State Tax Matters

The power of knowing

In this issue:

Multistate Tax Alerts: California shifts to SSF apportionment for financial institutions and extends elective PTET

On June 27, 2025, California Governor Newsom signed Senate Bill 101 ("S.B. 101" or the "Budget Act") and Senate Bill 132 ("S.B. 132"), a taxation trailer bill which requires banks and financial institutions to use a single sales factor apportionment formula when apportioning business income to California, as well as extends the elective pass-through entity tax ("PTET"). Governor Newsom also signed Senate Bill 102 ("S.B. 102"), which amended the Budget Act and included a provision to repeal the Budget Act and any related appropriation bills if Assembly Bill 131/Senate Bill 131 ("A.B. 131/S.B. 131"), a separate public resources trailer bill, was not signed by the Governor on June 30th. On June 30, 2025, Governor Newsom signed SB 131.

This Multistate Tax Alert summarizes some of the relevant tax provisions in S.B. 132.

URL: https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/multistate-tax-alert-california-shifts-to-ssf-apportionment-for-financial-institutions-and-extends-elective-ptet.pdf
[Issued July 1, 2025]

Louisiana enacts new filing methodology for S corporations

On June 20, 2025, Louisiana House Bill 567 ("H.B. 567") was enacted into law. H.B. 567, among other updates, modifies the filing methodology for S corporations to treat them as pass-through entities under state law, similar to how they are treated under federal law. These changes apply to income tax periods beginning on or after January 1, 2026.

This Multistate Tax Alert summarizes some of the provisions of H.B. 567.

URL: https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/louisiana-enacts-new-filing-methodolgy-for-s-corporations.pdf
[Issued June 26, 2025]

Texas enacts changes to research and development tax credit

On June 22, 2025, Texas Senate Bill 2206 ("S.B. 2206") was enacted into law. S.B. 2206, which is effective January 1, 2026, makes significant changes to the State's research and development ("R&D") tax credits and incentives.

This Multistate Tax Alert summarizes some of the relevant provisions in S.B. 2206.

URL: https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/multistate-tax-alert-texas-enacts-changes-to-research-and-development-tax-credit.pdf
[Issued July 1, 2025]

Amnesty:
New Hampshire – New Law Includes Tax Amnesty Program with Potential Waiver of Penalties and Reduced Interest

H.B. 2, signed by gov. 6/27/25. New law requires the New Hampshire Department of Revenue Administration to establish a tax amnesty program for taxes that it administers and collects which must be conducted from December 1, 2025, through February 15, 2026, and which will apply to taxes due but unpaid on or before June 30, 2025 – regardless of whether previously assessed. In exchange for participating, qualifying taxpayers potentially may receive a waiver of all underlying penalties and a 50% reduction in interest. Please contact us with any questions.

Liz Jankowski (Boston)
Tax Principal
Deloitte Tax LLP
ejankowski@deloitte.com

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

Income/Franchise:
California – Budget Trailer Bill Implements Single Sales Factor Apportionment for Financial Institutions and PTET Extension

S.B. 132, signed by gov. 6/27/25. A budget trailer bill related to California's enacted Budget (S.B. 101) adopts various tax proposals, including requiring banks and financial institutions to use a single sales factor apportionment formula when apportioning business income to California for taxable years beginning on or after January 1, 2025. The legislation also extends California's elective pass-through entity tax.

See recently issued Multistate Tax Alert for more details on some of the relevant tax provisions in S.B. 132, and please contact us with any questions.

