



Accounting for Income Taxes | Quarterly Hot Topics

US federal

Tax News & Views, published by the Deloitte Tax LLP Tax Policy Group in Washington, DC, provides a compact, reader-friendly perspective on the latest tax developments coming out of Congress affecting businesses and high-wealth individuals.

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Treasury, IRS issue additional interim guidance on corporate AMT

On September 12, 2023, the Treasury Department and the Internal Revenue Service (IRS) issued additional interim guidance, [Notice 2023-64](#), that is intended to help corporations determine whether they are subject to the new corporate alternative minimum tax (CAMT) and how to compute the tax. Under the CAMT, which was enacted in the Inflation Reduction Act of 2022 ([P.L. 117-169](#)), “applicable large corporations”—generally defined as those with average annual adjusted financial statement income exceeding \$1 billion—are subject to a 15% minimum tax on their adjusted financial statement income for taxable years beginning after December 31, 2022. The legislation provides that estimated income tax payments are required in four installments of 25% of a taxpayer’s required annual payment.

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Notice 2023-64 provides rules for determining a taxpayer's applicable financial statement and adjusted financial statement income (AFSI). In addition, Notice 2023-64 provides guidance on when corporations are subject to CAMT, CAMT foreign tax credits, tax consolidated groups, foreign corporations, AFSI adjustments for depreciable property, the definition of wireless spectrum, duplications and omissions of certain items, and financial statement net operating losses.

The Treasury and the IRS intend to publish proposed regulations regarding application of CAMT that would include proposed rules consistent with Notice 2023-64 and with the interim guidance provided in [Notice 2023-7](#) (as modified and clarified by Notice 2023-64) and [Notice 2023-20](#) (collectively, the CAMT notices). It is anticipated that the forthcoming proposed regulations would apply for taxable years beginning on or after January 1, 2024. A taxpayer may rely on the interim guidance in the CAMT notices for any taxable year that begins before January 1, 2024, and, if applicable, for taxable years ending on or before the date forthcoming proposed regulations are published in the Federal Register.

For additional details, please refer to the Deloitte [tax@hand article](#) dated September 20, 2023.

Treasury, IRS issue notice on amortization of specified research or experimental expenditures

On September 8, 2023, the Treasury Department and the IRS released [Notice 2023-63](#), which provides taxpayers with interim guidance on the requirement to capitalize and amortize specified research and experimental (SRE) expenditures under [section 174](#). Notice 2023-63 addresses a revenue offset in the Tax Cuts and Jobs Act of 2017 (TCJA, [P.L. 115-97](#)) that generally requires SRE expenditures under section 174 to be amortized over five years (15 years in the case of foreign expenditures) rather than deducted immediately as under prior law.

Notice 2023-63 addresses certain computation rules; the scope of costs considered SRE expenditures; software development; research performed under contract; disposition, retirement, or abandonment of property resulting from SRE expenditures; the treatment of SRE expenditures under [section 460](#); and the treatment of SRE expenditures incurred as part of a qualified cost-sharing arrangement under [Treasury Reg. § 1.482-7](#).

In general, taxpayers may rely on the rules described in the notice for SRE expenditures paid or incurred in taxable years beginning after December 31, 2021, provided that the taxpayer applies all the rules in the notice and applies them in a consistent manner. Note, however, that taxpayers may not rely on the rules pertaining to the disposition, retirement, or abandonment of property (section 7) with respect to property that is contributed to, distributed from, or transferred from a partnership. It is anticipated that the forthcoming proposed regulations would apply for taxable years ending after September 8, 2023.

For additional details, please refer to the Deloitte [tax@hand article](#) dated September 16, 2023.

IRS announces opening of 2024 CAP program

On September 6, 2023, the IRS announced in [IR-2023-164](#) the opening of the application period for the 2024

Compliance Assurance Process (CAP) program. The application period runs from September 6 through October 31, 2023. The IRS will let applicants know if they are accepted into the program in February 2024.

