



State Tax Matters

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Alerts

Kentucky updates IRC conformity and enacts new transaction tax

On April 14, 2026, Kentucky [House Bill 757](#) (H.B. 757) was enacted into law. H.B. 757 is a broad revenue bill impacting many tax types including individual and corporate income taxes and sales and use taxes. The legislation also enacts new excise taxes on fantasy contest service providers and prediction market operators.

This Multistate Tax Alert summarizes certain corporate income, sales and use, and excise tax provisions of H.B. 757.

URL: <https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/2026/kentucky-updates-irc-conformity-and-enacts-new-transaction-tax.pdf>

[Issued April 16, 2026]

Administrative

Maine – New Law Establishes Independent Office of Tax Appeals in Place of Board of Tax Appeals

[L.D. 2178 \(S.P. 883\)](#), signed by gov. 4/16/26. Effective January 1, 2027, new law establishes within Maine's Department of Administrative and Financial Services the "Independent Office of Tax Appeals" to replace Maine's current "Board of Tax Appeals." Under the new law, Maine's new Independent Office of Tax Appeals "is independent of and is not subject to the supervision or control of" Maine's State Tax Assessor "or any other employee of the bureau." The legislation states that the purpose of Maine's new Independent Office of Tax Appeals is to "provide taxpayers with a fair, low-cost and easily accessible forum for resolving tax disputes with the bureau, to ensure due process and to provide an alternative to appealing a reconsidered decision of the assessor directly to" a Maine superior court. The legislation provides related implementation logistics and describes hearing officer qualifications for the new body, including new procedures for filing petitions for appeal, and authorizes the new Independent Office of Tax Appeals to adopt rules that "define terms, prescribe forms and make suitable orders of procedure to ensure the speedy, efficient, just and inexpensive disposition of all proceedings" before it. Please contact us with any questions.

Alexis Morrison-Howe (Boston)

Tax Principal

Deloitte Tax LLP

alhowe@deloitte.com

Jack Lutz (Hartford)

Tax Managing Director

Deloitte Tax LLP

jacklutz@deloitte.com

Ian Gilbert (Boston)

Tax Senior Manager

Deloitte Tax LLP

iagilbert@deloitte.com

Tyler Greaves (Boston)

Tax Senior Manager

Deloitte Tax LLP

tgreaves@deloitte.com

Income/Franchise

Arkansas – State High Court Affirms Gain from Sale of Intangible Assets in Liquidation is Nonbusiness Income

Docket No. CV-25-395, Ark. (4/16/26). In a case involving an out-of-state company owning and operating restaurant franchises in multiple states (including Arkansas), the Arkansas Supreme Court (Court) affirmed a circuit court’s summary judgment and held the gain from the sale of its intangible assets in two transactions where it disposed of substantially all of its real estate and restaurant operations in a complete liquidation constituted nonbusiness income allocable to its Oklahoma commercial domicile. Under the stipulated facts, both parties agreed that the “transactional test” was not at issue as the sale of the company’s entire business was not a transaction in the regular course of its trade or business, and a “complete exit from business is not an ordinary operating event.” However, the Court disagreed with the Arkansas Department of Finance and Administration’s (Department) analysis under the functional test and held that in deciding whether “the acquisition, management, and disposition of the property” under statute are integral parts of the taxpayer’s regular trade or business, the “disposition element matters” as the “statute is conjunctive” and a court may not delete one of these actions in its analysis. In this respect, the Court concluded that the functional test was not met in this case because while the company regularly acquired and managed restaurant franchise assets during its operation, it did not regularly dispose of them as an integral part of its business as it had never before sold a franchise until the two transactions at issue – that is, it was *not* a trader, broker, or serial reseller of restaurant franchise systems. In doing so, the Court also rejected the Department’s reliance on administrative rules stating that the gain from the sale of property constitutes business income if the property “was used in the taxpayer’s trade or business” – and held that this standard “materially departs from the statute” and inappropriately “collapses the functional test into a broader inquiry about use.” A relatively lengthy dissenting opinion follows.

Note that this case analyzes Arkansas’s pre-2026 version of the statutes at issue; see [previously issued Multistate Tax Alert](#) for details on subsequently enacted Arkansas law changes that are effective for tax years beginning on and after January 1, 2026. Please contact us with any questions.

