



## State Tax Matters

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## Amnesty

### Indiana – New Law Revises Upcoming Tax Amnesty Program by Adding More Eligible Tax Periods

*S.B. 243, signed by gov. 3/5/26.* New law revises Indiana's upcoming tax amnesty program by amending legislation enacted in 2025 [see *H.B. 1001 (2025), State Tax Matters, Issue 2025-18, and State Tax Matters, Issue 2026-6*, for more details on this upcoming amnesty program and underlying legislation] to provide eligible taxpayers with a potential waiver of all related penalties and interest on their qualifying unpaid tax liabilities that were due and payable for a tax period ending *before January 1, 2024*, rather than just *before January 1, 2023*. The amnesty program currently is scheduled to take place between July 15, 2026, and September 15, 2026, and applies to "listed taxes" (*i.e.*, most taxes administered by the Indiana Department of Revenue including the state adjusted gross income tax, financial institutions tax, and gross retail and use tax). Please contact us with any questions.

**Tom Engle** (St. Louis)  
Tax Manager  
Deloitte Tax LLP  
[tengle@deloitte.com](mailto:tengle@deloitte.com)

**Joe Garrett** (Birmingham)  
Tax Managing Director  
Deloitte Tax LLP  
[jgarrett@deloitte.com](mailto:jgarrett@deloitte.com)

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## Income/Franchise

### Florida – Service Provider Permitted to Source Receipts Out-of-State Based on Costs of Performance

*Case No. 2024 CA 001026, Fla. Cir. Ct. (3/6/26).* In a case involving an out-of-state company offering electronic bill payment services, a Florida circuit court (Court) held in the company's favor that based on Florida's "unambiguous" administrative rule and the stipulated facts, its income producing activities in providing such services to Florida customers took place almost entirely ("if not entirely") outside Florida based on its costs of performance ("COP"), and therefore must be 100% sourced outside Florida for state corporate income tax apportionment purposes. The Court agreed with the company that an "income producing activity" for purposes of the COP rule at issue is determined by the transactions and activities directly engaged in by the taxpayer, rather than its clients or its clients' customers. In doing so, the Court rejected the Florida Department of Revenue's claim that it must look to the activities of the Florida customers of the company's clients to source the service receipts entirely to Florida. Note that an appeal potentially may be filed after final judgment is issued in the case. Please contact us with any questions.

**Chris Snider** (Miami)  
Tax Managing Director  
Deloitte Tax LLP  
[csnider@deloitte.com](mailto:csnider@deloitte.com)

**Jessica Huber-Broege** (Tampa)  
Tax Partner  
Deloitte Tax LLP  
[jhuberbroege@deloitte.com](mailto:jhuberbroege@deloitte.com)

**Ian Lasher** (Tampa)  
Tax Managing Director  
Deloitte Tax LLP  
[ilasher@deloitte.com](mailto:ilasher@deloitte.com)

**Ben Jablow** (Tampa)  
Tax Manager  
Deloitte Tax LLP  
[bjablow@deloitte.com](mailto:bjablow@deloitte.com)

## Idaho – Administrative Ruling Holds that Manufacturer’s Settlement Proceeds Constitute Nonbusiness Income

*Docket No. 1-050-825-728*, Idaho State Tax Comm. (11/5/25). In a highly redacted administrative ruling involving a manufacturer of exterior building materials that received settlement proceeds pertaining to a shareholder lawsuit, the Idaho State Tax Commission (Commission) held that such proceeds constituted allocable nonbusiness income, rather than apportionable business income, because they did *not* meet either the transactional or functional tests under the provided facts. Under the facts, while the claim belonged to the manufacturer, the manufacturer did not initiate the lawsuit, nor did it have control over the subject matter of the litigation. Rather, in this instance, the control of the litigation rested with the shareholders who initiated the lawsuit, and the manufacturer was bound by the results of the adjudication. Under these facts, the Commission reasoned that the settlement proceeds were not derived from the manufacturer’s regular course of business nor were they an integral component of its business operations for the tax years at issue. Please contact us with any questions.

