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Income/Franchise:

Alabama: New Mobile Workforce Law Imposes Nonresident Withholding With 30-Day Threshold

H.B. 379, signed by gov. 5/13/25. New law addresses the Alabama income tax liability and withholding requirements for some nonresident individuals earning wages in Alabama by adopting a general bright-line 30-day threshold for employers to determine nonresident state income tax withholding requirements. The legislation also delineates several exceptions to this general rule and follows many of the provisions under the pending federal “Mobile Workforce State Income Tax Simplification” bill [see *State Tax Matters*, Issue 2025-15, for more details on this pending federal bill]. Please contact us with any questions.

URL: <https://arc-sos.state.al.us/cgi/actdetail.mbr/detail?year=2025&act=%20334&page=bill>

URL: https://dhub.deloitte.com/Newsletters/Tax/2025/STM/250418_2.html

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Income/Franchise:

Massachusetts DOR Says Banks are Eligible for Research Tax Credits and May File Claims on Amended Returns or Abatement Applications

Technical Information Release (TIR) 25-3: Financial Institution Eligibility to Claim Research Tax Credit, Mass. Dept. of Rev. (5/9/25). The Massachusetts Department of Revenue (Department) posted a technical information release (TIR 25-3) explaining its position on a 2024 Massachusetts Appellate Tax Board (Board)

decision [see *State Tax Matters*, Issue 2024-35, for more details on this 2024 decision], which had granted summary judgment in favor of a bank filing combined Massachusetts financial institution excise tax returns that state law does *not* limit eligibility for the Massachusetts research credit to just business corporations taxed under the state corporate excise tax. TIR 25-3 explains that pursuant to this 2024 Board decision, “all business corporations subject to an excise under M.G.L. c. 63 are allowed to claim the M.G.L. c. 63, § 38M research credit” – including all financial institutions that are subject to the excise under M.G.L. c. 63, § 2. Recognizing that the Board’s 2024 decision “may prompt financial institutions to file amended returns to claim the M.G.L. c. 63, § 38M research credit,” TIR 25-3 states that it will *not* enforce “Proposed 830 CMR 63.38M.2(8)(a)” – which currently provides that a corporation computing its credit using the alternative simplified method under 830 CMR 63.38M.2(8) for a taxable year must indicate its use of such method when filing the original return for the taxable year and *not* on an amended return or an abatement application – and thus “will allow the use of the alternative simplified method on an amended return or an abatement application” pursuant to the decision. To this end, the Department states that it intends to repropose 830 CMR 63.38M.2 “to render it consistent with the Board’s decision” and TIR 25-3. Please contact us with any questions.

URL: <https://www.mass.gov/technical-information-release/tir-25-3-state-street-corporation-v-commissioner-of-revenue-financial-institution-eligibility-to-claim-research-tax-credit>

URL: https://dhub.deloitte.com/Newsletters/Tax/2024/STM/240830_5.html

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Income/Franchise:

New York Budget Extends Top Personal Income Tax Rates, Increases MCTMT Payroll Tax Rate for Some; Enacts Rules for Reporting Federal Partnership Audit Adjustments

A3009C/S3009C, signed by gov. 5/9/25. New York Governor Kathy Hochul recently signed into law the revenue bill of New York’s FY 2026 Budget (“Budget Bill”), which includes extending the top personal income tax rates through 2032 and increasing the top Metropolitan Commuter Transportation Mobility Tax (“MCTMT”) payroll tax rate for certain taxpayers. The final version of the Budget Bill omits personal income tax rate increases that were proposed by the New York State Legislature, as well as the proposal to extend the New York State and

New York City pass through entity tax (PTET) election deadlines to September 15 of the applicable tax year. Some highlights of the enacted Budget Bill include:

[URL: https://nyassembly.gov/leg/?bn=a3009c](https://nyassembly.gov/leg/?bn=a3009c)

- Extending the highest personal income tax rates (i.e., extending the temporary top rates of 9.65% to 10.9% through 2032, which were previously set to sunset after 2027);
- Increasing the MCTMT payroll tax rate imposed on employer payroll attributable to the Metropolitan Commuter Transportation District (MCTD) for certain taxpayers;
- Enacting rules for reporting federal partnership audit adjustments;
- Enacting waiting period restrictions and deduction limitations on certain institutional real estate investors;
- Increasing the Article 9-A estimated tax threshold; and
- Numerous credits & incentives provisions, including extenders and technical updates of many existing programs and enacting new tax credit programs for the semiconductor industry.

See forthcoming Multistate Tax Alerts for more details on some of the tax-related provisions in the New York FY 2026 Budget, and please contact us with any questions in the meantime.

