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In this issue:

Administrative: New Jersey Division of Taxation Announces 24-Month Pilot Mediation Program that Begins October 1 2

Income/Franchise: Federal: Mobile Workforce State Income Tax Simplification Bill Has Been Introduced in US Senate 3

Income/Franchise: Georgia: New Law Lowers Corporate Income Tax Rate and Contingently Phases in Additional Tax Rate Reductions 4

Income/Franchise: Indiana: Updated Financial Institutions Tax Bulletin Addresses Combined Returns, PTET, and NOLs 5

Income/Franchise: Kansas: New Law Provides for Contingent Corporate and Individual Income Tax Rate Reductions 6

Income/Franchise: Texas: Timber Company's Road Construction and Maintenance Costs Eligible for COGS 6

Income/Franchise: Utah: Former Unitary Group Member Can't Claim Portion of NOL Carryover Belonging to its Prior Unitary Group 7

Credits/Incentives: Kentucky: New Law Permits Localities to Create Economic Development Taxing Districts that Levy Property Tax and 3% Income Tax 8

Sales/Use/Indirect: Illinois General Information Letter Says Tariffs are Not Deductible in Computing Retailers' Occupation Tax Liability 9
Property: Indiana: Newly Enacted Legislation Includes Several Property Tax Reforms and Relief Measures 9
Multistate Tax Alerts 10

Administrative:
New Jersey Division of Taxation Announces 24-Month Pilot Mediation Program that Begins October 1

Tax Bulletin No. TB-115: Mediation Pilot Program for Corporation Business Tax and Sales and Use Tax, N.J. Div. of Tax. (4/15/25). The New Jersey Division of Taxation (Division) posted a tax bulletin announcing that it will begin a pilot mediation program on October 1, 2025, offering "a new option allowing taxpayers to resolve certain types of state tax controversies with the expectation of reducing the number of protests progressing to the Conference and Appeals Branch ("CAB") and the complaints filed with the New Jersey Tax Court." According to the Division, this program will run for 24 months from October 1, 2025, to September 30, 2027, and will be limited to certain controversies involving New Jersey's corporation business tax (CBT) and sales and use taxes "for all business entity types." After this 24-month period, the Division states that it will analyze and evaluate the program to determine its utility and effectiveness, whether it should be made permanent, and whether enabling legislation and regulations may be needed to finalize a permanent mediation program.
URL: https://www.nj.gov/treasury/taxation/pdf/pubs/tb/tb115.pdf

The bulletin explains that this pilot mediation program will involve an informal meeting between the Division's audit representatives and a taxpayer or taxpayer representative with a trained mediator who will guide the discussion and process. According to the bulletin, the mediator will *not* be empowered to impose a settlement on the parties but will "actively facilitate and encourage a discussion between parties thereby offering participants an opportunity to arrive at a mutually agreeable resolution of the pending tax controversy." The assigned mediator, although employed by the Division, "will not advocate for or work to sustain" the Division's position. Rather, "the assigned mediator will serve as an unbiased and impartial facilitator working to enable the opposing parties to reach a fair and equitable settlement that both parties can voluntarily accept – understanding both the advantages and disadvantages of resolving the controversy." Please contact us with any questions.

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Income/Franchise:
Federal: Mobile Workforce State Income Tax Simplification Bill Has Been Introduced in US Senate

S. 1443, introduced in US Senate 4/10/25; *Press Release: Thune, Cortez Masto Introduce Bill to Alleviate Burdensome Tax Requirements for Individuals Working in Multiple States*, US Senator of South Dakota John Thune (4/10/25). Pending legislation known as the "Mobile Workforce State Income Tax Simplification Act of 2025" has been introduced in the US Senate which, if enacted, would "limit the authority of States to tax certain income of employees for employment duties performed in other States." Under this pending federal legislation, the state income taxation of wages or other remuneration of any employee who performs employment duties in more than one state is limited to:
URL: https://www.congress.gov/bill/119th-congress/senate-bill/1443
URL: https://www.thune.senate.gov/public/index.cfm/press-releases?ID=01AEEA7F-22A1-4F1D-8918-5998A6B179EA

1. The state of the employee's residence; and
2. The state within which the employee is "present and performing employment duties for more than 30 days during the calendar year in which the wages or other remuneration is earned."