The CAP program began in 2005 as a way for resolving tax issues through open, cooperative, and transparent interactions between the IRS and taxpayers before the filing of a return. The program is intended to provide taxpayers and the IRS certainty on the treatment of certain tax issues even before the return is filed while reducing the chance of potential disagreement and lengthy examinations.

To be eligible to apply for the CAP program, new applicants must:

- Have assets of US \$10 million or more;
- Be a US publicly traded corporation with a legal requirement to prepare and submit Securities and Exchange Commission (SEC) Forms 10-K, 10-Q, and 8-K; and
- Not be under investigation by or in litigation with any government agency that would limit the IRS's access to current tax records.

To be eligible to participate in the CAP program, taxpayers must adhere to CAP program limits on the number of open years. CAP program information and the 2024 application details are available on the [IRS CAP webpage](#).

For the highlights of the CAP 2024 application period, please refer to the Deloitte [tax@hand article](#) dated September 12, 2023.

IRS releases Announcement 2023-18 on reporting and payments of stock repurchase excise tax

On June 29, 2023, the IRS released [Announcement 2023-18](#), which announces that no reporting or payments of the new excise tax imposed on certain stock repurchases are required before the time specified in forthcoming Treasury regulations.

For additional details, please refer to the Deloitte [tax@hand article](#) dated June 30, 2023.



Seventh Circuit affirms denial of seller's deduction for deferred compensation liability assumed in an asset sale

In [Hoops v. Commissioner](#), No. 22-1212 (7th Cir. 2023), the Seventh Circuit affirmed a [Tax Court memorandum](#) decision disallowing a taxpayer's deduction for a deferred compensation liability in the year of a sale by the taxpayer of substantially all of its assets and the assumption by the buyer of the obligation to pay the deferred compensation. The Seventh Circuit held that the specific timing rules of [section 404\(a\)\(5\)](#) controlled the issue rather than the economic performance rules of [section 461](#).

The purchaser in *Hoops* acquired substantially all of the assets and assumed substantially all of the liabilities of the taxpayer in a taxable asset sale. One of the assumed liabilities included the obligation to pay deferred compensation to two employees for services performed during their employment by the taxpayer. The taxpayer included the deferred compensation liability in its amount realized in computing its gain on the sale and claimed a deduction for the deferred compensation liability. The Seventh Circuit affirmed the Tax Court's holding that the deferred compensation liability should be included in the amount realized when computing gain or loss on the sale. It also affirmed the Tax Court's ruling that the taxpayer was not allowed to deduct the deferred compensation in the year of the sale under [section 404\(a\)\(5\)](#) because none of the deferred compensation was includible in the employees' gross income in that year. In so holding, the Seventh Circuit rejected the taxpayer's argument that the assumption of the

liability by the purchaser in connection with the acquisition should be characterized as a "deemed payment" under the economic performance rules of [section 461\(h\)\(1\)](#) and thus entitle the taxpayer to a deduction for the amount deemed paid in the year of the sale.

US multistate

Arkansas: New law provides another corporate income tax rate reduction

New law lowers the top tax rate for both domestic and foreign corporations from 5.1% to 4.8% while earlier this year, enacted Arkansas legislation lowered the Arkansas corporate income tax rate on net income exceeding \$25,000 from 5.3% to 5.1%.

For additional details, please refer to the September 22, 2023 edition of [State Tax Matters](#).

California: California Superior Court denies summary judgment in case challenging FTB guidance on P.L. 86-272

In a lawsuit challenging the validity of the California Franchise Tax Board's (FTB) Technical Advice Memorandum 2022-01 and FTB 1050 addressing the application of P.L. 86-272 to activities conducted via the internet, a California superior court denied the challenger's motion for summary judgment, which had sought a judicial declaration that these two FTB documents are invalid.

For additional details, please refer to the September 8, 2023 edition of [State Tax Matters](#).

