



State Tax Matters

The power of knowing

In this issue:

Multistate/Indirect Tax Alert

Massachusetts Life Sciences Center Tax Incentive Program open until March 31, 2026 2

Amnesty/Administrative

Indiana – Amnesty Program Offering Potential Waiver of All Interest and Penalties to Begin on July 15 2

Kansas – New Law Says Administrative Agencies are Not Entitled to Deference from Reviewing Courts or Hearing Officers 3

Income/Franchise

Idaho – Administrative Ruling Holds for the Taxpayer that Certain Foreign Deemed Income, Dividends and Gains Constitute Nonbusiness Income 3

Indiana – Bulletin Clarifies that State Does Not Follow OBBBA's Bonus Depreciation on Qualified Production Property 4

Sales/Use/Indirect

Alabama – Proposed Rule Reflects New Law on the Enactment of Local Tax Exemptions with Comments Due by March 10 4

Illinois – U.S. District Court Denies Challengers' Request for Permanent Injunction of State Law that Bans Certain Interchange Fees 5

New York – Vehicle Leasing Company Granted Credits on Overpaid Taxes Refunded to Customers 5

Property

Arizona – Tax Court Says Membership Interest Sale May be Used to Calculate Utility Company's Facility Valuation 6

Multistate/Indirect Tax Alert

Massachusetts Life Sciences Center Tax Incentive Program open until March 31, 2026

The Massachusetts Life Sciences Center (MLSC) officially announced the opening of the 2025 MLSC Tax Incentive Program ("MLSC Program") on January 12, 2026. The MLSC is a quasi-governmental economic development agency dedicated to the support and growth of the life science industry in Massachusetts, including the administration of the MLSC Program. Traditionally, applications under this program have only been accepted during the specified application window, which is currently scheduled to close on March 31, 2026. Several of the incentives offered under the MLSC Program are refundable and may be claimed on the applicant's 2025 Massachusetts Corporate Excise Tax return.

This Multistate Tax Alert summarizes the procedural requirements of the MLSC Program.

URL: <https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/2026/multistate-tax-alert-massachusetts-life-sciences-center-tax-incentive-program-open-until-march-31-2026.pdf>

[Issued February 2, 2026]

Amnesty/Administrative

Indiana – Amnesty Program Offering Potential Waiver of All Interest and Penalties to Begin on July 15

February Tax Bulletin, Ind. Dept. of Rev. (2/4/26). The Indiana Department of Revenue (Department) released a bulletin announcing that pursuant to legislation enacted in 2025 [see [H.B. 1001 \(2025\)](#), and [State Tax Matters, Issue 2025-18](#), for more details on this 2025 legislation] requiring the Department to establish a tax amnesty program for most taxes it administers (e.g., the state adjusted gross income tax, financial institutions tax, and gross retail and use tax) and which provides for a potential waiver of all underlying penalties and interest, the program will take place between July 15, 2026 and September 15, 2026. According to the bulletin, "legislation to finalize eligibility guidelines is currently in the works," and the Department will continue to share more information on this upcoming eight-week tax amnesty program as it becomes available. Please contact us with any questions.

Tom Engle (St. Louis)
Tax Manager
Deloitte Tax LLP
tengle@deloitte.com

Joe Garrett (Birmingham)
Tax Managing Director
Deloitte Tax LLP
jogarrett@deloitte.com

Robyn Staros (Chicago)
Tax Managing Director
Deloitte Tax LLP
rstaros@deloitte.com

Kansas – New Law Says Administrative Agencies are Not Entitled to Deference from Reviewing Courts or Hearing Officers

[H.B. 2183](#), signed by gov. 2/5/26. Effective July 1, 2026, newly enacted legislation modifies Kansas' standard for review of a state agency's interpretation of Kansas statutes, rules, regulations, or other "document that has the force and effect of law." Specifically, the legislation provides that in interpreting a Kansas statute, rule and regulation or document that has the force and effect of law, a state court or an administrative hearing officer hearing an administrative action "may consider but shall not defer to a state agency's interpretation of such statute, rule and regulation or document and shall interpret the meaning and effect of such statute, rule and regulation or document *de novo*." Additionally, the legislation provides that in actions brought by or against a state agency "after applying all customary tools of interpretation and rules of statutory construction pursuant to law, a state court or an administrative hearing officer hearing an administrative action shall exercise any remaining doubt in a way that is consistent with an individual's fundamental constitutional rights." Please contact us with any questions.

