State Tax Matters
Issue 2026-27
The power of knowing
July 10, 2026

State Tax Matters

The power of knowing

In this issue:

Alert
New Jersey enacts temporary cap on corporation business tax net operating loss deductions

On June 30, 2026, New Jersey enacted *Assembly Bill 5322/Senate Bill 4536* ("A5322/S4536") into law. The legislation supplements the Corporation Business Tax Act to impose a temporary $1 million cap on the aggregate amount of net operating loss ("NOL") deductions claimed by a taxpayer, other than a public utility, in computing entire net income for a privilege period ending on or after July 31, 2026, but before July 31, 2030. The legislation takes effect immediately and applies to any privilege period ending on or after July 31, 2026.

This Multistate Tax Alert summarizes the relevant provisions of A5322/S4536.

URL: *https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/2026/new-jersey-enacts-temporary-cap-on-corporation-business-tax-net-operating-loss-deductions.pdf*
[Issued July 6, 2026]

Administrative
Nevada – Draft Proposed Rules Include 10% Penalty for Failing to Provide Requested Documents

LCB File No. R152-26I, Nev. Tax Comm. (6/26/26). The Nevada Tax Commission submitted a draft of several proposed changes to Nevada's administrative rules in Chapter 360 of the Nevada Administrative Code governing tax administration, hearings, penalties, records and procedures – including a proposed new regulation that would impose a 10% penalty on taxpayers in certain situations for failing to provide documents requested by the Nevada Department of Taxation (Department) under state law. Under this draft proposed rule, the 10% penalty would apply in some situations where the Department determines that a taxpayer negligently or through intentional disregard failed to comply with certain statutory requirements for document requests. In determining whether a taxpayer "negligently or through intentional disregard" fails to comply with such requirements, the draft proposed rule states that the Department may consider:

- errors determined in prior audits;
- if documents provided to the Department appear incomplete, inconsistent, disorganized, non-contemporaneous, summary, recreated, or manipulated;
- oral or written representations made by the taxpayer about the documents;
- failure to exercise ordinary care such as lacking systematic procedures, training, industry-standard practices, and verification for creation of business records; or providing incomplete information to, or not relying on the advice of, a professional advisor; and
- any other factor deemed by the Department to be relevant.

Another proposed new regulation concerning the submission of records requested by the Department outside of an audit states that a taxpayer generally must provide all such records within 30 days of receiving the written request or else sign a waiver of the statute of limitations, or "the matter will be determined based on the information available."

Please contact us with any questions.

Renae Welder (Los Angeles)
Tax Principal
Deloitte Tax LLP
rwelder@deloitte.com

Jeremy Foli (Salt Lake City)
Tax Manager
Deloitte Tax LLP
jfoli@deloitte.com

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

Income/Franchise
Connecticut – Administrative Bulletin Addresses Law Changes Pertaining to the OBBBA and IRC §§ 174 & 174A

TSSB 2026-2: Recently Enacted Legislation Impacts Connecticut's Conformity to IRC §174 and IRC §174A for Corporation Business Tax Purposes, Conn. Dept. of Rev. Serv. (7/2/26). The Connecticut Department of Revenue Services issued a "Taxpayer Services Special Bulletin" (TSSB 2026-2) addressing the Connecticut corporation business tax implications of recently enacted legislation on Connecticut's conformity to Internal Revenue Code (IRC) sections 174 and 174A [see *Substitute for S.B. No. 1*, *signed by gov. 5/26/26* and *State Tax Matters, Issue 2026-21*, for more details on this legislation]. Under this new law, TSSB 2026-2 explains that Connecticut expressly conforms to IRC section 174 as it existed on July 3, 2025 (*i.e.,* prior to the enactment of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21)) for the income years starting on and after January 1, 2022, and prior to January 1, 2026. Additionally, because Connecticut has delayed state conformity to IRC section 174A by one year, TSSB 2026-2 explains that corporations are not eligible to claim the deduction allowed under IRC section 174A in the 2025 income year "but will allow such deduction in income years starting on and after January 1, 2026." TSSB 2026-2 includes related corporation business tax filing requirements associated with this state legislation for the 2025 income year, as well as some illustrative examples. TSSB 2026-2 also mentions that separately enacted Connecticut legislation may provide some potential interest and penalty "relief" on the underpayment of estimated taxes related to these research and experimental (R&D) expenditure law changes. Please contact us with any questions.

