



**In this issue:**

Income/Franchise: Alabama: New Law Retroactively Decouples from TCJA’s IRC §174  
R&D Deduction Changes..... 2

Income/Franchise: Alabama Circuit Court Says Exceptions to Intercompany Expense  
Addback Statute Do Not Apply and Subpart F Income Exclusion Overrides these Exceptions..... 3

Income/Franchise: California FTB Posts Second Modified Text of Proposed Market-Based  
Sourcing Rule Changes with Comments Due by June 5 ..... 4

Income/Franchise: Georgia: New Law Updates State Conformity to Internal Revenue Code ..... 5

Income/Franchise: Hawaii: New Law Revises PTET Provisions Pertaining to Qualified  
Members’ Credits for Taxes Paid ..... 5

Income/Franchise: Indiana: New Law Includes Sourcing Rules for Defined Investment  
Partnerships and Revises Some PTET Provisions ..... 6

Income/Franchise: Massachusetts: Out-of-State Company Deemed Corporate Excise  
Tax “Manufacturer” Required to Use Single Sales Factor Apportionment ..... 7

Income/Franchise: New York Tax Appeals Tribunal Denies Refund Request for Remote  
Work Performed Before and During COVID-19 Pandemic..... 8

Income/Franchise: Texas: New Law Requires Registered Securities Market Operators to Exclude Certain Transaction Rebate Payments from Franchise Tax Base .....	10
Income/Franchise: Washington: New Law Revises Several Provisions Under Capital Gains Tax and Seeks to Close “Loopholes” .....	10
Gross Receipts: Washington: New Law Increases B&O Tax and Surcharge Rates and Clarifies Investment Income Deduction .....	11
Gross Receipts: Washington: New Law Distinguishes Payment Card Processors and Provides for Special B&O Tax Rate and Deductions.....	12
Gross Receipts: Washington: Ruling Says Out-of-State Company Has Nexus Based on In-State Activities of Contracted Service Providers .....	12
Sales/Use/Indirect: Maryland: New Law Imposes 3% Sales Tax on Certain Information Technology and Data Services .....	13
Sales/Use/Indirect: New Jersey Division of Taxation Guidance Addresses Tax Treatment of Tariff Mark Ups.....	14
Sales/Use/Indirect: Texas: Memo Explains Implications of Case that Exempted Equipment Used to Excavate TPP from Realty .....	14
Sales/Use/Indirect: Washington: New Law Taxes Additional Services Including Advertising, Information Technology and Training .....	15
Transfer: Pennsylvania: Transfer of Interest in Real Estate Company Between Trusts Deemed Nontaxable.....	15
Other/Miscellaneous: Maryland: New Law Establishes Appeals Process for Digital Advertising Gross Revenues Tax .....	16
Property: Alabama: New Law Increases Business Tangible Personal Property Exemption from \$40K to \$100K.....	17
Unclaimed Property: Maryland: New Law Addresses Required Liquidation of Abandoned Virtual Currency.....	17
Multistate Tax Alerts .....	18

---

## Income/Franchise:

### Alabama: New Law Retroactively Decouples from TCJA’s IRC §174 R&D Deduction Changes

*H.B. 163*, signed by gov. 5/14/25. Effective immediately, and applicable retroactively for tax years beginning on or after January 1, 2024, research and experimental expenditures for Alabama corporate income tax purposes

“shall not follow the provisions of 26 USC § 174, as amended by the Tax Cuts and Jobs Act (TCJA), P.L. 115-97.” As such, for taxable years beginning on or after January 1, 2024, Alabama taxpayers now “shall have the option to currently deduct research and experimental expenditures or treat the expenditures as deferred expenses in the same manner as provided in 26 USC § 174 prior to tax year 2022.” Please contact us with any questions.

**URL:** <https://arc-sos.state.al.us/cgi/actdetail.mbr/detail?year=2025&act=%20400&page=bill>

— Chris Snider (Miami)  
Managing Director  
Deloitte Tax LLP  
csnider@deloitte.com

Joe Garrett (Birmingham)  
Managing Director  
Deloitte Tax LLP  
jogarrett@deloitte.com

Tyler Greaves (Boston)  
Senior Manager  
Deloitte Tax LLP  
tgreaves@deloitte.com

---

## Income/Franchise:

### **Alabama Circuit Court Says Exceptions to Intercompany Expense Addback Statute Do Not Apply and Subpart F Income Exclusion Overrides these Exceptions**

