



State Tax Matters

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Income/Franchise

Alabama – DOR Addresses State Tax Implications of Various OBBBA Provisions, Including FDDEI and NCTI

[The One, Big, Beautiful Bill Act Analysis and Tax Provisions; Executive Summary](#), Ala. Dept. of Rev. (11/10/25). A 58-page document posted by the Alabama Department of Revenue (Department) summarizes various provisions under the federal One Big Beautiful Bill Act (commonly referenced as “OBBBA” and more formally as P.L. 119-21) and discusses some resulting implications under Alabama’s taxation regime – including how the provisions may tie to Alabama’s corporate income tax and financial institution excise tax. Some of the addressed OBBBA provisions include:

- Internal Revenue Code (IRC) section 168(k) on full expensing for certain business property;
- New IRC section 174A on full expensing of domestic research and experimental (R&D) expenditures;
- IRC section 163(j)(8)(A) on the modification of the limitation on business interest;
- IRC section 179 on the increased dollar limitations for expensing certain depreciable business assets;
- New IRC section 168(n) on the special depreciation allowance for qualified production property;
- IRC section 250(a) on the modification of deduction for foreign-derived deduction eligible income (FDDEI) (previously known as foreign-derived intangible income (FDII)) and net controlled foreign corporation tested income (NCTI) (previously known as global intangible low-taxed income (GILTI));
- IRC sections 250(b)(3)(A)(i) and 250(b)(5)(E) on the calculation of the tax deduction for FDDEI;
- IRC sections 951(A) and 250 on the rules related to deemed intangible income;
- IRC section 59A on the extension and modification of the base erosion minimum tax (BEAT) amount;
- IRC section 163(j) on the coordination of business interest limitation with interest capitalization provisions;
- IRC section 163(j)(8) on the definition of adjusted taxable income for the business interest limitation;
- IRC section 954(c)(6)(C) on the permanent extension of the “look-through rule” for related controlled foreign corporations;
- IRC section 898(c) on the repeal of the election for one-month deferral in the determination of taxable year of specified foreign corporations;
- IRC sections 958(b) and 951B on the restoration of the limitation on downward attribution of stock ownership in applying constructive ownership rules/amounts included in gross income of foreign controlled U.S. shareholders;
- IRC section 951 on the modifications to pro rata share rules; and
- IRC sections 1400Z-1(c)(2)(B), 6039K, 6039L, and 6726 on the permanent renewal and enhancement of opportunity zones (OZs).

The summary notes that this document is *not* a comprehensive analysis of all the OBBBA provisions or their potential impact on Alabama taxpayers; and is *not* meant to provide tax guidance “but rather is meant to provide general guidance on the OBBBA provisions in relation to Alabama income and financial institution tax laws.” The summary also comments that “the conclusions in this document are subject to revision as additional information becomes available, including additional federal guidance and input from other tax administrative agencies and/or the private sector.”

An appendix to the summary references previously issued Department guidance [see [Notice: Research and Experimental Expenditures](#), Ala. Dept. of Rev. (9/11/25) and [State Tax Matters, Issue 2025-36](#), for details on this earlier guidance], which explains Alabama's treatment of certain IRC section 174 R&D provisions pursuant to the OBBBA and federal Tax Cuts and Jobs Act (TCJA). Please contact us with any questions.

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Pennsylvania – New Law Decouples from OBBBA Provisions Pertaining to R&D Expenses, §163(j), and §168(n)

[H.B. 416 \(Act 45\)](#), signed by gov. 11/12/25. Recently enacted state budget legislation decouples Pennsylvania's corporate net income tax (CNIT) from some aspects of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21), including OBBBA provisions pertaining to:

- the expensing of domestic research and experimental (R&D) expenditures in Internal Revenue Code (IRC) section 174A and related sections;
- the modifications of adjusted taxable income (ATI) and the limitation on business interest under IRC section 163(j); and
- the special depreciation allowance for qualified production property under IRC section 168(n).