Correspondingly, the pending bill generally applies these same standards to an employer's income tax withholding and reporting requirements. The pending federal legislation also provides that an employer may rely on an employee's determination of the time he or she spends in each state during the year – unless the employer maintains a "time and attendance system" that tracks where employees perform their daily duties. In the latter case, this "time and attendance system" must be used to determine the number of days an employee works in each state. Note that similar legislation has been introduced in both the US House and Senate in previous years. Please contact us with any questions.

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Income/Franchise:
Georgia: New Law Lowers Corporate Income Tax Rate and Contingently Phases in Additional Tax Rate Reductions

H.B. 111, signed by gov. 4/15/25; *Governor Press Release: Gov. Kemp Signs Legislation Delivering More than $1 Billion in Tax Cuts and Relief to Hardworking Georgians*, Ga. Off. of the Governor (4/15/25). Effective on July 1, 2025, and applicable to all taxable years beginning on or after January 1, 2025, new law lowers Georgia's corporate income tax rate from 5.39% to 5.19 %. Subject to certain annual revenue goals being met, Georgia's corporate income tax rate would be reduced further by 0.10% annually beginning on January 1, 2026, until the tax rate reaches 4.99%. Note that Georgia also previously enacted state corporate income tax rate reductions last year [see *State Tax Matters*, Issue 2024-16, for details on the tax rate changes enacted in 2024]. Please contact us with any questions.

URL: https://www.legis.ga.gov/legislation/69464
URL: https://gov.georgia.gov/press-releases/2025-04-15/gov-kemp-signs-legislation-delivering-more-1-billion-tax-cuts-and-relief
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/STM/240419_1.html

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Income/Franchise:
Indiana: Updated Financial Institutions Tax Bulletin Addresses Combined Returns, PTET, and NOLs

General Tax Information Bulletin #200, Ind. Dept. of Rev. (4/25). The Indiana Department of Revenue (Department) posted an updated bulletin on the Indiana financial institutions tax (FIT), which generally applies to both resident and nonresident financial institutions and to all corporate entities that transact the "business of a financial institution" in Indiana pursuant to Indiana's economic presence principles. The Department explains that aside from technical, non-substantive changes, the updated bulletin adds:
URL: https://www.in.gov/dor/files/gb200.pdf

- Language explaining what adjustments may be made when a combined return results in a failure to fairly reflect Indiana source income,
- Information on the pass-through entity tax (PTET),
- Calculations for net operating losses, including calculations when there is a discharge of indebtedness, and
- Discussion on state reporting of federal tax return modifications.

Regarding combined returns, the bulletin notes that because corporations that are not transacting business in Indiana are not included in a combined Indiana FIT return even if they share a unitary relationship with a taxpayer subject to the Indiana FIT, "it is possible that intercompany transactions between included and excluded corporations that have a unitary relationship can create a failure to fairly reflect the Indiana source income" of a taxpayer subject to the Indiana FIT. Accordingly, the bulletin states that if the Department determines that application of the Indiana FIT statutes fails to "fairly reflect a taxpayer's Indiana source income," the Department may require the taxpayer to utilize separate accounting of Indiana income or file a separate Indiana FIT return. Alternatively, in such cases, the Department may "reallocate tax items between a taxpayer and another member of the taxpayer's unitary group or an entity that would be a member of a taxpayer's unitary group if it were transacting business in Indiana." Please contact us with any questions.

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Income/Franchise:
Kansas: New Law Provides for Contingent Corporate and Individual Income Tax Rate Reductions

S.B. 269, Kansas House and Senate override Governor's veto 4/10/25. Contingent on whether certain annual state budgetary and fund growth goals are met each year, recently enacted legislation may gradually phase in reduced Kansas income and privilege tax rates. According to the bill's accompanying conference committee report brief, if the annual goals are met for the year, Kansas individual income tax rates are reduced first – with both tax rates being reduced proportionally each year the goals are met until the lower bracket reaches 4%, at which time only the upper bracket rate is reduced each year the goals are met until the upper bracket rate reaches 4%. Upon the Kansas individual income tax rates reaching 4%, rate reductions to the Kansas surtax rate for corporations and the normal tax rates for financial institutions would then commence in corresponding amounts – and such tax rate reductions would continue each year the goals are met until:
URL: https://kslegislature.gov/li/b2025_26/measures/sb269/

- The combined normal tax and surtax rate for corporations reaches 4%;
- The combined normal tax and surtax rate for banks reaches 2.6%; and
- The combined normal tax and surtax rate for trust companies and savings and loan associations reaches 2.62%.

