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State Tax Matters
Issue 2025-40
The power of knowing
October 17, 2025

State Tax Matters

The power of knowing

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Income/Franchise

Massachusetts – DOR Adopts Amendments to Corporate Nexus Rule Addressing P.L. 86-272 and Internet Activity

Amended Rule 830 CMR 63.39.1: Corporate Nexus, Mass. Dept. of Rev. (10/10/25). The Massachusetts Department of Revenue (Department) adopted changes to its rule on the circumstances pursuant to which certain business corporations may be subject to Massachusetts' corporate excise tax under Mass. Gen. Laws chapter 63 – specifically amending 830 CMR 63.39.1(4)(e) to "clarify that certain in-state activities conducted by a vendor through an Internet website accessible by persons in the state may not be protected activities within the meaning of Public Law 86-272" [see *State Tax Matters, Issue 2025-13*, for details on the Department's original comments surrounding these amendments]. As an illustrative example, the amended rule now states:

> "in-state activities that are conducted by a vendor through an Internet website accessible by persons in the state may include activity that is not entirely ancillary to the solicitation of orders of tangible personal property, such as the placement of Internet cookies onto the computers or other electronic devices of in-state customers that gather customer search information used to adjust production schedules and inventory amounts, develop new products, or identify new items to offer for sale."

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Massachusetts – Governor Addresses State Budgetary Implications of OBBBA and Recent Executive Actions

Press Release: Federal Funding Dashboard Update Shows Trump's Billions of Dollars in Cuts to Massachusetts, Mass. Office of the Gov. (10/7/25); *Impact of Trump Administration and Congressional cuts on Massachusetts*, Mass. Off. of the Gov. (10/25). Massachusetts Governor Maura Healey's online "dashboard" concludes, among other state budgetary implications, that "President Trump and Congressional Republicans have cut $3.7 billion from the Massachusetts state budget this year alone." A related press release explains that this $3.7 billion in cuts to the state budget includes a loss of up to $3.3 billion in funds cut by Congress and another $399 million in cuts from executive action by President Trump. The online dashboard and related press release explicitly note that the full anticipated impact of the recently enacted federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) is "going to cost Massachusetts $664 million in lost tax revenue this year."

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New Jersey – No Statutory Exemption from Mandatory Unitary Combined Reporting for Casino Licensees

Tax Bulletin No. TB-117: Casino Licensees' Corporation Business Tax Obligations, N.J. Div. of Tax. (10/9/25). The New Jersey Division of Taxation posted a new tax bulletin summarizing casino licensee obligations under New Jersey's corporation business tax (CBT), concluding among else that with limited statutory exceptions, New Jersey's 2018 CBT amendments require corporations under common ownership that are part of unitary business to file a New Jersey combined return, and there is no applicable statutory exemption for casino licensees. Specifically, the bulletin explains that casino licensees may be taxable members of the combined group, and that New Jersey combined reporting requires nontaxable members and taxable members of a combined group to be included in the New Jersey CBT combined return. As such, "casino licensees and their non-casino licensee affiliates must be included in the combined return filed with New Jersey." Please contact us with any questions.

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Wisconsin – Legislative Fiscal Bureau and DOR Address State Impact of Federal One Big Beautiful Bill Act

Memo: Federal Tax Law Changes Enacted in P.L. 119-21 (the One Big Beautiful Bill Act of 2025) that Could be Considered to Modify State Tax Liability, Wis. Legislative Fiscal Bureau (10/8/25). A posted memorandum to the Wisconsin Legislature that was prepared by the Wisconsin Legislative Fiscal Bureau in collaboration with the Wisconsin Department of Revenue describes relevant provisions in the recently enacted federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21), and how they relate to Wisconsin tax law – including the estimated fiscal effect of adopting the respective provisions for Wisconsin tax purposes. Among the addressed topics, the memo describes the OBBBA provisions that may affect Wisconsin business taxpayers – both those that are automatically adopted and those requiring legislative action. Some of these addressed topics include:

- Internal Revenue Code (IRC) section 179 expensing;
- the deduction for state and local tax (SALT);
- permanent bonus depreciation;
- immediate expensing for qualified production property;
- research and experimental (R&D) expenses; and
- the limit on business interest deduction.

According to the memo, the provisions of the OBBBA that automatically impact state tax law are estimated to decrease Wisconsin income and franchise tax revenues by $16.0 million in 2025-26 and increase state revenues by $9.7 million in 2026-27, relative to the estimates included in 2025 Act 15 (Wisconsin's 2025-27 biennial budget act). Regarding the OBBBA provisions that require legislative action to adopt for state tax purposes, "if all of the provisions identified in this memorandum were adopted, state tax revenues would be estimated lower by $1,047.8 million in 2025-26 and $879.3 million in 2026-27." Please contact us with any questions.

