lessee on each lease or rental payment, rather than being paid upfront by the lessor on the full purchase price. This rule provides detailed definitions and clarifications of taxable and non-taxable transactions, including guidance on software licenses, sourcing rules, and the calculation of sale prices for lease agreements.

[Maine Revenue Service Chapter 326]

New Jersey offers voluntary mediation pilot programme for tax audits

Effective from 1 October 2025, the New Jersey Division of Taxation launched a Tax Mediation Pilot Program to assist

taxpayers in resolving audit controversies involving the Corporation Business Tax (CBT) and Sales and Use Tax (SUT). Mediation is a voluntary, non-binding process in which a mediator facilitates negotiations without determining the outcome. Parties retain complete control over the settlement, and either party or the mediator may end the process at any time. It is not a replacement for an audit and cannot introduce new information or issues.

The applications for mediation (Form NJ-MED-1) will only be approved if the amount of tax in controversy equals or exceeds USD 5,000, excluding penalties and interest. The pilot programme will run for 24 months from 1 October 2025 through 30 September 2027. The mediation programme should be concluded promptly by executing a closing agreement within 180 days. If unresolved within 180 days of filing, the mediator will terminate the process unless all parties agree to extend it. Statements, documents, or information disclosed during mediation cannot be used in later proceedings before the Conference and Appeals Branch (CAB), a tax court, or appellate courts, unless the same materials are independently obtained outside the mediation process.

[TB-115(R) – Revised 2 September 2025]



For any queries or more information on these monthly insights, please contact:



Lloyd Pinto

Partner and US Tax Leader
Grant Thornton Bharat
E: Lloyd.pinto@in.gt.com



Chitranshi Gupta

Director, US Tax,
Grant Thornton Bharat
E: Chitranshi.gupta@in.gt.com

Contributed by

Dhruti Biswas

Manager, US Tax,
Grant Thornton Bharat
E: dhruti.biswas@in.gt.com

Editorial review

Akshay Kapoor

Design

Roshani Kumari

For media enquiries, write to

media@in.gt.com



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GTBharat@in.gt.com

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