Jack Lutz (Hartford)
Tax Managing Director
Deloitte Tax LLP
jacklutz@deloitte.com

Maura Bakoulis (Hartford)
Tax Senior Manager
Deloitte Tax LLP
mbakoulis@deloitte.com

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

Florida – DOR Addresses Updated State Conformity to IRC and OBBBA-Related Decoupling

Tax Information Publication (TIP) No. 26C01-01, Fla. Dept. of Rev. (7/7/26). Referencing recently enacted state legislation that 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 [see *H.B. 7031*, *signed by gov. 6/11/26*, and *State Tax Matters, Issue 2026-24*, for more details on this legislation], the Florida Department of Revenue (Department) issued its annual tax information publication (TIP) explaining that while Florida generally will follow the computation of federal taxable income as of January 1, 2026, it continues to require several modifications. The TIP also addresses how, 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), Florida law i) 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; and ii) 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 (*i.e.*, "without taking into consideration any amendments made to these sections" by the OBBBA).

The TIP explains that taxpayers whose federal taxable incomes are affected by these OBBBA decoupling provisions will need to recompute their federal taxable incomes for purposes of Line 1 of the "Florida Corporate Income/Franchise Tax Return" (Form F-1120). Additionally, when filing Form F-1120, "the taxpayer should attach a pro forma federal return with the recomputed federal taxable income, in addition to attaching pages 1-6 of its federal income tax return." The TIP also states that "the Department will work with affected taxpayers to resolve any penalty imposed on such amended return(s) that are a direct result of these items." Please contact us with any questions.

Chris Snider (Miami)
Tax Managing Director
Deloitte Tax LLP
csnider@deloitte.com

Jessica Huber-Broege (Tampa)
Tax Partner
Deloitte Tax LLP
jhuberbroege@deloitte.com

Ian Lasher (Tampa)
Tax Managing Director
Deloitte Tax LLP
ilasher@deloitte.com

Ben Jablow (Tampa)
Tax Manager
Deloitte Tax LLP
bjablow@deloitte.com

Indiana – State High Court Holds in Taxpayer's Favor that Unapportioned Excise Tax Paid to Other State Remains Deductible

Case No. 24S-TA-382, Ind. (6/29/26). In a case involving Indiana's corporate income tax "addback" adjustment for "an amount equal to any deduction or deductions allowed or allowable pursuant to [Internal Revenue Code section 63] for taxes based on or measured by income and levied at the state level by any state of the United States," the Indiana Supreme Court (Court) reversed the Indiana Tax Court's 2024 decision [see *Case No. 22T-TA-00015*, Ind. Tax Ct. (2/28/24), and *State Tax Matters, Issue 2024-10*, for details on this 2024 ruling] and held in the taxpayer's favor that the applicable statute (*i.e.*, Indiana Code section 6-3-1-3.5(b)) does *not* require adding back certain unapportioned wagering taxes it had paid to West Virginia because this particular excise tax on intrastate transactions was neither an income tax (*i.e.,* a tax "based on" income) nor the functional equivalent of an income tax (*i.e.*, a tax "measured by" income). In doing so, the Court issued a relatively lengthy opinion discussing a hypothetical "taxable pie," as well as caselaw and statutes from various other jurisdictions on tax classification and similar adjustments, and it ultimately concluded that the correct test for determining whether the Indiana addback statute at issue applies is whether the tax is either a direct income tax or its functional equivalent (*i.e.,* an apportioned excise tax). In this case, according to the Court, West Virginia's unapportioned wagering excise tax was neither. As a result, the Court also explained that, as with any other expense to generate income for the Indiana tax base subject to apportionment, the taxpayer's remitted West Virginia wagering taxes on intrastate transactions were deductible as ordinary business expenses and must *not* be added back to the Indiana tax base or else they would artificially inflate it. As such, the Court remanded the case for entry of summary judgment in the taxpayer's favor.