The accompanying conference committee report brief also explains that "in all cases, the reduced rates would remain in effect until further reduced by the provisions of the bill." Please contact us with any questions.

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Income/Franchise:
Texas: Timber Company's Road Construction and Maintenance Costs Eligible for COGS

Letter No. 202502030L, Tex. Comptroller of Public Accounts (2/28/25). In a ruling involving a timber company, the Texas Comptroller of Public Accounts (Comptroller) determined the company's costs of constructing and

maintaining logging roads qualify as deductible cost of goods sold (COGS) under Tex. Tax Code section 171.1012(c)(4) related to inbound transportation costs, along with the corresponding depreciation costs under Tex. Tax Code section 171.1012(c)(6), for purposes of the Texas franchise tax margin calculation. The Comptroller explained that when the company extracted and processed the timber into lumber and windows, the company was producing goods that it ultimately sold. Moreover, the company's ability to move the timber from the extraction site to its manufacturing facility required properly constructed logging roads; similar to transporting goods between a taxpayer's storage facilities, the company at issue transported the timber from the extraction site to the next step in processing (*i.e.*, its manufacturing facility), which was operated by a member of the Texas combined filing group. Given the costs to construct and maintain the logging roads were attributable to the transportation of goods to the company's manufacturing facility to process the timber, the costs qualified as inbound transportation costs. Additionally, the logging roads provided access to and were necessary for the extraction and production of the lumber and windows; therefore, to the extent the company depreciated the costs associated with the construction and maintenance of the logging roads on its federal income tax return, those costs were also eligible to be included within COGS for Texas franchise tax purposes subject to any required adjustments (*e.g.*, disallowance of bonus depreciation). Please contact us with any questions.
URL: https://star.comptroller.texas.gov/view/202502030L

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Income/Franchise:
Utah: Former Unitary Group Member Can't Claim Portion of NOL Carryover Belonging to its Prior Unitary Group

Appeal No. 23-1208, Utah State Tax Commission (1/14/25). An administrative law judge (ALJ) with the Utah State Tax Commission held that a former member (*i.e.*, the taxpayer in this case) of a Utah unitary group including its former parent could *not* claim a portion of the group's net operating loss (NOL) carryovers on its own 2021 Utah corporation franchise tax return after a spin-off transaction, because the taxpayer failed to provide a legal basis allowing it to claim a Utah NOL carryforward deduction belonging to a different Utah taxpayer (*i.e.*, belonging to its prior unitary group). Under the facts, the losses were reported by the prior unitary group as a collective "Utah taxpayer" on their 2019 and short year period 2020 Utah tax returns while the taxpayer in this case was still part of that unitary group. The taxpayer in this case unsuccessfully claimed that a portion this NOL carryover had resulted from its operations in Utah while it was still a member of the Utah unitary group that first claimed the loss, and it provided some underlying calculations to support its partial deduction claim on its own 2021 Utah corporation franchise tax return. The ALJ concluded that the taxpayer in this case could *not* claim a portion of the NOL carryforward deduction, because it was not the same taxpayer that identified the Utah NOLs on the Utah returns and the losses still belonged to the unitary group.

The ALJ also stated that federal tax law provisions should *not* be used in determining whether the taxpayer in this case may claim a Utah NOL carryforward deduction given that "Utah law is *not* silent on this issue and Utah Admin. Code R865-6F-14(3)(f) states that loss carry-overs are a major item that requires different treatment under the state and federal statutes." Please contact us with any questions.
URL: https://tax.utah.gov/commission/decision/23-1208.pdf

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Credits/Incentives:
Kentucky: New Law Permits Localities to Create Economic Development Taxing Districts that Levy Property Tax and 3% Income Tax