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

Valerie Dickerson (Washington D.C.)
Tax Partner
Deloitte Tax LLP
vdickerson@deloitte.com

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

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

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

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

Olivia Chatani (Washington D.C.)
Tax Senior Manager
Deloitte Tax LLP
ochatani@deloitte.com

Connecticut – New Law Extends Corporation Business Tax Surcharge and Revises Certain NOL and Combined Reporting Provisions

H.B. 7287, signed by gov. 6/30/25. Recently enacted budget legislation includes the following tax-related changes:

- extends Connecticut's 10% corporation business tax surcharge for three additional years to the 2026, 2027, and 2028 income years;
- beginning with the 2025 income year, eliminates Connecticut's alternative net operating loss (NOL) rule that applied to certain Connecticut combined groups that had more than $6 billion in NOLs from pre-2013 tax years and made a special election on their 2015 Connecticut income year returns – now requiring such impacted groups to recalculate their remaining NOL carryovers pursuant to Connecticut's standard NOL carryforward limitations on their Connecticut corporation business tax returns; and
- beginning with the 2025 income year, eliminates Connecticut's $2.5 million cap on the amount a Connecticut combined group's corporation business tax, calculated on a combined unitary basis that was first implemented in Connecticut beginning with the 2016 income year, may exceed the tax it would have paid (prior to surtax and the application of tax credits) under Connecticut's nexus combined base tax calculation method that was in place prior to Connecticut's tax reforms enacted in December 2015.

Please contact us with any questions

Jack Lutz (Hartford)
Tax Managing Director
Deloitte Tax LLP
jacklutz@deloitte.com

Maura Bakoulis (Hartford)
Tax Senior Manager
Deloitte Tax LLP
mbakoulis@deloitte.com

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

Connecticut – New Law Creates Credit for Residents Related to "Convenience of the Employer" Rules Adopted by Other Jurisdictions

S.B. 1558, signed by gov. 7/8/25. Applicable for taxable years commencing on or after January 1, 2020, new law creates an income tax credit for Connecticut residents who successfully win their own legal challenge to the taxing of their income by another qualifying jurisdiction on certain income derived from services rendered. Generally, the credit would equal 60% of the amount of Connecticut income taxes owed because of the resulting adjustment to the credit the taxpayer received for taxes paid to the other qualifying jurisdiction. Please contact us with any questions.

Jack Lutz (Hartford)
Tax Managing Director
Deloitte Tax LLP
jacklutz@deloitte.com

Maura Bakoulis (Hartford)
Tax Senior Manager
Deloitte Tax LLP
mbakoulis@deloitte.com

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

Florida – New Law Generally Updates State Conformity to Internal Revenue Code

H.B. 7031, ***signed by gov. 6/30/25***. Effective immediately, and applicable retroactively to tax years beginning on or after January 1, 2025, recently signed budget legislation generally updates corporate income tax statutory references in Florida to conform to the Internal Revenue Code provisions as in effect on January 1, 2025 (previously, January 1, 2024). Please contact us with any questions.

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

Jessica Huber-Broege (Tampa)
Tax Partner
Deloitte Tax LLP
jhuberbroege@deloitte.com

Ian Lasher (Tampa)
Tax Managing Director
Deloitte Tax LLP
ilasher@deloitte.com

Ben Jablow (Tampa)
Tax Manager
Deloitte Tax LLP
bjablow@deloitte.com

Illinois – Bulletin Summarizes Recent Enactment of Finnigan Apportionment, Removal of Some Intercompany Expense Addback Exceptions, §163(j) Changes, and GILTI Taxation Changes

Informational Bulletin FY 2025-29, Ill. Dept. of Rev. (6/25). An Illinois Department of Revenue informational bulletin summarizes recently enacted budget legislation *[see H.B. 2755 (Public Act 104-0006), signed by gov. 6/16/25, and previously issued Multistate Tax Alert for more details on this legislation]* that includes many significant Illinois income tax law changes, including provisions that:

- shift from the "Joyce" to "Finnigan" method for Illinois combined reporting apportionment purposes;
- remove certain exceptions under Illinois's intercompany interest and intangible expense "addback" statute;
- partially incorporate global intangible low-taxed income (GILTI) under Internal Revenue Code (IRC) section 951A in the Illinois tax base;
- establish new rules for taxpayers subject to the federal interest deduction limitation under IRC section 163(j); and
- modify the sourcing rules for gains from the sale of certain pass-through entity interests. .

