



## State Tax Matters

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## Administrative

### Indiana – New Law Defines Digital Assets and Prohibits Taxing the Use or Acceptance of Them as a Payment Method

*H.B. 1042, signed by gov. 3/3/26.* Effective July 1, 2026, new law generally prohibits public agencies (except for the Indiana Department of Financial Institutions) from imposing taxes or fees for using or accepting digital assets to pay for legal goods and services, or for holding digital assets in a self-hosted wallet or hardware wallet, if those same charges would not apply to similar transactions that do not involve digital assets. The legislation provides several relevant definitions, including defining “digital assets” as:

- virtual currency;
- cryptocurrency;
- payment stablecoin;
- fungible tokens and nonfungible tokens (NFTs); or
- other assets that i) exist only in electronic form, and ii) confer economic, proprietary, or access rights or powers.

Please contact us with any questions.

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## Income/Franchise

### New Mexico – Taxation and Revenue Department Issues 2025 Corporate Tax Return Guidance on FDII & GILTI and Says Amended Returns May be Necessary

*Bulletin – Guidance Update on 2025 CIT-1, Line 5, Corporate Income Tax Return*, N.M. Tax. & Rev. Dept. (3/12/26). The New Mexico Taxation and Revenue Department (Department) recently issued 2025 state corporate income tax return (“2025 New Mexico Form CIT-1”) guidance that references legislation enacted in 2024 [see *H.B. 252 (2024)*, and *previously issued Multistate Tax Alert* for more details on this 2024 legislation] and explains that i) the deduction provided under Internal Revenue Code (IRC) section 250 “only limits the amount of the New Mexico deduction for global intangible low-taxed income (GILTI),” and ii) the total amount of the IRC section 250 deduction “is not also allowed when calculating taxable income.” However, the Department states that these 2024 law changes were not properly implemented on the current 2025 New Mexico Form CIT-1, and therefore, any New Mexico corporate income taxpayer utilizing line 5 of the 2025 New Mexico Form CIT-1 may need to adjust the amount. Specifically, the Department states that New Mexico taxpayers must “adjust the amount entered on CIT-1, line 5, Federal special deductions (from federal Form 1120, line 29b) by subtracting the amount that was entered on federal Form 1120, Schedule C, line 22, column (c)” – which is the amount of the IRC section 250 deduction claimed for foreign-derived intangible income (FDII) and GILTI. According to the guidance, “this adjustment will remove the federal deduction from the calculation of New Mexico net income or loss.” For those impacted taxpayers that have already filed a 2025 New Mexico Form CIT-1 without making this adjustment, the Department states that they must now “file an amended return to adjust CIT-1, line 5.”

Note that newly enacted New Mexico legislation removes New Mexico's subtraction adjustment pertaining to GILTI – now referred under the federal One Big Beautiful Bill Act (commonly referenced as "OBGBA" and more formally as P.L. 119-21) as net controlled foreign corporation tested income (NCTI) – to effectively include NCTI in New Mexico's corporate income tax base for taxable years beginning on or after January 1, 2027 [see [State Tax Matters, Issue 2026-10](#), and *forthcoming Multistate Tax Alert* for more details on this 2026 state legislation]. Please contact us with any questions.

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## Texas – State High Court Affirms Sourcing Rule's Validity and Rejects Taxpayer's Ultimate Destination Interpretation

[Case No. 24-0037](#), Tex. (3/13/26). In a Texas franchise tax dispute concerning the sourcing of sales from certain types of fuel delivered to oceangoing foreign vessels, the Texas Supreme Court (Court) affirmed a 2023 Court of Appeals' determination [see [Case No. 03-21-00669-CV](#), Tex. Ct. App. (12/21/23), and [State Tax Matters, Issue 2024-1](#), for details on the 2023 Texas Third Court of Appeals (Austin) ruling in this case] that the applicable Texas statute – Texas Tax Code section 171.103(a)(1) – unambiguously sources receipts from sales of tangible personal property to Texas if the taxpayer yields possession and control of the goods to a buyer at a location in Texas – even if the buyer subsequently transports those goods to another jurisdiction for consumption or use. In doing so, the Court rejected the taxpayer's claim that such receipts must be sourced to the location where the buyer ultimately uses or consumes the goods (*i.e.*, the "ultimate destination"), and affirmed that the Texas Comptroller of Public Accounts' corresponding sourcing rule (*i.e.*, 34 Tex. Admin. Code section 3.591) attributing such receipts to the "place of transfer" or "place of delivery" is valid. The Court concluded that i) under Texas Tax Code section 171.103(a)(1)'s "unmistakably clear language," goods are delivered in the statutory sense where the buyer receives them in the actual sense; ii) 34 Tex. Admin. Code section 3.591 is consistent with the corresponding Texas statute as written; and iii) the taxpayer failed to overcome the presumption that the administrative rule at issue is valid. Please contact us with any questions.

