



State Tax Matters
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Multistate Tax Alert

Michigan enacts tax changes in response to OBBBA

On October 7, 2025, Michigan enacted into law a package of budget bills, House Bills [4183](#), [4951](#), [4961](#), and [4968](#) (collectively “Michigan Budget Bills”), making several changes to the State’s business tax landscape after the enactment of federal Public Law 119-21, commonly known as the One, Big, Beautiful Bill Act (“OBBBA”), which was enacted on July 4, 2025. The new Michigan laws decouple the State from the federal tax changes made in the OBBBA pertaining to research and experimental expenses, depreciation deductions, and business interest expense; establish new dedicated revenue streams, including a marijuana wholesale excise tax and an increased motor-fuel tax, to fund transportation and healthcare programs in the State; and also make changes to the State’s income tax for individuals, including the treatment of tip and overtime pay. Each act took effect immediately upon signature.

This Multistate Tax Alert summarizes some of the provisions in the Michigan Budget Bills.

URL: <https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/2025/michigan-enacts-tax-changes-in-response-to-obbba.pdf>
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Income/Franchise

California – Suit Challenging Validity of 2024 Apportionment Law Changes Deemed Not Ripe for Review

Case No. 24CV016118, Cal. Super. Ct., Sacramento County (10/15/25). In a consolidated case involving two taxpayer associations that challenged the validity of California legislation enacted in 2024 that adds Cal. Rev. & Tax Code section 25128.9, a California superior court (Court) held, among other things, that because the associations’ members failed to exhaust their administrative remedies, the evidence before the Court is incomplete and “the controversy is not ripe for judicial review.” Accordingly, the Court granted the California Franchise Tax Board’s (FTB’s) motions for summary adjudication in the case.

In the underlying suit, the taxpayer associations had sought a declaratory ruling preventing California from applying Cal. Rev. & Tax Code section 25128.9 either in its entirety due to alleged violation of the U.S. Constitution or, in the alternative, retroactively due to alleged violations of the U.S. and California Constitutions. The new code section at issue essentially provides for retroactive application of the FTB’s Legal Ruling 2006-1 (issued April 28, 2006) concerning the treatment of apportionment factors attributable to income exempt from California Corporation Tax Law [see [S.B. 167 \(2024\)](#), and [previously issued Multistate Tax Alert \(July 1, 2024\)](#) for background on this 2024 legislation]. Please contact us with any questions.

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Iowa – DOR Certifies that Corporate Income Tax Rate for Tax Years Beginning in 2026 Remains the Same

[Order 2025-02](#), Iowa Dept. of Rev. (10/21/25); [News Release](#), Iowa Dept. of Rev. (10/21/25). The Iowa Department of Revenue signed an order certifying that Iowa corporate income tax rates for tax years beginning in 2026 will remain the same as corporate income tax rates for tax years beginning in 2024 and 2025. This certification is made pursuant to legislation enacted in 2022 that permits certain Iowa corporate income tax rate reductions if specified revenue goals are met [see [H.F. 2317 \(2022\)](#), and [State Tax Matters, Issue 2022-9](#) for more details on this legislation]. Please contact us with any questions.

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Iowa – Proposed Rule Reflects New Law Allowing Banks to Elect Including Investment Subs on Franchise Tax Return

[Proposed Amend Rules 701—304.16\(422\), 701—501.16\(422\), 701—602.20\(422\) and Proposed New Rule 701—602.33\(422\)](#), Iowa Dept. of Rev. (10/15/25). The Iowa Department of Revenue (Department) released proposed amended and new rules reflecting legislation enacted in 2024 [see [S.F. 2442 \(2024\)](#) and [State Tax Matters, Issue 2024-18](#), for more details on this 2024 legislation] that allows financial institutions subject to the Iowa franchise tax that have investment subsidiaries to elect to file combined Iowa franchise tax returns with those investment subsidiaries applicable for tax years beginning on or after January 1, 2025. In doing so, the Department explains that financial institutions that make this election “are not required to add back expense to carry the investment subsidiaries on their Iowa return.” According to the Department, the proposed rule changes provide definitions and additional guidance for taxpayers wanting to elect to file combined Iowa franchise tax returns with their investment subsidiaries and “avoid the add-back of expenses associated with those subsidiaries, which would otherwise be required.” A public hearing on these proposed rule changes is scheduled for November 4, 2025, and written comments are due on the same date. Please contact us with any questions.

