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The power of knowing
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State Tax Matters

The power of knowing

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Alerts
Arizona updates IRC conformity and addresses OBBBA

On June 13, 2026, Arizona House Bill 4168 ("*H.B. 4168*"), an omnibus taxation measure, was enacted into law. Among other changes, H.B. 4168 updates Arizona's conformity to the Internal Revenue Code (IRC) to the version in effect on January 1, 2026, incorporates provisions of the federal One Big Beautiful Bill Act (the "OBBBA") that are retroactively effective across several prior conformity windows, and requires an addition to Arizona gross income for the special depreciation allowance for qualified production property under IRC section 168(n). These provisions carry retroactive effective dates tied to taxable years beginning after December 31, 2024, and taxable years beginning after December 31, 2025, depending on the provision.

This Multistate Tax Alert summarizes the federal conformity provisions of H.B. 4168.

URL: *https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/2026/arizona-updates-irc-conformity-and-addresses-obbba.pdf*
[Issued June 16, 2026]

Illinois enacts fiscal year 2027 budget with several tax changes

On June 16, 2026, Illinois Senate Bill 3019 ("*S.B. 3019*") was enacted into law as part of the State's $55.9 billion fiscal year 2027 budget. The income tax related provisions include extending the net operating loss carryover limitation beginning in tax year 2027 to the greater of $500,000 or 15% of taxable income, modifying the Illinois passthrough entity tax, and decoupling from Internal Revenue Code section 1202 for qualified small business stock. In addition, S.B. 3019 creates several new taxes and fees, including a 10% tax on gross receipts from targeted advertising services in Illinois, a 0.2% tax on digital assets, a graduated fee on social media platforms, and a new transaction tax on sports wagering. S.B. 3019 also makes changes to how Illinois hotel marketplace facilitators remit state and local occupancy taxes, suspends a slated motor fuel tax rate increase, and fully funds the Illinois Independent Tax Tribunal.

This Multistate Tax Alert summarizes some of the tax provisions in this bill. A *separate Indirect Tax Alert* provides more details about the tax on digital assets.

URL: *https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/2026/illinois-enacts-fiscal-year-2027-budget-with-several-tax-changes.pdf*
[Issued June 17, 2026]

Illinois passes Digital Asset Tax

On June 16, 2026, Illinois Senate Bill 3019 ("*S.B. 3019*") was enacted into law. S.B. 3019 is an omnibus revenue measure that, among other changes, creates the Digital Asset Privilege Tax Act (the "Act"). Beginning January 1, 2027, the Act imposes a Digital Asset Tax on the privilege of receiving digital asset business activity by a customer in Illinois, at a rate of 0.2% of the value of the digital asset to which a digital asset business activity relates. The tax is collected and remitted by digital asset brokers.

This Indirect Tax Alert summarizes the digital asset privilege tax provisions of S.B. 3019.

URL: *https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/2026/illinois-enacts-digital-asset-tax.pdf*
[Issued June 17, 2026]

Massachusetts adopts partial conformity to OBBBA and enacts other tax changes

On June 12, 2026, Massachusetts enacted House Bill 5470 ("*H.B. 5470*"), which adopts a selective approach to conformity with certain federal tax changes enacted in P. L. No. 119-21 ("OBBBA") and makes several additional state tax law changes. Among other changes, the legislation limits conformity to certain federal research and experimental (R&E) expensing changes, temporarily decouples from certain business interest, depreciation, and expensing provisions, narrows qualified opportunity zone (QOZ) treatment to Massachusetts zones, creates a new elective passthrough entity excise tax on income above the surtax threshold, and enacts targeted credits, exemptions, and penalty relief.

This Multistate Tax Alert provides a summary of some of the significant provisions of H.B. 5470 and their effective dates.

