



State Tax Matters

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In this issue:

Income/Franchise

California – FTB Addresses New Law that Updates State Conformity to IRC But Also Decouples from Various TCJA and OBBBA Provisions... 2

Iowa – Updated GILTI Guidance Addresses OBBBA’s International Tax Provisions, Including NCTI and FDDEI 2

Minnesota – DOR Says Adjustments May Be Required on Minnesota Returns Due to OBBBA Nonconformity..... 3

Pennsylvania – City of Philadelphia Reminds Businesses of Reduced BIRT Rates and End of \$100K Deduction 4

Gross Receipts

Washington – Appellate Court Affirms BTA Ruling on Sourcing Litigation Services for B&O Tax Purposes 4

Washington – Notice Addresses Newly Enacted Payment Card Processing Special B&O Tax Rate 5

Sales/Use/Indirect

Tennessee – True Object of Subscription to Health-Related Mobile App is Taxable Software Sale..... 5

Wisconsin – Bulletin Addresses Tax Treatment of Different Types of Virtual Currency and Potential EV Charging Tax Liability 6

Property

Texas – Voters Back Ballot Measure that Permits Business Personal Property Tax Exemption; 125K Exemption to Take Effect..... 7

Income/Franchise

California – FTB Addresses New Law that Updates State Conformity to IRC But Also Decouples from Various TCJA and OBBBA Provisions

Tax News: Senate Bill 711 – Federal Conformity Bill, Cal. FTB (11/25). The California Franchise Tax Board's (FTB) recently posted newsletter addresses new state law [see *S.B. 711, signed by gov. 10/1/25*; and *previously issued Multistate Tax Alert*, for more details on this legislation] that 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; it also selectively conforms to, modifies, or decouples from various federal income tax provisions enacted after January 1, 2015. In doing so, the FTB notes that this new state law "does not include federal tax law enacted after January 1, 2025," such as the One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21). The FTB also explains that in response to this newly chaptered legislation, it is implementing changes to its tax forms, instructions, and publications as applicable. Moreover, the FTB states that it is "reviewing internal processes and procedures to ensure they align with the specified date change." According to the FTB, the updated tax forms, instructions, and publications will be made available on its "Forms and Publications" webpage. Please contact us with any questions.

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Iowa – Updated GILTI Guidance Addresses OBBBA's International Tax Provisions, Including NCTI and FDDEI

GILTI / NCTI and FDII / FDDEI, Iowa Dept. of Rev. (11/19; updated 7/17/20; updated 11/4/25); *Release*, Iowa Dept. of Rev. (11/4/25). The Iowa Department of Revenue (Department) updated its administrative guidance on the Iowa income tax treatment of certain international tax provisions under federal law to address the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21). The guidance addresses the Iowa tax treatment of net controlled foreign corporation tested income (NCTI) under the OBBBA (previously known as global intangible low-taxed income (GILTI)) and foreign-derived deduction eligible income (FDDEI) under the OBBBA (previously known as foreign-derived intangible income (FDII)). Originally, Iowa law provided a full net exclusion of GILTI from the Iowa tax base for tax years 2019 through 2025; however, the updated guidance generally explains that Iowa provides no exclusion for NCTI starting for tax year 2026, and NCTI will not be subject to Iowa's foreign dividends received deduction. Accordingly, NCTI will be taxable for Iowa income tax purposes to the extent it is included in federal taxable income starting for tax year 2026. The guidance also explains that Iowa fully conforms with the federal deduction under Internal Revenue Code section 250(a)(1)(A) for FDII for tax years 2019 through 2025, and for FDDEI starting for tax year 2026.

