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Administrative:

Pennsylvania Department of State Reminds Businesses About New Annual Report Filing Requirement

Annual Reports in Pennsylvania, Penn. Dept. of State (1/25). A posting on the Pennsylvania Department of State’s website explains to Pennsylvania business owners that beginning in 2025, “most domestic and foreign filing associations are required to file an Annual Report.” According to the Pennsylvania Department of State’s website, the deadline for filing this new Annual Report is based on the type of association, which includes:
[URL: https://www.pa.gov/agencies/dos/programs/business/types-of-filings-and-registrations/annual-reports.html](https://www.pa.gov/agencies/dos/programs/business/types-of-filings-and-registrations/annual-reports.html)

- 1. Corporations;
- 2. Limited liability companies; and
- 3. Limited partnerships, limited liability partnerships, business trusts, and professional associations.

Please contact us with any questions.

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Income/Franchise:

District of Columbia: Amended Rule Requires Some Taxpayers to Attach Federal Return to Filed Return

Amended D.C. Mun. Regs. tit. 9, § 105.14, D.C. Office of Tax & Rev. (1/31/25). The District of Columbia (DC) Office of Tax and Revenue adopted an amended rule providing that for taxable years beginning after December 31, 2024, certain DC taxpayers exceeding defined income thresholds must submit an electronic copy of their federal income tax return – along with any schedules or other information provided to the Internal Revenue Service for the corresponding tax year or period – with the filing of their DC income tax returns, including:

URL: <https://www.dcregs.dc.gov/Common/NoticeDetail.aspx?NoticeId=N139521>

- Corporations with gross income for the taxable year exceeding \$2,500,000 worldwide, and \$50,000 apportioned to DC;
- Unincorporated businesses with gross income for the taxable year exceeding \$2,500,000 worldwide, and \$50,000 apportioned to DC;
- Partnerships with gross income for the taxable year exceeding \$2,500,000 worldwide, and \$50,000 apportioned to DC; and
- Corporations that are members of an affiliated group with gross income for the taxable year exceeding \$2,500,000 worldwide, and \$50,000 apportioned to the DC.

Please contact us with any related questions.

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Income/Franchise:

Illinois: Adopted Rule Changes Reflect Legislation Limiting NOL Deduction to \$500K

Amended 86 Ill. Adm. Code 100.2330, Ill. Dept. of Rev. (1/31/25). The Illinois Department of Revenue adopted administrative rule changes reflecting legislation enacted in 2024 [see H.B. 4951, signed by gov. 6/7/24, and previously issued Multistate Tax Alert for more details on this 2024 legislation] that limits Illinois net loss deductions for corporations filing Illinois Form IL-1120 to \$500,000 for tax years ending on or after December 31, 2024, and before December 31, 2027. Please contact us with any questions.

URL: https://www.ilsos.gov/departments/index/register/volume49/register_volume49_5.pdf

URL:

<https://www.ilga.gov/legislation/BillStatus.asp?DocNum=4951&GAID=17&DocTypeID=HB&LegId=152864&SessionID=112&GA=103>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-illinois-fiscal-year-2025-state-budget-tax-highlights.pdf>

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Income/Franchise:

Maine: Revised Rule Proposal Seeks to Clarify Sourcing Receipts from Services with Comments Due by March 3

Proposed Amended Reg. section 18-125-801 (revised), Me. Rev. Serv. (1/17/25); *Maine Tax Alert*, Me. Rev. Serv. (1/25). Following its original proposal to amend Maine’s apportionment rule (*i.e.*, “Rule 801”) to clarify the sourcing of receipts from the performance of services for Maine corporate income tax purposes [see *State Tax Matters*, Issue 2024-49, for details on the originally proposed text], Maine Revenue Services has posted revised proposed changes to Rule 801. The revised proposal continues to provide a set of examples that illustrate sourcing as applied to certain services. Various other formatting and technical changes are also proposed “to enhance clarity.” Comments on these updated proposed rule changes are due by March 3, 2025, and a related public hearing (which may be attended in-person or virtually) is scheduled for February 19, 2025. Please contact us with any questions.