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## Credits/Incentives

### Michigan – Reminder: April 1, 2026 Tentative Claims Filing Deadline for New Refundable R&D Credit

[Notice Regarding New Research and Development Credit](#), Mich. Dept. of Treasury (4/2/25). A Michigan Department of Treasury (Department) notice on Michigan's new refundable research and development (R&D) income tax credit [see [H.B. 5100 \(2025\)](#), [H.B. 5101 \(2025\)](#), and [previously issued Multistate Tax Alert](#) for more details on the new R&D credit, as well as [State Tax Matters, Issue 2025-13](#), for details on this notice when first published] stipulates an approaching April 1, 2026 filing deadline for certain eligible claimants. Specifically, for qualifying R&D expenses incurred during the 2025 calendar year, all claimants with tax years beginning in 2025 – including both calendar-year and fiscal-year Michigan corporate income taxpayers, and flow-through entities filing withholding tax returns – must submit their tentative claims *no later than April 1, 2026*. To be eligible for Michigan's new R&D credit, a claimant must first timely submit a tentative claim identifying the unadjusted credit amount and providing certain information required for the proper administration of the credit. According to the notice, tentative claims are mandatory for claiming the new R&D credit but will *not* be accepted by the Department after the statutory deadline. Furthermore, “tentative claims should be made using actual — not estimated — expenses, as those claims will be used in any required proration calculation.” Please contact us with any questions.

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## Sales/Use/Indirect

### Arizona – New Law Addresses Penny Shortage and Required Rounding in Cash Transactions

[H.B. 2938](#), signed by gov. 3/12/26. Addressing the federal government's decision to end production of the penny, recently enacted legislation provides Arizona sellers with procedures for rounding in certain cash transactions, including requiring that: i) any rounding generally take place on the total price including tax, and ii) sellers use the “Swedish method” to round the total transaction amount to the nearest five-cent increment. Please contact us with any questions.

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## South Carolina – State High Court Affirms Online Marketplace Owes Tax on Third-Party Sales

*Case No. 2024-000625*, S.C. (3/18/26). The South Carolina Supreme Court (Court) affirmed [see *Case No. 2019-001706*, S.C. Ct. of App. (1/24/24) and *State Tax Matters, Issue 2024-4*, for details on the 2024 South Carolina Court of Appeals ruling in this case] that an online marketplace platform was responsible for collecting and remitting South Carolina sales tax on in-state sales of tangible personal property owned by third-parties occurring on the marketplace. Specifically, the Court held that based on the underlying facts – where the marketplace had an in-state physical presence and made sales on behalf of third-parties – and the “unambiguous language” of the applicable sales tax imposition statute in effect at the time (*i.e.*, S.C. Code Ann section 12-36-910(A)), the marketplace was engaged in the business of selling tangible personal property at retail under state law. In doing so, the Court also rejected the marketplace’s claim that the underlying tax assessments for the 2016 tax periods at issue constituted an invalid attempt to retroactively apply subsequent “post-*Wayfair*” 2019 statutory amendments – and concluded that the assessments accurately reflected state law that was in place at that time. A dissenting opinion follows. Please contact us with any questions.

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## Miscellaneous/Other

### Illinois – Trade Association Challenges Validity of Chicago’s New Social Media Amusement Tax

*Case No.\_\_\_\_*, Ill. Cir. Ct., Cook County (*complaint filed 3/13/26*). An industry trade association whose members engage in electronic commerce has filed suit seeking declaration that the City of Chicago’s new social media amusement “tax” [see *State Tax Matters, Issue 2026-1*, for more details about this new imposition in Chicago, Illinois] is invalid for several reasons – including that it i) violates the U.S. Constitution’s Commerce Clause and First Amendment, ii) is preempted by the federal Internet Tax Freedom Act (ITFA), and iii) violates the Illinois Constitution as an unauthorized occupation tax – and thus its collection should be enjoined as it cannot be reconciled with federal or state law. Among its arguments, the complaint alleges that because it is imposed only on online social media businesses (and no other “offline” businesses), it is expressly preempted by the ITFA. Moreover, the complaint alleges that because it is not fairly apportioned, it violates the Commerce Clause. The complaint also alleges that because it is imposed upon an occupation (*i.e.*, the business of operating a social media website) but is *not* authorized by the Illinois General Assembly, it violates the Illinois Constitution. Please contact us with any questions.

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