The bulletin explains that these various highlighted tax law changes potentially may affect an Illinois taxpayer's required estimated payment amounts or require it to start making estimated payments, noting that the first estimated payment after June 16 should include the additional amounts that would have been due with previous quarterly payments, as well as the full current quarterly payment. Please contact us with any questions.

Brian Walsh (Chicago)
Tax Managing Director
Deloitte Tax LLP
briawalsh@deloitte.com

Chase Christopherson (Chicago)
Tax Senior Manager
Deloitte Tax LLP
cchristopherson@deloitte.com

Alice Fan (Chicago)
Tax Manager
Deloitte Tax LLP
alicfan@deloitte.com

Indiana DOR Says Taxpayer May Claim Three Classes of Dividends Including Some Related to GILTI and FDII

Letter of Findings, No. 02-20210046, Ind. Dept. of Rev. (2/25/25). An Indiana Department of Revenue (Department) corporate income tax letter of findings involving a company attempting to deduct various amounts relating to dividends that it received from its partially owned subsidiaries concluded in favor of the taxpayer that, unless provided documents show otherwise, it may claim deductions for three classes of dividends – including a deduction for 85% of its global intangible low-taxed income (GILTI) from a 60%-owned company, so long as it properly added back the portion of its federal Internal Revenue Code section 950 deduction attributable to GILTI and did not take an extra foreign-derived intangible income (FDII) deduction. Under the facts, approximately $11 million was attributable to dividends the company received from a 49%-owned foreign subsidiary, and approximately $22 million was attributable to FDII additions. The Department explained that pursuant to Indiana law, the company is entitled to the $11 million deduction on its Indiana tax return, and the $22 million deduction is a valid federal deduction that is ***not*** required to be added back for Indiana purposes. Because Indiana does not provide a separate FDII deduction, the Department concluded that the company is entitled to the $22 million deduction so long as its federal adjusted gross income did not already factor in this deduction. Please contact us with any questions.

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

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

Indiana DOR Abates Late Filing and Underpayment Penalties Due in Part to Combined Filer's Complex Returns and Filing History

Letter of Findings, No. 02-20242808, Ind. Dept. of Rev. (2/19/25). An Indiana Department of Revenue (Department) corporate income tax letter of findings involving a multinational conglomerate filing Indiana combined returns with several entities and subgroups concluded that, based on the provided facts, the company met its burden of showing that it was entitled to an abatement of late filing and underpayment penalties. In doing so, the Department explained that it "recognizes the complexities in filing a combined Indiana return on behalf of a multinational conglomerate which itself consists of numerous reporting entities including those which may be part of a joint venture consisting of unrelated parties." According to the Department, these circumstances, coupled with the company's "past filing history and the degree to which it has, over numerous years, complied with its filing and payment obligations," showed that the taxpayer had acted with "reasonable care" and that its filing and payment error in this case was ***not*** due to carelessness or willful neglect. Under the facts, the taxpayer's returns and tax payments are necessarily based on information provided from each subsidiary at the time estimated tax payments are due, and it relies on records of flow-through entities that issue Schedule K-1s reporting flow-through items of income and expenses in preparing its Indiana combined return. Please contact us with any questions.

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

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

Maine – New Law Updates State Conformity to Internal Revenue Code

L.D. 48 (H.P. 12), signed by gov. 7/1/25. Effective immediately and applicable to tax years beginning on or after January 1, 2024, and "to any prior tax years as specifically provided by the United States Internal Revenue Code of 1986 and amendments to that Code as of December 31, 2024," new law generally conforms state corporate and personal income tax references to the "Internal Revenue Code" to the federal Internal Revenue Code as in effect as of December 31, 2024. Please contact us with any questions.