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Income/Franchise:

Virginia: Enacted Budget Bill Includes Provisions that Pause Rolling Conformity with Internal Revenue Code

H.B. 1600, signed by gov. 5/2/25. Revising existing Virginia law that generally updates state corporate and individual income tax statutory references to federal income tax law as it exists as soon as any federal tax law changes are enacted [see *State Tax Matters*, Issue 2023-16, for details on Virginia legislation enacted in 2023, which moved Virginia from “fixed date” to “rolling conformity” with the Internal Revenue Code], Virginia’s recently enacted budget bill provides that Virginia will *not* conform to certain additional federal law changes that impact its general fund revenues. Specifically, the recently enacted budget bill provides that Virginia shall *not* conform to:

URL: <https://lis.virginia.gov/bill-details/20251/HB1600>

URL: https://dhub.deloitte.com/Newsletters/Tax/2023/STM/230421_2.html

1. Any amendment enacted on or after January 1, 2025, but before January 1, 2027, with a projected impact that would increase or decrease Virginia general fund revenues by any amount in the fiscal year in which the amendment was enacted or any of the succeeding four fiscal years, and
2. All amendments enacted on or after January 1, 2025, but before January 1, 2027, if the cumulative projected impact of such amendments would increase or decrease Virginia general fund revenues by any amount in the fiscal year in which the amendments were enacted or any of the succeeding four fiscal years.

However, the legislation states that such federal conformity restrictions “shall not apply to any amendment to federal income tax law that is either subsequently adopted by the General Assembly or a federal tax extender as defined under subdivision B 11 of § 58.1-301, as created by this act.” Please contact us with any questions.

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Sales/Use/Indirect:

Alabama: New Law Imposes Some Limits on Local Sales and Use Tax Exemption Enactments or Amendments

H.B. 191, signed by gov. 5/6/25. Effective immediately, new Alabama sales and use tax law establishes conditions for exemption of Alabama county or municipal sales and use tax by providing that “any law that enacts or amends a sales and use tax exemption shall apply only to state sales and use taxes and shall *not* apply to county or municipal sales and use taxes” unless certain conditions are met at the local level where the

Alabama localities affirmatively approve the exemption through a formal resolution or ordinance. Please contact us with any questions.

URL: <https://arc-sos.state.al.us/cgi/actdetail.mbr/detail?year=2025&act=%20280&page=bill>

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Sales/Use/Indirect:

Illinois: Posted FAQs Address Taxation of Certain Receipts from Leases and Rentals of TPP

Pub-113-L, Lease Tax FAQs, Ill. Dept. of Rev. (4/25). The Illinois Department of Revenue (Department) posted some answers to frequently asked questions (FAQs) addressing legislation enacted in 2024 [see H.B. 4951 (2024), and previously issued Multistate Tax Alert for more details on this 2024 legislation] that generally imposes Illinois sales and use tax upon certain leases of tangible personal property entered into or renewed on or after January 1, 2025. Under Illinois law, as of January 1, 2025, if a business leases or rents tangible personal property in the ordinary course of its business, it is considered a retailer subject to Illinois' sales and use tax laws and must register with the Department and pay tax on its lease and rental receipts. Among the topics addressed in the FAQs are:

URL: <https://tax.illinois.gov/research/publications/pubs/lease-tax-faqs.html>

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>

- Which receipts from a rental or lease transaction are subject to the tax;
- Whether existing contracts for lease or rental entered into prior to January 1, 2025, are subject to the tax;
- Whether leases and rentals of computer software are subject to the tax;
- Whether manned (operated) rentals are taxable;
- Whether tangible personal property that is subject to an existing local lease transaction tax is subject to the State lease tax;

- When one company leases or rents an item to a related company, whether the lease is subject to the tax; and
- Whether service providers who lease or rent tangible personal property as part of their sales of service are subject to the tax.

Please contact us with any questions.

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Sales/Use/Indirect:

South Carolina: New Law Expands Eligibility for Durable Medical Equipment Exemption to Cure Constitutional Defect

H.B. 3800, signed by gov. 5/12/25. Effective immediately, new law amends South Carolina’s existing statutory sales tax exemption on durable medical equipment (DME) and related supplies in response to the South Carolina Supreme Court’s 2024 decision that declared this exemption entirely void because it invalidly discriminated against interstate commerce in violation of the dormant Commerce Clause due to the phrase “whose principal place of business is located in this state” [see Case No. 2023-000317, S.C. (6/26/24), and *State Tax Matters*, Issue 2024-26, for more details on this 2024 decision], by removing the requirement that the seller’s principal place of business be located in South Carolina. According to accompanying bill notes, these changes amend the statutory exemption to “remove the phrase that was ruled unconstitutional.” Please contact us with any questions.

