



State Tax Matters

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In this issue:

Multistate Tax Alert:
State Income Tax Implications of the One Big Beautiful Bill Act2

Administrative:
Missouri – New Law Says Administrative Agencies are Not Entitled to Deference from Reviewing Courts or Hearing Officers.....2

Income/Franchise:
Multistate Tax Commission Work Group Circulates Draft Proposed Revisions to Model Special Industry (Airlines) Sourcing Rule2

Connecticut DRS Summarizes New Law Extending Corporation Business Tax Surcharge and Revising Certain NOL and Combined Reporting Provisions.....3

Missouri – New Law Includes Potential Corporate Income Tax Deduction for All Capital Gains Once Revenue Triggers are Met4

Rhode Island – New Law Expressly Decouples from Federal One Big Beautiful Bill Act in Computing Corporate and Individual Income Taxes ..4

Sales/Use/Indirect:
California – IPM on Draft Proposed Rule Changes Related to Technology Transfer Agreements (TTAs) and Software is Scheduled for July 24...5

Washington DOR Asks Businesses and Interested Parties for Feedback on New Law Taxing Additional Services6

Other/Miscellaneous:
Maryland Comptroller Posts Guidance Addressing Digital Advertising Gross Revenues Tax.....7

Multistate Tax Alert: State Income Tax Implications of the One Big Beautiful Bill Act

Congress has approved and President Donald Trump has signed into law the legislation formally titled “An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14”—and commonly referred to as the One Big Beautiful Bill Act (the “Act”).

This Multistate Tax Alert summarizes the state income tax implications of some of the relevant provisions in the Act.

URL: <https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/multistate-tax-alert-state-income-tax-implications-of-the-one-big-beautiful-bill-act.pdf>

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Administrative: Missouri – New Law Says Administrative Agencies are Not Entitled to Deference from Reviewing Courts or Hearing Officers

S.B. 221, signed by gov. 7/11/25. Effective August 28, 2025, newly enacted legislation modifies Missouri’s standard for review for a state agency’s interpretation of Missouri statutes, rules, regulations, and other “subregulatory documents.” Specifically, the legislation provides that in interpreting a Missouri statute, rule, regulation, or other subregulatory document, a court or an officer hearing an administrative action “shall not defer to a state agency’s interpretation of such statute, rule, regulation, or other document, and shall interpret the meaning and effect de novo.” Additionally, in actions brought by or against a state agency, “after applying all customary tools of interpretation, the court or hearing officer shall decide any remaining doubt in favor of a reasonable interpretation that limits agency power and maximizes individual liberty.” Please contact us with any questions.

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Income/Franchise: Multistate Tax Commission Work Group Circulates Draft Proposed Revisions to Model Special Industry (Airlines) Sourcing Rule

Discussion Draft Revisions to Special Industry Rule on the Sourcing of Airline Receipts (Reg.IV.18.(e)), Multistate Tax Commission, Uniformity Committee’s “Model Receipts Sourcing Regulation Review Work Group” (6/30/25); *Meeting Notice and Agenda*, Multistate Tax Commission, Uniformity Committee’s “Model Receipts Sourcing Regulation Review Work Group” (7/15/25). Discussion draft changes to the Multistate Tax Commission’s (MTC’s) model special industry rule on the sourcing of airline receipts have been circulated as part of the MTC Uniformity

Committee's overall ongoing project to review and update the MTC's model receipts sourcing regulations, including the special industry regulations and market-based sourcing ("Section 17") regulations. While the current version of the discussion draft rule generally retains the "departures method" for sourcing airline transportation revenue, it proposes to broaden the scope of what constitutes "transportation receipts" to expressly include receipts from:

- selling tickets for travel on unrelated airlines under codeshare, interline, and capacity purchase arrangements;
- selling points or miles to credit card banks or others under certain circumstances;
- selling or renting property or services to be used or consumed by passengers during flights (e.g., sale of food or drinks, sale of on-flight services such as entertainment and wireless internet, and the rental of pet crates); and
- baggage fees.