Activities related to deductible income permitted in apportionment factor

The California Office of Tax Appeals concluded that the taxpayer properly included in its combined reporting group's apportionment percentage its property, payroll, and sales attributable to income deducted under California Revenue and Taxation Code section 24404, disagreeing with the California FTB's long-standing position that factors related to deducted income are not includible in the apportionment percentage.

For a summary and some taxpayer considerations, please refer to [Tax Alert](#) dated August 8, 2023.

Connecticut: Connecticut extends corporation business tax surcharge and makes pass-through entity tax optional

Connecticut House Bill (H.B.) 6941, amending certain corporate income tax provisions, including extending the 10% surcharge for three additional years, was enacted into law.

For a summary of H.B. 6941, please refer to [Tax Alert](#) dated July 14, 2023.

Florida: DOR publishes annual guidance on updated state conformity to Internal Revenue Code

Referencing new law that generally updates corporate income tax statutory references in Florida to conform to the Internal Revenue Code (IRC) provisions as in effect on January 1, 2023, the Florida Department of Revenue (DOR)

issued its annual guidance explaining that while Florida will generally follow the computation of federal taxable income, it continues to require several modifications.

For additional details, please refer to the August 4, 2023, edition of [State Tax Matters](#).

Service provider must source receipts based on costs of performance sourcing methodology

In a case involving out-of-state service providers, in which a Florida circuit court held that Florida's corporate income tax administrative rule on sourcing receipts from services requires application of a cost of performance sourcing methodology rather than the Florida DOR's attempt to impose a market-based sourcing methodology, the court revised its ruling and issued a final judgment holding the same with respect to only one of the plaintiff taxpayers.

For additional details, please refer to the July 21, 2023, edition of [State Tax Matters](#).

Georgia: DOR discusses updated state conformity to IRC and decoupling from TCJA changes to IRC section 174

New administrative guidance discusses state law that updated Georgia's corporate and individual income tax conformity to the IRC provided for in federal law enacted on or before January 1, 2023, but that did not adopt the TCJA provisions relating to treatment of research and experimental expenditures paid or incurred in tax years beginning after December 31, 2021.

For additional details, please refer to the September 8, 2023, edition of [State Tax Matters](#).

Illinois: DOR explains elimination of intercompany transactions with unitary partnership

Responding to an inquiry about intercompany transactions with a partnership that is more than 90% owned by members of a taxpayer's unitary business group (UBG), an administrative ruling confirms that because the

partnership is a member of the UBG under state law, its members are entitled to intercompany eliminations of the service fee income, interest income, and royalty expenses at issue to avoid distortions in the apportionment factor.

For additional details, please refer to the August 4, 2023, edition of [State Tax Matters](#).

Illinois fiscal year 2024 budget highlights

Illinois Public Act 103-0009 (Budget Act) was enacted into law and expands the definition of investment partnership to include an investment in another partnership that, in the hands of the partnership, qualifies as a security within the meaning of subsection (a)(1) of Subchapter 77B of Chapter 2A of Title 15 of the United States Code and imposes a new withholding requirement on investment partnerships.

For a summary of the tax-related provisions of the Budget Act, please refer to [Tax Alert](#) dated June 30, 2023.

Iowa: DOR and Governor announce that top corporate income tax rate will drop to 7.1% for TY 2024

Pursuant to legislation enacted last year that permits certain Iowa corporate income tax rate reductions if specified revenue goals are met, the Iowa DOR and Governor announced new Iowa corporate income tax rates effective for tax years beginning on or after January 1, 2024, including a reduced top corporate income tax rate of 7.1%.

For additional details, please refer to the September 29, 2023 edition of [State Tax Matters](#).

Indiana: DOR memo says Indiana conforms to federal capital loss carryback provisions

The Indiana DOR recently held that a taxpayer was correct when it claimed that its amended 2017 Indiana corporate income tax return was timely filed and that it was entitled to carry back certain

losses three years from the tax year of the loss rather than the year to which the loss was carried back, reasoning that Indiana conforms to the federal capital loss carryback provisions.

For additional details, please refer to the September 8, 2023, edition of [State Tax Matters](#).