*Case No. CV-2022-901481*, Ala. Cir. Ct. (2/26/25). Reversing a 2022 Alabama Tax Tribunal ruling which held in an Alabama taxpayer’s favor that certain interest paid to a related member in Ireland is excepted from Alabama’s intercompany expense “addback statute” because the payments were “subject to tax” on the related member’s net income in that country [see previously issued Multistate Tax Alert for more details on the 2022 Alabama Tax Tribunal ruling], an Alabama circuit court (Court) held that based on the evidence at trial and applicable state law, neither the statutory subject-to-tax nor conduit exceptions applied in this case. Moreover, the Court explained that because certain payments to the foreign affiliate at issue were deducted by the taxpayer and the resulting “Subpart F income” was also excluded from the taxpayer’s income in calculating its Alabama taxable income, “one of them must yield to the other” to prevent a “double tax benefit” of both an exclusion and deduction relating to the same transfer of intangible expenses and costs to a foreign related member. The Court concluded that state law (specifically Ala. Code section 40-18-35(d)) requires Alabama’s intercompany expense addback statute exceptions to yield to the statutory exclusion of Subpart F income – thus constituting an “alternative ground” disallowing the taxpayer’s claim for exception from adding back certain interest payments made to its affiliate in Ireland. Accordingly, the Court reduced the taxpayer’s underlying Alabama corporate income tax net operating losses (NOLs) and resulting NOL carryforward amounts for the tax years at issue. Please contact us with any questions.

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-alabama-opinion-allows-intercompany-interest-expense-exception-under-income-tax-addback-statute.pdf>

— Chris Snider (Miami)  
Managing Director  
Deloitte Tax LLP  
csnider@deloitte.com

Joe Garrett (Birmingham)  
Managing Director  
Deloitte Tax LLP  
jogarrett@deloitte.com

---

## Income/Franchise:

### California FTB Posts Second Modified Text of Proposed Market-Based Sourcing Rule Changes with Comments Due by June 5

*Second Modified Text of Proposed Amended California Code of Regulations, Title 18, section 25136-2*, Cal. FTB (5/20/25); *Second Notice of Modifications to Text of Proposed Regulation Section 25136-2 in Title 18 of the California Code of Regulations Relating to Sales Other than Sales of Tangible Personal Property*, Cal. FTB (5/20/25). The California Franchise Tax Board (FTB) posted a second set of modified proposed amendments to its market-based sourcing regulation for sales other than sales of tangible personal property under California Code of Regulations, Title 18, section 25136-2 [see *State Tax Matters*, Issue 2025-1, for details on the FTB's earlier version of modified proposed text], and announced that any written comments on this latest proposal are due by June 5, 2025. These latest proposed changes seek to clarify how to apply proposed Regulation 25136-2(c)(1)(A)'s four presumptions applicable to when a service predominantly relates to real property, tangible personal property, intangible personal property, or individuals, and how the presumptions interact with certain other rules in proposed amended Regulation 25136-2(c)(1).

**URL:** <https://www.ftb.ca.gov/tax-pros/law/regulatory-activity/05202025-second-modified-text.pdf>

**URL:** <https://www.ftb.ca.gov/tax-pros/law/regulatory-activity/05202025-second-notice-of-modifications-to-text.pdf>

**URL:** [https://dhub.deloitte.com/Newsletters/Tax/2025/STM/250110\\_3.html](https://dhub.deloitte.com/Newsletters/Tax/2025/STM/250110_3.html)

Note that these formally proposed rule changes follow six Interested Parties Meetings (IPMs) held by the FTB during 2017 through 2021 that addressed draft changes to the same market-based sourcing regulation. Please contact us with any questions.

— Valerie Dickerson (Washington, DC)  
Partner  
Deloitte Tax LLP  
vdickerson@deloitte.com

Jairaj Guleria (San Jose)  
Partner  
Deloitte Tax LLP  
jguleria@deloitte.com

Ben Elliot (Sacramento)  
Principal  
Deloitte Tax LLP  
belliott@deloitte.com

Kathy Freeman (Sacramento)  
Managing Director  
Deloitte Tax LLP  
katfreeman@deloitte.com

David Han (Los Angeles)  
Senior Manager  
Deloitte Tax LLP  
davihan@deloitte.com

---

## Income/Franchise:

### Georgia: New Law Updates State Conformity to Internal Revenue Code

*H.B. 290*, signed by gov. 5/14/25. Effective immediately, and applicable for taxable years beginning on or after January 1, 2024, new law generally updates Georgia's corporate and individual income tax conformity to the Internal Revenue Code (IRC) of 1986 provided for in federal law enacted on or before January 1, 2025 (previously, January 1, 2024). For taxable years beginning on or after January 1, 2024, provisions of the IRC of 1986, as amended, which were as of January 1, 2025, enacted into law but not yet effective "shall become effective for purposes of Georgia taxation on the same dates upon which they become effective for federal tax purposes." Note that Georgia continues to decouple from certain delineated provisions of the IRC. Please contact us with any questions.

**URL:** <https://www.legis.ga.gov/legislation/69958>

— Kent Clay (Charlotte)  
Managing Director  
Deloitte Tax LLP  
kclay@deloitte.com

Joe Garrett (Birmingham)  
Managing Director  
Deloitte Tax LLP  
jogarrett@deloitte.com

Cari Sorsa (Atlanta)  
Senior Manager  
Deloitte Tax LLP  
csorsa@deloitte.com

---

## Income/Franchise:

### Hawaii: New Law Revises PTET Provisions Pertaining to Qualified Members' Credits for Taxes Paid

*H.B. 1146*, signed by gov. 5/15/25. Applicable to taxable years beginning after December 31, 2024, new law revises certain provisions under Hawaii law allowing qualifying pass-through entities to make an annual election to pay an entity-level state tax (PTET) [see S.B. 1437 (2023) and previously issued Multistate Tax Alert for more details on this PTET], specifically those provisions entitling each qualified member of an electing pass-through entity whose distributive share or guaranteed payment of Hawaii taxable income is subject to the PTET to a credit equal to the qualified member's share of the tax paid under the PTET. Under the new law, any

qualified member claiming such a credit “shall add to the qualified member’s taxable income the qualified member’s share of taxes paid by an electing pass-through entity.” Please contact us with any questions.