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

New York – Appellate Court Affirms No Refund on Remote Work Performed Before and During Pandemic Under Convenience of the Employer Rule

Case No. CV-25-1156, N.Y. App. Div. (7/2/26). In a case involving a nonresident claiming that he was entitled to a refund of New York State personal income taxes paid on income earned while he worked remotely in Connecticut for a New York employer before and during the COVID-19 pandemic, the New York Supreme Court, Appellate Division, Third Department (Court) affirmed the New York Tax Appeals Tribunal's (Tribunal) 2025 ruling denying the refund [see *Decision DTA Nos. 830517 and 830681*, N.Y. Tax App. Trib. (5/15/25) and *State Tax Matters, Issue 2025-20*, for details on the Tribunal's 2025 ruling]. The Court held the Tribunal had rationally concluded that pursuant to New York's "convenience of the employer rule," the New York employer (a law school) did not require him (a law school professor) to work in Connecticut even though he was unable to work on campus in New York during the pandemic. Specifically, the Court reasoned that although the executive order compelled the law school to implement remote instruction, it did not actually require the nonresident to teach from Connecticut, and that a "temporary but grave public health emergency" rather than "employer necessity" explained why the nonresident worked remotely.

Citing a New York Court of Appeals' 2003 decision – which happened to involve the same nonresident law professor and New York law school employer, and which previously held that New York's "convenience of the employer rule" did not violate the U.S. Constitution's Commerce or Due Process Clauses in allocating all of his salary to New York – the Court also rejected the nonresident professor's claims of Commerce and Due Process Clause violations in this case. In doing so, the Court similarly concluded that i) the remote work here did not implicate the dormant Commerce Clause, and ii) the challenged tax bore a rational relationship to values connected with New York and therefore did not violate due process. The Court acknowledged that while the nonresident's remote work during the pandemic in this case was "less volitional" than his remote work in the New York Court of Appeals' 2003 decision, he was still *not* "obliged by necessity of his employer to work in Connecticut."

The Court also recognized "the continuing debate over New York's convenience of the employer rule" and "arguments in favor of new approaches to taxation of remote work." However, "having found no constitutional or other infirmity in the rule's application here," the Court explained that "those debates remain the province of the Legislature and the administrative agency that devises and construes the regulation," and thus it found "no basis to disturb the Tribunal's determination sustaining the taxation of the disputed income as New York source income under the convenience of the employer rule."

Please contact us with any questions.

Jack Trachtenberg (New York)
Tax Principal
Deloitte Tax LLP
jtrachtenberg@deloitte.com

Don Roveto (New York)
Tax Partner
Deloitte Tax LLP
droveto@deloitte.com

Mary Jo Brady (Jericho)
Tax Managing Director
Deloitte Tax LLP
mabrady@deloitte.com

Josh Ridiker (New York)
Tax Managing Director
Deloitte Tax LLP
jridiker@deloitte.com

RobURT Waldow (Minneapolis)
Tax Principal
Deloitte Tax LLP
rwaldow@deloitte.com

Olivia Chatani (Washington D.C.)
Tax Senior Manager
Deloitte Tax LLP
ochatani@deloitte.com

Jeremy Sharp (Washington D.C.)
Tax Senior Manager
Deloitte Tax LLP
jesharp@deloitte.com

New York – ALJ Denies Refund Request for Nonresident's Remote Work Related to COVID-19 Pandemic