Kansas: DOR announces corporate income tax rate is reduced to 3.5% as of January 1, 2024

Pursuant to statutory authority permitting it to do so if certain conditions are met, the Kansas DOR announced that the Kansas corporate income tax rate set forth in Kan. Stat. Ann. 2022 Supp. 79- 32,110(c) (1) shall be reduced to 3.5% of Kansas taxable income, effective January 1, 2024.

For additional details, please refer to the September 8, 2023, edition of [State Tax Matters](#).

Louisiana: New law shifts measure date for triggered rate changes and provides some PTE tax revisions

New law revises the measure date for Louisiana's potential triggered tax rate reductions for corporate franchise tax purposes, requiring the comparison between actual collections and the baseline as provided under statute to be performed annually on January 1 rather than April 1.

For additional details, please refer to the July 14, 2023, edition of [State Tax Matters](#).

Louisiana repeals sales factor throw-out rule

Enacted into law, Louisiana H.B. 631 includes income tax sales factor changes that modify the market sourcing rule and repeal the throw-out rule.

For a summary of H.B. 631, please refer to [Tax Alert](#) dated June 29, 2023.

Maine: New law updates state conformity to IRC

New law conforms state corporate and personal income tax references to the

Internal Revenue Code to the federal IRC as in effect as of December 31, 2022.

For additional details, please refer to the September 22, 2023 edition of [State Tax Matters](#).

Massachusetts: DOR explains its position on ATB's ruling that software developer is a manufacturer under corporate excise tax

A new technical information release explains the Massachusetts DOR's position regarding a Massachusetts Appellate Tax Board (ATB) ruling, which held that in providing its customers with software-based solutions for accelerating, managing, and improving the delivery of web and media content over the internet, the taxpayer should be classified as a manufacturing corporation eligible to use single sales factor apportionment to compute its Massachusetts corporate excise tax liability.

For additional details, please refer to the July 21, 2023, edition of [State Tax Matters](#).

Michigan: Newsletter addresses recent case involving gain, single sales factor and alternative apportionment

A newsletter published by the Tax Policy Division of the Michigan Department of Treasury addresses a recent Michigan Supreme Court holding that Michigan's standard apportionment (in this case, single sales factor) was valid as applied to a company's gain from a deemed asset sale—commenting that Michigan corporate taxpayers have a high burden of proof when requesting alternative apportionment.

For additional details, please refer to the September 29, 2023 edition of [State Tax Matters](#).

Supreme Court says standard apportionment is valid as applied to gain from deemed asset sale

In a case involving the gain on sale of an out-of-state business pursuant to an IRC [section 338\(h\)\(10\)](#) election and

application of the standard statutory apportionment formula under the Michigan business tax for the prior short year at issue, the Michigan Supreme Court held that applying the standard formula to the circumstances in this case did not run afoul of the US Constitution's Due Process and Commerce Clauses.

For additional details, please refer to the August 4, 2023, edition of [State Tax Matters](#).

Minnesota: DOR summarizes new law updating conformity to IRC, taxing GILTI, and revising DRD and NOL amounts

The Minnesota DOR issued a 2023 legislative summary reflecting new law that updates Minnesota's definition of the IRC, as amended through May 1, 2023; classifies global intangible low-taxed income (GILTI) under IRC [section 951A](#) as dividend income; and reduces permitted amounts under Minnesota's dividends received deduction (DRD) and net operating loss (NOL) deduction.

For additional details, please refer to the September 8, 2023, edition of [State Tax Matters](#).

DOR says that effective date on reduced NOL deduction limitation may change

The Minnesota DOR explains that Minnesota's NOL deduction is limited to 70% of a corporate or an unrelated business income tax filer's taxable income; however, the effective date for the 70% NOL limitation might change to tax years beginning after December 31, 2023, according to information received from the Minnesota Legislature.

For additional details, please refer to the August 11, 2023, edition of [State Tax Matters](#).