**URL:** [https://www.capitol.hawaii.gov/session/measure\\_indiv.aspx?billtype=HB&billnumber=1146&year=2025](https://www.capitol.hawaii.gov/session/measure_indiv.aspx?billtype=HB&billnumber=1146&year=2025)

**URL:** [https://www.capitol.hawaii.gov/session/measure\\_indiv.aspx?billtype=SB&billnumber=1437&year=2023](https://www.capitol.hawaii.gov/session/measure_indiv.aspx?billtype=SB&billnumber=1437&year=2023)

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-hawaii-enacts-pass-through-entity-tax-election.pdf>

— Ashley Yamada (Honolulu)  
Senior Manager  
Deloitte Tax LLP  
ayamada@deloitte.com

Bryan Yi (Seattle)  
Senior Manager  
Deloitte Tax LLP  
bryi@deloitte.com

Robert Waldow (Minneapolis)  
Principal  
Deloitte Tax LLP  
rwaldow@deloitte.com

Olivia Chatani (Washington, DC)  
Senior Manager  
Deloitte Tax LLP  
ochatani@deloitte.com

---

## Income/Franchise:

### Indiana: New Law Includes Sourcing Rules for Defined Investment Partnerships and Revises Some PTET Provisions

*H.B. 1427*, signed by gov. 5/6/25. Recently enacted legislation:

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

1. Includes special sourcing rules for the adjusted gross income from defined “investment partnerships” that is distributed to nonresident partners (whether corporations, individuals, estates, or trusts), as well as
2. Allows eligible pass-through entities electing to pay Indiana’s entity-level state income tax (PTET) to claim a credit for taxes withheld or paid on the entity’s behalf and make elections to claim certain state tax liability credits. Specifically, for all taxable years beginning after December 31, 2025, the legislation provides that in the case of an investment partnership:
  - a. Any qualifying investment partnership income that is distributable to a nonresident partner must be allocated to the partner’s state of residence (in the case of an individual, estate, or trust) or commercial domicile (in the case of any corporation or other entity); and
  - b. Any qualifying investment partnership income that is distributable to a nonresident partner must be treated as business income and apportioned as if such income had been received directly by the partner if such income is from certain listed investment activity.

The bill explains that “qualifying investment partnership income” generally means the adjusted gross income from qualifying investment securities, excluding any income or loss from a partnership interest that, in the hands of the partnership, qualifies as a security. Under these new sourcing provisions, the legislation also

notes that “in the case of a partner and a corporate partnership, a unitary relationship shall be determined without regard to the corporate partner’s percentage of ownership of the partnership.”

Pursuant to Indiana law allowing some pass-through entities to make an election to pay Indiana’s PTET [see S.B. 2 (2023), and previously issued Multistate Tax Alert for more details on this PTET], the newly signed legislation, retroactively to January 1, 2025, also:

[URL: https://iga.in.gov/legislative/2023/bills/senate/2](https://iga.in.gov/legislative/2023/bills/senate/2)

[URL: https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-indiana-enacts-pass-through-entity-tax-election.pdf](https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-indiana-enacts-pass-through-entity-tax-election.pdf)

1. Provides that an electing entity or pass-through entity may claim a credit for taxes withheld or paid on the entity’s behalf; and
2. Allows an electing entity to make elections to claim certain state tax liability credits and sets forth requirements that apply to these elections; this includes the credit available to an Indiana resident for taxes paid to another state.

Please contact us with any questions.

— Tom Engle (St. Louis)  
Manager  
Deloitte Tax LLP  
tengle@deloitte.com

Joe Garrett (Birmingham)  
Managing Director  
Deloitte Tax LLP  
jogarrett@deloitte.com

Olivia Chatani (Washington, DC)  
Senior Manager  
Deloitte Tax LLP  
ochatani@deloitte.com

---

## Income/Franchise:

### Massachusetts: Out-of-State Company Deemed Corporate Excise Tax “Manufacturer” Required to Use Single Sales Factor Apportionment

*Docket No. C344671*, Mass. App. Tax Bd. (5/5/25). The Massachusetts Appellate Tax Board (ATB) held that an out-of-state company that designed, marketed, and sold footwear was substantially involved in the entirety of its shoe creation process as a “manufacturing corporation” under G.L. c. 63, § 38 despite using overseas third-party manufacturers to physically produce the shoes, and thus had to apportion its net income using single sales factor apportionment, rather than the three-factor formula based upon property, payroll, and sales factors for non-manufacturers, to compute its state corporate excise tax liability for the tax years at issue. Rejecting the company’s assertions that nothing it created was either physically useful in the ultimate manufacture of footwear or had a tangible application in the manufacturing process, the ATB held that state



caselaw supports a broad construction of the phrase “engaged in manufacturing” that focuses less on the technical means and materials used by a taxpayer and more on its role in the overall production of the items.