URL: https://www.maine.gov/revenue/sites/maine.gov.revenue/files/inline-files/Rule%20801%20-%20Legislative%20Draft%20to%20SOS%20%28003%29_0.pdf

URL: https://www.maine.gov/revenue/sites/maine.gov.revenue/files/inline-files/ta_jan2025_vol35_iss2.pdf

URL: https://dhub.deloitte.com/Newsletters/Tax/2024/STM/241213_3.html

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Sales/Use/Indirect:

North Carolina: Online Subscription Fees to Access and Use Digital Products Deemed Taxable Bundled Transaction

Private Letter Ruling SUPLR 2024-0011, N.C. Dept. of Rev. (11/1/24). A North Carolina Department of Revenue private letter ruling concludes that based on a taxpayer's provided information, its charged subscription fees for subscribing customers to receive a license to access and use its website and site materials – which include digital videos, digital books, and audiobooks – constitute taxable transactions as the customers are seeking and receiving access to specified digital products, and the taxpayer is *neither* selling software as a service (SaaS) nor providing an information service. In doing so, the ruling notes that while the taxpayer uses software and databases to deliver the digital content to its customers, the customers are paying for access to the digital content rather than the underlying software that is used to deliver the content. The ruling also explains that while the taxpayer's products also consist of at least one nontaxable service, the facts showed that such services are *not* provided on a standalone basis but as part of a bundled transaction that includes the taxable digital content. Please contact us with any questions.

URL: <https://www.ncdor.gov/suplr-2024-0011pdf/open>

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Sales/Use/Indirect:

Pennsylvania: Non-Voice Private Line Services that Transport Data are Deemed Taxable Phone Messages

Case Nos. 121 and 122 F.R. 2018, Pa. Commw. Ct. (1/29/25). In a case involving a telecommunications company that sought a Pennsylvania refund for gross receipts taxes it paid on receipts from sales of certain private line non-voice services – which provided customers a dedicated and uninterrupted communications channel to securely and continuously transport voice, video and/or data as packets between specified fixed points – the Pennsylvania Commonwealth Court (Court) affirmed that because such services “fulfill the purpose of making the process of transmitting messages more satisfactory,” the fees for such services were properly taxable under 72 P.S. § 8101(a)(2). In doing so, the Court explained that no explicit statutory

exception exists with respect to the company's non-voice personal line services. The Court also noted that the applicable statute does not mention the term "voice" at all and provides no indication that a service is no longer taxable once it reaches a large bandwidth size or some other threshold. Furthermore, the Court reasoned that "the fact that the legislature elected to include a comprehensive list of exceptions for the tax, but did not include non-voice services in that list of exemptions, demonstrates that it knew how to carve out exceptions but simply chose not to do so with respect to such services." Please contact us with any questions.

URL: https://www.pacourts.us/assets/opinions/Commonwealth/out/121FR18_1-29-25.pdf

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Sales/Use/Indirect:

Rhode Island: DNA Testing and Subsequent Access to Online Reports Constitutes Taxable Vendor-Hosted Software

Declaratory Order 2025-01, R.I. Div. of Tax. (1/29/25). In a declaratory order involving a company providing DNA testing and analysis and online ancestral/health history reports to individual customers (including to customers in Rhode Island), the Rhode Island Division of Taxation (Division) held that based on the provided facts, the company's product is considered taxable in Rhode Island as vendor-hosted prewritten computer software. Under the facts, the customers provide a saliva sample via a kit that the company mails to its customers, and based on this information, the company sells access to software that allows customers to access ancestral and health history reports online. In this respect, the Division explains that the software at issue is vendor-hosted as it "is accessed through the internet and/or a vendor-hosted server regardless of whether the access is permanent or temporary and regardless of whether any downloading occurs." In doing so, the Division notes that "the key feature of the product" is the company's website that allows its clients to view data and reports per their subscription. Because the product is considered taxable vendor-hosted prewritten computer software, the Division also explains that the product is taxable regardless of whether it is bundled with other tangible personal property. Moreover, the Division concluded that the DNA testing kits are *not* subject to Rhode Island use tax, because they are included with the sales price of the taxable software. Please contact us with any questions.

URL: <https://tax.ri.gov/guidance/declaratory-rulings/ruling-request-no-2025-01>

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Sales/Use/Indirect:

Wisconsin DOR Updates Guidance on Sales and Purchases of Digital Goods and Computer Software

Publication No. 240, Wis. Dept. of Rev. (rev. 1/25). Recently updated Wisconsin Department of Revenue guidance addresses the application of Wisconsin sales and use tax to sales and purchases of digital goods, clarifying that in some instances, digital goods may include prewritten computer software. Specifically, the guidance explains that a digital good may include prewritten computer software that is accessed through means other than tangible storage media (e.g., video game accessed online). However, “a digital good does not include charges for remote access to prewritten computer software if the software is used to process a client’s data and the processing is under the direction and control of the service provider.” Please contact us with any questions.