Missouri: DOR proposes rescission of special industry and optional SSF apportionment rules due to law changes

Given Missouri's adoption of a

mandatory single-sales factor (SSF) formula for state corporation income tax purposes, the Missouri DOR is proposing to rescind three of its special industry apportionment rules, as well as its optional single sales factor rule, to avoid potential taxpayer confusion.

For additional details, please refer to the August 18, 2023, edition of [State Tax Matters](#).

New Hampshire: New law decouples from business interest expense deduction under IRC section 163(j)

New law permits a New Hampshire business profits tax taxpayer to fully deduct its business interest expense in the year it is incurred, thereby decoupling from the limitations on the deduction of business interest expense under IRC [section 163\(j\)](#).

For additional details, please refer to the August 4, 2023, edition of [State Tax Matters](#).

New Jersey: New and updated bulletins reflect CBT law changes involving GILTI, FDII, nexus and combined reporting

The New Jersey Division of Taxation posted new and updated bulletins reflecting recently enacted legislation ([A.B. 5323](#)) that made significant



changes to New Jersey's corporation business tax (CBT) for privilege periods ending on and after July 31, 2023, including amendments to New Jersey's net deferred tax liability deduction, changes to the treatment of GILTI, the IRC [section 250\(a\)](#) deduction and foreign-derived intangible income (FDII), nexus and combined reporting allocation method, income reporting, and filing methods.

For additional details, please refer to the September 29, 2023, [September 15, 2023](#), and [September 8, 2023](#), editions of *State Tax Matters*. For a summary of A.B. 5323, please refer to [Tax Alert](#) dated July 13, 2023.

Retroactively applying rule changes on CBT royalty expense addback exception cures violation

In a case involving New Jersey's CBT intercompany royalty expense addback adjustment and related regulation, the New Jersey Tax Court held on remand that with respect to constitutional issues raised by the taxpayer, the 2020 amended version of the CBT regulation can apply to the prior tax years at issue to cure the Commerce Clause-related constitutional violation.

For additional details, please refer to the September 22, 2023 edition of [State Tax Matters](#).

Updated IRC section 163(j) bulletin reflects new law that sunsets related member expense disallowance provisions

An updated New Jersey Division of Taxation bulletin reflects recently enacted legislation that sunsets New Jersey's related member interest and intangible expense disallowance provisions, clarifying that these law changes are otherwise in line with how it had been treating IRC section 163(j), and they do not change the way this expense is reported on New Jersey returns.

For additional details, please refer to the September 1, 2023, edition of [State Tax Matters](#).



Updated bulletin reflects new law that defines combined group and moves to Finnigan Method

An updated New Jersey Division of Taxation bulletin addresses how recently enacted legislation makes it clear that a combined group is a taxpayer for New Jersey CBT purposes, as well as moves from a "Joyce" to a "Finnigan" approach to combined reporting.

For additional details, please refer to the September 1, 2023, edition of [State Tax Matters](#).

Updated bulletin reflects new law that expands definition of unitary business

The New Jersey Division of Taxation posted an updated technical bulletin addressing the unitary business principle and the definition of unitary business for New Jersey CBT purposes to reflect recently enacted legislation that expands the definition of unitary business for privilege periods ending on and after July 31, 2023.

For additional details, please refer to the August 18, 2023, edition of [State Tax Matters](#).

Updated memos reflect new law that sunsets related member expense disallowance provisions

The New Jersey Division of Taxation posted some updated technical

advisory memoranda, two of which reflect new law that sunsets New Jersey's related member interest and intangible expense disallowance provisions under the state CBT. Another addresses foreign corporations says the Division intends on providing additional examples and further guidance in subsequent regulatory proposals.

For additional details, please refer to the August 4, 2023, edition of [State Tax Matters](#).

New York: ALJ Says Certain Deferred Compensation Must Be Allocated Based on BAP Method from Years Earned

In a ruling involving two nonresident individual partners of a limited partnership that owned a limited liability company operating in New York in prior years as a registered investment advisor, an ALJ with the New York State Division of Tax Appeals held that the partners' shares of certain deferred management and performance fees and the related appreciation must be allocated to New York based on the partnership's business allocation percentage (BAP) for the years the underlying services were performed, rather than for the later year in which such amounts were recognized.