The discussion draft includes some additional examples on sourcing these types of airline receipts, which, in some situations, potentially may apply to non-airline taxpayers that are related to an airline. The discussion draft also expressly defines an "airline" as "a taxpayer that transports passengers, freight, or packages by air for a charge and that holds an air carrier certificate issued by the Federal Aviation Authority or a foreign air carrier permit issued by the U.S. Department of Transportation." Please contact us with any questions.

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Connecticut DRS Summarizes New Law Extending Corporation Business Tax Surcharge and Revising Certain NOL and Combined Reporting Provisions

2025 Legislative Overview - Corporation Business Tax and Tax Credits, Conn. Dept. of Rev. Serv. (7/25). The Connecticut Department of Revenue Services (Department) posted a summary of tax legislation enacted in 2025, including a summary of recently enacted budget legislation impacting Connecticut's corporation business tax [see *H.B. 7287 (2025)*, and *State Tax Matters, Issue 2025-26, for more details on this budget legislation*]. In it, the Department explains newly enacted provisions that:

- extend Connecticut's 10% corporation business tax surcharge for three additional years;
- modify the election made by certain combined groups relative to net operating losses (NOLs) – specifically, how the legislation sunsets the election that certain combined groups made in income year 2015 relative to the utilization of NOLs;
- eliminate the \$2.5 million cap on the amount a combined group's corporation business tax, calculated on a unitary basis, may exceed the tax it would have paid under the nexus combined base tax calculation method starting with income years that commence on and after January 1, 2025; and
- modify Connecticut's net deferred tax liability deduction related to Connecticut's shift to combined reporting – specifically, how the legislation amends Conn. Gen. Stat. §12-218h so that the "valuation allowance" provided for thereunder is computed based on the combined group's financial statements for the 2015 income year, rather than 2016 income year.

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Missouri – New Law Includes Potential Corporate Income Tax Deduction for All Capital Gains Once Revenue Triggers are Met

H.B. 594, signed by gov. 7/10/25; Press Release: Governor Kehoe Signs Bold Tax Cuts and Pro-Business Legislation into Law, Mo. Off. of the Governor (7/10/25). Applicable for all tax years beginning on or after January 1st of the tax year following the tax year in which the top Missouri personal income tax rate is equal to or less than 4.5%, new law permits a Missouri income tax deduction on all income reported as a capital gain for federal income tax purposes by entities subject to Missouri's corporate income tax. Currently, for tax year 2024, Missouri's top personal income tax rate is 4.8%, and this rate potentially may be reduced in future tax years if certain prescribed revenue triggers are met. Applicable for all tax years beginning on or after January 1, 2025, the legislation also permits a Missouri income tax deduction on all income reported as a capital gain for federal income tax purposes by individuals subject to Missouri's personal income tax. Please contact us with any questions.

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Rhode Island – New Law Expressly Decouples from Federal One Big Beautiful Bill Act in Computing Corporate and Individual Income Taxes

H.B. 5076, enacted without governor signature 6/29/25. Applicable retroactively for taxable years beginning on or before January 1, 2025, new law expressly provides that in computing "net income" for Rhode Island corporate income tax purposes, taxpayers must add back "the amount of any income, deduction or allowance that would be subject to federal income tax but for the Congressional enactment of the One Big Beautiful Bill Act or any other similar Congressional enactment." The legislation also provides that the enactment of the federal One Big Beautiful Bill Act (now commonly referenced as "OBBBA" and more formally as P.L. 119-21) and any Internal Revenue Service changes to forms, regulations, and/or processing "which go into effect during the current tax year or within six (6) months of the beginning of the next tax year shall be deemed grounds for the promulgation of emergency rules and regulations" to effectuate the purpose of "preserving the Rhode Island tax base under Rhode Island law" with respect to the OBBBA.

Similarly, applicable for taxable years beginning on or before January 1, 2025, the legislation expressly provides that for purposes of computing their Rhode Island individual income taxes, individual taxpayers must add back to their federal adjusted gross income "the amount of any income, deduction or allowance that would be subject to federal income tax but for the Congressional enactment of the One Big Beautiful Bill Act or any other similar Congressional enactment." Moreover, the legislation provides that the enactment of the OBBBA and any Internal Revenue Service changes to forms, regulations, and/or processing "which go into effect during the current tax year or within six (6) months of the beginning of the next tax year shall be deemed grounds for the promulgation of emergency rules and regulations" to effectuate the purpose of "preserving the Rhode Island tax base under Rhode Island law" with respect to the OBBBA. Please contact us with any questions.

