



State Tax Matters

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Connecticut – Comptroller Releases Report on State Impact of Federal One Big Beautiful Bill Act

News: Comptroller Sean Scanlon Releases Special Examination On One Big Beautiful Bill Act, Off. of the State Comptroller (7/22/25); *Special Examination on H.R.1: One Big Beautiful Bill Act*, Off. of the State Comptroller (7/25). Responding to an influx of questions about the Connecticut budgetary and economic impact of the recently enacted federal One Big Beautiful Bill Act (commonly referenced as “OBBBA” and more formally as P.L. 119-21), the Connecticut Comptroller issued a report that attempts to address such questions in a “neutral manner,” as well as identify issues that may require further study and consideration. The report discusses critical parts of the OBBBA and its implications for Connecticut residents, businesses, and state government. According to the Connecticut Comptroller, the OBBBA “will have both positive and negative outcomes for residents in our state,” and recommends that readers “evaluate the information within this report and come to your own conclusion on what its net impact will be.” Please contact us with any questions.

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Indiana – Updated PTET Bulletin Addresses Law Changes Impacting Estimated Payments and Credits

Information Bulletin #72B, Ind. Dept. of Rev. (rev. 7/25). The Indiana Department of Revenue (Department) issued an updated bulletin addressing, among other revisions, implementation of legislation enacted in 2025 [see *H.B. 1427*, and *State Tax Matters, Issue 2025-20*, for more details on this legislation] that 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, the bulletin has been revised to reflect resulting changes to PTET estimated payments for 2025, and the updated allowance for credits against the PTET. Further, the bulletin has been revised to reflect that employee stock option plans and governments exempt from federal income tax are not permitted owners for Indiana PTET purposes. Please contact us with any questions.

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New Hampshire – State High Court Dismisses Case for Lack of Personal Jurisdiction in Suit Involving Massachusetts Pandemic Telecommuting Rule

Case No. 2024-0428, N.H. (7/22/25). In a case brought forth by several New Hampshire residents who, during the relevant time period, were employed by Massachusetts-based employers and challenged the Massachusetts Department of Revenue Commissioner's (Commissioner's) promulgation of an administrative rule on COVID-19 pandemic-related telecommuting and the sourcing of income for residents and nonresidents, the New Hampshire Supreme Court (Court) affirmed the case's dismissal for lack of personal jurisdiction. In the underlying case, the New Hampshire residents brought suit against the Commissioner in his individual capacity and alleged due process, equal protection, privileges and immunities, and dormant commerce clause violations resulting from the Massachusetts telecommuting rule. In dismissing the case, the Court affirmed that the Massachusetts rule at issue was not aimed solely at New Hampshire residents, and instead, applied to all out-of-state individuals working for Massachusetts-based companies that physically worked in Massachusetts immediately prior to the Massachusetts COVID-19 state of emergency. Note that the Massachusetts Department of Revenue telecommuting rule at issue was in effect for the period beginning March 10, 2020 and ending September 13, 2021 [see *State Tax Matters, 2021-25*, for more details about this Massachusetts rule]. Please contact us with any questions.

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New Jersey – Governor's Executive Order Calls for Report on State Impact of Federal One Big Beautiful Bill Act

Executive Order No. 393, N.J. Off. of the Gov. (7/23/25); *News Release: Governor Murphy Signs Executive Order Directing New Jersey State Agencies to Review Impacts of the One Big Beautiful Bill Act*, N.J. Off. of the Gov. (7/23/25). New Jersey Governor Phil Murphy signed an executive order directing New Jersey State agencies to immediately evaluate the state impacts of the recently enacted federal One Big Beautiful Bill Act (commonly referenced as "OBBA" and more formally as P.L. 119-21) on their "budgets, operations, and programs." Pursuant to this executive order, by October 1, 2025, the State agencies must submit to the Governor a preliminary assessment of these impacts along with any related legislative measures that they recommend the Governor support. Moreover, by November 15, 2025, all State agencies must provide the Governor with a preliminary list of any non-legislative measures that they recommend. According to a related press release, the Governor's Office will review these preliminary assessments and recommendations and then coordinate "responsive activities among State agencies." The Governor may also "consider any additional legislation, gubernatorial measures, and cabinet-level actions to address the impacts of the OBBA." Please contact us with any questions.