URL: *https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/2026/massachusetts-adopts-partial-conformity-to-obbba-and-enacts-other-tax-changes.pdf*
[Issued June 16, 2026]

New York enacts fiscal year 2027 budget including New York City surcharge on non-primary residences

On May 28, 2026, the New York State budget for fiscal year 2027, *Assembly Bill A10009C* ("budget bill") was enacted, which includes a three-year extension of the higher Article 9-A corporate income tax rate and the capital base tax. The legislation also decouples New York State ("State") and New York City ("City") tax law from certain provisions of the federal One Big Beautiful Bill Act ("OBBBA") and establishes a City surcharge on residential property that does not serve as a primary residence, often described as a "pied-à-terre" or "second home" tax. The enacted legislation does *not* adopt several proposals advanced earlier in the session, including increased corporate and personal income tax rates; a tax on all-cash real estate transactions above $1 million; extension of the annual passthrough entity tax (PTET) election date from March 15 to September 15; or reductions to the State and City pass-through entity tax credits.

This Multistate Tax Alert summarizes some of the relevant provisions of the enacted budget bill.

URL: *https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/2026/new-york-enacts-fiscal-year-2027-budget-including-new-york-city-surcharge-on-non-primary-residences.pdf*
[Issued June 17, 2026]

Amnesty/Administrative
District of Columbia – Legislation Enacted in 2025 Says Agencies are Entitled to Deference from Reviewing Courts

Act 26-0111 (D.C.B. 26-0048), *effective from 9/10/25*. Enacted legislation known as the "Review of Agency Action Clarification Amendment Act of 2025" (Act) amends the District of Columbia's (District) standard for review of an agency's interpretation of District statutes and rules by providing that in reviewing an order or decision of an agency in any court or administrative proceeding:

> "the reviewing tribunal shall defer to the agency's reasonable interpretation of a statute or rule it administers, when the statute or rule is silent or ambiguous with respect to a specific issue; provided, that the interpretation is not plainly wrong or inconsistent with either the statute's or rule's language or the legislature's or agency's intent."

Additionally, in reviewing a rule adopted by an agency, the Act provides that "the reviewing tribunal shall defer to the agency's reasonable interpretation of a statute it administers, when the statute is silent or ambiguous with respect to a specific issue; provided, that the interpretation is not plainly wrong or inconsistent with either the statute's language or the legislature's intent."

In determining whether an interpretation by an agency is reasonable for such purposes, the reviewing tribunal may consider, among other factors:

- whether the interpretation provided by an agency has been consistent and longstanding;
- whether the specific issue is within the scope of the agency's subject matter-expertise; and
- the thoroughness and formality of the agency's consideration.

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Rhode Island – New Law Requires 75-Day Amnesty Program that Provides for Potential 100% Penalty Waiver and Reduced Interest Due

H.B. 7127, *signed by gov. 6/12/26*. Recently enacted state budget legislation requires the Rhode Island Division of Taxation (Division) to establish a tax amnesty program that must be conducted for a 75-day period ending on February 15, 2027, which generally will be open to eligible taxpayers owing any tax (including state corporate income and sales/use taxes) imposed by the Division. In exchange for participation and underlying payment of, or agreement to pay via installments, taxes due and reduced interest for any taxable period ending on or before December 31, 2025 (including such taxable periods for which a bill or notice of deficiency determination has been sent to the taxpayer), qualifying taxpayers potentially may receive a waiver of all civil or criminal penalties assessed or assessable. Regarding interest due from qualifying participants, the new law provides that interest on any taxes paid for periods covered under this amnesty program must be computed at the rate imposed under R.I. Gen. Laws section 44-1-7, "reduced by twenty five percent (25%)." Please contact us with any questions.

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Income/Franchise

Arizona – New Law Updates State Conformity to IRC and Conforms to Many OBBBA Provisions

H.B. 4168, *signed by gov. 6/13/26*. Effective ninety-one days after adjournment of the 2026 Arizona Legislature and applicable "retroactively to taxable years beginning from and after December 31, 2024," new law generally updates the definition of the federal Internal Revenue Code (IRC) for Arizona tax purposes to the IRC as in effect on January 1, 2026, "including those provisions that became effective during 2025 with the specific adoption of all retroactive effective dates, but excluding any changes to the IRC enacted after January 1, 2026," for purposes of computing Arizona income taxes "for taxable years beginning from and after December 31, 2025." For purposes of computing Arizona income taxes for taxable years beginning from and after December 31, 2024 through December 31, 2025, the legislation provides that the definition of the IRC for Arizona tax purposes generally is the IRC as in effect on January 1, 2025, including those provisions that became effective during 2024 with the specific adoption of all federal retroactive effective dates, *and* generally including those provisions of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) that are retroactively effective during taxable years beginning from and after December 31, 2024 through December 31, 2025.