For additional details, please refer to the September 22, 2023 edition of [State Tax Matters](#).

ALJ says investment bank may source income from securities transactions using alternate method

In a multi-issue ruling involving an investment bank challenging the New York Division of Taxation's application of a former version of New York's broker-dealer sourcing statute to its own set of facts for Article 9-A corporate franchise tax purposes, an administrative law judge (ALJ) with the New York Division of Tax Appeals held that the Division in this case must apply its statutory discretionary authority to source the receipts based upon an approximation of the location of its underlying investors.

For additional details, please refer to the September 15, 2023, edition of [State Tax Matters](#).

New law extends expiring general corporation tax and personal income tax rates

New law extends for another three years certain tax rates that had been set to expire as well as extends for another three years New York City's authority to impose sales and use tax on certain credit rating, credit reporting, credit adjustment, and collection services.

For additional details, please refer to the September 1, 2023, edition of [State Tax Matters](#).

Department of Taxation and Finance formally proposes New Article 9-A Rules addressing 2014–2015 and 2015–2016 Budget Reforms

The New York State Department of Taxation and Finance formally proposed regulatory amendments to amend the Article 9-A Business Corporation Franchise Tax Regulations to incorporate the changes made by the corporate tax reform legislation contained in the 2014–2015 and 2015–2016 enacted New York State Budgets.

For additional details, please refer to the August 11, 2023, edition of [State Tax Matters](#).

Single-purpose investment entity is excludable from affiliates' combined return

An administrative law judge held that an Article 9-A corporate franchise tax combined filing group (the taxpayer) could exclude an affiliated single-purpose investment entity (the subsidiary) from its combined return because during the prior tax years at issue, the facts showed a lack of substantial intercorporate transactions between the taxpayer and subsidiary, the taxpayer and subsidiary were not engaged in a unitary business, and the subsidiary's inclusion would result in distortion.

For additional details, please refer to the August 11, 2023, edition of [State Tax Matters](#).

North Carolina: Ruling addresses market-based sourcing of receipts from contract manufacturing services

In a private letter ruling involving a company providing contract manufacturing services to its foreign parent, the North Carolina DOR concluded that based on its review of the facts, its service fee receipts should be sourced to North Carolina if the finished tangible product is ultimately delivered by a related entity to a customer located in North Carolina, regardless of the F.O.B. terms.

For a summary of the provisions, please refer the September 22, 2023 edition of [State Tax Matters](#).

Ohio: Ohio passes FY2024–FY2025 operating budget, enacting various tax changes

Ohio's FY2024–FY2025 Main Operating Budget Bill, Ohio Amended Substitute H.B. 33, was enacted into law and amends various tax provisions, including the personal income tax rate, the resident credit calculation, municipal income tax, sales and use tax exemptions, and Ohio commercial activity tax exclusions.

For a summary of the provisions, please refer to [Tax Alert](#) dated July 17, 2023.

Oregon: P.L. 86-272 Guidance issued for Portland metro area's business income taxes

Administration Policy for the City of Portland, Oregon, issued guidance on the application of P.L. 86-272 to the city's metro area business income taxes, providing that these jurisdictions apply P.L. 86-272 on an interstate basis for tax years beginning on or after January 1, 2023.

For additional details, please refer to the September 15, 2023, edition of [State Tax Matters](#).



Proposed changes to CAT rules address cost inputs or labor cost subtraction, filing extensions, and farming

Proposed changes to the Oregon DOR's corporate activity tax (CAT) rules add guidance on the 35% CAT subtraction for certain unitary groups with farming operations that elect to subtract cost inputs in their return, on filing extensions, and for taxpayers with farming operations.

For additional details, please refer to the September 8, 2023, edition of [State Tax Matters](#).