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

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

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

Maine Revenue Services Adopts Revised Rule that Seeks to Clarify Sourcing Receipts from Services

Amended Reg. section 18-125-801, Me. Rev. Serv. (eff. 6/25/25); *Amendment of Bureau of Revenue Services Rule 801*, Me. Rev. Serv. (6/25); *Maine Tax Alert*, Me. Rev. Serv. (6/25). Effective as of June 25, 2025, Maine Revenue Services (MRS) adopted amendments to its "Rule 801" to help clarify the sourcing of receipts from the performance of services for Maine corporate income tax purposes, including providing a set of examples that illustrate sourcing as applied to certain services. In its final rule adoption, MRS notes that it made one change to the rule as proposed in response to comments received – specifically, it deleted the following language that was initially proposed for inclusion in subsection .06(F)(1): "that is, where the services are acquired or experienced."

For purposes of applying a variation to apportionment, the adopted rule clarifies the definition of compensation with respect to the use of the payroll factor by specifying that 85% of payments made to an employee-leasing company for leased employees and 100% of payments made to a temporary service company for temporary employees are included as compensation. Other formatting and technical changes were also made throughout to enhance the rule's clarity. Please contact us with any questions.

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

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

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

Massachusetts Supreme Court Denies Review of Case Affirming that Individual's Stock Sale in Company is Taxable Despite Subsequent Nonresidence

Case No. FAR-30297, Mass. (*review denied 6/26/25*). In a case involving whether a former employee/shareholder of a Massachusetts-headquartered company who was a former Massachusetts resident owed Massachusetts individual income tax as a nonresident on gains from the sale of his stock in the company, the Massachusetts Supreme Judicial Court denied the taxpayer's request to review a 2025 Massachusetts Appeals Court decision [*see Case No. 2024-P-0109,* Mass. App. Ct. (4/3/25)**,** *and State Tax Matters, Issue 2025-14, for details on the lower court's decision]*, which held that the gain was still "derived from" and "effectively connected with" in-state trade or business or employment and thus taxable as Massachusetts source income under state law for the 2015 tax period at issue. Under the facts, the individual acquired the company stock at issue in 2005 (soon after founding the company) and continued to work for the company in Massachusetts where he also resided for the next decade. He was no longer a Massachusetts resident when he sold the company stock in 2015. Please contact us with any questions.

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

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

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

Tennessee – Updated Franchise and Excise Tax Manual Clarifies Filing Periods in F Reorganizations

Franchise and Excise Tax Manual, Tenn. Dept. of Rev. (updated 6/25); *Tax Manual Updates***,** Tenn. Dept. of Rev. (6/25). The Tennessee Department of Revenue updated its Tennessee franchise and excise tax manual to, among other changes, clarify that in situations involving a corporation that undergoes an "F reorganization" and as part of such reorganization is converted to a single member limited liability company that is disregarded into a newly formed corporation for federal income tax purposes during the corporation's tax year, the resulting corporation must file a full-year Tennessee franchise and excise tax return that includes the tax attributes of the transferor corporation for the entire tax year – both before and after the F reorganization. The manual also addresses related registration matters. Please contact us with any questions.

Amber Rutherford (Nashville)
Tax Managing Director
Deloitte Tax LLP
amberrutherford@deloitte.com

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

Texas – Company's Costs for Acquiring Virtual Currency Deemed Ineligible for COGS and Sales of These Assets are Sourced to Location of Payor

Private Letter Ruling No. PLR20221114152021, Tex. Comptroller of Public Accounts (6/3/25). In a ruling involving a company that acquires and then resells virtual currency to its customers in various transactional formats, the Texas Comptroller of Public Accounts (Comptroller) held that the company's costs for acquiring the virtual currency are ineligible for the cost of goods sold deduction (COGS) for purposes of the Texas franchise tax margin calculation because virtual currency constitutes intangible property. In doing so, the Comptroller explains that, under Texas law, a taxable entity may only take the COGS for certain costs related to real property or tangible personal property sold, and that for COGS purposes, intangible property is explicitly excluded from the definition of tangible personal property. Moreover, the Comptroller concluded that the company's sales of the virtual currency are sourced to the location of the payor for apportionment purposes under Texas law (***i.e.,*** under Title 34 Tex. Admin. Code section 3.591(e)(21)(B)). Please contact us with any questions.