URL: <https://www.scstatehouse.gov/billsearch.php?billnumbers=3800>

URL: <https://www.sccourts.org/opinions/HTMLFiles/SC/28211.pdf>

URL: https://dhub.deloitte.com/Newsletters/Tax/2024/STM/240628_15.html

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Property:

Indiana: New Law Revises Recently Enacted Property Tax Reforms and Relief Measures

H.B. 1427, signed by gov. 5/6/25. New law amends Indiana property tax legislation that was enacted earlier this year [see *S.B. 1*, signed by gov. 4/15/25, and *State Tax Matters*, Issue 2025-15, for more details on this earlier legislation] by:

URL: <https://iga.in.gov/legislative/2025/bills/house/1427/details>

URL: <https://iga.in.gov/legislative/2025/bills/senate/1/details>

URL: https://dhub.deloitte.com/Newsletters/Tax/2025/STM/250418_10.html

1. Delaying by one year the increase in the acquisition cost threshold for the business personal property tax exemption from \$80,000 to \$2 million; and
2. Restoring the 30% minimum valuation limitation on certain business personal property placed in service after January 1, 2025.

Please contact us with any questions.

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Property:

Ohio: Taxpayer Successfully Shows COVID-19 Pandemic Contributed to Reduced Hotel Valuation

Case No(s). 2021-2767, 2021-2768, Ohio Bd. of Tax App. (5/13/25). The Ohio Board of Tax Appeals (Board) held that a hotel owner successfully established a reduced hotel valuation under Ohio property tax law [see *State Tax Matters*, Issue 2021-17, for more details on related Ohio property tax law] based on the facts, because he showed a “reduction in true value” during the 2020 year at issue caused by circumstances related to the COVID-19 pandemic or a state COVID-19 order. Specifically, the Board explained that the owner showed a diminution of property value between January 1, 2020, and October 1, 2020, was caused by the pandemic and related state orders – including a decrease in occupancy coupled with a growth in capitalization rates for comparable properties. Under the submitted facts, market occupancy “hovered around 70% before the

pandemic, plummeting to 15% for the subject and 40% for the market,” and the uncertainty in the first half of 2020 “caused a rise in capitalization rates, which shows more uncertainty in the hospitality market.” The Board also commented that submitted evidence showed that hotel prices dropped after the pandemic due to restricted cash flows. Please contact us with any questions.

[URL: https://ohio-bta.modria.com/casedetails/523903](https://ohio-bta.modria.com/casedetails/523903)

[URL: https://dhub.deloitte.com/Newsletters/Tax/2021/STM/210430_12.html](https://dhub.deloitte.com/Newsletters/Tax/2021/STM/210430_12.html)

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Unclaimed Property:

Arizona: New Law Addresses Treatment and Reporting of Abandoned Digital Assets, Virtual Currency

H.B. 2749, signed by gov. 5/7/25. Recently signed legislation enacts some changes to Arizona unclaimed property law, including explicitly subjecting “digital assets” to its provisions and establishing circumstances under which digital assets (including virtual currency) are presumed abandoned. The legislation establishes a process to deem digital assets as abandoned property and for a holder to deliver the abandoned property to the Arizona Department of Revenue (Department). Under the new law, the holder that reports an abandoned digital asset must report and deliver the digital asset in the “native form” to the Department (or its designated qualified custodian) within 30 days after reporting the digital asset abandoned. The Department may then sell abandoned digital assets that are listed on an established digital asset exchange at prices prevailing on the exchange at the time of the sale, but not lower. The legislation also permits the Department to sell an abandoned digital asset that is not listed on an established exchange by any commercially reasonable method. Please contact us with any questions.

[URL: https://apps.azleg.gov/BillStatus/BillOverview?SessionID=129](https://apps.azleg.gov/BillStatus/BillOverview?SessionID=129)

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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>

Iowa Court of Appeals denies healthcare sales and use tax flow-through exemption

In *Health Enterprises of Iowa v. Iowa Department of Revenue*, the Iowa Court of Appeals (“Court of Appeals”) affirmed the lower court’s decision holding that Iowa Code section 423.3(27) unambiguously requires a taxpayer to be a “nonprofit hospital licensed pursuant to chapter 135B” to qualify for the sales tax exemption for nonprofit hospitals. The Court of Appeals rejected the argument that the taxpayer, Health Enterprises, can claim a flow-through exemption based on the eligibility of its members.

URL: <https://www.iowacourts.gov/courtcases/22873/embed/CourtAppealsOpinion>

This Multistate Tax Alert summarizes this recent Iowa decision.

[Issued May 8, 2025]

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/multistate-tax-alert-iowa-court-of-appeals-denies-healthcare-sales-and-use-tax-flow-through-exemption.pdf>

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