



State Tax Matters

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Income/Franchise

Colorado – DOR Reminds that Business Personal Property Tax Credit is Not Available as of January 1

Income Tax Topics: Business Personal Property Credit, Colo. Dept. of Rev. (rev. 11/25). Updated Colorado Department of Revenue guidance explains that for tax years commencing *prior* to January 1, 2026, qualifying Colorado corporate and individual income taxpayers and tax-exempt entities potentially may claim a refundable income tax credit for property tax paid on business personal property in Colorado, which is “allowed only for tax imposed on the first \$18,000 of the total actual value of business personal property.” However, the guidance reminds that such credit may *not* be claimed on property tax paid in any income tax year commencing on or after January 1, 2026. Please contact us with any questions.

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

H.B. 255, signed by gov. 11/19/25. Recently enacted state legislation decouples Delaware’s corporate income tax from some aspects of the federal One Big Beautiful Bill Act (commonly referenced as “OBBBA” and more formally as P.L. 119-21), including the OBBBA provisions pertaining to:

- the expensing of domestic research and experimental (R&D) expenditures in Internal Revenue Code (IRC) section 174A;
- bonus depreciation on the cost of equipment under IRC section 168(k); and
- the special depreciation allowance for qualified production property under IRC section 168(n).

Essentially, the Delaware legislation applies these federal tax provisions as in effect immediately before enactment of the OBBBA. Other provisions in the bill decouple Delaware’s personal income tax from some aspects of the OBBBA.

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New York City – Tribunal Affirms Deductibility of Redemption-Related Interest Expenses for UBT Consistent with Federal Tax Treatment

TAT(E)20-32(UB), N.Y.C. Tax App. Trib. (11/19/25). In a ruling involving a limited liability company's (LLC) ability to deduct for New York City (City) Unincorporated Business Tax (UBT) purposes interest expenses related to a debt-financed distribution, the City Tax Appeals Tribunal (Tribunal) affirmed a 2024 administrative law judge (ALJ) ruling [see [State Tax Matters, Issue 2024-29](#), for more details on the 2024 ALJ ruling]. The Tribunal agreed that, because these interest expenses were allowable deductions for federal income tax purposes, they are also allowable for UBT purposes.

The Tribunal explained that the ALJ had thoroughly discussed the legislative history relating to the UBT and properly concluded that, in line with federal conformity, the UBT was intended to be based on the same business income and deductions as those used for federal income tax purposes, with specified modifications. Moreover, the Tribunal reasoned that the ALJ had correctly concluded that such interpretation was consistent with precedent. Further emphasizing the ALJ's correct determination, the Tribunal stated that "any other interpretation would produce an absurd result, essentially empowering the City to apply the federal income tax under the UBT whenever and however it chooses." The Tribunal added that the City's interpretation in this case "negates federal conformity, which cannot be a correct interpretation" of the statute. Please contact us with any questions.

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Texas – Proposed Changes to Franchise Tax Rule Address Economic Nexus for Certain Entities

[Proposed Amended Title 34 Tex. Admin. Code section 3.586](#), Tex. Comptroller of Public Accounts (11/14/25). The Texas Comptroller of Public Accounts proposed changes to Title 34 of the Tex. Admin. Code (TAC) section 3.586 concerning nexus for Texas franchise (margin) tax purposes by suggesting an additional subsection to determine whether economic nexus exists for certain non-Texas taxable entities (*i.e.*, entities not organized or chartered in Texas). Specifically, the proposal mandates that such entities that apportion margin using a method other than gross receipts (e.g., the apportionment methods as described in TAC sections 3.591(c)(1) and 3.591(c)(2) for regulated investment company (RIC) services and employee retirement plan services, respectively) nevertheless must use gross receipts as sourced to Texas under TAC sections 3.591(e) and (f) to determine whether economic nexus exists for Texas franchise tax purposes. Comments on the proposal are due December 14, 2025. Please contact us with any questions.

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Gross Receipts

California – San Francisco Tax Collector Issues Final Market Sourcing Rules

Tax Collector Regulation 2025-1: Gross Receipts Tax – Allocation of Gross Receipts from Services, Intangible Property, and Sales of Financial Instruments, Tax Collector Regulation 2025-1: Gross Receipts Tax – Allocation of Gross Receipts from Services, Intangible Property, and Sales of Financial Instruments, San. Fran. Tax Collector (10/24/25). Pursuant to voters in the City and County of San Francisco (San Francisco) approving “Proposition M” in 2024 – which includes various changes to San Francisco business taxes and requiring the San Francisco Tax Collector (Tax Collector) to promulgate regulations interpreting how businesses must now allocate their receipts to San Francisco [see [previously issued Multistate Tax Alert \(November 13, 2024\)](#) for more details about the tax law changes in Proposition M] – the Tax Collector has issued market sourcing regulations applicable to gross receipts from services, intangible property, and financial instruments. The final regulations reflect feedback received from the business community following a public hearing and multiple rounds of updates and public comment periods.