See forthcoming *Multistate Tax Alert* for more details on these and other significant law changes in the enacted budget bill, and please contact us with any questions in the meantime.

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Gross Receipts

Washington – City of Seattle Voters Back Local B&O Tax Measure that Increases Rates and Provides \$2M Exclusion

Proposition 2, unofficially approved by voters 11/4/25; *City of Seattle Proposition No. 2: Changes to the Business and Occupation Tax*, Kings County (information on November 4, 2025 General Election ballot measures, including *Proposition 2 text*); *Ordinance No. 127259*, signed by mayor 8/4/25; and *Ordinance No. 127267*, signed by mayor 8/12/25. In the State of Washington's recent general election held on November 4, 2025, voters in the City of Seattle, Washington (City) approved "Proposition 2" that, once certified, will increase the City's business and occupation (City B&O) tax rates currently at .00222 (e.g., for manufacturing, retail, and wholesale businesses) and .00427 (e.g., for transportation and freight for hire, professional and other service businesses) to .00342 and .00658, respectively, until 2033, when these respective rates will then drop to .00273 and .00526. Proposition 2 also raises the threshold for paying the City B&O tax from \$100,000 in gross receipts to \$2 million, creates a new \$2 million standard deduction, and provides certain offsetting tax credits. Please contact us with any questions.

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Sales/Use/Indirect

Missouri – Proposed Rule Reflects Caselaw Disqualifying Temporary Storage Exemption Due to In-State Testing and Certification

Proposed Amended 12 CSR 10-113.300, Temporary Storage, Mo. Dept. of Rev. (11/17/25). The Missouri Department of Revenue is proposing to amend its rule on Missouri's temporary storage exemption to include reference to a 2012 Missouri Supreme Court decision, which held that a taxpayer did not qualify for this sales and use tax exemption because its in-state testing and certification process on the purchased parts at issue "went beyond mere temporary storage and constituted a taxable use." Comments on these proposed rule changes must be received within 30 days after their November 17 publication in the Missouri Register. Please contact us with any questions.

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Property

Nebraska – State High Court Says Taxpayer May Use Actual Rents Under Income Approach in Valuing Rental Property

Case No. S-24-686, Neb. (11/7/25). In a case concerning the property tax valuation of certain rental properties, the Nebraska Supreme Court (Court) reversed the Nebraska Tax Equalization and Review Commission (TERC) to hold that the TERC erred in concluding that a county board of equalization (Board) could not rely on an appraiser's recommended values calculated under an income approach in which the taxpayers' actual rents were used as a basis for determining the income the properties generated. Based on the provided facts, the Court determined that the Board's valuations were not unreasonable or arbitrary, and that the TERC's decision to the contrary was unreasonable. Specifically, the Court reasoned that the appraiser had provided a basis for the Board to find that the actual income figures he used for the valuations were "consistent with market typical income." Accordingly, the Court reversed the TERC's decision and remanded the case to the TERC with directions to affirm the Board's lower valuations on the respective parcels for the two tax years at issue. Please contact us with any questions.

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Unclaimed Property

California – Voluntary Compliance Program Outreach and Education Letters Coming Soon

The Unclaimed Property Division of California's Office of State Controller (UPD) has informally indicated that it will soon launch a holder outreach campaign to further highlight California's relatively new *Voluntary Compliance Program* (VCP), and that letters will be mailed in mid-to-late November 2025 to some companies that may be non-compliant with California's unclaimed property reporting requirements. According to this informal indication, the UPD expects to mail approximately 4,000 letters to companies in the initial mailing; and if companies do not respond to the letters or enroll in California's VCP, follow-up letters may be sent.

See our recent article, "[Navigating the abandoned and unclaimed property environment](#)", which discusses some risks associated with non-compliance with state unclaimed property laws and the implications of California's unclaimed property VCP, as well as a forthcoming Multistate Tax Alert on the UPD's outreach campaign, and please contact us with any questions.

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