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State Tax Matters

The power of knowing

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Alert
Minnesota updates IRC conformity and enacts other tax changes

Minnesota *House File 2438* ("H.F. 2438") was enacted into law on May 27, 2026, making several changes to Minnesota's tax code. The bill includes updates to federal tax conformity and changes to individual and corporate income tax provisions.

This Multistate Tax Alert provides a summary of some important provisions in the bill and their effective dates.

URL: *https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/2026/multistate-tax-alert-minnesota-updates-irc-conformity-and-enacts-other-tax-changes.pdf*
[Issued May 28, 2026]

Income/Franchise
U.S. Supreme Court Denies Hearing Florida Attorney General's Motion to Declare California's Apportionment Provision Unconstitutional

Docket No. 22O163, US (*motion for leave to file a bill of complaint denied 6/1/26*). The U.S. Supreme Court (Court) denied the Florida Attorney General's filed motion for leave to file a bill of complaint with the Court on behalf of the State of Florida against the State of California, which had requested among other things, that California Code of Regulations, title 18, section 25137(c)(1)(A) ("CCR section 25137(c)(1)(A)") – which excludes certain receipts arising from a substantial and occasional sale from California's single sales factor apportionment formula – be declared unconstitutional in violation of the U.S. Constitution's Commerce, Due Process, and Import-Export Clauses [see *State Tax Matters, Issue 2025-42*, for details on this motion as originally filed]. Two justices dissented from the Court's denial of the motion for leave to file complaint.

In the proposed complaint, the Florida Attorney General, among other arguments, also contended that California's single sales factor apportionment scheme "operates as a tariff on goods manufactured in other States by excluding a corporation's payroll and property from the apportionment formula," and that CCR section 25137(c)(1)(A) "supercharges the tariff by further excluding large sales attributable to the jurisdiction where a corporation's payroll and property are located." The proposed complaint also argued that CCR section 25137(c)(1)(A) "deprives the State of Florida of tax and investment revenue and harms its citizens and businesses."

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California – In-State Activities of Company's Employees Exceeded Protections Afforded Under P.L. 86-272

OTA Case No. 20076391, Cal. Off. of Tax App. (*petition for rehearing denied 3/20/26*); *OTA Case No. 20076391*, Cal. Off. of Tax App. (8/1/25). In a nonprecedential opinion involving an out-of-state manufacturer of food products, the California Office of Tax Appeals (OTA) denied the company's petition for rehearing and upheld its earlier opinion that the company (an "S" corporation) was not only subject to California's annual $800 minimum tax for the 2012 and 2013 tax years at issue but also subject to California's net income tax. The OTA concluded the facts showed that the in-state activities of the company's employees were designed not only to solicit orders, but to ingratiate customers and assist buyers in knowing what to order and thus exceeded the protections afforded under P.L. 86-272. Specifically, the OTA found that the company's food service managers collected and shared competitor samples and customer information to gain a competitive advantage and performed certain product matching activities that were not entirely ancillary to solicitation. Additionally, the OTA found that the company's corporate chef collected a broad variety of information in "menu ideation" in California, including market research, which also constituted an unprotected activity of P.L. 86-272. In its earlier opinion, the administrative law judge similarly concluded that collecting competitor samples and customer information for product matching and product creation, and menu ideation, were activities performed by the company's employees in California "as a matter of regular company policy, on a continuing basis" and thus established a "nontrivial additional connection to California."

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Indiana – Updated Bulletin Addresses OBBBA-Related Law Changes and Bonus Depreciation, §179 Expensing, and §168(n) Decoupling

Income Tax Information Bulletin #118, Ind. Dept. of Rev. (rev. 5/26). An updated Indiana Department of Revenue bulletin addresses, among other changes, implementation of certain provisions in recently enacted Indiana legislation [see *S.B. 243*, *signed by gov. 3/5/26*, and *State Tax Matters, Issue 2026-10*, for more details on this state legislation] that maintained Indiana's decoupling from certain federal income tax allowances for bonus depreciation and Internal Revenue Code (IRC) section 179 expensing and also decoupled from the new special depreciation of qualified production property under IRC section 168(n) as enacted by the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21). The updated bulletin reflects Indiana's treatment of qualified production property and the reporting of necessary adjustments, as well as reflects new reporting for "circumstances when a taxpayer has both a depreciation modification and a disallowed federal excess business loss." Various illustrative examples are provided. The updated bulletin is effective retroactively from July 4, 2025. Please contact us with any questions.