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Gross Receipts
Ohio – Pharmaceutical Company's Receipts from Whole Distributors Must be Adjusted for Chargebacks

Case No. 2024-485, Ohio Bd. of Tax App. (10/9/25). In a case involving a company that manufactures and sells pharmaceuticals to drug store retailers at an agreed-upon sales price using wholesale distributors that it invoices at a higher wholesale acquisition cost (WAC) purchase price where all parties generally anticipate a "chargeback" that ultimately will reduce the WAC purchase price pursuant to the agreements with downstream drug store retailers, the Ohio Board of Tax Appeals (Board) held that the pharmaceutical company does *not* owe Ohio commercial activity tax (CAT) based on the list price it uses for generic pharmaceutical drugs but only on the actual sale price paid by the customers. Under the provided facts, when a wholesale distributor sells prescription drugs to the retailers, it submits a chargeback adjustment to the pharmaceutical company based on the difference between the WAC and the contracted purchase price, which is typically processed within 48 hours. The distributor then remits the net sale price (*i.e.*, the WAC less the chargeback) to the pharmaceutical company. In this respect, the Board reasoned that while these two transactions may appear under two separate accounts in the pharmaceutical company's accrual method of accounting, in practice, the chargeback reduces the distributor's purchase price and is not a separate transaction for Ohio CAT purposes.

The Board reasoned that because the pharmaceutical company never actually receives the total WAC amounts at issue, they cannot be considered "gross receipts" under Ohio Rev. Code section 5751.01(F), and thus the underlying Ohio CAT assessment must be adjusted. That is, "because the WAC is, in substance, an accounting placeholder, the chargeback reduction is not an expense but rather the accounting mechanism to establish the actual purchase price, i.e., the gross amount realized." Accordingly, the Board concluded that the pharmaceutical company had "carried its burden to demonstrate that the chargebacks should reduce the WAC to calculate its taxable gross receipts" under the Ohio CAT for the tax years at issue. Please contact us with any questions.

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Sales/Use/Indirect
Maine – Newly Adopted Rule Reflects Shift to Lease Stream Taxation of TPP Rentals

New Rule 326, "Leases and Rentals of Tangible Personal Property," Me. Rev. Serv. (eff. 10/6/25); *Maine Tax Alert: MRS Rulemaking Activity Adopted Rule*, Me. Rev. Serv. (10/25). A new Maine Revenue Services rule reflects legislation enacted in 2024 that, beginning January 1, 2025, imposes Maine sales tax on tangible personal property (including products transferred electronically) leased or rented in Maine based on each periodic lease or rental payment paid by the lessee rather than wholly upfront [see *LD 2214 / HP 1420*, *signed by gov. 4/22/24*, and *State Tax Matters, Issue 2024-17*, for more details on this 2024 legislation]. The new rule includes relevant definitions, explanations, and examples of taxable and nontaxable transactions related to this shift of imposing sales or use tax on leased property from being due from the lessor upfront on the entire purchase price of the rental property to instead requiring the lessor to collect sales tax from the lessee on each lease or rental payment. The new rule also addresses "other potential sales and use tax issues related to such transactions, including software licenses; sourcing of leases and rentals; and the calculation of sale price for leases and rentals." The new rule took effect on October 6, 2025. Please contact us with any questions.

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Missouri – Appellate Court Affirms Dismissal of Local Franchise Fee Suit Against Streaming Companies

Case No. ED113308, Mo. Ct. App. E.D. (10/14/25). In a case concerning a lawsuit filed by a Missouri city against various streaming entertainment companies claiming that they owed local video service provider fees imposed under Missouri's Video Service Provider Act (Act), a Missouri Court of Appeals (Court) affirmed a Missouri circuit court's dismissal of the case [see *State Tax Matters, Issue 2025-1*, for details on the lower court's dismissal of this case], which held that state legislation enacted in 2024 modifying the definition of "video service" to explicitly exclude streaming content [see *S.B. 872 (2024)* and *H.B. 2057 (2024)*; and *State Tax Matters, Issue 2024-29*, for more details on this 2024 legislation] effectively ended the controversy. In doing so, the Court agreed that the 2024 statutory amendments to the definition of "video service" were intended to clarify the existing Act, and the Missouri Legislature did *not* intend to include streaming content either prior to or after the 2024 amendments. Please contact us with any questions.

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Unclaimed Property
California – New Law Revises Provisions on Digital Financial Assets and Addresses Virtual Currency

S.B. 822, signed by gov. 10/11/25. Recently signed legislation enacts some changes to California's unclaimed property law provisions, including providing when and how defined digital financial assets – which includes virtual currency – escheats to the State. According to an accompanying bill analysis, the legislation:

- provides for circumstances in which the holders of digital financial assets do not have the necessary private keys to transfer possession of digital financial assets (where a private key is defined as a unique element of cryptographic data used for signing transactions on a blockchain that is known to the owner of the element);
- modifies the circumstances under which an owner is deemed to exercise an act of ownership interest, thereby restarting the escheatment timeline; and
- clarifies when the California Controller (Controller) may sell escheated digital financial assets.

The legislation provides that the holder of a digital financial asset subject to escheat generally has no more than 30 days after the final date for filing a report with the Controller regarding escheated property to transfer the exact digital financial asset type, private keys, and amount, unliquidated, to the Controller's cryptocurrency custodian or as the Controller by regulation may designate. If the holder possesses only a partial private key to the digital financial asset or is otherwise unable to move the digital financial asset to the Controller, "the holder shall maintain the digital financial asset until the additional keys required to transfer the digital financial asset become available to the holder or the holder is otherwise able to transfer the digital financial asset to the Controller." Please contact us with any questions.

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