[URL: https://www.mass.gov/doc/skechers-usa-inc-v-commissioner-of-revenue-may-5-2025/download](https://www.mass.gov/doc/skechers-usa-inc-v-commissioner-of-revenue-may-5-2025/download)

Based on the facts in this case, the ATB explained that the materials produced by the footwear company throughout the process were physically useful in the creation of the ultimate footwear products, and its employees interacted physically with the products throughout the shoe-creation process – from writing changes to be made directly on a pullover model to engaging in fit testing and other quality testing at many stages of the creation and production process – and such employee feedback was incorporated into (that is, had a physical impact on) subsequent renditions of that shoe, including its ultimate construction and design. Under the facts, the footwear company utilized overseas third-party manufacturers to physically produce the shoes, and such factories generally were allowed to source their own raw materials and negotiate their prices, so long as the suppliers satisfied the footwear company’s specifications as to testing and other requirements. Please contact us with any questions.

— Alexis Morrison-Howe (Boston)  
Principal  
Deloitte Tax LLP  
alhowe@deloitte.com

Ian Gilbert (Boston)  
Senior Manager  
Deloitte Tax LLP  
iagilbert@deloitte.com

Tyler Greaves (Boston)  
Senior Manager  
Deloitte Tax LLP  
tgreaves@deloitte.com

---

## Income/Franchise:

### **New York Tax Appeals Tribunal Denies Refund Request for Remote Work Performed Before and During COVID-19 Pandemic**

*Decision DTA Nos. 830517 and 830681*, N.Y. Tax App. Trib. (5/15/25). In a case involving a nonresident claiming that he was entitled to a refund of New York State personal income taxes paid on income earned while he worked remotely in Connecticut for a New York employer before and during the COVID-19 pandemic, the New York Tax Appeals Tribunal (Tribunal) affirmed the denied refund claims and agreed with the Administrative Law Judge at the New York State Division of Tax Appeals that he worked out-of-state for his own convenience rather than his employer’s necessity [see Determination DTA Nos. 830517 and 830681, N.Y. Div. of Tax App., ALJ Div. (11/30/23), and *State Tax Matters*, Issue 2023-48, for details on the 2023 New York State Division of Tax Appeals determination in this case]. In doing so, the Tribunal explained that “the nature of the employment relationship is paramount in considering whether the days on which a taxpayer claims to have performed personal services outside New York are subject to application of the convenience rule” – specifically, “whether the employer established a nexus in another jurisdiction by directing its employee to



perform personal services in that out-of-state location for its own necessity.” According to the Tribunal, absence a showing of such a fact, a nonresident taxpayer’s personal services performed for a New York employer will be subject to the convenience rule if the taxpayer performs those personal services both within and outside of New York.

[URL: https://www.dta.ny.gov/pdf/determinations/830517.det.pdf](https://www.dta.ny.gov/pdf/determinations/830517.det.pdf)

[URL: https://dhub.deloitte.com/Newsletters/Tax/2023/STM/231208\\_4.html](https://dhub.deloitte.com/Newsletters/Tax/2023/STM/231208_4.html)

In this case, the Tribunal explained that because the taxpayer failed to show that his employer required him to perform the functions of his job at his home in Connecticut, as opposed to anywhere else, the convenience of the employer rule was properly applied in calculating his New York income apportionment. Ruling otherwise, according to the Tribunal, would allow employees like the taxpayer in this case to “reassign the *situs*es of their sources of income derived from employment by choosing an out-of-state location where they would perform their job responsibilities, thereby subjecting an employer to the law of that jurisdiction without the employer’s consent.” Please contact us with any questions.

— Jack Trachtenberg (New York)  
Principal  
Deloitte Tax LLP  
jtrachtenberg@deloitte.com

Don Roveto (New York)  
Partner  
Deloitte Tax LLP  
droveto@deloitte.com

Robert Waldow (Minneapolis)  
Principal  
Deloitte Tax LLP  
rwaldow@deloitte.com

Josh Ridiker (New York)  
Managing Director  
Deloitte Tax LLP  
jridiker@deloitte.com

Mary Jo Brady (Jericho)  
Senior Manager  
Deloitte Tax LLP  
mabrady@deloitte.com

Alyssa Keim (Philadelphia)  
Senior Manager  
Deloitte Tax LLP  
jridiker@deloitte.com

Olivia Chatani (Washington, DC)  
Senior Manager  
Deloitte Tax LLP  
ochatani@deloitte.com

## Income/Franchise:

### Texas: New Law Requires Registered Securities Market Operators to Exclude Certain Transaction Rebate Payments from Franchise Tax Base

*S.B. 1058*, signed by gov. 5/13/25. Effective as of January 1, 2026, and applicable to franchise tax reports originally due on or after such date, newly signed legislation requires that a taxable entity qualifying as a “registered securities market operator” exclude from its total revenue in calculating its Texas franchise tax liability any transaction rebate payments made by the operator to a defined broker or dealer as part of a securities transaction. According to the accompanying bill notes, the legislation seeks to secure accurate tax treatment for entities operating in the securities market as “revenue often includes pass-through payments that do not reflect true income, particularly transaction rebate payments made to brokers or dealers as part of securities trades.” Please contact us with any questions.