Robert Topp (Houston)
Tax Managing Director
Deloitte Tax LLP
rtopp@deloitte.com

Grace Taylor (Houston)
Tax Senior Manager
Deloitte Tax LLP
grtaylor@deloitte.com

Gross Receipts:
Ohio – Enacted Budget Bill Turns CAT Credits for Certain Accrued NOLs from Refundable to Nonrefundable

H.B. 96, signed by gov. 6/30/25. Recently enacted budget legislation includes several Ohio tax law changes, including providing that Ohio commercial activity tax (CAT) credits for certain net operating losses accrued under Ohio's now defunct corporate franchise tax will shift from refundable to nonrefundable after calendar year 2029. Please contact us with any questions..

Courtney Clark (Columbus)
Tax Partner
Deloitte Tax LLP
courtneyclark@deloitte.com

Norm Lobins (Cleveland)
Tax Managing Director
Deloitte Tax LLP
nlobins@deloitte.com

Paige Purcell (Columbus)
Tax Senior Manager
Deloitte Tax LLP
pfitzwater@deloitte.com

Mathew Culp (Columbus)
Tax Senior Manager
Deloitte Tax LLP
mculp@deloitte.com

Tennessee – Updated Business Tax Manual Includes Working Example on Whether Remote Sellers Have Nexus

Business Tax Manual, Tenn. Dept. of Rev. (updated 6/25); *Tax Manual Updates*, Tenn. Dept. of Rev. (6/25). The Tennessee Department of Revenue updated its Tennessee business tax manual to include an example assisting remote sellers in determining whether they have substantial nexus with Tennessee and, if so, where they should register for business tax in a specific Tennessee locality or jurisdiction. The manual provides the following example scenario:

"Company A is a Georgia corporation that sells laptops. Company A does not have a location in Tennessee. During the period ending December 31, 2023, Company A had gross receipts in the state of $600,000: $300,000 in Davidson County, $150,000 in Williamson County, $75,000 in Sumner County, and $75,000 in Knox County."

In this example, the manual concludes that Company A meets the bright-line presence test because its gross receipts in Tennessee exceed $500,000. Therefore, "Company A has substantial nexus in Tennessee and is required to file business tax returns with the state." The manual also notes that Company A's total taxable receipts for the period ending December 31, 2023, are $450,000 (***i.e.,*** only gross receipts from Tennessee counties where it earns $100,000 or more are counted) – and its sales made in two counties (***i.e.,*** Sumner County and Knox County) are exempt pursuant to Tenn. Code Ann. § 67-4-712(d) because he earned less than $100,000 in each of them.

The manual also notes that Tennessee does not generally require or issue business licenses to remote sellers with no physical locations in Tennessee. Accordingly, in this provided example, Company A is not required to obtain a minimal activity license or a standard license in Sumner County or Knox County. Please contact us with any questions.

Amber Rutherford (Nashville)
Tax Managing Director
Deloitte Tax LLP
amberrutherford@deloitte.com

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

Sales/Use/Indirect
Colorado Appellate Court Reverses Lower Court to Hold that Online Streaming Subscriptions Constitute Taxable TPP