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New York – Tax Appeals Tribunal Affirms that Federal ITFA Preempts Taxation of Receipts from Certain Telecom Services

Decision DTA No. 829240, N.Y. Tax App. Trib. (7/21/25). In a case involving a telecommunications company and its New York transportation and transmission corporate franchise tax liability under Tax Law § 184 for the prior audit years at issue (i.e., 2008 through 2011), the New York Tax Appeals Tribunal affirmed [see [Determination DTA No. 829240](#), N.Y. Div. of Tax App., ALJ Div. (5/4/23), and [State Tax Matters, Issue 2023-19](#), for more details on the administrative law judge ruling in this case] that the taxpayer's receipts from certain services constituted receipts from internet access services within the meaning and intent of the federal Internet Tax Freedom Act (ITFA) and, as such, were preempted from taxation. Among its rejected arguments to the contrary, the New York Division of Taxation claimed an exemption from the ITFA's moratorium on state taxation during the tax years at issue pursuant to a grandfathering provision as applied to the company's telecommunications services. Please contact us with any questions.

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Pennsylvania – Independent Fiscal Office Comments on State Impact of Federal One Big Beautiful Bill Act

[Budget Brief: Federal Tax Cut Reduces FY 25-26 CNIT Revenue](#), Penn. Independent Fiscal Office (7/25). Pennsylvania's Independent Fiscal Office issued a "budget brief" addressing certain state tax impacts of the recently enacted federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21), noting that the OBBBA "made two significant changes to the methods corporations can use to deduct certain expenses in the determination of federal taxable income." The report explains that because Pennsylvania largely conforms

to federal tax law for state corporate net income tax (CNIT) purposes, these changes “will immediately impact CNIT revenues.” According to the report, the first noteworthy OBBBA provision allows certain businesses to immediately deduct (expense) domestic research and experimentation expenditures; and the second allows certain businesses to expense qualified production property if construction began after January 19, 2025, and the property is placed into service prior to January 1, 2031. The report generally concludes that if Pennsylvania does not decouple from these two OBBBA provisions, then the changes potentially may increase Pennsylvania’s projected deficit for FY 2025-26. The report also notes that the OBBBA reinstates 100% “bonus” depreciation for Internal Revenue Code section 168k property (i.e., certain machinery and equipment), but “Pennsylvania is decoupled from that provision, and firms must depreciate that property using regular depreciation schedules for CNIT.” Please contact us with any questions.

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Gross Receipts:

California – San Francisco Tax Collector Posts Updated Proposed Market Sourcing Rules for Revised Business Tax with Comments Due by August 29

Updated Proposed Sourcing Regulations re: Proposition M (2024) Business Tax Reform, San. Fran. Tax Collector (7/25). Pursuant to voters in the City and County of San Francisco (San Francisco) approving “Proposition M” in 2024 – which includes various changes to San Francisco business taxes and requiring the San Francisco Tax Collector (Tax Collector) to promulgate regulations interpreting how businesses must now allocate their receipts to San Francisco [see [previously issued Multistate Tax Alert \(November 13, 2024\)](#) for more details about the tax law changes in Proposition M] – the Tax Collector released updated proposed market sourcing regulations applicable to gross receipts from services, intangible property, and financial instruments that reflect “feedback received from the business community following the initial release of proposed regulations on March 21, 2025” [see [previously issued Multistate Tax Alert \(March 19, 2025\)](#) and [previously issued Multistate Tax Alert \(March 21, 2025\)](#), for more details about the initial set of proposed rules on the same]. Much like the proposed regulations released by the California Franchise Tax Board (FTB) in May [see [State Tax Matters, Issue 2025-20](#), for details on the FTB’s proposed market-based sourcing rule changes], the Tax Collector’s proposed regulations use a cascading series of rules to assign receipts to where the benefit is ultimately received. The Tax Collector is accepting comments on these proposed market sourcing rules on or before August 29, 2025. Please contact us with any questions.

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Sales/Use/Indirect

Arkansas – Online Platform Selling Admissions Has Marketplace Facilitator Tax Collection Responsibility for Both Virtual and In-Person Events

Docket No. 23-TAC-02021, Ark. Tax App. Comm. (1/24/25). In a ruling involving an out-of-state company providing event organizers with an online platform to list, advertise, and sell admissions to their events and activities worldwide, the Arkansas Tax Appeals Commission (Commission) held that while the company had conceded Arkansas marketplace facilitator sales tax liability on its sales to Arkansas customers for online, virtual events as taxable specified digital products, the company's sales to Arkansas customers of tickets for live, in-person events in Arkansas also triggered tax collection obligations under Arkansas' marketplace facilitator law. In doing so, the Commission explained that while it may be facilitated by the company's marketplace based outside of Arkansas, the incidence of tax is on the organizers holding live events in Arkansas, and admitting a person to a recreational or athletic event within Arkansas is a "quintessential gross receipts tax (sales tax) transaction" under state law. Further, the Commission concluded that receipts from admissions subject to the Arkansas sales tax are likewise subject to Arkansas marketplace facilitator law. While Arkansas marketplace facilitator law does not explicitly apply to taxable admissions, the Commission reasoned that its application to taxable services is broad enough to include taxable admissions. Please contact us with any questions.