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Sales/Use/Indirect:

California – IPM on Draft Proposed Rule Changes Related to Technology Transfer Agreements (TTAs) and Software is Scheduled for July 24

Discussion Paper and Draft Proposed Amended California Code of Regulations, Title 18, section 1502 [Computers, Programs, and Data Processing] and section 1507 [Technology Transfer Agreements], and Draft Proposed New California Code of Regulations, Title 18, section 1507.1 [Software Technology Transfer Agreements], Cal. Dept. of Tax & Fee Admin. (7/10/25). Following its three earlier workshops in 2024 and multiple requests seeking public input on the same [see *State Tax Matters, Issue 2024-38, State Tax Matters, Issue 2024-25, State Tax Matters, Issue 2024-6 and State Tax Matters, Issue 2024-4*, for details on earlier developments on this topic], the California Department of Tax and Fee Administration (CDTFA) released a discussion paper, draft proposed rule changes, and a draft proposed new rule addressing California sales and use tax issues related to technology transfer agreements (TTAs) – including TTAs where software is also transferred. In doing so, the CDTFA:

- states that it welcomes any comments, suggestions, and input on this discussion paper and draft proposed rule changes;
- invites interested parties to participate in its upcoming July 24, 2025, interested parties meeting (IPM), which may be attended live in-person or virtually; and
- provides an August 14, 2025, deadline for interested parties to provide their written comments regarding this discussion paper and draft proposed rule changes.

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Washington DOR Asks Businesses and Interested Parties for Feedback on New Law Taxing Additional Services

ESSB 5814 Listening Sessions: Share your feedback, Wash. Dept. of Rev. (7/25). The Washington Department of Revenue (Department) announced that it is hosting a series of online “listening sessions” during the month of July to hear directly from businesses and interested parties about recently enacted “significant changes to Washington’s sales tax law” [see *S.B. 5814*, signed by gov. 5/20/25, and *previously issued Multistate Tax Alert* for more details on this new law]. However, due to high demand and limited capacity, the Department has since announced that registration for all of these sessions is currently full, but it continues to welcome input through its [online feedback survey](#) – “which is open to all and designed to capture the same types of feedback we’ll be gathering during the sessions.”

Under this recently enacted legislation, as of October 1, 2025, Washington’s sales and use tax base is expanded to tax additional services such as advertising services, 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. Please contact us with any questions.

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Other/Miscellaneous: Maryland Comptroller Posts Guidance Addressing Digital Advertising Gross Revenues Tax

Technical Bulletin No. 59: Digital Advertising Gross Revenues Tax, Md. Comptroller (eff. 7/11/25). Following Maryland’s recent enactment of legislation that establishes a specified appeals process for those subject to Maryland’s novel tax on digital advertising services (i.e., the “Digital Advertising Gross Revenues Tax” or “DAGRT”) [*S.B. 605 / H.B. 546*, signed by gov. 5/20/25, and *State Tax Matters, Issue 2025-20*, for more details on this 2025 DAGRT legislation], the Maryland Comptroller (Comptroller) posted a bulletin on the DAGRT addressing which persons may be subject to the tax; how to calculate the tax (including potential exclusions); and underlying return, payment, and recordkeeping requirements. According to the bulletin, the DAGRT is imposed on annual gross revenues derived from digital advertising services in Maryland, and to be subject to this tax, “digital advertising services must be both programmatic and conveyed visually.” The bulletin includes a discussion of these concepts and provides some illustrative examples.

The bulletin also provides a timeline of the DAGRT, including its initial enactment in 2021, and subsequent legislation that pushed the tax’s implementation date to 2022 [see *previously issued Multistate Tax Alert (February 18, 2021)* and *previously issued Multistate Tax Alert (June 3, 2021)* for details on the DAGRT’s initial enactment]. Note that ongoing pending state litigation continues to challenge the DAGRT’s validity [see *previously issued Multistate Tax Alert (May 23, 2023)* for details on some of the controversy related to the DAGRT]. Please contact us with any questions.

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