Similar to the market-based sourcing regulations issued by the California Franchise Tax Board (FTB) earlier this year [see [previously issued Multistate Tax Alert](#) for more details on these FTB regulations], the Tax Collector’s regulations use a cascading series of rules to assign receipts to where the benefit is ultimately received. However, the Tax Collector’s regulations diverge from the FTB’s recently finalized rules with respect to the treatment of the sale of financial instruments, which are allocated to San Francisco if the customer is in San Francisco and permit a reasonable approximation if a taxpayer is unable to use contracts, books and records, or other sources of information to determine the customer’s location. As with services and intangible property, a reasonable approximation may include census and gross domestic product. Please contact us with any questions.

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Washington – BTA Says Mortgage Lender’s Credits are Excludable from B&O Tax, But LLPAs and Guaranty Fees are Taxable

Docket No. 20-122, Wash. Bd. of Tax App. (8/29/25). Holding partially for a California-based company that originates home mortgage loans to borrowers nationwide and then sells many of these mortgages to government-sponsored enterprises (GSEs), the Washington Board of Tax Appeals (Board) held that certain underlying lender credits – or amounts that the company pays for the borrower’s costs, in exchange for a higher interest rate – are part of the company’s capital investment in the loans and thus these credits may be excluded from the calculation of its gain on the sales of the loans for state business and occupation (B&O) tax purposes. However, the Board held that underlying loan level price adjustments (LLPAs) and guaranty fees are part of the taxable gains on the sales for B&O tax purposes. In doing so, the Board explained that the LLPAs and guaranty fees are charges that are incurred so that the company can sell its loans to the GSEs; in this respect, they are expenses incurred by the company in the course of its business, and there is no deduction allowed for “expenses” incurred in doing business under the B&O tax. Please contact us with any questions.

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Sales/Use/Indirect

Washington – DOR to Launch International Remote Seller Voluntary Disclosure Program on Feb 1

[International Remote Seller Voluntary Disclosure Program](#), Wash. Dept. of Rev. (11/25). The Washington Department of Revenue (Department) announced that from February 1, 2026, to May 31, 2026, it is offering a temporary “International Remote Seller Voluntary Disclosure Program” for foreign remote businesses that are unregistered and have established substantial nexus in Washington for state business and occupation (B&O) and retail sales tax purposes. According to the Department, the goal of this temporary program is to encourage foreign remote businesses to comply with Washington tax laws, pay prior tax obligations, and register. In exchange for participating in this program, eligible applicants potentially may receive some penalty abatement and a limited lookback period of four years plus the current year for B&O taxes, and twelve months for uncollected retail sales tax. The Department also explains that to participate in this program, a business must be headquartered outside the United States *and* meet all the following criteria:

- has not had an active registration with or reported taxes to the Department within the current statutory period (*i.e.*, four years plus the current year);
- has not been contacted by the Department for enforcement purposes (e.g., audit or compliance contacts regarding registration or reporting requirements) within the current statutory period; and
- has not engaged in evasion or misrepresentation in reporting tax liabilities.

The Department notes that if a business has “unregistered affiliates, subsidiaries, or related entities organized outside the United States of America that are required to register and report, they are encouraged to come forward” through this program, and “a separate application must be filed for each business entity.” Please contact us with any questions.

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Property

West Virginia – Taxpayer Successfully Shows COVID-19 Pandemic Contributed to Reduced Pipeline Valuation

[Case No. 24-ICA-438](#), W.Va. Ct. of App. (11/12/25). The West Virginia Intermediate Court of Appeals (Court) affirmed a 2024 West Virginia Office of Tax Appeals (OTA) decision to apply a 35% reduction to the assessed value of certain natural gas pipeline property at issue for economic obsolescence, as the record contained no legal or factual basis to disturb the OTA’s ruling in this regard. Specifically, the Court explained that the OTA’s decision to use the 35% as allocated under what it perceived as the most correct methodology contained in the most credible report was supported by the record and within its authority. The Court noted that the OTA is granted broad authority to evaluate the record of the proceeding before it and to decide upon the method that it deems most appropriate to quantify economic obsolescence, whether that be a single method or the base valuations for which the percentage was derived. In coming to its decision in this case, the Court commented that the OTA had properly analyzed the specific impact and downturn the COVID-19 pandemic had on

its pipeline property, as the taxpayer had submitted “uncontroverted evidence that the entire oil and natural gas market shifted at the outset of the COVID-19 pandemic and the reduction in anticipated volumes was an indicator of economic obsolescence.” Please contact us with any questions.

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Miscellaneous/Transfer

Florida – Appellate Court Says Some Mortgage Transaction Amounts are Not Subject to Doc Stamp Tax

Case No. 1D2024-0153, Fla. Dist. Ct. App. (11/12/25). In a case concerning imposition of Florida’s documentary stamp (“doc stamp”) tax on thousands of home loan transactions that were refinanced by a bank, a Florida Court of Appeals (Court) held for the bank that the full face amounts of the refinanced home loans and mortgages were *not* subject to the doc stamp tax and thus the bank was entitled to certain underlying refunds. The Court essentially reasoned that the borrowers’ obligations to pay the balance on their original home loans to the same bank did not vanish in these refinancing transactions, and thus the obligations of the old loan amounts were rolled into the subsequent loans as renewals, rather than wholly new loans. In this respect, doc stamp tax was only due on the augmented amounts that were greater than the original home loans. Please contact us with any questions.

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