**URL:** <https://capitol.texas.gov/BillLookup/History.aspx?LegSess=89R&Bill=SB1058>

**URL:** <https://capitol.texas.gov/tlodocs/89R/analysis/pdf/SB01058H.pdf>

— Robert Topp (Houston)  
Managing Director  
Deloitte Tax LLP  
[rtopp@deloitte.com](mailto:rtopp@deloitte.com)

Grace Taylor (Houston)  
Senior Manager  
Deloitte Tax LLP  
[grtaylor@deloitte.com](mailto:grtaylor@deloitte.com)

---

## Income/Franchise:

### Washington: New Law Revises Several Provisions Under Capital Gains Tax and Seeks to Close “Loopholes”

*S.B. 5314*, signed by gov. 5/20/25; *S.B. 5813*, signed by gov. 5/20/25. Recently enacted legislation revises various provisions under Washington’s tax on long-term capital gains earned by some individuals from the sale or exchange of certain capital assets [see E.S.S.B. 5096 (2021) and previously issued Multistate Tax Alert (May 13, 2021) for more details on this state tax, as well as previously issued Multistate Tax Alert (March 27, 2023) for more details on the Washington Supreme Court’s decision upholding the validity of the tax]. Applicable as of January 1, 2026, one bill (*S.B. 5314*) repeals a currently available credit against Washington’s business and occupation (B&O) tax for payment of Washington’s capital gains tax, and instead, provides a nonrefundable credit against the capital gains tax for sales and exchanges that are also subject to the B&O tax “to avoid taxing the same sale or exchange under both” taxes. This legislation also clarifies the capital gains tax treatment of certain long-term capital losses and seeks to close some perceived capital gains tax “loopholes.” Another recently signed bill (*S.B. 5813*) seeks to create a more progressive rate structure for Washington’s capital gains tax by adding a top tier tax rate of 9.9% for Washington capital gains greater than \$1 million beginning with tax year 2025. Please contact us with any questions.

**URL:** <https://app.leg.wa.gov/billsummary/?BillNumber=5314&Chamber=Senate&Year=2025>

**URL:** <https://app.leg.wa.gov/billsummary/?BillNumber=5813&Chamber=Senate&Year=2025>

**URL:** <https://app.leg.wa.gov/billsummary/?BillNumber=5096&Year=2021&Initiative=false>

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/washington-law-imposes-new-excise-tax-on-capital-gains.pdf>

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-multistate-tax-alert-washington-supreme-court-upholds-capital-gains-tax.pdf>

— Scott Schiefelbein (Portland)  
Managing Director  
Deloitte Tax LLP  
sschiefelbein@deloitte.com

Robert Wood (Seattle)  
Principal  
Deloitte Tax LLP  
robwood@deloitte.com

Angela Deamico (Seattle)  
Senior Manager  
Deloitte Tax LLP  
adeamico@deloitte.com

---

## Gross Receipts:

### Washington: New Law Increases B&O Tax and Surcharge Rates and Clarifies Investment Income Deduction

*H.B. 2081*, signed by gov. 5/20/25. New law increases some Washington business and occupation (B&O) tax and surcharge rates, as well as creates a temporary B&O tax surcharge on certain large companies. The legislation also revises the B&O tax investment income deduction in light of a 2024 Washington Supreme Court decision involving investment income earned by sixteen investment funds [see Case No. 102223-9, Wash. (10/24/24)], and previously issued Multistate Tax Alert for more details on this 2024 decision].

**URL:** <https://app.leg.wa.gov/BillSummary/?BillNumber=2081&Year=2025&Initiative=false>

**URL:** <https://www.courts.wa.gov/opinions/pdf/1022239.pdf>

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/multistate-tax-alert-washington-state-supreme-court-determines-investment-income.pdf>

See recently issued Multistate Tax Alert for more details on this newly signed legislation, and please contact us with any questions.

— Robert Wood (Seattle)  
Principal  
Deloitte Tax LLP  
robwood@deloitte.com

Angela Deamico (Seattle)  
Senior Manager  
Deloitte Tax LLP  
adeamico@deloitte.com

## Gross Receipts:

### Washington: New Law Distinguishes Payment Card Processors and Provides for Special B&O Tax Rate and Deductions

*H.B. 2020*, signed by gov. 5/20/25. Effective as of January 1, 2026, due to the “unique nature of payment system arrangements,” new law distinguishes payment card processors from other Washington business and occupation (B&O) taxpayers and provides that certain payment card processors may deduct interchange fees, network fees, and other such fees from their gross receipts tax base, as well as increases their applicable B&O tax rate from 1.5% to 3%. Please contact us with any questions.