However, the legislation decouples from the OBBBA's special depreciation allowance for qualified production property under IRC section 168(n) by providing an income tax addition modification for taxable years beginning from and after December 31, 2025. Additionally, in response to the OBBBA, the legislation deletes Arizona's terminology reference to "global intangible low-taxed income" (GILTI) and instead clarifies reference to IRC section 951A income as it relates to Arizona's existing income tax subtraction modification for foreign dividends.

See recently issued Multistate Tax Alert for more details on this legislation, and please contact us with any questions.

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Florida – New Law Updates State Conformity to IRC and Decouples from Some OBBBA Provisions

H.B. 7031, *signed by gov. 6/11/26*. Effective immediately, and applicable retroactively to tax years beginning on or after January 1, 2026, recently signed legislation generally updates corporate income tax statutory references in Florida to conform to the Internal Revenue Code (IRC) provisions as in effect on January 1, 2026 (previously, January 1, 2025). However, in response to certain changes enacted under the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21), the legislation specifically decouples from IRC section 174A pertaining to the expensing of domestic research and experimental (R&D) expenditures, and IRC section 168(n) pertaining to the special depreciation allowance of certain qualified production property. The legislation also provides that Florida's existing modifications and references to IRC sections 168(k), 174(a), 163(j), 274, and 179 refer to the IRC "as amended and in effect on January 1, 2025." Please contact us with any questions.

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Illinois – New Law Extends and Revises Limitation on Corporate NOL Carryover Deduction

S.B. 3019 (Public Act 104-0468), *signed by gov. 6/16/26*. Recently enacted legislation incorporates several significant Illinois tax law changes, including provisions that extend Illinois' corporation net operating loss (NOL) carryover deduction limitation for taxable years ending on or after December 31, 2027. This NOL carryover deduction limitation previously did not apply to taxable years ending on or after December 31, 2027. Applicable for taxable years ending on or after December 31, 2027, the legislation also limits this NOL carryover deduction to the greater of $500,000 *or* a phased-in percentage of net income that starts at 15% of net income for taxable years ending on or after December 31, 2027, and before December 31, 2028, and ultimately increases to 80% of net income for taxable years ending on or after December 31, 2031.

With respect to Illinois law allowing certain partnerships and S corporations to elect to pay an entity-level state tax on income (PTET) [see *previously issued Multistate Tax Alert* for more details on the Illinois PTET], the legislation permits an alternative PTET computation method for taxable years ending on or after December 31, 2026.

See recently issued Multistate Tax Alert and Indirect Tax Alert for more details on these and several other tax-related provisions in the legislation, and please contact us with any questions.

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Iowa – Updated DOR Guidance Reflects New Law Implementing OBBBA Terminology Change from GILTI to Income under IRC § 951A (NCTI)

GILTI / NCTI and FDII / FDDEI, Iowa Dept. of Rev. (originally issued 11/19; updated 7/17/20; updated 11/4/25; updated 6/11/26). Once again, the Iowa Department of Revenue (Department) updated its administrative guidance on the Iowa income tax treatment of certain international tax provisions under federal law to address the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21). The updated guidance reflects recently enacted Iowa legislation that, for tax years beginning on or after January 1, 2026, references income under Internal Revenue Code (IRC) section 951A (*i.e.,* net controlled foreign corporation tested income or "NCTI"), rather than global intangible low-taxed income (GILTI), for purposes of Iowa's corporate income tax subtraction adjustment for such amounts included in the tax base under IRC section 951A [see *S.F. 2492 (2026)* and *State Tax Matters, Issue 2026-20*, for more details on the recent Iowa law change]. According to the guidance, because NCTI is fully excluded from the corporate income tax base under Iowa law, corporations (including those subject to the franchise tax for Iowa purposes) are not permitted to take the 40% NCTI deduction allowed under IRC section 250(a)(1)(b) for Iowa purposes. In this respect, the updated guidance reflects that Iowa law "treats NCTI in the same way Iowa law treated GILTI prior to OBBBA." Please contact us with any questions.