Oregon extends pass-through entity tax and enacts CAT updates

Oregon H.B. 2083 and H.B. 2073, extending the elective pass-through entity level business alternative tax to the end of 2025 and creating new exclusions from the CAT, were signed by the governor.

For a summary of the provisions, please refer to [Tax Alert](#) dated August 4, 2023.

Pennsylvania: City of Philadelphia DOR says it will conform to federal tax treatment under IRC section 174

The City of Philadelphia, Pennsylvania, DOR says that it will conform to the federal income tax treatment of research and experimental expenses paid/incurred in tax years beginning after December 31, 2021, for purposes of the city's business income and receipts tax and net profits tax conforming to IRC [section 174](#) as amended by the TCJA.

For additional details, please refer to the July 21, 2023, edition of [State Tax Matters](#).

South Carolina: DOR addresses state conformity to IRC from 2021 through 2023

New South Carolina administrative guidance explains South Carolina's conformity and nonconformity to the IRC and how recent federal changes



to the IRC enacted in 2021 and 2022 have necessitated guidance for South Carolina taxpayers in preparing their current-year South Carolina income tax returns and South Carolina amended returns for some prior years.

For additional details, please refer to the September 8, 2023, edition of [State Tax Matters](#).

ALJ holds DOR authorized to require combined reporting and taxpayer must file combined return

An ALJ with the South Carolina Administrative Law Court held that the South Carolina DOR has the authority to require combined unitary reporting under state law, and based on the case facts at hand, separate entity reporting did not fairly reflect a parent company's in-state business activity due to the transfer pricing of intercompany transactions, and combined reporting with its affiliates provided a reasonable and equitable result.

For additional details, please refer to the August 11, 2023, edition of [State Tax Matters](#).

Virginia: New law increases IRC section 163(j) deduction and allows intangible expense addback statutes to remain in effect

New law increases the Virginia income tax deduction for business interest expense to 50% of the business interest disallowed as a deduction under the federal business interest limitation pursuant to IRC section 163(j) as well as includes non-codified provisions that

limit certain exceptions to Virginia's intercompany intangible expense addback statute, allowing them to remain in effect.

For additional details, please refer to the September 22, 2023 edition of [State Tax Matters](#).

Texas: New law increases no-tax-due total revenue exemption and eliminates filing of certain franchise tax returns

Applicable to Texas franchise tax reports originally due on or after January 1, 2024, new law increases the total revenue threshold amount for purposes of determining whether an entity is subject to the Texas franchise tax from \$1 million to \$2.47 million and eliminates an abbreviated tax report filing requirement for entities that do not owe Texas franchise tax as a result of the increased total revenue exemption.

For additional details, please refer to the July 28, 2023, edition of [State Tax Matters](#).

Wisconsin: DOR explains incentives for qualified research and decoupling from TCJA changes to IRC section 174

A Wisconsin DOR publication explains Wisconsin's income/franchise tax research credits and sales/use tax exemption for machinery and equipment and certain other tangible personal property that are used exclusively and directly in qualified research by eligible purchasers.

For additional details, please refer to the August 25, 2023, edition of [State Tax Matters](#).

Bulletin explains apportionment for interstate brokers-dealers, investment advisers, investment companies

The Wisconsin DOR issued a bulletin summarizing some recent state tax law changes, including revisions to how a brokerage house, investment adviser, investment company, or underwriter that is engaged in business both in and outside of Wisconsin must apportion its apportionable income.

For additional details, please refer to the August 4, 2023, edition of [State Tax Matters](#).

International

This compilation is intended to be an overview of major international tax developments during the quarter that may have ASC 740 implications. For more summaries of other current international income tax news and developments for the current quarter, please refer to the additional publications listed at the end of this section.

Multiple jurisdictions

Pillar Two: OECD Pillar Two updates

On July 17, 2023, the OECD/G20 Inclusive Framework on BEPS published a package of documents on the implementation of the Pillar Two global minimum tax rules. The package includes additional administrative guidance for the implementation of OECD model rules including two new safe harbors, a finalized GloBE information return, and model treaty articles to implement a subject to tax rule.