**URL:** <https://app.leg.wa.gov/BillSummary/?BillNumber=2020&Year=2025&Initiative=false>

— Robert Wood (Seattle)  
Principal  
Deloitte Tax LLP  
[robwood@deloitte.com](mailto:robwood@deloitte.com)

Angela Deamico (Seattle)  
Senior Manager  
Deloitte Tax LLP  
[adeamico@deloitte.com](mailto:adeamico@deloitte.com)

---

## Gross Receipts:

### Washington: Ruling Says Out-of-State Company Has Nexus Based on In-State Activities of Contracted Service Providers

*Determination No. 20-0171; 44 WTD 001 (2025)*, Wash. Dept. of Rev. (5/19/25). In a ruling involving an out-of-state business providing insurance companies with water mitigation services via in-state local service providers, the Administrative Review and Hearings Division of the Washington Department of Revenue (Division) held that such contracted service provider activities are significantly associated with the business’s ability to establish or maintain an in-state market for its products and represent substantial nexus with Washington for state business and occupation (B&O) tax purposes under both applicable constitutional and statutory nexus thresholds. Under the facts, the business contracts with Washington water mitigation service providers and refers those providers to insureds making claims; the Division reasoned that without this referral network, regardless of how frequently an insured chooses a different provider, the business’s insurer customers could not effectively respond to insureds’ claims for water mitigation services. In this respect, the Division concluded, the business needs those referral providers available in Washington to provide its services of managing water mitigation claims to its clients, and the existence of this referral network – which was created and maintained by the business – allows it to have a market for its products in Washington. Please contact us with any questions.

**URL:** <https://dor.wa.gov/sites/default/files/2025-05/44WTD001.pdf>

— Robert Wood (Seattle)  
Principal  
Deloitte Tax LLP  
robwood@deloitte.com

Angela Deamico (Seattle)  
Senior Manager  
Deloitte Tax LLP  
adeamico@deloitte.com

---

## **Sales/Use/Indirect:**

### **Maryland: New Law Imposes 3% Sales Tax on Certain Information Technology and Data Services**

*H.B. 352*, signed by gov. 5/20/25. Effective July 1, 2025, recently signed legislation imposes a new 3% sales tax on information technology and data services. Specifically, the legislation expands the definition of “taxable services” for Maryland sales and use tax purposes to include certain data or information technology services, and it provides that the listed data or information technology services are subject to a 3% sales tax rate. For purposes of sourcing sales of taxable data or information technology services, the legislation applies the same sourcing rules as those used to source the retail sale of digital codes and digital products. Additionally, the legislation allows buyers of digital codes, digital products, and taxable data or information technology services to provide the vendor a certificate indicating multiple points of use (“MPU”) at the time of purchase. Note that the Maryland Comptroller has posted additional information on these tax law changes on its website here: “New Tax Year 2025 Changes.”

**URL:** <https://mgaleg.maryland.gov/mgaweb/Legislation/Details/HB0352?ys=2025RS>

**URL:** <https://www.marylandcomptroller.gov/2025TaxUpdates.html>

Among other tax-related provisions in this bill, the legislation also establishes an individual income tax capital gains surcharge of 2% for taxpayers with annual income greater than \$350,000.

See recently issued Multistate Tax Alert for more details on this newly signed legislation, and please contact us with any questions.

— Joe Carr (McLean)  
Managing Director  
Deloitte Tax LLP  
josecarr@deloitte.com

Ryan Trent (Charlotte)  
Managing Director  
Deloitte Tax LLP  
rtrent@deloitte.com

Michael Spencer (Washington, DC)  
Senior Manager  
Deloitte Tax LLP  
mispencer@deloitte.com

Inna Volfson (Boston)  
Managing Director  
Deloitte Tax LLP  
ivolfson@deloitte.com

---

## **Sales/Use/Indirect:**

### **New Jersey Division of Taxation Guidance Addresses Tax Treatment of Tariff Mark Ups**

*Sales Tax Treatment of Tariff Mark Ups*, N.J. Div. of Tax. (5/20/25). The New Jersey Division of Taxation (Division) explains that the imposition of tariffs (*i.e.*, “a federal tax imposed on importers when goods are imported”) may result in an increased product cost and that when a seller passes along the cost of a tariff to the consumer or purchaser, the charges are subject to New Jersey sales tax as part of the taxable sales price, even if the tariff is separately stated to the purchaser. By way of example, the Division explains that if the US government imposes a tariff on furniture imported from another country, that tariff is passed along to the furniture seller. In this case, a seller may “increase the sales price of the furniture sold to customers to maintain its profit margins,” and that if such seller “marks up the price of the furniture,” even if it is billed as a separately stated fee, the increased cost and/or fee is subject to New Jersey sales tax because it is part of the taxable sales price. Please contact us with any questions.