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Massachusetts – New Law Partially Conforms to Some OBBBA Provisions and Creates New Tax for Some Passthrough Entities

H.B. 5470, *signed by gov. 6/12/26*. Recently enacted budget legislation addresses whether the net income measure of the Massachusetts corporate excise tax imposed by G.L. c. 63, and the Massachusetts income tax imposed by G.L. c. 62, conform to certain provisions of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21), and effectively adopts a selective approach to conformity with some OBBBA changes. Among these changes, the legislation limits conformity to certain federal research and experimental (R&D) expensing revisions under Internal Revenue Code (IRC) section 174A; temporarily decouples from certain business interest, depreciation, and expensing provisions; and narrows qualified opportunity zone (QOZ) treatment to Massachusetts zones. Under this new law, the following deductions are *disallowed* for taxable years beginning in 2025 and 2026 (and potentially additional future taxable years if the 2026 Massachusetts ballot initiative entitled "25-18 Initiative Petition for a Law Relative to Reducing the State Personal Income Tax Rate from 5% to 4%" passes):

- deduction for additional interest under IRC section 163(j) due to the addback of depreciation and amortization to adjusted taxable income;
- deduction for qualified production property under IRC section 168(n); and
- deduction related to the expansion of the IRC section 179 limits under the OBBBA.

Effective for tax years beginning on or after January 1, 2026, the legislation also creates a new elective excise tax for eligible passthrough entities to account for Massachusetts' 4% surcharge on individual income in excess of $1 million [see *State Tax Matters, Issue 2023-47*, for more details on this 4% surtax]. Note that this new election is in addition to the election for eligible passthrough entities to pay an entity-level excise tax (PTET) on qualified income that is taxable in Massachusetts at a rate of 5% for tax years beginning on or after January 1, 2021 [see *previously issued Multistate Tax Alert* for more details on the Massachusetts PTET].

Moreover, the legislation provides that certain "interest and penalties shall not be imposed on an underpayment or late payment of tax for taxable years beginning in 2025" where a taxpayer filed a Massachusetts return prior to the enactment of this bill that "did not accord" with some of its provisions, so long as the taxpayer files an adjusted Massachusetts return that is in compliance "within 90 days of enactment of this act."

See recently issued Multistate Tax Alert for more details on these provisions, and please contact us with any questions.

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New York – Notice Addresses OBBBA Decoupling Law Changes and Reporting for TY 2025

Important Notice N-26-1, N.Y.S. Dept. of Tax. & Fin. (6/16/26). A New York State Department of Taxation and Finance notice addresses recently enacted budget legislation [see *S9009C* / *A10009C*, *signed by gov. 5/28/26*, and *recently issued Multistate Tax Alert* for more details on the New York State budget for fiscal year 2027] which, among other things, decoupled New York State personal income tax, corporate franchise tax, and insurance franchise tax 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 foreign and domestic research and experimental (R&D) expenditures in Internal Revenue Code (IRC) sections 174 and 174A, and the special depreciation allowance for qualified production property under IRC section 168(n), applicable for tax years beginning on or after January 1, 2025. The notice provides compliance-related guidance for tax year 2025, and states:

- if a 2025 tax return has been filed, an amended return must be filed to report the modifications described in this notice; and
- if a 2025 tax return has not yet been filed, the modifications described in this notice must be reported on a timely filed 2025 return.

The notice also explains that "penalty and interest relief is available to taxpayers that timely file or amend a tax year 2025 return reporting the modifications described in this notice." Additionally, "taxpayers that receive a bill or notice that includes penalties and interest related to these modifications should attach a written explanation with their response" indicating that the underpayment is related to the OBBBA-related modifications. Please contact us with any questions.