Determination DTA No. 831118, N.Y. Div. of Tax App., ALJ Div. (6/25/26). In a case involving a nonresident individual claiming a refund of New York State and New York City personal income taxes paid on income she earned while she worked remotely in Florida for a New York employer for tax year 2021, an administrative law judge (ALJ) with the New York State Division of Tax Appeals denied the refund claim and held that pursuant to New York's "convenience of the employer rule," she failed to show that she worked out-of-state due to her employer's necessity rather than for her own convenience. Under the provided facts, the individual was employed by a New York employer, assigned to a primary work location in New York, and worked in New York until she chose to move to Florida in May 2021 after her New York office's temporary closure during the COVID-19 pandemic. As such, the ALJ explained that New York's convenience of the employer test applied in this case. Referencing the New York Tax Appeals Tribunal's (Tribunal) 2025 ruling [see *Decision DTA Nos. 830517 and 830681*, N.Y. Tax App. Trib. (5/15/25) and *State Tax Matters, Issue 2025-20*, for details on the Tribunal's 2025 ruling], the ALJ noted that the Tribunal has "rejected the taxpayer's assertion that the complete shutdown of their New York employer's premises due to the COVID-19 emergency and an executive order of the governor of New York State necessitated working from home." In this case, the ALJ explained that the individual failed to establish that her home office in Florida was a "bona fide employer office," commenting that while her employer's decision to "temporarily close its New York office due to the unprecedented circumstances" may have created a need for her to work outside that office, she failed to successfully show that it had created "in her employer a need for a bona fide employer office" in her home in Florida.

Please contact us with any questions.

Jack Trachtenberg (New York)
Tax Principal
Deloitte Tax LLP
jtrachtenberg@deloitte.com

Don Roveto (New York)
Tax Partner
Deloitte Tax LLP
droveto@deloitte.com

Mary Jo Brady (Jericho)
Tax Managing Director
Deloitte Tax LLP
mabrady@deloitte.com

Josh Ridiker (New York)
Tax Managing Director
Deloitte Tax LLP
jridiker@deloitte.com

Roburt Waldow (Minneapolis)
Tax Principal
Deloitte Tax LLP
rwaldow@deloitte.com

Olivia Chatani (Washington D.C.)
Tax Senior Manager
Deloitte Tax LLP
ochatani@deloitte.com

Jeremy Sharp (Washington D.C.)
Tax Senior Manager
Deloitte Tax LLP
jesharp@deloitte.com

North Carolina – New Law Updates State Conformity to IRC, Addresses OBBBA, and Conforms to Aspects of Federal Partnership Audit Regime

S.B. 595, signed by gov. 7/2/26; Senate Bill 595: Various Revenue Laws Changes, N.C. General Assembly, Conference Committee Substitute, Finance Team (6/22/26). Effective immediately, new law generally updates North Carolina corporate and individual income tax conformity with the Internal Revenue Code (IRC) as in effect as of July 5, 2025 (previously, January 1, 2023), including "any provisions enacted as of that date that become effective either before or after that date" – which, according to accompanying bill notes, reflects the passage of the federal One Big Beautiful Bill Act on July 4, 2025 (commonly referenced as "OBBBA" and more formally as P.L. 119-21). However, the legislation provides a "decoupling adjustment" to the federal allowance of full first-year expensing for domestic research and experimental (R&D) expenditures under IRC section 174A, which applies to i) taxable years beginning on or after January 1, 2022, for taxpayers who elect for federal income tax purposes the retroactive application of IRC section 174A(a) for a taxable year beginning in 2022, 2023, or 2024; and ii) taxable years beginning on or after January 1, 2025, for taxpayers who do not make this federal election.

Effective for taxable years beginning on or after January 1, 2026, and applicable to federal partnership adjustments that become final on or after that date, the legislation also addresses North Carolina's treatment of partnerships that are the subject of a federal audit under the centralized federal partnership audit regime. According to accompanying bill notes, the legislation "conforms to the federal system for centralized large partnership audits and provides an election for a partnership to pay tax at the partnership level." The legislation generally follows the model statute issued by the Multistate Tax Commission.