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Minnesota – DOR Says Adjustments May Be Required on Minnesota Returns Due to OBBBA Nonconformity

2025 Federal Nonconformity for Income Tax, Minn. Dept. of Rev. (11/3/25). A Minnesota Department of Revenue (Department) release explains that because the definitions used in determining Minnesota taxable income currently are based on the Internal Revenue Code, as amended through May 1, 2023, and therefore do *not* incorporate the federal One Big Beautiful Bill Act (commonly referenced as “OBBBA” and more formally as P.L. 119-21) enacted on July 4, 2025, Minnesota taxpayers may need to make adjustment(s) to income on their Minnesota returns. Specifically, the Department notes that the OBBBA may impact a taxpayer’s federal and Minnesota returns for tax year 2022 and after; accordingly, the Department has “updated forms and instructions” to help Minnesota taxpayers calculate nonconformity adjustments. Please contact us with any questions.

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Pennsylvania – City of Philadelphia Reminds Businesses of Reduced BIRT Rates and End of \$100K Deduction

Philadelphia Business Taxes are Changing Tax Year 2025 (Due in 2026) - Get your business ready!, City of Philadelphia, Pa. Dept. of Rev. (10/25). The City of Philadelphia, Pennsylvania (City) Department of Revenue issued a release reminding taxpayers of City business income and receipts tax (BIRT) law changes beginning for tax year 2025 (*i.e.*, for returns due and taxes owed in 2026 and thereafter) pursuant to an ordinance enacted earlier this year [see [Bill No. 250199, signed by mayor 6/13/25](#); [City of Philadelphia Approves \\$6.8 Billion 'One Philly 2.0' FY26 Budget](#), City of Philadelphia, Pa., Office of the Mayor (6/12/25); and [State Tax Matters, Issue 2025-24](#), for additional details on this ordinance]. Specifically, the release explains that for tax year 2025, the rate on the net income portion of the BIRT will fall to 5.71. The rate on the gross receipts portion of the BIRT will be reduced to 1.410 mills for tax year 2025. The release also explains that “these reductions continue gradually until 2030, when more aggressive reductions are scheduled,” and that by fiscal year 2039, the City is scheduled to eliminate the gross receipts portion of the BIRT and bring the BIRT rate of the net income portion to 2.8%. Additionally, “due to a legal challenge” and the same new ordinance, the release reminds that the BIRT’s statutory deduction on the first \$100,000 in taxable receipts ends beginning for tax year 2025. Please contact us with any questions.

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Gross Receipts

Washington – Appellate Court Affirms BTA Ruling on Sourcing Litigation Services for B&O Tax Purposes

Case No. 86756-3-I, Wash. Ct. App. (11/3/25). In a case involving a law firm’s provision of litigation and defense services to insurance companies, and how to source receipts from these activities for state business and occupation (B&O) tax purposes under a former version of WAC 458-20-19402(303)(c) to the location where the customer received the benefit of the taxpayer’s service, a Washington Court of Appeals (Court) affirmed [see [State Tax Matters, Issue 2022-36](#), for details on the Washington Board of Tax Appeals ruling this case] that such receipts must be sourced to the location where the litigation services were provided (*i.e.*, to the jurisdiction where the settlement occurred, litigation was filed, or litigation occurred). The law firm had unsuccessfully claimed that because the receipts relate to the insurance companies’ legal departments, the insurance companies received the benefit of the services at the address of their legal departments and thus the receipts must be sourced there. The Court explained that in the case of the law firm’s litigation services, the benefit was realized where the case was litigated rather than realized once the legal department of the insurance company was made aware of the results. Please contact us with any questions.

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Washington – Notice Addresses Newly Enacted Payment Card Processing Special B&O Tax Rate

Special Notice: New tax rate and classification for payment card processing activities, Wash. Dept. of Rev. (10/28/25). The Washington Department of Revenue issued a notice addressing legislation enacted earlier this year [see [H.B. 2020](#), signed by gov. 5/20/25, and [State Tax Matters, Issue 2025-20](#), for more details on this new law], which provides that effective as of January 1, 2026, businesses must report income from payment card processing activities under the new “Payment Card Processing” business and occupation (B&O) tax classification. According to the notice, the B&O tax rate for this new tax classification is 3.1%, and income subject to it is considered apportionable income. Moreover, the notice explains that businesses may deduct the following from the gross amount reported under the “Payment Card Processing” B&O tax classification:

- interchange fees;
- network fees; and
- portions of fees retained by other processors.