**URL:** <https://www.nj.gov/treasury/taxation/businesses/salestax/tariffs.shtml>

— Stephanie Csan (Morristown)  
Managing Director  
Deloitte Tax LLP  
scsan@deloitte.com

Felix Rivera (Morristown)  
Senior Manager  
Deloitte Tax LLP  
ferivera@deloitte.com

---

## **Sales/Use/Indirect:**

### **Texas: Memo Explains Implications of Case that Exempted Equipment Used to Excavate TPP from Realty**

*Memorandum No. 202505004M*, Tex. Comptroller of Public Accounts (5/16/25). Referencing a 2021 Texas Court of Appeals holding that a taxpayer who extracted and processed coal for ultimate sale was entitled to Texas’ sales and use tax manufacturing exemption on purchased excavating equipment under the provided facts [see Case No. 03-20-00406-CV, Tex. Ct. App. (10/7/21) and *State Tax Matters*, Issue 2022-41, for more details on the ruling], a Texas Comptroller of Public Accounts memorandum explains that the effect of this ruling is that “processing” can be performed on real property. As a result, according to the memo, “activities that were previously considered to be in preparation of production may now be considered processing allowing exemptions on previously taxed equipment.” To meet the exemption requirements, the memo explains that the item (*e.g.*, equipment) must directly make or cause a chemical or physical change to the product (*e.g.*, materials) being produced, and the product must be tangible personal property held for ultimate sale. The guidance also states that the taxability determinations in this memo will be applied prospectively beginning July 1, 2025. Moreover, “previously nontaxable materials may be treated as taxable, processed materials after July 1, 2025, because they were extracted from the earth and/or washed, dried, or separated in a manner that caused a chemical or physical change.” Please contact us with any questions.

**URL:** <https://star.comptroller.texas.gov/view/202505004M?q1=202505004M>

**URL:** <https://search.txcourts.gov/SearchMedia.aspx?MediaVersionID=4fa26762-594f-4908-a7b2-438019c76eaf&coa=coa03&DT=Opinion&MediaID=2468133a-0027-427b-a316-2e8ad91012c4>

**URL:** [https://dhub.deloitte.com/Newsletters/Tax/2021/STM/211015\\_3.html](https://dhub.deloitte.com/Newsletters/Tax/2021/STM/211015_3.html)

— Chris Blackwell (Austin)  
Senior Manager  
Deloitte Tax LLP  
[cblackwell@deloitte.com](mailto:cblackwell@deloitte.com)

Robin Robinson (Austin)  
Senior Manager  
Deloitte Tax LLP  
[rrobinson@deloitte.com](mailto:rrobinson@deloitte.com)

---

## **Sales/Use/Indirect:**

### **Washington: New Law Taxes Additional Services Including Advertising, Information Technology and Training**

*S.B. 5814*, signed by gov. 5/20/25. New law expands Washington's sales and use tax base by imposing tax on additional services such as defined advertising services (including all digital and nondigital services related to the creation, preparation, production, or dissemination of advertisements), as well as information technology training services, technical support, and other services including but not limited to network operations and support assistance, help desk services, in-person software and hardware training, and custom website development services.

**URL:** <https://app.leg.wa.gov/BillSummary/?BillNumber=5814&Year=2025&Initiative=false>

See recently issued Multistate Tax Alert for more details on this newly signed legislation, and please contact us with any questions.

— Robert Wood (Seattle)  
Principal  
Deloitte Tax LLP  
[robwood@deloitte.com](mailto:robwood@deloitte.com)

Angela Deamico (Seattle)  
Senior Manager  
Deloitte Tax LLP  
[adeamico@deloitte.com](mailto:adeamico@deloitte.com)

---

## **Transfer:**

### **Pennsylvania: Transfer of Interest in Real Estate Company Between Trusts Deemed Nontaxable**

*Case No. 502 F.R. 2022*, Pa. Commw. Ct. (5/15/25). In a case involving real property owned by a limited liability partnership operating as a "real estate company," the Pennsylvania Commonwealth Court *en banc* (Court) affirmed a 2024 panel decision, which held that Pennsylvania's realty transfer tax did not apply to the acquisition of the real estate company, specifically the transfer of 90% or more of the ownership interest in the



real estate company from the trustee of a living trust to the beneficiary of a living trust. In doing so, the Court agreed that:

[URL: https://www.pacourts.us/assets/opinions/Commonwealth/out/502FR22\\_5-15-25.pdf](https://www.pacourts.us/assets/opinions/Commonwealth/out/502FR22_5-15-25.pdf)

1. The transfer of ownership interest in the real estate company facially met the statutory requirements for exclusion from realty transfer tax pursuant to the relevant Pennsylvania statute, and
2. This statutory exclusion applies to both a direct transfer of real property and an acquisition of a real estate company.

The Court further held that to the extent of the application of this exclusion, the Pennsylvania Department of Revenue's regulation conflicts with the enabling statute and "must be disregarded." Please contact us with any questions.

— Kenn Stoops (Philadelphia)  
Managing Director  
Deloitte Tax LLP  
kstoops@deloitte.com

Joe Gurney (Chicago)  
Managing Director  
Deloitte Tax LLP  
jogurney@deloitte.com

---

## Other/Miscellaneous:

### Maryland: New Law Establishes Appeals Process for Digital Advertising Gross Revenues Tax

*S.B. 605 / H.B. 546*, signed by gov. 5/20/25. Effective as of January 1, 2026, and applicable to assessments of Maryland's novel tax on digital advertising services (*i.e.*, the "Digital Advertising Gross Revenues Tax" or "DAGRT") [see the Maryland Comptroller's website at Digital Advertising Gross Revenues Tax for more details on the DAGRT] made after December 31, 2025, new law establishes a specified appeals process for those that are subject to the DAGRT and receive a notice of assessment from the Maryland Comptroller. Like other taxes collected by the Maryland Comptroller, the bill also authorizes the Maryland Comptroller (or its designee) to issue an order to correct an erroneous assessment of the DAGRT, subject to specified conditions. Please contact us with any questions.