Joe Garrett (Birmingham)
Tax Managing Director
Deloitte Tax LLP
jogarrett@deloitte.com

Amber Rutherford (Nashville)
Tax Managing Director
Deloitte Tax LLP
amberrutherford@deloitte.com

Kathy Saxton (Atlanta)
Tax Managing Director
Deloitte Tax LLP
katsaxton@deloitte.com

Dave Dunnigan (Minneapolis)
Tax Senior Manager
Deloitte Tax LLP
ddunnigan@deloitte.com

Income/Franchise

Idaho – Administrative Ruling Holds for the Taxpayer that Certain Foreign Deemed Income, Dividends and Gains Constitute Nonbusiness Income

[Docket Nos. 1-253-958-656 & 1-335-923-712](#), Idaho State Tax Comm. (10/8/25). In a highly redacted administrative ruling involving a company that filed an Idaho corporate income tax return including its parent company and other affiliates in the Idaho calculation of apportionable income and the apportionment factor, the Idaho State Tax Commission held for the company that certain foreign deemed income/dividends and restructuring-related gains – including certain Internal Revenue Code (IRC) section 965 income, subpart F income, IRC section 986(c) gain (foreign currency gain), foreign dividends from a specified 10% owned foreign corporation (SFC), and global intangible low-taxed income (GILTI) – constituted allocable nonbusiness income, rather than apportionable business income, because they did *not* meet either the transactional or functional tests under the provided facts for the tax years at issue. Please contact us with any questions.

Scott Schiefelbein (Portland)
Tax Managing Director
Deloitte Tax LLP
sschiefelbein@deloitte.com

Sara Clear (Minneapolis)
Tax Senior Manager
Deloitte Tax LLP
sclear@deloitte.com

Indiana – Bulletin Clarifies that State Does Not Follow OBBBA's Bonus Depreciation on Qualified Production Property

February Tax Bulletin, Ind. Dept. of Rev. (2/4/26). An Indiana Department of Revenue bulletin referencing the federal One Big Beautiful Bill Act (commonly referenced as "OBBA" and more formally as P.L. 119-21) and the special depreciation allowance for qualified production property under Internal Revenue Code section 168(n), explains that Indiana does *not* follow bonus depreciation on the allowance of qualified production property on Indiana corporate income tax returns; accordingly, if there are modifications for tax year 2025, "taxpayers should use add-back code 120." Please contact us with any questions.

Tom Engle (St. Louis)
Tax Manager
Deloitte Tax LLP
tengle@deloitte.com

Joe Garrett (Birmingham)
Tax Managing Director
Deloitte Tax LLP
jogarrett@deloitte.com

Tyler Greaves (Boston)
Tax Senior Manager
Deloitte Tax LLP
tgreaves@deloitte.com

Sales/Use/Indirect

Alabama – Proposed Rule Reflects New Law on the Enactment of Local Tax Exemptions with Comments Due by March 10

Proposed New Reg. section 810-6-4-.21.03, Ala. Dept. of Rev. (1/20/26). The Alabama Department of Revenue (Department) proposed a new rule reflecting legislation enacted in 2025 [see [H.B. 191 \(2025\)](#), and *State Tax Matters, Issue 2025-19*, for more details on this 2025 legislation] that established some conditions for the enactment of Alabama county or municipal sales and use tax exemptions. According to the Department, the proposed new rule "provides procedures to localities for adopting a local sales and use tax exemption where a corresponding state sales and use tax exemption exists." A virtual public hearing on this proposal is scheduled for March 10, 2026, and written comments are due on the same date. Please contact us with any questions.

Doug Nagode (Atlanta)
Tax Managing Director
Deloitte Tax LLP
dnagode@deloitte.com

Joe Garrett (Birmingham)
Tax Managing Director
Deloitte Tax LLP
jogarrett@deloitte.com

Liudmila Wilhelm (Atlanta)
Tax Senior Manager
Deloitte Tax LLP
lwilhelm@deloitte.com

Illinois – U.S. District Court Denies Challengers’ Request for Permanent Injunction of State Law that Bans Certain Interchange Fees