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

Art Tilley (Charlotte)
Tax Managing Director
Deloitte Tax LLP
atilley@deloitte.com

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

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

Olivia Chatani (Washington D.C.)
Tax Senior Manager
Deloitte Tax LLP
ochatani@deloitte.com

Sales/Use/Indirect

Alabama – Proposed Rule Reflects New Law that Excludes Certain Interchange Fees from Tax Base with Comments Due August 4

Proposed Amend. Reg. section 810-6-3-.50, Ala. Dept. of Rev. (6/30/26). A proposed amended rule from the Alabama Department of Revenue reflects recently enacted legislation [see *S.B. 221 (2026)*, and *State Tax Matters, Issue 2026-16*, for more details on this legislation] that, effective as of September 1, 2026, 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." Specifically, the proposed rule provides that "to be excludable from the measure of sales and use tax, the credit card transaction fee must be separate and identifiable from other charges." A virtual public hearing on this rule proposal is scheduled for August 4, 2026, and written comments are due on the same date. 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

California – OTA Says Contractor Owes Use Tax on Mexican Affiliate's Fabrication Labor

Case No. 21037482, Cal. OTA (*petition for rehearing denied 4/21/26*). The California Office of Tax Appeals (OTA) held that an in-state construction contractor owed California use tax on certain fabrication labor that it purchased from a Mexican limited liability entity ("Mexico LLE") in which he owned a 99% interest, because the facts showed that there was a transfer of tangible personal property from the Mexico LLE to the contractor in the form of a "sale" in Mexico after the Mexico LLE had applied fabrication labor to the materials supplied by the contractor, which the contractor then ultimately installed for its California customers. In doing so, the OTA commented that even if such a use tax finding might mean that the contractor's business practice "violates Mexican Maquiladora law," such an assertion "does not negate OTA's finding that, based on California tax law, the sales took place in Mexico." Please contact us with any questions.

Lindsay McAfee (San Francisco)
Tax Principal
Deloitte Tax LLP
lmcafee@deloitte.com

Lindsay Crews (San Francisco)
Tax Partner
Deloitte Tax LLP
lcrews@deloitte.com

Galina Philipovitch (San Jose)
Tax Managing Director
Deloitte Tax LLP
gphilipovitch@deloitte.com

Brian Wiggins (Sacramento)
Vice President, Tax Specialist
Deloitte Tax LLP
bwiggins@deloitte.com

Inna Volfson (Boston)
Tax Managing Director
Deloitte Tax LLP
ivolfson@deloitte.com

Michael Spencer (Washington D.C.)
Tax Senior Manager
Deloitte Tax LLP
mispencer@deloitte.com

Illinois – Filed Lawsuits Challenge the Validity of Sports Wagering Act's New Transaction Tax

Case No. 1:26-cv-07363, N.D. Ill. (*complaint filed 6/23/26*); *Case No. 1:26-cv-3659*, N.D. Ill. (*complaint filed 6/17/26*). A federally regulated designated contract market (DCM) (often termed a "prediction market") that is permitted by the federal Commodity Futures Trading Commission (CFTC) to trade sports events contracts has filed a lawsuit seeking injunctive and declaratory relief to prevent Illinois officials from enforcing Illinois's new law that expands its "Sports Wagering Act" by creating a new transaction tax on each exchange wager [see *S.B. 3019 (Public Act 104-0468)* and *previously issued Multistate Tax Alert* and *previously issued Indirect Tax Alert* for more details on these and several other tax-related provisions in the enacting legislation]. Among the claims, the lawsuit states that the Illinois law's enforcement must be enjoined because the new transaction tax attempts to effectively regulate the DCM in violation of the U.S. Constitution's Supremacy Clause as applied to the DCM and its affiliates. Another lawsuit filed by the CFTC similarly alleges, among other claims, that this Illinois transaction tax violates the U.S. Constitution's Supremacy Clause as applied on CFTC-regulated designated contract markets. Please contact us with any questions.