Case No. 2024 CA 1019, Colo. Ct. App. (7/3/25). The Colorado Court of Appeals (Court) reversed a Colorado district court to hold that the sale of online streaming subscriptions constituted the taxable sale of tangible personal property at retail for Colorado sales tax purposes for the prior periods at issue. In doing so, the Court explained that under the relevant Colorado statute for the prior periods at issue, "tangible personal property" means "corporeal property," and that the contemporaneous understanding of this term encompasses things that can be perceived by any of the senses – not exclusively the sense of touch. Under the provided facts, the taxpayer offers subscriptions to Colorado consumers under which subscribers agree to pay a flat monthly fee in exchange for unlimited access to its online library of movies, television shows, and games. In this context, the Court reasoned that the taxpayer's subscriptions are corporeal property without regard to whether they can be seen and handled. Note that applicable Colorado statutes have since been amended to clarify that tangible personal property includes "digital goods," and that the method of delivery does not impact the taxability of a sale of tangible personal property. Please contact us with any questions.

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

Jeff Maxwell (Denver)
Tax Senior Manager
Deloitte Tax LLP
jemaxwell@deloitte.com

Metisse Lutz (Denver)
Tax Senior Manager
Deloitte Tax LLP
mlutz@deloitte.com

Florida – New Law Repeals Business Rent Tax as of October 1, 2025

H.B. 7031, signed by gov. 6/30/25. Effective October 1, 2025, recently enacted budget legislation repeals Florida's state and local sales tax on the total rent charged under a commercial lease of real property (commonly known as the "business rent tax"), which currently is imposed under Fla. Stat. section 212.031. Please contact us with any questions.

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

Cathy Newport (Tampa)
Tax Senior Manager
Deloitte Tax LLP
cnewport@deloitte.com

Ben Jablow (Tampa)
Tax Manager
Deloitte Tax LLP
bjablow@deloitte.com

Illinois – Adopted Rule Changes Reflect New Destination-Based Sourcing for Some Retailers

Amended 86 Ill. Adm. Code 130.225, 130.530, 130.715, 130.2075 (Retailers' Occupation Tax); Amended 86 Ill. Adm. Code 131.105, 131.107, 131.110, 131.150, 131.155, 131.ILLUSTRATION A (Leveling the Playing Field for Illinois Retail Act); Amended 86 Ill. Adm. Code 150.801, 150.802, 150.1305 (Use Tax); Amended 86 Ill. Adm. Code 270.115 (Home Rule Municipal Retailers' Occupation Tax), Ill. Dept. of Rev. (6/27/25). The Illinois Department of Revenue adopted several rule changes involving Illinois' retailers' occupation tax (ROT), use tax, home rule municipal retailers' occupation tax, and the "Leveling Playing Field for Illinois Retail Act" that implement legislation enacted in 2024 [*see S.B. 3362 (2024) [Public Act 103-983]* and *State Tax Matters, Issue 2024-33, for more details on this new law*], which revised the tax obligation for some retailers maintaining a place of business in Illinois and making sales to Illinois customers from outside of Illinois. Prior to January 1, 2025, such sales were subject to Illinois use tax only; however, on and after January 1, 2025, these retailers incur destination-based ROT on these sales. Some of the rule revisions also reflect another piece of legislation enacted in 2024 [*see H.B. 4951 (2024) [Public Act 103-592]*, *and previously issued Multistate Tax Alert* for more details on this new law] 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, by amending the sourcing rules related to the lease of tangible personal property in Illinois. Please contact us with any questions.

Mary Pat Kohberger (Chicago)
Tax Managing Director
Deloitte Tax LLP
mkohberger@deloitte.com

Robyn Staros (Chicago)
Tax Managing Director
Deloitte Tax LLP
rstaros@deloitte.com

Kentucky Department of Revenue Addresses Taxability of Tariffs in Response to Increased Inquiries