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Rhode Island – New Law Decouples from Some OBBBA Provisions and Creates High-Income Surtax for Individuals

H.B. 7127, *signed by gov. 6/12/26*. Recently enacted state budget legislation addresses whether Rhode Island conforms to certain provisions of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21) for state corporation and personal income tax purposes for tax years beginning on or after January 1, 2026, as well as creates a new "surtax" for state personal income tax purposes for tax years beginning on or after January 1, 2027, on Rhode Island taxable income exceeding $1 million. Regarding the OBBBA, the legislation provides that for taxable years beginning on or after January 1, 2026, an addition modification is required for the amount of the deduction taken for domestic research and experimental (R&D) expenditures under Internal Revenue Code (IRC) section 174A, less the amount of the deduction that would have been allowed as a deduction for domestic R&D under IRC section 174 immediately prior to the enactment of the OBBBA. The legislation also provides that for taxable years beginning on or after January 1, 2026, a subtraction adjustment is permitted for the amount "as determined by the tax administrator" required to be added back in a prior year that would have been allowed under IRC section 174A as enacted under the OBBBA, but would not have been allowed as a deduction under IRC section 174 immediately prior to the OBBBA's enactment – stipulating that "at no time may the cumulative modification amount for each amortized expenditure" exceed 100% of the expenditure's expense amount. For taxable years beginning on or after January 1, 2027, an addition modification is also required for the amount of any deduction allowable for depreciation, amortization, or depletion pursuant to IRC section 163(j)(8)(A)(v).

For tax years beginning on or after January 1, 2027, the legislation imposes a "high-income" surtax on Rhode Island taxable income over $1 million (as adjusted for inflation) on individuals, estates, and trusts. The surtax will be phased in over three years and is equal to:

- 1% for tax years beginning on or after January 1, 2027, until the tax year beginning January 1, 2028;
- 2% for tax years beginning on or after January 1, 2028, until the tax year beginning January 1, 2029; and
- 3% for tax years beginning on or after January 1, 2029.

This will bring the top marginal tax rate in Rhode Island to 8.99% for tax years beginning on or after January 1, 2029. Additionally, for tax years beginning on or after January 1, 2027, passthrough entities making the Rhode Island passthrough entity tax (PTET) election also may elect to pay the high-income surtax at the entity level on income equal to or exceeding the $1 million threshold, at the phased-in rate. The legislation also conforms Rhode Island's nonresident withholding and composite tax provisions to the new rate structure. For tax years beginning on or after January 1, 2027, the "highest Rhode Island withholding tax rate provided for individuals" used for nonresident withholding and the "highest marginal rate" used for composite returns are each defined as the sum of the 5.99% top marginal rate and the high-income surtax.

Note that for taxable years beginning on or before January 1, 2025, Rhode Island legislation enacted in 2025 decoupled entirely from the OBBBA [see *H.B. 5076 (2025)* and *State Tax Matters, Issue 2025-27*, for additional details on this 2025 Rhode Island legislation, as well as *ADV 2025-18: Rhode Island Decouples from Recently Enacted Federal Legislation-H.R. 1 Domestic Research and Experimental Expenditures*, R.I. Dept. of Rev. (9/12/25) and *State Tax Matters, Issue 2025-36*; and *ADV 2025-20: Rhode Island Decouples from Recently Enacted Federal Legislation-H.R.1*, R.I. Dept. of Rev. (10/2/25) and *State Tax Matters, Issue 2025-39*, for subsequently issued administrative guidance on this decoupling]. Please contact us with any questions.