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

Tax Information Publication (TIP) No. 25A01-04, Fla. Dept. of Rev. (7/24/25). The Florida Department of Revenue (Department) issued guidance on recently enacted legislation [see *H.B. 7031*, signed by gov. 6/30/25, and *State Tax Matters, Issue 2025-26*, for more details on this legislation] that, effective as of October 1, 2025, 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"). According to the Department, "this means no state sales tax or discretionary sales surtax applies to rent or license fees for rental or occupancy periods beginning on or after October 1, 2025." The guidance incorporates a question-and-answer format and provides examples of commercial rentals subject to the repeal – including rentals of commercial office or retail space, warehouses, and self-storage units. The publication also explains that despite these tax law changes, Florida sales tax and any applicable discretionary sales surtax will continue to apply to:

- Rent or license fee payments for rental or occupancy periods through September 2025, even if payment is made on or after October 1, 2025; and
- Sales tax imposed under Fla. Stat. section. 212.03 on:
 - rentals or leases of living, sleeping, or housekeeping accommodations for six months or less (transient rentals);
 - parking or storage spaces for motor vehicles in parking lots or garages;
 - docking or storage spaces for boats in boat docks or marinas; and
 - tie-down or storage space for aircraft at airports.

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Washington – DOR Reminds Businesses that Certain Advertising Services are Taxable as of October 1, 2025

Special Notice: Advertising services now subject to retail sales tax, Wash. Dept. of Rev. (7/23/25). The Washington Department of Revenue (Department) issued a special notice reminding businesses that starting October 1, 2025, they must collect Washington retail sales tax on certain advertising services pursuant to recently enacted state legislation [see [S.B. 5814](#), signed by gov. 5/20/25, and [previously issued Multistate Tax Alert](#) for more details on this new law]. According to the special notice, the term “advertising services” means all digital and nondigital services related to the creation, preparation, production, or dissemination of advertisements, including, but not limited to:

- layout, art direction, graphic design, mechanical preparation, production supervision, placement, referrals, acquisition of advertising space, and rendering advice concerning the best methods of advertising products or services; and
- online referrals, search engine marketing, and lead generation optimization, web campaign planning, the acquisition of advertising space in the internet media, and the monitoring and evaluation of website traffic for purposes of determining the effectiveness of an advertising campaign.

The notice also provides that advertising services under these law changes do *not* include:

- web hosting services and domain name registration;
- services rendered in respect to the following:
 - certain defined newspapers;
 - certain printing or publishing; and
 - certain in-state “radio and television broadcasting;” and
- services rendered in respect to out-of-home advertising, including:
 - billboard advertising;
 - street furniture advertising;
 - transit advertising;
 - place-based advertising, such as in-store display advertising or point-of-sale advertising;
 - dynamic or static signage at live events;
 - naming rights; and
 - fixed signage advertising.

Additionally, “advertising services are not considered a retail sale when sold to members of an affiliated group.”

Note that the Department also has created a [special webpage](#) listing the services newly subject to its retail sales tax as of October 1, 2025, including certain advertising services, information technology services, custom website development services, live presentations, and sales of custom software and customization of prewritten software. Please contact us with any questions.

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Property: Oregon – State High Court Reverses Tax Court to Hold that Statute Taxing Intangible Property is Constitutional

[Case No. S070593](#), Or. (7/24/25). In a case addressing Oregon Rev. Stat. section 308.515(1) involving the taxation of intangible property held by centrally assessed businesses, the Oregon Supreme Court (Court) reversed a 2023 Oregon Tax Court ruling [see [TC Case No. 5409](#), Or. Tax Ct. (8/23/23), and [State Tax Matters, Issue 2023-35](#), for more details on this 2023 ruling] – which previously held that this statutory provision violated the U.S. Constitution's Equal Protection Clause and Oregon Constitution's Uniformity Clause as it pertained to a particular air transportation company relative to other materially identical transportation companies – and deemed the statutory provision valid. Remanding the case back to the Oregon Tax Court for further proceedings, the Court reasoned that the tax at issue is rationally related to "any number of legitimate purposes." In doing so, the Court concluded that the tax is valid under Oregon's Equal Privileges and Immunities Clause and the U.S. Constitution's Equal Protection Clause and "presents no additional issues under the uniformity provisions of the Oregon Constitution." Please contact us with any questions.

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