Scott Bedunah (Dallas)
Tax Partner
Deloitte Tax LLP
scbedunah@deloitte.com

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

Indiana – DOR Summarizes Legislation Addressing IRC Conformity and Various OBBBA Provisions

Legislative Synopsis 2026, Ind. Dept. of Rev. (rev. 4/26). An Indiana Department of Revenue (Department) synopsis of tax-related legislation enacted in 2026 includes several summaries referencing new law that updates Indiana’s conformity to the Internal Revenue Code (IRC) and provides some changes in response to the federal One Big Beautiful Bill Act (commonly referenced as “OBBBA” and more formally as P.L. 119-21) [see [S.B. 243 \(2026\)](#) and [State Tax Matters, Issue 2026-10](#), for more details on this legislation]. Among the OBBBA-related changes, the synopsis addresses new state tax 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). 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

Kentucky – New Law Delays Combined Reporting Deferred Tax Liability Deduction Another Two Years

H.B. 757, enacted without governor's signature on 4/14/26. With respect to Kentucky's deferred tax liability deduction applicable to some publicly traded corporations – which was enacted in 2019 to offset the effects of mandatory unitary combined reporting tax changes for financial statement reporting purposes – new law once again delays the deduction's start date to a ten-year period beginning January 1, 2028, rather than a ten-year period beginning January 1, 2026 [see *H.B. 8 (2024)* and *State Tax Matters, Issue 2024-16*, for details on 2024 Kentucky legislation that had postponed this same deduction from a ten-year period beginning January 1, 2024, to a ten-year period beginning January 1, 2026].

See [recently issued Multistate Tax Alert](#) for more details on this legislation which incorporates several other tax-related measures, and 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

Maine – New Law Continues to Decouple from IRC §168(k) Bonus Depreciation Under the OBBBA

L.D. 2188 (H.P. 1469), signed by gov. 4/13/26. Recently signed legislation decouples from certain provisions under the federal One Big Beautiful Bill Act (commonly referenced as “OBBBA” and more formally as P.L. 119-21) for taxable years beginning on or after January 1, 2025, specifically the OBBBA provisions pertaining to bonus depreciation allowing for the deduction of 100% of the cost of equipment in the first year under Internal Revenue Code section 168(k). In this respect, Maine maintains its disconformity with IRC section 168(k) bonus depreciation.

See [forthcoming Multistate Tax Alert](#) for more details on this legislation, as well as another newly enacted bill addressing the OBBBA [see *State Tax Matters, Issue 2026-15*, for more details on the other bill], and please contact us with any questions in the meantime.

Alexis Morrison-Howe (Boston)
Tax Principal
Deloitte Tax LLP
alhowe@deloitte.com

Ian Gilbert (Boston)
Tax Senior Manager
Deloitte Tax LLP
iagilbert@deloitte.com

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

Sales/Use/Indirect

Alabama – New Law Addresses Penny Shortage and Rounding in Cash Transactions and Excludes Interchange Fees from Tax Base

H.B. 545, signed by gov. 4/16/26. Addressing the federal government’s decision to end production of the penny, recently enacted Alabama legislation provides retailers and sellers with precise rules for rounding to the nearest five cents in certain cash transactions – and notes that these rounding rules do *not* alter the sales price, the amount of tax collected under applicable under state law, or any other taxing authority providing for the collection of sales tax, or any surcharges, assessments, or fees imposed on the sale. Subsequently *issued guidance on in-person cash transactions from the Alabama Department of Revenue* states that “the rounding method may apply to the amount of the transaction or to the amount of change tendered to the purchaser.”

S.B. 221, signed by gov. 4/16/26. Effective as of September 1, 2026, another recently signed bill provides that the amount of any credit card transaction fee charged for an electronic payment transaction “shall be excluded from the amount on which basis sales and use tax is assessed for that electronic payment transaction.” Various related terms are defined in the legislation. 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

Arizona – DOR Comments on New Law Addressing Terminated Penny Production and Rounding

Arizona Cash Transaction Rounding Law: Guidance for Businesses, Ariz. Dept. of Rev. (4/26). The Arizona Department of Revenue published guidance notifying businesses of recently enacted legislation [see *H.B. 2938, signed by gov. 3/12/26*, and *State Tax Matters, Issue 2026-11*, for more details on this new law] addressing the federal government’s decision to end production of the penny, the resulting penny shortage, and the rounding implications for certain cash transactions. The guidance specifies that this legislation does *not* change how Arizona’s transaction privilege tax (TPT) is calculated, reported, or remitted. Accordingly, TPT returns must reflect gross receipts based on the “full pre-rounding transaction amount” – including all taxable items, fees, and charges – rather than the rounded cash amount paid by the customer. In this respect, “the amount rounded up or down is disregarded for TPT reporting purposes.” Please contact us with any questions.