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South Carolina – Appellate Court Affirms that DOR May Require Combined Reporting and Underlying Taxpayer Must File Combined Return

Case No. 2024-000013, S.C. Ct. App. (6/17/26). In a recently published opinion, the South Carolina Court of Appeals (Court) affirmed a 2023 South Carolina Administrative Law Court ruling [see *Case No. 19-ALJ-17-0416-CC, S.C.* Admin. Law Ct. (8/8/23) and *State Tax Matters, Issue 2023-32*, for more details on the 2023 ALJ ruling], which held that the South Carolina Department of Revenue (Department) has the authority to require combined unitary reporting ("CUR") under state law; and that based on the underlying case facts, i) separate entity reporting did not fairly reflect a parent company's in-state business activity due, in part, to the transfer pricing of intercompany transactions, and ii) combined reporting with the parent's affiliates provided a reasonable and equitable result. In doing so, the Court explained that in light of the South Carolina Supreme Court's 2010 CUR decision, it found "the argument that CUR is not authorized by the apportionment statute unpersuasive." Furthermore, the Court explained that in this case, the Department presented "a wealth of testimony" showing the parent company's "inflated transfer pricing" resulted in distortion of its in-state business activity under the standard sales factor formula, as it allowed the parent company to "artificially shift income." The Court also concluded that the Department sufficiently demonstrated by expert testimony that CUR in this case was "both reasonable and equitable" and cured the "distortion" created by use of the standard formula. Please contact us with any questions.

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Sales/Use/Indirect
Florida – DOR Addresses Terminated Penny Production and Resulting Rounding Implications

Tax Information Publication (TIP) No. 26A01-03, Fla. Dept. of Rev. (6/10/26). The Florida Department of Revenue (Department) released a tax information publication (TIP) on recently enacted legislation addressing the federal government's decision to end production of the penny and Florida's precise rules for rounding to the nearest nickel in certain cash transactions [see *S.B. 1074*, *signed by gov. 5/11/26*, and *State Tax Matters, Issue 2026-19*, for more details on this Florida legislation]. The TIP highlights that while in-person cash transactions may be rounded to the nearest nickel using the prescribed rounding method, the "combined state sales tax and discretionary sales surtax (sales tax) must still be calculated pursuant to current law prior to applying the rounding method." The TIP also explains that rounding to the nearest nickel does *not* "increase or decrease the sales price, sales tax, surtax, surcharge, assessment, or fees imposed on the sale," and that sales tax "remains due on the actual sales price prior to the dealer applying rounding." Illustrative examples are provided. This newer TIP replaces an earlier tax information publication [see *Tax Information Publication (TIP) No. 25A01-18*, Fla. Dept. of Rev. (12/19/25), and *State Tax Matters, Issue 2026-1*, for more details on the Department's earlier publication]. Please contact us with any questions.

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Illinois – New Law Imposes New Targeted Ad Tax, Digital Asset Tax, Social Media Tax, and Tax on Some Prediction Market Wagers

S.B. 3019 (Public Act 104-0468), *signed by gov. 6/16/26*. Recently enacted legislation incorporates several significant Illinois tax law changes, including provisions that as of January 1, 2027:

- create a "Targeted Advertising Services Tax," which is imposed on certain providers (*i.e.,* those engaged in the occupation of providing targeted advertising services whose annual cumulative gross receipts from such services provided in Illinois during the previous twelve-month period exceed $1 million) at a rate of 10% on the gross receipts derived from targeted advertising services provided in Illinois;
- create a "Digital Asset Tax," which is imposed on the privilege of receiving "digital asset business activity" by an in-state customer at the rate of 0.2% of the value of the digital asset to which the digital asset business activity relates, and which must be collected by certain digital asset brokers that meet prescribed twelve-month period gross receipts thresholds or have an in-state physical presence; and
- create a "Social Media Platform Fee," which is imposed on certain social media platforms at various adjusted rates based on the number of Illinois users from whom the social media platform collects certain data.

The legislation also expands Illinois' "Sports Wagering Act" by creating a new transaction tax on each exchange wager – which includes "an agreement, contract, transaction, or swap that is offered, traded, or executed on a prediction market or exchange tied to a sporting contest or sporting event."