Sales Tax Facts, Ky. Dept. of Rev. (6/25). Responding to increased questions on tariffs and the impact they have on sales tax receipts in Kentucky, the Kentucky Department of Revenue (Department) explains that charges for tariffs that are passed on to customers as part of a retail sale generally are subject to Kentucky sales and use tax as part of "gross receipts." Pursuant to Ky Rev. Stat. section 139.010(17), the Department explains that gross receipts means "the total amount or consideration including cash, credit, property, and services, for which tangible personal property, digital property, or services are sold, leased, or rented, valued in money, or otherwise," and the only taxes excluded from gross receipts in this definition are those imposed directly on the purchaser. Therefore, according to the Department, charges for tariffs imposed on manufacturers or importers passed on to retail customers as part of a sale are subject to Kentucky sales and use tax under the definition for gross receipts. Additionally, the Department clarifies that the exemption for taxes imposed by the United States provided in Ky. Rev. Stat. section 139.010(18) excludes any manufacturer's excise tax or importer's import duty (tariff) from exempt treatment; therefore, "tariff charges included on a retail receipt, whether itemized or not, are subject to Kentucky sales and use tax." Please contact us with any questions.

Brian Hickey (Cincinnati)
Tax Managing Director
Deloitte Tax LLP
bhickey@deloitte.com

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

Louisiana – New Law Defines Drop Shipment Sales and Provides Special Situsing Rules for These Sales

H.B. 404, ***became law w/o gov. signature on 7/1/25.*** Effective immediately with "prospective and retroactive application," new law defines a "drop shipment sale" as "a sales transaction in which goods are shipped directly to the customer by a third party," including "sales in which a dealer accepts an order for goods from a customer and places the order with a third party, and the third party delivers or causes to be delivered the goods directly to the dealer's customer." While many sales generally are sourced at the transfer of possession pursuant to state law, the legislation specifically excepts the sourcing of drop shipment sales to the location of the transfer of title ***or*** of possession, "whichever occurs first." According to accompanying bill notes, this special sourcing rule for drop shipment sales allows sales in which only the title transfers in Louisiana to be sourced in Louisiana. Please contact us with any questions.

Danny Fuentes (Houston)
Tax Senior Manager
Deloitte Tax LLP
dafuentes@deloitte.com

Kristina Scoggins (Dallas)
Tax Manager
Deloitte Tax LLP
krscoggins@deloitte.com

Richard Hernandez (Houston)
Tax Manager
Deloitte Tax LLP
rihernandez@deloitte.com

Maryland Comptroller Explains New 3% Sales Tax on Certain Information Technology and Data Services and MPU Provisions

Technical Bulletin 56 - Questions and Answers on New Taxable Services, Md. Comptroller (rev. 6/30/25); *Technical Bulletin 54: Multiple Points of Use Certificates (MPU)*, Md. Comptroller (eff. 7/1/25). Pursuant to recently enacted legislation imposing a new 3% sales tax on certain information technology and data services as of July 1, 2025 [*see H.B. 352, signed by gov. 5/20/25, and previously issue Multistate Tax Alert for more details on these law changes*], the Maryland Comptroller posted an updated bulletin in question-and-answer format on the application and administration of the new taxable services. Among several other topics, the bulletin explains how there is no exemption for taxable sales made to affiliated company members. Another new bulletin addresses how Maryland now 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. Please contact us with any questions.

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

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

Michael Spencer (Washington D.C.)
Tax Senior Manager
Deloitte Tax LLP
mispencer@deloitte.com

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

Ohio – Enacted Budget Bill Repeals Some Exemptions, Eliminates Interest on Some Refunds, and Caps Prompt Payment Vendor Discount

H.B. 96, signed by gov. 6/30/25. Recently enacted budget legislation incorporates several Ohio sales and use tax law changes, including repealing some sales and use tax exemptions beginning as of January 1, 2026, like the exemptions for:

- tangible personal property used in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing;
- sales of advertising material or catalogs that price and describe property offered for retail sale; and
- purchases by direct marketing vendors of items that are used in printing advertising material and equipment primarily used to accept orders.

The legislation also eliminates: i) interest on sales and use tax refunds for sales tax and use tax paid pursuant to a direct payment permit, whereby a purchaser pays the tax directly to the State, as opposed to the vendor who makes the sale; and ii) interest on refunds of county sales and use tax on and after the bill's 90-day effective date, but continues to allow interest for refunds of state and transit authority taxes.

