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State Tax Matters

The power of knowing

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Multistate Tax Alert
Louisiana establishes High Impact Jobs Program

On June 20, 2025, Louisiana House Bill 372, enrolled as *Act Number 372*, was enacted into law. This bill creates a new incentive called the High Impact Jobs Program ("Program"), which is designed to encourage companies to create high paying jobs in the State. The Program offers qualifying companies reimbursable grants based on a percentage of annualized wages paid for qualifying jobs if they create and retain new jobs that pay above parish average wages for highly skilled workers with advanced degrees and provide basic health benefits plans.

This Multistate Tax Alert summarizes some key provisions of Louisiana's High Impact Jobs Program.

URL: *https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/2025/louisiana-establishes-high-impact-jobs-program.pdf*
[Issued August 27, 2025]

Amnesty/Administrative
Illinois – Proposed Rules Address Upcoming Amnesty Program Offering Potential 100% Interest and Penalty Waiver

Proposed Amended 86 Ill. Adm. Code 520 - Sections 520.101, 520.105, Ill. Dept. of Rev. (8/22/25). The Illinois Department of Revenue (Department) proposed updates to its tax amnesty program rules that reflect recently enacted 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 Illinois legislation] authorizing an Illinois amnesty program that will run from October 1, 2025, through November 17, 2025, and apply to taxes collected by the Department (e.g., state corporate and personal income taxes, and sales and use taxes) for liabilities not reported or paid for tax periods ending after June 30, 2018, and prior to July 1, 2024. In exchange for participating in this program, qualifying tax amnesty applicants potentially may receive a waiver of all related penalties and interest. Comments on the proposed rule updates are due no later than 45 days after their August 22 publication.

Note that additional updates on the amnesty program's implementation may be found on the Department's "*Programs: 2025 Illinois Tax Amnesty*" webpage. Please contact us with any questions.

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North Carolina – State High Court Says Office of Administrative Hearings Does Not Have Jurisdiction to Decide Constitutional Challenges

Case No. 242A23, N.C. (8/22/25). The North Carolina Supreme Court (Court) affirmed a 2023 North Carolina superior court's ruling that had reversed an administrative law judge's (ALJ) 2021 ruling in a case involving a taxpayer's North Carolina corporate franchise tax liability computed under the capital stock base wherein the ALJ previously held that denying the taxpayer deductions for certain intercompany loan receivables owed by its affiliates not doing business in North Carolina would violate the dormant Commerce Clause [see *State Tax Matters, Issue 2023-20*, for details on the lower court's 2023 decision and *State Tax Matters, Issue 2022-4*, for details on the ALJ's 2021 ruling] – holding that North Carolina's Office of Administrative Hearings (OAH) does *not* have jurisdiction over "as-applied constitutional challenges" to tax statutes. In doing so, the Court explained that the power to rule on the constitutionality of statutes belongs to the judicial branch, "so interpreting the relevant statutory provisions to grant this authority to the OAH would raise serious separation-of-powers issues." The Court noted that while "everyone agrees" that applicable North Carolina statutes require the OAH to dismiss a case in which the taxpayer's sole claim is that a tax statute is unconstitutional on its face, such dismissal is also mandatory when "the taxpayer alleges not that the statute is unconstitutional in all circumstances but merely that it is unconstitutional as applied to the taxpayer who filed the petition." Please contact us with any questions.

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Income/Franchise
Colorado – DOR Adopts New Rule on Partnerships Reporting Federal Tax Adjustments

New Rule 39-22-601.5–1, Colo. Dept. of Rev. (8/18/25). The Colorado Department of Revenue (Department) adopted a new rule that implements the partnership adjustment reporting requirements established by Colorado legislation enacted in 2023 [see *H.B. 1277 (2023)* and *State Tax Matters, Issue 2023-23*, for more details on this 2023 legislation], which addresses how and when some partnerships must report federal tax adjustments to the Department in response to changes in the federal partnership audit and adjustment process – many provisions of which are patterned after the Multistate Tax Commission's model statute on the same.

According to the Department, the new rule:

- defines relevant terms;
- establishes reasonable qualifications and procedures for designating a person other than the federal partnership representative to be the state partnership representative;
- identifies the required format for filing the "Partnership Federal Adjustments Report;"
- clarifies and details requirements for reporting partners' shares of federal adjustments, including the partner notification requirements a partnership must satisfy and the amended returns that partners must file;
- articulates rules applicable to tiered partners and indirect partners;
- provides guidance regarding partnership elections to pay an amount in lieu of tax on its partners;
- prescribes the treatment of estimated tax payments remitted by partners and partnerships for additional tax resulting from federal adjustments; and
- explains the timing, deadlines, and applicability of requests for alternative reporting and payment methods.