For additional details, please refer to the Deloitte [tax@hand article](#) dated July 18, 2023.

Save the Date

Deloitte Tax Accounting Conference - Virtual
December 4–8, 2023

Registration coming soon!

Germany: Legislation to implement EU public CbC reporting directive enacted

On June 19, 2023, Germany's law implementing the provisions of the EU public country-by-country (pCbC) reporting directive was published (in German only) in the federal gazette. After the lower house of parliament had consented to the new rules on May 11, 2023, the upper house of parliament approved the law on June 16, 2023. Thereafter, the law was signed by the president. The new legislation requires disclosure by certain multinational enterprises to the general public of certain income tax information on a country-by-country basis for fiscal years (FYs) beginning on or after June 22, 2024 (i.e., generally FY 25 and onward). The German pCbC reporting rules are in line with the requirements set forth in the EU pCbC reporting rules, but the scope differs from those of the already existing German (non-public) CbC reporting rules.

For additional details, please refer to the Deloitte [tax@hand article](#) dated June 26, 2023.

UK: Finance (No. 2) Act 2023 published

The UK Finance (No 2) Act 2023 received Royal Assent, making it fully enacted UK law, on July 11, 2023. The law was previously substantively enacted (for UK GAAP and IFRS purposes) on June 20, 2023.

Finance (No. 2) Act 2023 includes provisions in respect of the UK's domestic implementation of an income inclusion rule ("multinational top-up tax") and a qualified domestic minimum top-up tax, in line with the OECD/G20 Inclusive Framework on BEPS global minimum tax rules ("Pillar Two"). The multinational top-up tax and qualified domestic top-up tax will have effect in the UK in respect of accounting periods beginning on or after December 31, 2023.

For additional details, please refer to the Deloitte [tax@hand article](#) dated July 28, 2023.

Accounting developments

FASB to move forward with improvements to income tax disclosure requirements

At its [meeting](#) on August 30, 2023, the FASB discussed comment letter feedback received on its March 15, 2023, [Proposed Accounting Standards Update \(ASU\), Improvements to Income Tax Disclosures](#). The proposed ASU would introduce new income tax disclosure requirements as well as modify and eliminate certain existing ones. See Deloitte [Heads Up Newsletter](#) dated March 22, 2023, for a detailed discussion of the proposed ASU. In general, the Board affirmed most of the proposal's income tax disclosure amendments (although all Board decisions are tentative until a final ASU is issued). At the meeting, the Board made additional tentative decisions that modify the proposed ASU. These changes included clarifying that adjustments to the rate reconciliation should be presented gross unless netting is specifically permitted, clarifying certain prescribed categories in the rate reconciliation, and eliminating the proposed interim disclosures specific to the rate reconciliation and income taxes paid.

The Board has tentatively decided that the proposed ASU would, for public business entities (PBEs), be effective for fiscal years beginning after December 15, 2024 (2025 for calendar year-end PBEs), and interim periods for fiscal years beginning after December 15, 2025. The effective date for entities other than PBEs would be one year later. Further, the Board tentatively decided to permit early adoption. The Board instructed the FASB Staff to move forward with drafting a final ASU for the Board to vote on. It is expected that the final ASU would be issued by December 31, 2023.

Up-C structure services

For Up-C structures, the Up-C Services group offers virtual webcasts from Deloitte specialists covering recent US federal income tax and ASC 740 developments relevant to these businesses organized as Up-Cs. Please visit us at [Up-C Structure Services](#) or contact Jill Wilde at jiwilde@deloitte.com (904 665 1433) to be added to our virtual webcast distribution list.

Other

For upcoming webcasts that give you valuable insights on important developments affecting your business

and feature practical knowledge from Deloitte specialists and CPE credits, please visit [Dbriefs Webcasts](#).

For other information regarding newly issued accounting standards, exposure drafts, and other key developments, refer to our [Quarterly Accounting Roundup](#).

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