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

Metisse Lutz (Denver)
Tax Senior Manager
Deloitte Tax LLP
mlutz@deloitte.com

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

L.B. 838, signed by gov. 4/14/26. Addressing the federal government's decision to end production of the penny, recently enacted Nebraska legislation provides persons selling goods or services with precise rules for rounding to the nearest number of cents divisible by five in certain cash transactions – and notes that these rounding rules do *not* alter: i) the sales price of any good or service; ii) the amount of any tax calculated or imposed under state or local law; and iii) any regulatory fee, government-imposed fee, surcharge, assessment, or other charge required by law. Please contact us with any questions.

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

Property California – Appellate Court Affirms that COVID-19 Access Restrictions Did Not Trigger Mall's Reassessment

Case No. G064887, Cal. Ct. App. (4/15/26). In a case involving the property tax assessment of a mall during the 2019–2020 and 2020–2021 years at issue, a California Court of Appeal (Court) affirmed the California superior court and held that the mall was ineligible for a reassessment as a matter of law under Cal. Rev. & Tax Code section 170(a)(1) despite claimed access restrictions from the COVID-19 pandemic. Under the facts, the trust owner filed applications with the locality's tax assessor seeking tax disaster relief resulting from the substantial restrictions placed on accessing the mall due to government-mandated closures, as well as other government-imposed restrictions and limitations on the mall's operations, occupancy, and use resulting from the pandemic. Rejecting the trust's argument that the COVID-19 virus caused indirect physical damage to the property, the Court explained that neither governmental orders restricting access to property due to the COVID-19 virus nor the virus itself equate to *physical harm to property*—either direct or indirect—and thus the owner failed to establish eligibility for property tax reassessment under state law. Please contact us with any questions.

Edward Blanchard (Detroit)
Tax Specialist Executive
Deloitte Tax LLP
edblanchard@deloitte.com

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

Stephanie Draughon (Chicago)
Tax Manager
Deloitte Tax LLP
sdraughon@deloitte.com

David Giraldi (Seattle)
Tax Manager
Deloitte Tax LLP
dgiraldi@deloitte.com

Oklahoma - New Law Expands Ad Valorem Tax Exemption on Equipment Used in Oil & Gas Production

S.B. 227, signed by gov. 4/13/26. Effective as of January 1, 2027, recently enacted legislation amends Oklahoma property tax law by expanding the description of certain oil and gas production equipment that is exempt from ad valorem tax to include flowlines and gathering lines “going from the wellhead either to the first sales meter that is the point of custody transfer or to the boundary of the production unit, whichever distance is shorter.” Please contact us with any questions.

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

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

Alan Jost (Houston)
Tax Manager
Deloitte Tax LLP
ajost@deloitte.com

Washington – Appellate Court Affirms that COVID-19 Pandemic is Not a Natural Disaster for Value Reduction Purposes

Case No. 87714-3-1, Wash. Ct. App. (4/20/26). In a suit filed by a trade association representing several hotels seeking declaratory relief or a writ of mandamus that the COVID-19 pandemic constituted a “natural disaster” under state law for property tax relief purposes (*i.e.*, triggered a reduction in property tax value under a state statute), a Washington Court of Appeals (Court) denied the relief because the hotel properties at issue sustained no physical damage in whole or in part by the COVID-19 pandemic. In doing so, the Court affirmed a trial court’s decision that a “natural disaster” for such property tax relief purposes means a *physically* destructive event in nature that originates in Earth atmosphere, surface, or within the planet – none of which would include a pandemic, virus, or any other illness. Please contact us with any questions.

Edward Blanchard (Detroit)
Tax Specialist Executive
Deloitte Tax LLP
edblanchard@deloitte.com

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

Stephanie Draughon (Chicago)
Tax Manager
Deloitte Tax LLP
sdraughon@deloitte.com

David Giraldi (Seattle)
Tax Manager
Deloitte Tax LLP
dgiraldi@deloitte.com

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