H.B. 606, signed by gov. 4/2/25. New law authorizes two or more governing bodies of Kentucky local governments (*e.g.*, Kentucky cities and counties) to join together as a region and enter into an "interlocal agreement" to develop real estate as part of a "regional economic development project" consisting of 300 or more contiguous acres located in the jurisdiction of a local government that is a party to the interlocal agreement and which results in the creation of at least 500 new jobs. Under the new law, territory used in a qualifying regional economic development project may be organized into a separate Kentucky taxing district that is authorized to levy a special ad valorem tax on property located within the jurisdictional boundaries of the district, as well as impose and collect an "occupational license fee" on businesses, trades, professions, or occupations performed, rendered, or conducted within the district. The legislation provides that this new occupational license fee may be imposed at a percentage rate not to exceed 3% of:
URL: https://apps.legislature.ky.gov/record/25rs/hb606.html

- Salaries, wages, commissions, and other compensation earned by persons within the district for work done and services performed, rendered, or conducted within the district;
- The net profits of self-employed individuals, partnerships, professional associations, or joint ventures resulting from businesses, trades, professions, occupations, or activities conducted in the district; and
- The net profits of corporations resulting from businesses, trades, professions, occupations, or activities conducted in the district.

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Sales/Use/Indirect:
Illinois General Information Letter Says Tariffs are Not Deductible in Computing Retailers’ Occupation Tax Liability

General Information Letter ST 25-0022-GIL, Ill. Dept. of Rev. (4/7/25). A recently posted Illinois Department of Revenue (Department) general information letter explains that federal importation taxes (*i.e.*, tariffs) generally are *not* deductible in computing Illinois retailers’ occupation tax (ROT) liability from the gross receipts of persons who sell such tangible personal property at retail. In doing so, the letter provides some background and explains that tariffs are imposed by the US government on certain products imported from foreign countries, and that the identity of the person legally responsible for paying the tariff under federal law is the critical factor in determining whether Illinois sales or use tax applies to the tariff amount. The letter notes that the “consignee” is the importer of record of the imported tangible personal property and is the person legally responsible for payment of the tariff. In this respect, if a seller is the consignee (importer) and passes the amount of the tariff on to the customer, it is considered a part of the selling price, and the amount of the tariff must be included in the gross receipts. In such cases, tariffs are considered costs of doing business to the importer and are *not* deductible in computing ROT liability on the subsequent retail sale – even if separately stated on the bill to the customer. However, the letter explains that if the customer as the end-user is the consignee (*i.e.*, the importer), the tariff is *not* part of the selling price for purposes of computing the customer’s Illinois use tax liability. Please contact us with any questions.
URL:
https://tax.illinois.gov/content/dam/soi/en/web/tax/research/legalinformation/letterrulings/st/documents/2025/st25-0022-gil.pdf

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Property:
Indiana: Newly Enacted Legislation Includes Several Property Tax Reforms and Relief Measures

S.B. 1, signed by gov. 4/15/25; *Statement: Gov. Mike Braun and Indiana General Assembly deliver historic property tax relief*, Ind. Off. of the Governor (4/15/25). Recently signed legislation includes several Indiana property tax law changes and “tax relief” measures, including:
URL: https://iga.in.gov/legislative/2025/bills/senate/1/details
URL: https://events.in.gov/event/statement-gov-mike-braun-and-indiana-general-assembly-deliver-historic-property-tax-relief

1. Phasing in an increase in the acquisition cost threshold for the business personal property tax exemption from $80,000 to $2 million; and
2. Providing that the 30% minimum valuation limitation does not apply to business personal property placed in service after January 1, 2025.

Please contact us with any questions.

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Multistate Tax Alerts

Throughout the week, we highlight selected developments involving state tax legislative, judicial, and administrative matters. The alerts provide a brief summary of specific multistate developments relevant to taxpayers, tax professionals, and other interested persons. Read the recent alerts below or visit the archive.
Archive: https://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-archive.html?id=us:2em:3na:stm:awa:tax

Delaware invitations for 2025 unclaimed property VDA program
The Delaware Secretary of State announced that invitations to enroll in its unclaimed property voluntary disclosure agreement ("VDA") program are being mailed to companies on or around April 11, 2025. Companies receiving these notices have 90 days to enroll in the program before being referred to the Delaware Department of Finance for an unclaimed property audit that may yield a more unfavorable result.
URL: https://vda.delaware.gov/vda-invitation-dates/

This Multistate Tax Alert provides some related taxpayer considerations.
[Issued April 9, 2025]
URL: https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-multistate-tax-alert-delaware-invitations-for-2025-unclaimed-property-vda-program.pdf

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