Case No. 1:24-cv-07307, N.D. Ill. (2/10/26). In a lawsuit brought forth by various banks and credit unions challenging Illinois legislation enacted in 2024 that initially was slated to take effect on July 1, 2025, and subsequently postponed to take effect on July 1, 2026 – and which prevents such entities from collecting interchange fees (often called “swipe fees”) on certain tax and tip amounts of credit or debit card transactions [see [previously issued Multistate Tax Alert](#) for more details on this legislation] – the U.S. District Court for the Northern District of Illinois (Court) denied the challengers’ request for a permanent injunction of these state prohibitions. In the underlying lawsuit, the challengers had claimed that federal law – including the National Bank Act and Home Owners’ Loan Act – preempted these Illinois statutory prohibitions on collecting interchange fees. In December 2024, the Court had granted a preliminary injunction on the prohibitions as applied to some banks [see [State Tax Matters, Issue 2025-1](#), for details on the earlier preliminary injunction in this case]. Please contact us with any questions.

Mary Pat Kohberger (Chicago)
Tax Managing Director
Deloitte Tax LLP
mkohberger@deloitte.com

Robyn Staros (Chicago)
Tax Managing Director
Deloitte Tax LLP
rstaros@deloitte.com

New York – Vehicle Leasing Company Granted Credits on Overpaid Taxes Refunded to Customers

Case No. CV-24-1376, N.Y. App. Div. (2/5/26). In a case involving a fleet management company that leases commercial vehicles to businesses nationwide, the New York Supreme Court, Appellate Division, Third Department (Court) annulled a 2023 New York Tax Appeals Tribunal ruling to hold that the company was entitled to state sales tax credits to recover certain overpaid sales taxes that it had refunded to its customers. Under the facts, the company’s commercial vehicle leases contained a terminal rental adjustment clause (TRAC) whereby a lessee initially paid an estimated amount of monthly rent based on the projected residual book value of the leased vehicle at the termination of the agreement. Upon termination, that estimated rent was adjusted upward or downward retrospectively to determine the actual rent amount. In this respect, the Court reasoned that considering the TRAC lease mechanics, the taxable lease payments deemed payable at lease inception were merely provisional estimates used solely for accelerated collection, and only the net amount ultimately owed following lease-end reconciliation constituted “consideration . . . contracted to be given.” Therefore, according to the Court, “tax paid on any portion of those provisional amounts that is later refunded exceeds the statutory base,” and state law entitles the company to recover such overpaid taxes. Any alternative interpretation, according to the Court, would i) ignore the conditional nature of the TRAC payments; ii) create a tax that is incapable of precise measurement; iii) tax consideration that the taxpayer was legally obligated to return; and iv) ultimately render the statutory phrase “contracted to be given” meaningless. The New York Department of Taxation and Finance unsuccessfully claimed that the company’s sales tax liability was irrevocably fixed at lease inception and neither applicable statutes nor the regulations in effect at the time permitted any post-transaction adjustment to reduce it once the deemed receipts were taxed. Please contact us with any questions.

Stephanie Csan (Morristown)
Tax Managing Director
Deloitte Tax LLP
scsan@deloitte.com

Brianne Moriarty (New York)
Tax Senior Manager
Deloitte Tax LLP
bmoriarty@deloitte.com

Justin Gulotta (New York)
Tax Senior Manager
Deloitte Tax LLP
jgulotta@deloitte.com

Property

Arizona – Tax Court Says Membership Interest Sale May be Used to Calculate Utility Company's Facility Valuation

Case No. TX 2020-001124, Ariz. Tax Ct. (1/30/26). In a case involving a utility company's electric generation facility valuation, the Arizona Tax Court (Court) held in the taxpayer's favor that it may use the purchase price from a relatively recent membership interest sale to help calculate the facility's full cash value for the property tax years at issue to the extent such purchase price is allocated to the subject property. In doing so, the Court noted that the plain language of the applicable Arizona statute provides that a property's cost consists of the cost of constructing the property or "acquiring the property in an arm's length transaction" – and the later applied in this case. Please contact us with any questions.

Anita Sims (Costa Mesa)
Tax Managing Director
Deloitte Tax LLP
asims@deloitte.com

Griff Thomas (Houston)
Tax Managing Director
Deloitte Tax LLP
grifffthomas@deloitte.com

Donna Empson-Rudolph (Houston)
Tax Senior Manager
Deloitte Tax LLP
dempsonrudolph@deloitte.com

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte's approximately 415,000 people worldwide make an impact that matters at www.deloitte.com/us/en.