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New York – Enacted Budget Extends Top Corporate Tax Rate, Decouples from Some OBBBA Provisions, and Creates a Pied-à-terre Surcharge

S9009C / A10009C, *signed by gov. 5/28/26*. New York Governor Kathy Hochul signed New York's FY 2027 Budget ("Budget Bill"), which adopts some aspects of her Executive Budget framework [see *State Tax Matters, Issue 2026-3*, for details on Governor's Hochul's FY 2027 Executive Budget], which include:

- extending the top Article 9-A corporate tax rate under N.Y. Tax Law § 210 (*i.e.,* 7.25%) for an additional three years, as well as extending the capital tax for an additional three years;
- decoupling New York State and New York City personal, corporate, insurance, and business income taxes from select provisions of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) pertaining to the expensing of domestic research and experimental (R&D) expenditures in Internal Revenue Code (IRC) section 174A, and the special depreciation allowance for qualified production property under IRC section 168(n); additionally, for New York City purposes, decoupling from the OBBBA amendment related to IRC section 179(a) and the OBBBA-amended calculation of adjusted taxable income (attributable to depreciation, amortization or depletion) to compute the IRC section 163(j) limitation; and providing that penalties and interest due to the retroactive application of these various provisions to tax years beginning in January 1, 2025, generally will not apply; and
- imposing a new New York City surcharge on certain high value residential property not serving as a primary residence (often described as a "pied-à-terre tax").

Notably, the enacted Budget Bill does *not* adopt several proposals advanced earlier in the session, including increased corporate tax rates, additional top personal income tax brackets, a tax on all-cash real estate transactions valued above $1 million, and reductions to the New York State and New York City pass-through entity tax (PTET) credits.

See forthcoming Multistate Tax Alert for more details on provisions in the enacted Budget Bill, and please contact us with any questions in the meantime.

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Sales/Use/Indirect
Arizona – Tax Court Says Data Center Colocation and Server Rentals Are Now Prospectively Subject to TPT

Case No. TX 2024-000075, Ariz. Tax Ct. (5/18/26). In a case involving an internet service provider offering, among other services, internet access services from its in-state data center (located in the City of Phoenix, Arizona), certain colocation services (*i.e.,* utilization by customers of small spaces within the data center to set up servers), and certain server rentals as part of its infrastructure-as-a-service (IaaS) offering, the Arizona Tax Court (Court) granted in part the Arizona Department of Revenue's (Department) motion for summary judgment to hold that the company prospectively owed state, county, and city transaction privilege tax (TPT) for its data center colocation and server rentals. In this respect, the Court agreed with the Department that the company's provision of space in a data center constituted the taxable rental of commercial real property, and its server rentals constituted the taxable rental of tangible personal property, under applicable Arizona law. The Court highlighted that, based on the provided facts, the company did not operate, or exercise sufficient control over, the rented servers or provided data center space as a service but rather just housed its customers' servers; and the customers themselves operated the servers and data center space they rented. The Court also reasoned that any other services that the company provided (e.g., high-speed internet, uninterrupted power and generator back-up, and temperature control) were simply secondary and necessary components of the data center colocation and server rentals.

Granting in part the company's motion for summary judgment, the Court reasoned that because the Department had never applied the TPT's real property rental tax and personal property rental tax to data centers and their colocation services and server rentals, such imposition may only apply prospectively under state law (*i.e.,* pursuant to Ariz. Rev. Stat. section 42-2078(B)(1)). The Court also held that such TPT imposition on the company's real property and server rentals did *not* violate the federal Internet Tax Freedom Act (ITFA), as the TPT is imposed on the company's rental of real property and servers rather than its services to access the internet. Please contact us with any questions.

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Illinois – U.S. District Court Grants Challengers' Request for Permanent Injunction Related to State Law that Bans Certain Interchange Fees

Case No. 1:24-cv-07307, N.D. Ill. (6/1/26). In a lawsuit brought forth by various banks and credit unions challenging Illinois legislation enacted in 2024 known as the "Illinois Interchange Fee Prohibition Act" (IFPA) 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) granted the challengers' request for a permanent injunction preventing Illinois from enforcing the IFPA's "Interchange Fee Limitation" against i) national banks; ii) certain banks chartered by states other than Illinois; iii) federal savings associations; and iv) certain payment card networks. According to the judge, this ruling "should be read in accordance with the Court's February ruling" [see *State Tax Matters, Issue 2026-6*, for details on the Court's February ruling]. The decision follows the federal Office of the Comptroller of the Currency's (OCC) recent interim final order, which concluded that federal law preempts aspects of the IFPA [see *State Tax Matters, Issue 2026-17*, for more details on the OCC's interim final order]. Please contact us with any questions.

