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State Tax Matters

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In this issue:

Multistate Tax Alert
California Updates IRC Conformity Date

On October 1, 2025, California *Senate Bill 711* ("S.B. 711") and *Senate Bill 302* ("S.B. 302") were enacted into law. S.B. 711 updates California's general conformity date to the Internal Revenue Code ("IRC") from January 1, 2015, to January 1, 2025, for taxable years beginning on or after January 1, 2025. The bill selectively conforms to, modifies, or decouples from various federal provisions enacted over the past decade. Additionally, in a separate measure, S.B. 302 specifically provides for exclusions from gross income related to the transferability and direct pay of certain federal credits under IRC sections 6417 and 6418 for tax years beginning on or after January 1, 2026, and before January 1, 2031.

This Multistate Tax Alert summarizes some of the relevant tax provisions in S.B. 711 and S.B. 302.

URL: *https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/2025/california-updates-irc-conformity-date.pdf*
[Issued October 7, 2025]

Income/Franchise
Kansas – DOR Announces No Tax Rate Reductions for TY 2026 Based on General Revenue Fund Collections

Notice 25-06: Decreases of Income and Privilege Tax Rates – Contingent on Revenue, Kan. Dept. of Rev. (10/2/25). The Kansas Department of Revenue (Department) announced that pursuant to legislation enacted earlier this year providing for contingent Kansas corporate and individual income tax rate reductions if certain annual state budgetary and fund growth goals are met [see *S.B. 269 (2025)*, and *State Tax Matters, Issue 2025-15*, for more details on this legislation], "the Secretary of Revenue will not calculate and publish new income tax rates, and there will be no rate reduction for tax year 2026." In doing so, the Department explained that the amount of total fiscal year adjusted general revenue fund collections from FY 2025 is *not* in excess of the inflation adjusted base year revenues for FY 2025 and thus no income tax rate reductions are triggered for tax year 2026. Please contact us with any questions.

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Michigan – New Law Decouples from One Big Beautiful Bill Act in Computing Corporate and Individual Income Taxes

H.B. 4961, *signed by gov. 10/7/25; Legislative Analysis*, Mich. House Fiscal Agency (10/3/25). Recently enacted state budget legislation decouples from several provisions in the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) for Michigan corporate and individual income tax purposes for tax years beginning after December 31, 2024 – including provisions involving Internal Revenue Code (IRC) sections 174A, 168(n), 168(k), 163(j), and 179. According to a related bill analysis, the state budget legislation preempts state revenue losses from the OBBBA of approximately $540 million in FY 2025-26, $443 million in FY 2026-27, $434 million in FY 2027-28, $349 million in FY 2028-29, and $275 million in FY 2029-30 "by reverting to the pre-OBBBA tax base through decoupling." Specifically, the bill analysis states that the Michigan budget legislation decouples from the following "five federal tax changes" made in the OBBBA:

- immediate deduction of research and experimental (R&D) expenses under IRC section 174A;
- special depreciation of certain production property under IRC section 168(n);
- bonus depreciation allowing for the deduction of 100% of the cost of equipment in the first year under IRC section 168(k);
- business interest deduction increase under IRC section 163(j); and
- increased limit on depreciable business assets deduction under IRC section 179.

In this respect, under the new Michigan law, taxable income for Michigan corporate income tax purposes must be calculated as though IRC sections 168(n) and 174A were not in effect, and as though IRC sections 163(j), 168(k), 174, and 179 as in effect on December 31, 2024, applied. For tax years beginning after December 31, 2021, Michigan's budget legislation also provides that taxable income for Michigan corporate income tax purposes must be calculated as if the OBBBA's transition rules related to IRC section 174A do not apply.

See forthcoming Multistate Tax Alert for more details on this budget legislation, and please contact us with any questions in the meantime.

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Rhode Island – DOR Issues TY 2025 Guidance on New Law that Decouples from Some OBBBA Provisions

ADV 2025-20: Rhode Island Decouples from Recently Enacted Federal Legislation-H.R. 1, R.I. Dept. of Rev. (10/2/25). The Rhode Island Department of Revenue (Department) issued tax year 2025 guidance on the Rhode Island income tax implications of the federal One Big Beautiful Bill Act (now commonly referenced as "OBBBA" and more formally as P.L. 119-21), "from which Rhode Island decoupled in its Fiscal Year 2026 Budget" [see *H.B. 5076 (2025)* and *State Tax Matters, Issue 2025-27*, for additional details on this Rhode Island budget legislation]. The new advisory follows a previous advisory [see *ADV 2025-18: Rhode Island Decouples from Recently Enacted Federal Legislation-H.R. 1 Domestic Research and Experimental Expenditures*, R.I. Dept. of Rev. (9/12/25) and *State Tax Matters, Issue 2025-36*, for details on this earlier guidance], which had addressed some retroactive implications of Rhode Island's tax treatment of domestic research and experimental (R&D) expenditures.

In the newer advisory, the Department states that for businesses, the OBBBA includes the following provisions that are now allowed at the federal level, but which are *not* allowed under Rhode Island law:

- changes to business interest expenses;
- changes to R&D expensing;
- increase in cap for depreciation of business assets;
- deduction for qualified sound recording equipment; and
- changes to qualified opportunity zone designations.