**Scott Schiefelbein** (Portland)  
Tax Managing Director  
Deloitte Tax LLP  
[sschiefelbein@deloitte.com](mailto:sschiefelbein@deloitte.com)

**Sara Clear** (Minneapolis)  
Tax Senior Manager  
Deloitte Tax LLP  
[sclear@deloitte.com](mailto:sclear@deloitte.com)

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## Indiana – New Law Updates State Conformity to IRC, Addresses Some OBBBA Provisions, & Extends RAR Filing Deadline

*S.B. 243, signed by gov. 3/5/26*. Effective retroactively to January 1, 2026, new law generally updates state corporate and personal income tax statutory references to the Internal Revenue Code (IRC) so that IRC references in Indiana law generally refer to the federal income tax law in effect on January 1, 2026 (previously, January 1, 2023). The legislation also provides that to the extent that a federal statute is enacted or amended in a title other than the IRC on or before January 1, 2026, and affects federal adjusted gross income, federal taxable income, federal tax credits, or other federal tax attributes, “the federal statute shall be considered to be part of the Internal Revenue Code as amended and in effect on January 1, 2026.” Additionally, the legislation makes some revisions related to the federal One Big Beautiful Bill Act (commonly referenced as “OBBBA” and more formally as P.L. 119-21) by requiring state adjustments pertaining to the expensing of domestic research and experimental (R&D) expenditures in IRC section 174A (and related sections) and the special depreciation of certain production property under IRC section 168(n), as well as adding references to net controlled foreign corporation tested income (NCTI) in place of global intangible low-taxed income (GILTI). With respect to certain federal income tax modifications, alterations, or determinations occurring after December 31, 2025, the new law also revises the deadline for Indiana taxpayers to file corresponding “RAR adjustments” with the Indiana Department of Revenue from 180 days to one year. Please contact us with any questions.

**Tom Engle** (St. Louis)  
Tax Manager  
Deloitte Tax LLP  
[tengle@deloitte.com](mailto:tengle@deloitte.com)

**Joe Garrett** (Birmingham)  
Tax Managing Director  
Deloitte Tax LLP  
[jogarrett@deloitte.com](mailto:jogarrett@deloitte.com)

## **New Mexico – New Law Decouples from Some OBBBA Provisions and Includes NCTI in Corporate Income Tax Base**

*S.B. 151, signed by gov. 3/11/26.* Applicable to taxable years beginning on or after January 1, 2027, recently signed legislation decouples components of New Mexico's corporate income tax from certain provisions enacted by the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) pertaining to:

- bonus depreciation allowing for the deduction of 100% of the cost of equipment in the first year under Internal Revenue Code (IRC) section 168(k);
- special depreciation of certain production property under IRC section 168(n); and
- the business interest deduction increase under IRC section 163(j).

Additionally, applicable to taxable years beginning on or after January 1, 2027, the legislation removes New Mexico's prior subtraction adjustment pertaining to global intangible low-taxed income (GILTI) – now referred under the OBBBA as net controlled foreign corporation tested income (NCTI) – to effectively include NCTI in New Mexico's corporate income tax base. The legislation also provides that the "apportionment calculation shall include the factors of a controlled foreign corporation to the extent the income of the corporation is included in net income."