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Illinois – Proposed Rule Changes Reflect Repealed 200-Transaction Nexus Threshold, Service Occupation Tax Changes, and Recordkeeping

Proposed Amended 86 Ill. Adm. Code 131.101, 131.105, 131.107, 131.110, 131.115, 131.120, 131.125, 131.130, 131.135, 131.140, 131.145, 131.150, 131.155, 131.160, 131.165, 131.170, 131.180, 150.201, 160.105, 130.101, and 130.805, Ill. Dept. of Rev. (5/29/26). The Illinois Department of Revenue is proposing administrative rule changes i) reflecting the statutory repeal of Illinois' 200 transaction-based "*Wayfair*" economic nexus annual threshold for purposes of requiring remote sellers and marketplace facilitators to collect and remit Illinois retailers' occupation tax and use tax [see *H.B. 2755 (Public Act 104-0006)*, signed by gov. 6/16/25, and *previously issued Multistate Tax Alert* for more details on the underlying Illinois legislation], and ii) extending certain "Leveling the Playing Field" provisions to servicepersons and Illinois' service occupation tax. The proposed changes reflect state law providing that the 200-transaction threshold will no longer apply to either out-of-state servicepersons who maintain a place of business in Illinois and make sales to Illinois purchasers, or to marketplace facilitators that transfer tangible personal property to Illinois purchasers as part of a sale of service. Other proposed rule changes "address the 15% rate established to apply when retailers do not provide adequate records to properly determine where a sale occurred and the corresponding local sales tax rate to apply." Comments on the proposed rule changes are due no later than 45 days after their May 29 publication. Please contact us with any questions.

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Missouri – Software and SaaS Solutions Company is Not a Marketplace Facilitator for Providing a Connection to Payment Processors

Letter Ruling No. LR 8393, Mo. Dept. of Rev. (5/28/26). In a letter ruling involving a company providing downloaded software, software as a service (SaaS) technology solutions, and an online hosting environment to enable its customers to advertise their items for sale online and conduct auction-related activities, the Missouri Department of Revenue (Department) concluded that such company does *not* meet the definition of a "marketplace facilitator" under Missouri law because it does not collect or remit payments for goods sold by users of the site. In doing so, the Department explained that "merely providing a connection to payment processors through a technology solution is not 'indirect' payment processing" in the context of Missouri's "marketplace facilitator" classification – so long as "it does not constitute direct or indirect agreement with third parties to collect payment from purchasers and transmission of all or part of the payment to the marketplace seller." Under the submitted facts, the company i) earns revenue through subscription fees, listing fees, referral fees, premium features, banner ads, custom websites, and support/training; ii) provides branding options; iii) maintains only limited supervision and control over the behavior of entities using the site; and iv) only provides interfaces enabling independent selection of payment methods. The company does *not* i) represent auctions as its own; ii) collect, hold, or distribute funds related to auctions on its platform; iii) have access to payments made by customers made through the site or to third parties; or iv) have a role in the third-party payment provider selection, administration or workings or access to money flowing "thereto and therefrom." The company's customers independently select their third-party payment processors. Please contact us with any questions.

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Property
Ohio – BTA Says Owner Failed to Show that COVID-19 Pandemic Resulted in Reduced Hotel Valuation

Case No. 2022-303, Ohio Bd. of Tax App. (5/27/26). In a case involving the property tax valuation of a hotel and surrounding land for tax year 2020, the Ohio Board of Tax Appeals (Board) sided with the locality's higher valuation and disagreed with the owner's testimony, concluding that the owner's submitted appraisal i) contained substantial deficiencies; ii) did not demonstrate a decrease in value between January 1, 2020 and October 1, 2020; and iii) failed to adequately describe how the subject's value specifically changed in the relevant timeframe due to the COVID-19 pandemic or based upon circumstances related to the COVID-19 pandemic. In this respect, the Board held that the owner failed to establish a reduced hotel valuation pursuant to Ohio legislation enacted in 2021 [see *S.B. 57 (2021)* and *State Tax Matters, Issue 2021-17*, for more details on this pandemic-related legislation]. In holding against the owner, the Board acknowledged that "proving a reduction in value based on COVID-19 circumstances may, as a practical matter, present evidentiary and other challenges," but ultimately concluded that such challenges do not lower, or otherwise change, the owner's burden of proof – which was not met in this case. Please contact us with any questions.

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Unclaimed Property
Minnesota – New Law Addresses Required Liquidation of Abandoned Virtual Currency

H.F. 4188, *signed by gov. 5/27/26*. Recently signed legislation enacts some changes to Minnesota unclaimed property law, including explicitly subjecting virtual currency to its provisions and establishing circumstances under which virtual currency is presumed abandoned. Under the new law, virtual currency generally is deemed abandoned three years after the apparent owner's latest indication of interest in the virtual currency, and a holder of unclaimed virtual currency generally must liquidate the virtual currency and remit the proceeds to the commissioner within 30 days before filing the required report. Under these provisions, "the owner does not have recourse against the holder or the commissioner to recover any gain in value that occurs after the liquidation of the virtual currency." The legislation defines "virtual currency" as a digital representation of value used as a medium of exchange, unit of account, or store of value that does not have legal tender status recognized by the United States, and specifies that it does *not* include: i) software or protocols governing the transfer of the digital representation of value; ii) game-related digital content; or iii) a loyalty card or gift card. Please contact us with any questions.

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