Additionally, beginning January 1, 2026, the legislation caps the prompt payment sales and use tax vendor discount at $750 per vendor's license per month covered by the return. The legislation also clarifies the definition of a "casual sale" by explicitly including both in-person and online sales, and providing that it potentially may include sales by an auctioneer that are made online but ***not*** sales made at the auctioneer's physical permanent place of business. Please contact us with any questions.

Brian Hickey (Cincinnati)
Tax Managing Director
Deloitte Tax LLP
bhickey@deloitte.com

Courtney Clark (Columbus)
Tax Partner
Deloitte Tax LLP
courtneyclark@deloitte.com

Paige Purcell (Columbus)
Tax Senior Manager
Deloitte Tax LLP
pfitzwater@deloitte.com

David Przybojewski (Cleveland)
Tax Senior Manager
Deloitte Tax LLP
dprzybojewski@deloitte.com

Tennessee – Updated Tax Manual Includes Guidance and Examples on Taxability of Tariffs

Sales and Use Tax Manual, Tenn. Dept. of Rev. (updated 6/25); *Tax Manual Updates*, Tenn. Dept. of Rev. (6/25). The Tennessee Department of Revenue updated its Tennessee sales and use tax manual to, among other changes, include guidance on and examples that illustrate the taxability of tariffs. The manual notes that if a business imports property for resale and pays the tariff, then the tariff is not a tax that is legally imposed on the consumer, and the business would be using a resale certificate and thus would not be paying Tennessee sales tax on the transaction. In this respect, the manual concludes that if such business passes along the tariff when selling the good to the consumer, either in the price of the good or separately stated, then the tariff is part of the good's taxable sales price. Additionally, the manual explains that if a tariff is separately stated on an invoice and a consumer pays it upon importing the good for its own use, then the tariff would be excluded from the taxable purchase price. The manual includes some numerical examples illustrating Tennessee's taxability of tariffs. Please contact us with any questions.

Doug Nagode (Atlanta)
Tax Managing Director
Deloitte Tax LLP
dnagode@deloitte.com

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

Liudmila Wilhelm (Atlanta)
Tax Senior Manager
Deloitte Tax LLP
lwilhelm@deloitte.com

Property

Arizona – New Law Increases Personal Property Tax Exemption for Certain Business Properties

S.B. 1749, signed by gov. 6/27/25. Effective from and after December 31, 2025, recently enacted legislation increases Arizona's personal property tax exemption for certain business properties from $207,366 to $500,000 of full cash value. Please contact us with any questions.

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

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

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 companies on or around April 11, 2025. 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 may 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 April have until around July 11, 2025, to respond to the letters or risk being selected for audit.

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.

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

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

Oregon – New Law Defines and Addresses Treatment and Liquidation of Abandoned Digital Assets

S.B. 146, signed by gov. 6/26/25. Recently signed legislation enacts some changes to Oregon's unclaimed property law provisions, including specifying that "intangible property" includes "digital assets," which is defined as "any digital representation used as a medium of exchange or store of value that is recorded on a cryptographically secured distributed ledger or any similar technology, without regard to whether each individual transaction involving that digital asset is actually recorded on that ledger, and that is not fiat currency." Under the legislation, the term "digital assets" does ***not*** include:

- the software or protocols governing the transfer of the digital representation of value;
- game-related digital content; or
- a loyalty or gift card.

Accompanying bill notes state that the term "digital assets" includes cryptocurrency. The legislation provides that a digital asset is presumed abandoned three years after the latest owner contact by the apparent owner. The legislation also requires a personal representative to use best efforts to liquidate any such property that reverts to the State Treasurer, and if unable to sell or otherwise liquidate such property, the personal representative may, under certain circumstances, retain such property in kind for delivery to the State Treasurer. Please contact us with any questions.

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

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

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