*See forthcoming Multistate Tax Alert for more details on this legislation, and please contact us with any questions in the meantime.*

**Scott Schiefelbein** (Portland)  
Tax Managing Director  
Deloitte Tax LLP  
[sschiefelbein@deloitte.com](mailto:sschiefelbein@deloitte.com)

**Cindy James** (Phoenix)  
Tax Specialist Leader  
Deloitte Tax LLP  
[cyjames@deloitte.com](mailto:cyjames@deloitte.com)

**Jimmy Westling** (Phoenix)  
Tax Senior Manager  
Deloitte Tax LLP  
[jawestling@deloitte.com](mailto:jawestling@deloitte.com)

## Ohio – New Law Generally Updates State Conformity to Internal Revenue Code, Including OBBBA Conformity

*S.B. 9, signed by gov. 3/5/26.* Effective immediately, new law generally incorporates into Ohio’s corporate and individual income tax laws those Internal Revenue Code (IRC) changes made since March 7, 2025, and permits a taxpayer whose taxable year ends after such date, but before the effective date of these incorporated changes (*i.e.*, before March 5, 2026), to elect to apply the IRC as it existed for that taxable year. The legislation does *not* contain language that specifically “decouples” from any provisions enacted by the federal One Big Beautiful Bill Act (commonly referenced as “OBBBA” and more formally as P.L. 119-21). However, note that Ohio continues to decouple from certain federal income tax provisions, including some pertaining to the IRC section 179 deduction and IRC section 168(k) bonus depreciation. Please contact us with any questions.

**Courtney Clark** (Columbus)  
Tax Partner  
Deloitte Tax LLP  
[courtneyclark@deloitte.com](mailto:courtneyclark@deloitte.com)

**Norm Lobins** (Cleveland)  
Tax Managing Director  
Deloitte Tax LLP  
[nlobins@deloitte.com](mailto:nlobins@deloitte.com)

**Matt Culp** (Columbus)  
Tax Senior Manager  
Deloitte Tax LLP  
[mculp@deloitte.com](mailto:mculp@deloitte.com)

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## Sales/Use/Indirect

### Illinois – Updated DOR Guidance Addresses In-State Physical Presence, Remittance Thresholds and Sourcing

*PIO-125: Determining Physical Presence or When the Tax Remittance Threshold Has Been Met and Where a Sale Is Sourced - Sales and Use Tax Help Guide*, Ill. Dept. of Rev. (rev. 3/4/26). The Illinois Department of Revenue (Department) posted updated sales and use tax guidance [see *PIO-125: Determining Physical Presence and Where a Sale is Sourced – Sales and Use Tax Help Guide*, Ill. Dept. of Rev. (1/25); and *State Tax Matters, Issue 2025-3*, for details on this guidance as originally posted] addressing how to determine whether out-of-state retailers and servicepersons have an in-state physical presence so they may properly remit and pay the correct amount of applicable tax for their Illinois sales. The updated guidance defines the term “sale” for purposes of the document to refer not only to a retail sale, lease, or rental of tangible personal property to customers, but also to a transfer of tangible personal property to a customer during a sale of service by retail sales, lease, or rental. Additionally, the term “seller” for purposes of the document refers to both a retailer and serviceperson. According to the updated guidance, sellers must determine if they either have an in-state physical presence or if they meet the \$100,000 tax remittance threshold (*i.e.*, for sellers without physical presence in Illinois and marketplace facilitators) to determine which type of Illinois tax applies to their sales. For such purposes, the “tax remittance threshold” means the nexus standards used to determine tax collection obligations for remote retailers or servicepersons that meet the selling threshold but have no in-state physical presence. The updated guidance includes additional examples and charts illustrating where and how a sale should be sourced and whether a seller has an in-state physical presence. Please contact us with any questions.