Accordingly, some of these items "will need to be added back for Rhode Island tax purposes." The advisory also addresses certain required adjustments for Rhode Island income tax purposes, as well as details the related schedules that must be filed. See the Department's related webpage *here* for additional details. Please contact us with any questions.

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Sales/Use/Indirect

Maine Revenue Services Summarizes New Law that Taxes Digital Audiovisual and Audio Services

Enacted Tax Legislation – 2025 Session, Me. Rev. Serv. (10/25). Maine Revenue Services posted a summary of state tax legislation enacted during its 2025 legislative session, including new law that redefines "taxable services" for Maine sales and use tax purposes to include subscriptions for online streaming of digital audiovisual and digital audio services, applicable to sales of tangible personal property and taxable services on or after January 1, 2026 [see *LD 210 (HP 132)*, signed by gov. 6/20/25, and *State Tax Matters, Issue 2025-25*, for more details on this legislation]. The summary explains that "digital audiovisual and audio services" is defined as "the electronic transfer of digital audiovisual works and digital audio works to an end user with the right of less than permanent use granted by the seller, including when conditioned upon continued payment from the purchaser or a subscription." Furthermore, for purposes of this definition, "transfer electronically" or "electronic transfer" means "obtainment by the purchaser by means other than tangible storage media." Additionally, "digital audiovisual works" means "a series of related images that, when shown in succession, impart an impression of motion, together with accompanying sounds, if any," and "digital audio works" means "works that result from the fixation of a series of musical, spoken or other sounds, including ringtones." Please contact us with any questions.

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Nevada – Administrative Guidance Addresses Taxation of Purchase, Sale and Lease Back of TPP

Tax Bulletin SUT 25-0001: Taxation of Purchase, Sale and Lease Back of Tangible Personal Property, Nev. Dept. of Tax. (5/7/25). The Nevada Department of Taxation posted guidance addressing Nevada sales taxation on the purchase, sale, and lease back of tangible personal property (i.e., a "Sale and Lease Back Transaction"), including a related Nevada regulation (Nev. Admin. Code section 372.946) that outlines a "multi-step transaction" between three parties: the vendor, initial purchaser, and subsequent purchaser. According to the guidance, the three steps of such a transaction are as follows:

- a sale between a vendor and the initial purchaser of tangible personal property (TPP), known as the "initial sale;"
- a subsequent sale of the same TPP between the initial purchaser and a subsequent purchaser, known as the "subsequent sale;" and
- a lease of the same TPP from the subsequent purchaser to the initial purchaser, known as the "lease back."

When all the requirements of Nev. Admin. Code section 372.946 are satisfied, the guidance explains that the initial sale and the subsequent sale are deemed sales for Nevada resale exemption purposes and thus are excluded from Nevada sales tax, and the lease back is the "sole taxable retail sale." Please contact us with any questions.

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New York – Facility Management Subscription Fees Deemed Taxable When Bundled with Prewritten Software

Decision DTA No. 829500 and 829501, N.Y. Tax App. Trib. (9/18/25). In a case involving two taxpayers providing their customers with facilities management services, including "24/7 call-in transaction center access, web-based portal access (portal), work order management, vendor management, electronic invoicing, and data analytics, all under the single moniker – Integrated Facilities Management (IFM)," the New York State Tax Appeals Tribunal (Tribunal) affirmed [see *Determination DTA Nos. 829500 and 829501*, N.Y. Div. of Tax App., ALJ Div. (5/9/24), and *State Tax Matters, Issue 2024-21*, for more details on the earlier ruling] that because the taxpayers sold prewritten software along with other components for one single subscription charge, the transactions constituted bundled taxable sales. Specifically, the Tribunal explained that the bundles of taxable prewritten software and otherwise nontaxable services that were sold as "one integrated service" collectively constituted taxable sales under state law. The Tribunal reasoned that the taxpayers' customers were not just purchasing their services but also prewritten software along with the facilities management services.

Among their arguments to the contrary, the taxpayers claimed that because the primary function of the services at issue was integrated facilities management, the charges should *not* be taxed because this service is not enumerated as taxable under state law. In response, the Tribunal concluded that the record "clearly demonstrates" that the software is an integral part of the taxpayers' businesses "and is anything but incidental or ancillary" to their services. The Tribunal also commented that while it has applied the "primary function test" to bundled sales of taxable and nontaxable services, it has *not* applied this test to the bundled sales of tangible personal property and services – as was the case here. Please contact us with any questions.

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Puerto Rico – Bulletin Says E-Payment Processors and Some Platforms Providing E-Payment Option Must File Annual Information Report

Information Bulletin 25-08, P.R. Dept. of Treasury (10/3/25). Pursuant to recently enacted Puerto Rico law changes, the Puerto Rico Department of the Treasury issued a notice providing that an entity engaged in the processing of payments by electronic means or that operates platforms that facilitate collecting payments for merchants (including the processing of payments with credit or debit cards or payments through a network) must file an "informative return." The annual return must report the total amount of processed and credited payments to the participating merchant of card payment processing services or payments through a communication network. Marketplace facilitators (and other platforms) that allow for electronic payment processing through their marketplaces, even if the marketplace is not the payment processor, may be required to report the payments processed on behalf of merchants that use the marketplace to sell goods and services. Filers of this annual informative return must include the total amount of the transactions without considering the cost of processing the payment or any other charges or fees that the payment processing entity deducts from the net amount remitted to the participating merchant. Please contact us with any questions.

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