Additionally, the Sports Wagering Act was expanded to impose new licensing requirements for the privilege of holding a license to operate fantasy contests. Each annual license includes an imposed privilege tax of 15% on the fantasy contest operator licensee's adjusted gross fantasy contest receipts; the receipts are calculated on the total gross entry fees collected from fantasy contest participants in Illinois, less the in-state participant pro rata share of the total cash prizes paid to any participants in those contests.

See recently issued Multistate Tax Alert and Indirect Tax Alert for more details on these and several other tax-related provisions in the legislation, and please contact us with any questions.

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Unclaimed Property
Arizona – DOR Introduces Voluntary Early Review for Some Unclaimed Property Reports

Holder Notification Report, Ariz. Dept. of Rev. (6/26). The Arizona Department of Revenue's Unclaimed Property Unit has introduced a new voluntary early review process for unclaimed property holder notification reports for the 2026 reporting cycle. Under this process, holders are being asked to submit a preliminary "NAUPA II" report by July 4, 2026, which is 120 days before the standard November 1, 2026 reporting deadline for most holders. Recently, related notices were mailed and/or emailed to many holders, and the stated purpose of this new program is to "ensure a smoother final filing process and faster reunification of assets with their rightful owners."

Importantly, this new process is *not* a payment deadline, and holders should not remit funds with the preliminary submission. The regular remittance timeline remains in place, and holders must still complete all required due diligence and comply with existing statutory reporting obligations. In this respect, holders must consider whether to participate in Arizona's new two-step operational process, even though the formal statutory deadline structure has not changed at this point. Please contact us with any questions.

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Louisiana – New Law Addresses Abandoned Digital Assets and Authorizes Liquidation

H.B. 1256, *signed by gov. 6/9/26*. Effective as of January 1, 2027, recently signed legislation enacts some changes to Louisiana unclaimed property law by explicitly subjecting defined digital assets to its provisions, establishing circumstances under which such digital assets are presumed abandoned, and authorizing the liquidation of certain abandoned digital assets in some situations. Under the new law, a "digital asset" generally is defined as any of the following that are held in a digital asset account: i) virtual currency; ii) cryptocurrency; iii) natively electronic assets, including stablecoins or non-fungible tokens (NFTs); and iv) any other digital-only asset that confers economic, proprietary, or access rights or powers. The term does *not* include i) a security; ii) game-related digital content; iii) a gift card; or iv) a loyalty card. Please contact us with any questions.

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Miscellaneous/Transfer
District of Columbia – Merger of Related Entities Resulted in Taxable Realty Transfer Rather Than Tax-Exempt Conversion

Case No. 22-TX-0820, D.C. Ct. App. (6/11/26). In a case involving the merger of a Virginia general partnership into a Virginia limited liability company (LLC), which resulted in the title transfer of District of Columbia (District or "D.C.") real property from the partnership to the LLC without consideration and without timely recordation, the D.C. Court of Appeals (Court) affirmed that based on the provided facts:

- the transfer of real property from the partnership to the LLC as part of a merger plan constituted a taxable event for District recordation and transfer tax purposes, even though the owners of both entities were identical and the transaction was characterized by the LLC as a conversion;
- the transaction at issue constituted a merger rather than a conversion under a "form over substance" analysis, because the contemporaneous transaction documents established that two distinct legal entities existed before the transaction and merged into one surviving entity and resulted in a transfer of legal title from the partnership to the LLC; and
- where a transfer occurs for no or nominal consideration (as was the case here), District recordation and transfer taxes may be calculated based on the fair market value of the property at the time the deed was subsequently recorded (*i.e.,* at the time when the tax obligation arose in 2019), rather than at the original time of the underlying transfer in 2002.

Declining to rule on the District's supporting claim that the Court must give deference to the D.C. Office of Tax and Revenue's reasonable interpretation of the applicable District statutes versus the LLC's opposing claim that such agency deference was rejected by the U.S. Supreme Court in the 2024 *Loper Bright Enterprises* decision [see *Docket No. 22-451*, US (6/28/24) and *State Tax Matters, Issue 2024-27*, for details on this U.S. Supreme Court decision], the Court concluded that it "need not resolve the dispute between the parties on that issue." Please contact us with any questions.

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