Mary Pat Kohberger (Chicago)
Tax Managing Director
Deloitte Tax LLP
mkohberger@deloitte.com

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

Inna Volfson (Boston)
Tax Managing Director
Deloitte Tax LLP
ivolfson@deloitte.com

Michael Spencer (Washington D.C.)
Tax Senior Manager
Deloitte Tax LLP
mispencer@deloitte.com

Kathy Saxton (Atlanta)
Tax Managing Director
Deloitte Tax LLP
katsaxton@deloitte.com

Justin Gulotta (New York)
Tax Senior Manager
Deloitte Tax LLP
jgulotta@deloitte.com

Illinois – Tax Tribunal Says Dealer Can't Claim Bad-Debt Refunds on Installment Sales Assigned to Financing Company

Case Nos. 22 TT 61, 25 TT 100, 25 TT 101, Ill. Ind. Tax Trib. (7/6/26). In a case involving a car dealer that sold its vehicles to customers through "buy-now, pay-later" installment plans and which then filed Illinois sales tax "bad debt" refund claims to recoup the portions of Illinois sales tax that it had paid upfront for those customers that ultimately defaulted on their contracts, the Illinois Independent Tax Tribunal (Tribunal) denied the refund claims as the dealer had assigned the installment contracts and related customer receivables to another entity (*i.e.,* an "in-house financing company"), without recourse, before the customer defaults occurred and thus was ineligible to claim the underlying bad debt losses under applicable state law. Under the stipulated facts, the financing company had claimed bad debt deductions on its federal income tax returns for the vehicle transaction losses which were the subject of the car dealer's refund claims. Additionally, the facts showed that the car dealer and financing company constituted separate and distinct subchapter "S" corporations that did not meet the "common parent corporation" requirement under Internal Revenue Code section 1504. As such, the Tribunal concluded that the two entities were *not* "affiliates" of one another and rejected the dealer's argument that the two should be considered "as one company" for bad debt loss reporting purposes. In rejecting the dealer's "bad debt" refund claims, the Tribunal also noted that "by agreeing to take a reduction of the purchase price to account for potential credit losses from the face amount of receivables" when it assigned them to the financing company, the dealer "explicitly took a loss upfront to account for potential sales tax left unpaid by the customers." Please contact us with any questions.

Mary Pat Kohberger (Chicago)
Tax Managing Director
Deloitte Tax LLP
mkohberger@deloitte.com

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

Indiana - DOR Proposes New Rules on Taxation of Digital Products and Computer Software with Comments Due July 24

Proposed New Regulation section 45 IAC 2.2-4-38 and section 45 IAC 2.2-4-39, Ind. Dept. of Rev. (6/24/26); *Notice of Public Hearing: LSA Document # 24-395*, Ind. Dept. of Rev. (6/24/26). The Indiana Department of Revenue (Department) proposed new rules addressing the state sales and use tax treatment of specified digital products and prewritten computer software. According to the Department, the proposed new rules seek to provide "certainty to businesses regarding Indiana's treatment of sales tax" as well as "benefits to businesses and the department by minimizing the scope of disputes." One proposed new rule provides that a person is considered a retail merchant making a retail transaction when the person electronically transfers "specified digital products" to an end user and grants the right of permanent use that is not conditioned on continued payment. The proposed new rule states that specified digital products includes the following types of electronically transferred items: i) digital audio works, ii) digital audiovisual works, and iii) digital books, as well as defines the term "transferred electronically." Another proposed new rule provides that the sale, rental, lease, or license of prewritten computer software delivered electronically is subject to Indiana gross retail tax, but that a transaction in which an end user purchases the right to remotely access prewritten computer software over the internet or other networks does *not* constitute a retail transaction. Comments on these proposed new rules are due by July 24, 2026, and a public hearing (which may be attended in-person or virtually) is scheduled for July 27, 2026. Please contact us with any questions.