[URL: https://mgaleg.maryland.gov/mgaweb/Legislation/Details/SB0605?ys=2025RS](https://mgaleg.maryland.gov/mgaweb/Legislation/Details/SB0605?ys=2025RS)

[URL: https://mgaleg.maryland.gov/mgaweb/Legislation/Details/hb0546?ys=2025RS](https://mgaleg.maryland.gov/mgaweb/Legislation/Details/hb0546?ys=2025RS)

[URL: https://www.marylandtaxes.gov/business/digital-ad/](https://www.marylandtaxes.gov/business/digital-ad/)

— Joe Carr (McLean)  
Managing Director  
Deloitte Tax LLP  
josecarr@deloitte.com

Inna Volfson (Boston)  
Managing Director  
Deloitte Tax LLP  
ivolfson@deloitte.com

Michael Spencer (Washington, DC)  
Senior Manager  
Deloitte Tax LLP  
mispencer@deloitte.com

---

## Property:

### Alabama: New Law Increases Business Tangible Personal Property Exemption from \$40K to \$100K

*H.B. 543*, signed by gov. 5/13/25. New law amends Alabama property tax law by increasing the market value threshold amount for which tangible personal property owned by a business is exempt from Alabama ad valorem tax from \$40,000 to \$100,000, effective as of October 1, 2025. Please contact us with any questions.

**URL:** <https://arc-sos.state.al.us/cgi/actdetail.mbr/detail?year=2025&act=%20344&page=bill>

— Marcia Shippey-Pryce (Atlanta)  
Managing Director  
Deloitte Tax LLP  
mshippeypryce@deloitte.com

Donna Empson-Rudolph (Houston)  
Senior Manager  
Deloitte Tax LLP  
dempsonrudolph@deloitte.com

---

## Unclaimed Property:

### Maryland: New Law Addresses Required Liquidation of Abandoned Virtual Currency

*S.B. 665 / H.B. 761*, signed by gov. 5/20/25. Recently signed legislation enacts some changes to Maryland unclaimed property law, including explicitly subjecting virtual currency to its provisions and establishing circumstances under which virtual currency is presumed abandoned. Under the new law, virtual currency generally is deemed abandoned five years after the apparent owner's last indication of interest in the property, and a holder of unclaimed virtual currency must liquidate the virtual currency and remit the proceeds to the administrator within 30 days before filing the required report. Under these provisions, the owner has no right of recourse against the holder or the administrator to recover any gain in value occurring after the liquidation of the virtual currency. Please contact us with any questions.

**URL:** <https://mgaleg.maryland.gov/mgaweb/Legislation/Details/SB0665?ys=2025RS>

**URL:** <https://mgaleg.maryland.gov/mgaweb/Legislation/Details/hb0761>

— Nina Renda (Morristown)  
Partner  
Deloitte Tax LLP  
akrenda@deloitte.com

Jenna Fenelli (Morristown)  
Senior Manager  
Deloitte Tax LLP  
jfenelli@deloitte.com

---

## 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>

### **Louisiana modifies industrial ad valorem tax exemption**

On March 20, 2025, Louisiana Governor Jeff Landry signed Executive Order Number JML 25-033 (“EO 25-033”) to revise the Louisiana Industrial Tax Exemption Program (“ITEP”) by allowing businesses with ITEP contracts existing under the 2017 and 2018 ITEP Rules to prospectively “opt out” of the jobs, payroll, and compliance components regardless of whether the contract is up for renewal.

**URL:** <https://www.doa.louisiana.gov/media/3f1iqyiw/jml-25-033-amended-and-restated-conditions-for-industrial-tax-exemption-program.pdf>

This Multistate Tax Alert summarizes the key provisions of EO 25-033.

[Issued May 16, 2025]

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/multistate-tax-alert-louisiana-modifies-industrial-ad-valorem-tax-exemption.pdf>

### **New York enacts provisions for reporting federal partnership adjustments**

On May 9, 2025, the New York budget bill, A3009C/S3009C, for fiscal year 2026 (“Budget Bill”) was enacted into law. The Budget Bill includes changes to the reporting and payment requirements for federal partnership adjustments, regardless of the tax impact.

**URL:** <https://nyassembly.gov/leg/?bn=a3009c>

This Multistate Tax Alert summarizes the provisions related to reporting federal partnership adjustments in New York.

[Issued May 17, 2025]

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/multistate-tax-alert-new-york-enacts-provisions-for-reporting-federal-partnership-adjustments.pdf>

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

#### **About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 415,000 people worldwide make an impact that matters at [www.deloitte.com](http://www.deloitte.com).