The notice cautions that gross income subject to B&O tax under this “Payment Card Processing” classification potentially also may be subject to Washington’s surcharge on “Specified Financial Institutions” or the “Workforce Education Investment Surcharge” on advanced computing businesses. Please contact us with any questions.

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Sales/Use/Indirect

Tennessee – True Object of Subscription to Health-Related Mobile App is Taxable Software Sale

Letter Ruling No. 25-8, Tenn. Dept. of Rev. (10/24/25). In a letter ruling involving application of Tennessee sales and use tax to a taxpayer’s offered subscription package that incorporates software elements, including a software license that allows subscribers to download and use a mobile app for tracking their health information and providing tools to understand and improve their blood pressure and overall quality of health, the Tennessee Department of Revenue (Department) held that under the totality of the circumstances, the true object of such transactions is the taxable sale of remotely accessed software. In doing so, the Department noted that the tracking, guidance, and other tools are performed by the software app, rather than by medical professionals or other employees of the taxpayer. Similarly, the generation of information for clients about the program’s overall engagement numbers and health outcomes is performed by the software app. Please contact us with any questions.

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Wisconsin – Bulletin Addresses Tax Treatment of Different Types of Virtual Currency and Potential EV Charging Tax Liability

Wisconsin Tax Bulletin 231, Wis. Dept. of Rev. (10/25). The Wisconsin Department of Revenue (Department) released a bulletin explaining that while virtual currency generally is a digital asset that represents value and can be transferred, stored, redeemed, or exchanged electronically, “there are different types of virtual currency, and the sales and use tax treatment and timing of the tax liability varies.” The bulletin provides that sales and purchases of “convertible virtual currency” – which functions as a substitute for real money and can be exchanged for an equivalent value in cash – generally are not taxable in Wisconsin. However, if convertible virtual currency is used as payment for taxable products or services, the Wisconsin tax liability occurs at that time of the purchase and the taxable amount is based on the value of the virtual currency, measured in U.S. dollars, at the time of the purchase.

The bulletin also provides that sales and purchases of “nonconvertible virtual currency” – which can be used only within a specific platform or application and can be redeemed for products or services in that environment but cannot be exchanged for cash – generally are taxable at the time of their sale if they entitle the holder of the currency to redeem the currency for specific taxable products or services. In this respect, the bulletin explains that no additional Wisconsin tax applies when the nonconvertible virtual currency ultimately is redeemed for the taxable products or services. However, if additional consideration (e.g., cash or credit card payment) is given for taxable products or services at the time of redemption of the nonconvertible virtual currency, “tax applies to the additional consideration.” Furthermore, the guidance notes that some types of nonconvertible virtual currency represent a stored monetary value (e.g., U.S. dollars) and can be redeemed towards the purchase of products or services up to the monetary value indicated, “similar to a redeemable gift card or gift certificate.” According to the bulletin, this type of nonconvertible virtual currency generally is “not taxable even though the virtual currency is not convertible to cash.” Several illustrative examples are also provided.

Another item in the bulletin highlights that Wisconsin’s electric vehicle (EV) charging excise tax potentially may be due from businesses, governmental units, and nonprofit organizations “even if the charger is not available to the public or if an amount is not charged to the consumer.” Please contact us with any questions.

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Property

Texas – Voters Back Ballot Measure that Permits Business Personal Property Tax Exemption; 125K Exemption to Take Effect

Proposition 9 (HJR 1), unofficially approved by voters 11/4/25; HJR 1, filed with Texas Sec. of State 5/20/25; H.B. 9, signed by gov. 6/12/25. In Texas' recent election held on November 4, 2025, voters in Texas approved "Proposition 9" that, once certified, authorizes the Texas Legislature to exempt from Texas ad valorem taxation a portion of the market value of tangible personal property a person owns that is held or used for the production of income. Accordingly, pursuant to enabling legislation enacted earlier this year ("H.B. 9") that takes effect January 1, 2026, a person may be entitled to an exemption from taxation by a Texas taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. Please contact us with any questions.

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