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Maine – Governor and Administrative Agency Address State Tax Implications of OBBBA for TY 2025

Report to Maine Governor on 2025 Conformity with Federal Tax Law Changes, Me. Dept. of Admin. Financial Services (9/30/25); *Determination and Direction of the Governor of the State of Maine*, Me. Office of the Governor (10/1/25). Pursuant to recently enacted Maine legislation that seeks to address situations when the Maine Legislature has not yet had the opportunity before Maine Revenue Services begins processing Maine income tax returns to conform or adjust Maine tax laws in response to any relevant federal income tax law changes [see *L.D. 221 (H.P. 144)*, signed by gov. 6/17/25, and *State Tax Matters, Issue 2025-25*, for more details on this legislation], the Maine Department of Administrative and Financial Services (Department) issued a report to Maine Governor Janet Mills on the changes created by the federal One Big Beautiful Bill Act (commonly referenced as “OBBBA” and more formally as P.L. 119-21) that the Maine Legislature will not have had the opportunity to conform or adjust Maine laws in response to before processing returns for the year. Specifically, the report addresses whether or not Maine should conform to certain OBBBA provisions for tax year 2025, including provisions pertaining to:

- research and experimental (R&D) expenses;
- accelerated depreciation of certain production property;
- bonus depreciation;
- business interest deduction; and
- Internal Revenue Code section 179 expensing.

In response, Governor Mills issued a “Determination and Direction” letter to the Maine Tax Assessor accepting the Department’s recommendations on these provisions. In doing so, Governor Mills notes that “this is not the end of the discussion of conformity to the new federal law,” and that “further guidance on whether and to what extent to conform with these adjustments as well as the federal law changes for 2026 and future years—and even, potentially, whether to retroactively conform to some less urgent but more costly items in 2025—will follow in due course, when we have more revenue and economic data to work with and when the Legislature is in a position to address Maine’s overall response.” Please contact us with any questions.

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Massachusetts – DOR Posts Draft Release on State Conformity to Certain Provisions in OBBBA

Working Draft TIR: Massachusetts Conformity to Certain Provisions in Public Law No. 119-21, Mass. Dept. of Rev. (10/21/25). The Massachusetts Department of Revenue posted a working draft technical information release (“Draft TIR”) for practitioner comment that provides information on whether the net income measure of the Massachusetts corporate excise tax imposed by G.L. c. 63, and the Massachusetts income tax imposed by G.L. c. 62, conform to certain provisions of the recently enacted federal One Big Beautiful Bill Act (commonly referenced as “OBBBA” and more formally as P.L. 119-21). The Draft TIR includes a chart listing the OBBBA’s provisions that “principally affect federal gross income or federal deductions” and whether the Massachusetts corporate excise tax and income tax conform to such provisions – noting that the OBBBA provisions that amend Internal Revenue Code (IRC) sections that do not impact the determination of the Massachusetts corporate excise tax or income tax, such as federal tax rates and credits, are not included in the chart. The Draft TIR also explains that the Massachusetts corporate excise tax automatically conforms to the current IRC in determining both Massachusetts gross income and deductions, with limited exceptions, while the Massachusetts income tax generally determines Massachusetts gross income based on the IRC as amended and in effect on January 1, 2024, but conforms to the IRC as currently in effect for the determination of trade or business expense deductions, with limited exceptions, and certain other specified IRC sections. Please contact us with any questions.

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New York City – Proposed Business Corporation Tax Rules Released with Comments Due by November 20

Proposed Chapter 11A, Business Corporation Tax, Subchapter 1, Imposition of Tax, Part 1-1 Definitions and Part 1-2 Corporations Subject to Tax, N.Y.C. Dept. of Fin. (10/16/25). The New York City (City) Department of Finance (Department) released a set of proposed regulations to help implement the City Business Corporation Tax (BCT) and in doing so, comments that the BCT rules are intended to reflect the “sweeping reform” of the City’s corporate tax framework that was enacted in 2015. Proposed Chapter 11A will be broken into nine Subchapters that roughly correspond to the organization of New York State’s regulations at 20 NYCRR Chapter I, Subchapter A. In this release, the Department proposed Chapter 11A Part 1-1 and Part 1-2.