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Minnesota – State High Court Affirms Taxpayer Must Use Alternative Apportionment to Account for Foreign Currency Hedging

Case No. A24-1601, Minn. (8/27/25). In a case involving a multinational company that managed its foreign currency exchange exposure by buying and selling forward exchange contracts (FECs), the Minnesota Supreme Court (Court) affirmed a 2024 Minnesota Tax Court decision [see *Case No. 9485-R*, Minn. Tax Ct. (6/24/24) and *State Tax Matters, Issue 2024-26*, for details on the Minnesota Tax Court's 2024 ruling in this case], which held that use of the Minnesota Department of Revenue's (Department) alternative apportionment method – that is, excluding FEC gross receipts from the apportionment factor but including net income from FEC transactions – was appropriate for the state corporate franchise tax years at issue. In doing so, the Court concluded that the Minnesota Tax Court did *not* commit legal or factual error in determining that the Department had met its statutory burden in demonstrating that the general apportionment method under Minn. Stat. section 290.191 did *not* fairly represent the taxpayer's in-state business activities, and that under Minn. Stat. section 290.20, the Department's alternative apportionment formula did. In its 2024 ruling, the Minnesota Tax Court had noted that while the FEC transactions at issue constituted an ordinary business activity for the taxpayer, they only played a supportive risk management function – which was "distinct from its other business practices." Moreover, the Minnesota Tax Court had reasoned that including FEC gross receipts in the taxpayer's Minnesota apportionment factor substantially distorted its income arising from taxable business activities in Minnesota.

Please contact us with any questions.

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Missouri – DOR Explains New Law Eliminating Tax on Capital Gains for Individuals and Potentially Corporations

News Release: Missouri; First State to Fully Exempt Capital Gains Tax, Mo. Dept. of Rev. (8/26/25). The Missouri Department of Revenue (Department) reminds taxpayers of recently enacted legislation [see *H.B. 594 (2025)* and *State Tax Matters, Issue 2025-27*, for more details on this legislation] that eliminates Missouri income tax on capital gains for individuals and "provides a path for corporations in Missouri" for the same once certain revenue triggers are met – making Missouri "the first state in the nation to completely exempt such tax for individual filers." According to the Department, "corporations can deduct 100% of capital gains from their federal taxable income when the top individual income tax rate in Missouri falls to 4.5% or lower," and this "corporate subtraction will take effect in the tax year following the year in which this rate reduction occurs." The Department also explains that because Missouri's top individual income tax rate is 4.7% for tax year 2025, "corporations will not be eligible for the deduction in tax year 2025." Under Missouri law, the top individual income tax rate potentially may be reduced in future tax years if certain prescribed revenue triggers are met. Please contact us with any questions.

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Sales/Use/Indirect
Indiana – Subscriptions for Generative Artificial Intelligence "Chatbots" Deemed Nontaxable Services

Revenue Ruling 2025-02-RST, Ind. Dept. of Rev. (7/23/25). An Indiana Department of Revenue ruling involving a company providing advanced artificial intelligence (AI) services to its customers through subscription plans – including access to a generative AI "chatbot" trained to respond to plain language prompts in a human-like manner and able to assist with writing, analysis, coding and problem-solving – held that based on the provided facts, the company was providing nontaxable services under Indiana sales and use tax law. According to the ruling, because the described AI is accessed electronically with no permanent ownership aspect, the AI is *not* subject to Indiana sales tax. Under the provided facts, the company's customers access the chatbot through web access or through open-sourced application programming interface (API), and they have no permanent ownership of the chatbot. Moreover, the company does not deliver, electronically or physically, any software or programming code to customers, and it offers two chatbot API plans where regardless of the plan, the increased functionalities terminate if the customer stops paying for them. The ruling explains that because the chatbot AI services under these facts do not meet the definition of taxable prewritten software or specifically enumerated digital products, they are *not* subject to Indiana sales tax. Please contact us with any questions.

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Property
Kentucky – Appellate Court Upholds Big-Box Retailer's Use of Some "Dark Store" Comparables

Case No. 2024-CA-0307-MR, Ky. Ct. App. (8/22/25). In a case involving 2020 property tax assessments for certain big-box retail store property, the Kentucky Court of Appeals (Court) held that:

- the local taxing authority's continued use of 2008 values of the "then-brand-new building" was improper;
- the Kentucky Board of Tax Appeals' (Board) rejection of the taxpayer's evidence of true comparable sale values, which included some leased and "dark store" (i.e., vacant) properties and adjusted values based on age and location, was improper; and
- the Board's "uncritical adoption" of the local taxing authority's evidence of hypothetical leased values without any adjustments was not based upon competent or substantial evidence and relied on inapplicable and inaccurate methodologies and assumptions.

In doing so, the Court explained that Kentucky law requires experts to base their opinions on "true comparables" in the open free market, which in this case, compelled a finding in the taxpayer's favor. Accordingly, the Court reversed the Board's earlier decision and remanded the case with directions for the Board to adopt the assessment valuation supported by the taxpayer's expert. Please contact us with any questions.

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