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

Mississippi – Amended Rules Reflect 2025 Caselaw Holding that Certain Freight Charges are Not Subject to Use Tax

Amended Reg. section 35.IV.2.03 and Notice; *Amended Reg. section 35.IV.7.03* and *Notice*, Miss. Dept. of Rev. (7/2/26). Adopted rule changes from the Mississippi Department of Revenue pertaining to manufacturers and custom processors and the use taxation of certain freight charges reflect a 2025 Mississippi Supreme Court decision, which held that a natural gas pipeline company did *not* owe Mississippi use tax on certain freight charges paid to a third-party carrier to transport certain tangible personal property it had purchased separately outside Mississippi for use in Mississippi [see *Case No. 2023-SA-01079-SCT*, Miss. (5/1/25) and *State Tax Matters, Issue 2025-18*, for more details on this 2025 case]. These revised rules were adopted as originally proposed [see *State Tax Matters, Issue 2026-23*, for details on the rule proposals] and take effect on August 3, 2026. Please contact us with any questions.

Liudmila Wilhelm (Atlanta)
Tax Senior Manager
Deloitte Tax LLP
lwilhelm@deloitte.com

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

North Carolina – New Law Establishes 6% Tax on Prediction Market Operators' Net Trading Fee Revenue

S.B. 257, signed by gov. 7/7/26. Applicable to "net trading fee revenue" received on or after January 1, 2027, recently enacted budget legislation includes provisions that impose a new 6% tax on such revenue that is apportionable to North Carolina and received by "prediction market" operators. The legislation defines a prediction market as "any physical or electronic platform through which a consumer may buy, sell, or exchange event contracts," and explains that such term applies whether or not the platform is located in North Carolina *and* "includes any designated contract market that has obtained a license from the Commodity Futures Trading Commission or any other exchange, platform, or business that offers event contracts for trading which are in fact traded by a consumer located in the State." Under the new law, "prediction market revenue" generally is defined as revenue actually received by a prediction market from the following sources:

- trading, or taker, fees;

- fees charged to liquidity providers placing resting orders; or
- commissions charged to any futures commission merchants, introducing brokers, or other affiliated, authorized, or licensed market participants, clearinghouses or clearing organizations, intermediaries, service providers, and market infrastructure participants.

Furthermore, "net trading fee revenue" generally is defined as prediction market revenue less i) broker or market maker compensation; ii) promotional incentives, funds, or rebates; iii) platform fees or clearing fees charged by a derivatives clearing organization; and iv) withdrawal fees.

Please contact us with any questions.

Kathy Saxton (Atlanta)
Tax Managing Director
Deloitte Tax LLP
katsaxton@deloitte.com

Art Tilley (Charlotte)
Tax Managing Director
Deloitte Tax LLP
atilley@deloitte.com

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

Inna Volfson (Boston)
Tax Managing Director
Deloitte Tax LLP
ivolfson@deloitte.com

Justin Gulotta (New York)
Tax Senior Manager
Deloitte Tax LLP
jgulotta@deloitte.com

Walter Tarcza (Charlotte)
Tax Manager
Deloitte Tax LLP
wtarcza@deloitte.com

North Carolina – DOR Addresses Terminated Penny Production and Resulting Rounding Implications

S.B. 595, signed by gov. 7/2/26; Senate Bill 595: Various Revenue Laws Changes, N.C. General Assembly, Conference Committee Substitute, Finance Team (6/22/26). Addressing the federal government's decision to end production of the penny, recently enacted North Carolina legislation provides entities with precise rules for rounding to the nearest five-cent interval in certain cash transactions. While the legislation provides rounding rules for purposes of completing certain cash transactions with the public, it specifies that such rounding does *not* alter "the sales price, the amount of tax owed or collected" under applicable state law or "any surcharges, assessments, or fees imposed on the sale." The legislation also specifies that it does *not* relieve retailers from the duty to calculate sales tax in accordance with applicable state law and remit to the North Carolina Department of Revenue "the exact amount of sales tax shown on an invoice or receipt" as nothing in the bill "authorizes the rounding of the amount of sales tax due." Please contact us with any questions.

Kathy Saxton (Atlanta)
Tax Managing Director
Deloitte Tax LLP
katsaxton@deloitte.com

Walter Tarcza (Charlotte)
Tax Manager
Deloitte Tax LLP
wtarcza@deloitte.com