**Mary Pat Kohberger** (Chicago)  
Tax Managing Director  
Deloitte Tax LLP  
[mkohberger@deloitte.com](mailto:mkohberger@deloitte.com)

**Robyn Staros** (Chicago)  
Tax Managing Director  
Deloitte Tax LLP  
[rstaros@deloitte.com](mailto:rstaros@deloitte.com)

## Indiana – New Law Addresses Penny Shortage and Tax Implications of Cash Transaction Rounding

*S.B. 243, signed by gov. 3/5/26; For Your Information*, Ind. Dept. of Rev. (3/6/26). Referencing the federal government’s decision to end production of the penny and “resulting penny shortage,” recently enacted legislation provides Indiana retailers with procedures for rounding in certain cash transactions, including i) requiring that any rounding generally take place on the total price including tax, and ii) permitting retailers to choose either to round up or down to the next nickel. Related administrative guidance from the Indiana Department of Revenue (Department) explains that under this new law, any gain or loss from the rounding in these situations is “added to or taken away from the retailer’s income,” and clarifies that any underlying taxes due must still be paid in full to the State. In doing so, the Department provides an illustrative example as follows:

“If the total price plus tax is \$6.42, the retailer has the option to round up to \$6.45 or down to \$6.40 in a cash transaction. The 3 cent gain or 2 cent loss would be added to or taken away from the retailer’s income, respectively. However, the tax of 42 cents is remitted to the State regardless of rounding.”

Please contact us with any questions.

**Robyn Staros** (Chicago)  
Tax Managing Director  
Deloitte Tax LLP  
[rstaros@deloitte.com](mailto:rstaros@deloitte.com)

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## Washington – Time and Materials Charges and Cost Reimbursements Deemed Part of Taxable Digital Automated Services

*Determination No. 23-0004, 45 WTD 013 (2026)*, Wash. Dept. of Rev. (3/6/26). In a ruling involving a provider of software-as-a-service (SaaS) to state and local governments nationwide and worldwide, the Administrative Review and Hearings Division of the Washington Department of Revenue (Division) held that the provider’s time and materials transactions at issue were incurred exclusively in connection with its implementation of digital automated services and thus must be included as part of its provision of taxable digital automated services for Washington retail sales tax purposes. Moreover, the Division held that certain cost reimbursements for travel, lodging, and food expenses incurred as part of its contract to implement the digital automated services must be taxed in the same manner and thus also were subject to Washington retail sales tax. Under the stipulated facts, the software services provider launched a payment-processing software that integrated with its platform, allowing government clients to interact with the public in multiple ways and accept payments, and collectively constituted the provision of taxable digital automated services under state law. Please contact us with any questions.

**Robert Wood** (Seattle)  
Tax Principal  
Deloitte Tax LLP  
[robwood@deloitte.com](mailto:robwood@deloitte.com)

**Angela Deamico** (Seattle)  
Tax Senior Manager  
Deloitte Tax LLP  
[adeamico@deloitte.com](mailto:adeamico@deloitte.com)

## Wisconsin – Release Addresses Terminated Penny Production and Resulting Sales and Use Tax Implications

*Penny Shortages and the Impact on Wisconsin Sales and Use Tax*, Wis. Dept. of Rev. (3/10/26). A Wisconsin Department of Revenue (Department) release addresses the federal government’s decision to end production of the penny and provides guidance to retailers about the calculation of Wisconsin sales and use taxes on cash transactions impacted by resulting penny shortages. In it, the Department states that the “penny shortage does not impact how sales tax is calculated on a retail sale.” That is, retailers must still multiply the sales price of taxable items by the Wisconsin sales tax rates and round that amount to the nearest cent as provided in Wis. Stats. section 77.61(3m) and Wis. Adm. Code section Tax 11.32(5). Accordingly, “if a retailer chooses to round the cash transaction to the nearest nickel, such rounding should occur after the sales tax is calculated.” An example calculation is provided.

The guidance clarifies that it applies only to Wisconsin sales and use tax – and notes that “rounding cash transactions may present other issues and businesses should consult with their legal advisor before changing any business practices.” Lastly, the Department includes a submission link that welcomes taxpayer input and comments on this guidance. Please contact us with any questions.

**Jeremy Blodgett** (Milwaukee)  
Tax Senior Manager  
Deloitte Tax LLP  
[jblodgett@deloitte.com](mailto:jblodgett@deloitte.com)

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