- Part 1-1 provides definitions of relevant terms that are used throughout the regulations, “including subsequent subchapters of Chapter 11A, which will be promulgated separately from this proposed rule at a later date.”
- Part 1-2 sets forth the required minimum activities in the City for corporations to be subject to tax under the BCT.
 - Proposed Chapter 11A Part 1-2 also incorporates a series of examples of activity that does *not* give rise to nexus and corporations that are exempt from the BCT, and it incorporates the updated Multistate Tax Commission guidelines for corporations related to certain internet activities that exceed the protections afforded under P.L. 86-272. As currently drafted, one of the proposed examples related to P.L. 86-272 application to the BCT states the following:

“A foreign corporation places Internet “cookies” onto the computers or other electronic devices of its customers. These cookies gather customer search information that will be used to adjust production schedules and inventory amounts, develop new products, or identify new items to offer for sale. Since this activity does not constitute, and is not entirely ancillary to, the solicitation of orders for sales of tangible personal property, such corporation is not exempt from tax under this section.”

The Department’s “Statement of Basis and Purposes of Proposed Rule” for this release states that in the coming months, the Department will publish additional proposed rules that set forth the remainder of Chapter 11A. In addition, the Department may promulgate a new proposed rule and notice of public hearing seeking further comment on Subchapter 1 of Chapter 11A at a later time, if necessary. The effective date of this proposed rule, as well as the effective date of future proposed rules adding the subsequent subchapters of Chapter 11A, will not occur until all subchapters of Chapter 11A have completed the rulemaking process under Section 1043 of the New York City Charter.

The Department has scheduled a virtual public hearing on these proposed rules on November 20, 2025, and any written comments on the proposals are due on the same date. Please contact us with any questions.

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Sales/Use/Indirect

Indiana – Taxpayer Deemed a Fulfillment Company Whose Nonreturnable Wrapping Materials and Underlying M&E are Not Exempt

[Revenue Ruling 2025-04-RST](#), Ind. Dept. of Rev. (9/25/25). An Indiana Department of Revenue ruling involving a wholly owned subsidiary of a large logistics provider held that based on the submitted facts, the subsidiary constitutes a “fulfillment company” that handles the logistics of storing, packaging and shipping its customers’ products and thus its provided non-returnable wrapping materials, as well as machinery and equipment (M&E) used in providing its assembly and packaging services, are subject to Indiana sales and use tax. In doing so, the ruling rejected the subsidiary’s claim that it operated as an industrial processor that transformed its customers’ products and therefore the non-returnable wrapping materials qualified for exemption in Indiana. Moreover, the ruling rejected the subsidiary’s claim that the M&E used in providing its assembly and packaging services qualified for exemption because it was not used in direct production. The subsidiary had stated that it offers its customers a variety of services – including supply chain analysis and design, supply chain management, in-plant services, manufacturing services, assembly and packaging, warehousing and order fulfillment, transportation and transportation management, service parts logistics, and reverse logistics. Please contact us with any questions.

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Property

Minnesota – Hotel Valuation Lowered as Assessed Value Failed to Separate Out Nontaxable Intangible Assets

[Case No\(s\). 27-CV-18-06406](#), [27-CV-18-12499](#), [27-CV-20-06876](#), [27-CV-21-5446](#), Minn. Tax Ct. (10/17/25). In a case addressing the valuation of a hotel property for taxes payable in 2018 through 2021, the Minnesota Tax Court (Court) lowered the county’s assessed values for the years at issue in favor of a “parsing method” approach, and concluded that the county’s use of the “management fee approach” in this case failed to effectively separate the value of taxable real estate from nontaxable intangible assets. Specifically, the Court explained that the management fee approach in this case did not persuasively address i) the intangible value of a hotel affiliate’s management contract and brand affiliation, or ii) the intangible value of the hotel’s lucrative food and beverage department. Please contact us with any questions.

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