URL: <https://www.revenue.wi.gov/DOR%20Publications/pb240.pdf>

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Property:

Arizona High Court Says Utility Company’s Valuation for Plant in Service Can be Negative

Case No. CV-23-0283-PR, Ariz. (1/31/25). In a case involving whether a utility company’s valuation for plant in service calculated pursuant to Ariz. Rev. Stat. § 42-14154(B)(2) can be negative, and whether such a result can offset the valuation of the construction work in progress (CWIP) component, the Arizona Supreme Court (Court) held:

URL: <https://www.azcourts.gov/Portals/0/OpinionFiles/Supreme/2025/CV230283PR.pdf>

1. The calculation prescribed to determine the valuation of plant in service does not preclude a negative valuation, and
2. Although a negative valuation of plant in service necessarily affects the total full cash value determination of all electric transmission property components in this case, as the components would

be valued separately and then summed together, it does not “offset” – as that term is understood in Arizona’s tax system – the valuation of CWIP as determined by Ariz. Rev. Stat. § 42-14154(C).

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Unclaimed Property:

Delaware: Reminder: Voluntary Disclosure Agreement Invitation Response Deadline is Approaching

As noted in a previously issued Multistate Tax Alert, invitations to enroll in Delaware’s unclaimed property voluntary disclosure agreement (VDA) program were sent to select companies on or around November 15, 2024. Companies are generally selected to receive these invitation letters due to the State’s perception that they appear to be non-compliant with Delaware’s unclaimed property reporting requirements. Once received, a company has only 90 days to enroll in the VDA program before being referred to the Delaware Department of Finance for an unclaimed property audit, which would be conducted by the State’s third-party audit vendors (many of which are also audit vendors engaged by other states). As such, companies that received invitations in November 2024 have until approximately mid-February 2025 to respond to the letters or else risk being selected for audit.

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-delaware-invitations-for-2024-unclaimed-property-voluntary-disclosure-agreement.pdf>

Note, there are significant differences between undergoing a Delaware unclaimed property audit examination versus participating in the VDA program, with the later affording, among other benefits, the ability to perform a self-review, 100% waiver of penalties and interest, and differing standards for the presumption of unclaimed property liabilities by the State’s vendors performing VDA and audit reviews.

There are several statutory exceptions whereby a company may be selected for a Delaware unclaimed property audit without first receiving a VDA program invitation letter, including:

- If Delaware joins a multi-state audit that was already initiated by another state;
- If a company does not respond to a request for a verified report or a compliance review or does not timely pay a notice of deficiency resulting from a compliance review;
- If a company entered into a VDA with Delaware on or before June 30, 2012; or
- Pursuant to information received under Delaware's False Claims and Reporting Act.

Accordingly, all companies should be on the lookout for these important VDA program invitation letters, which may be mistaken for general trivial correspondence from the State. Furthermore, even companies that do not receive these invitation letters may want to consider whether they may still be subject to audit through one of Delaware's statutory exceptions as the VDA program can be voluntarily entered at any time, but only before an audit notice is received from the State. Please contact us with any questions.

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Multistate Tax Alerts

Throughout the week, we highlight selected developments involving state tax legislative, judicial, and administrative matters. The alerts provide a brief summary of specific multistate developments relevant to taxpayers, tax professionals, and other interested persons. Read the recent alerts below or visit the archive.

Archive: <https://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-archive.html?id=us:2em:3na:stm:awa:tax>

California property tax potential disaster relief

Section 170 of the California Revenue and Taxation Code provides potential property tax disaster relief to property owners impacted by fires or other disasters, if the county has adopted an ordinance allowing reassessment for property that is damaged or destroyed without the owner's fault. Los Angeles County adopted this disaster relief and county specific information can be found at LACounty.gov.

URL: https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=RTC&division=1.&title=&part=1.&chapter=2.5.&article

URL: <https://www.boe.ca.gov/proptaxes/disaster-relief.htm#Description>

URL: <https://assessor.lacounty.gov/contact/assessor/3>

This Multistate Tax Alert discusses some of the assessment processes and procedures for claiming this potential disaster relief in California, including a discussion on case year value transfers for significantly damaged property.

[Issued January 29, 2025]

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/multistate-tax-alert-california-property-tax-potential-disaster-relief.pdf>

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