State Tax Matters
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The power of knowing
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State Tax Matters

The power of knowing

In this issue:

Alert
North Carolina conforms to federal partnership audit regime and updates IRC conformity

On July 2, 2026, North Carolina enacted *Senate Bill 595* ("S.B. 595"), an omnibus taxation measure. Among other changes, S.B. 595 adopts a state framework for reporting federal partnership adjustments under the federal centralized partnership audit regime, updates North Carolina's conformity to the Internal Revenue Code from January 1, 2023, to July 5, 2025, following the One Big Beautiful Bill Act (OBBBA), and decouples from the federal treatment of domestic research and experimental expenditures. Except as otherwise provided in this Multistate Tax Alert, S.B. 595 is effective when it became law.

This Multistate Tax Alert summarizes the state reporting of federal partnership adjustments and federal conformity provisions of S.B. 595.

URL: *https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/tax/2026/multistate-tax-alert-north-carolina-conforms-to-federal-partnership-audit-regime-and-updates-irc-conformity.pdf*
[Issued July 15, 2026]

Administrative
Florida – New Law Requires Interest on Tax Overpayments to Begin Accruing on the 91st Day After Refund Application is Received

H.B. 7031-E, signed by gov. 6/29/26. Applicable to tax refund claims filed on or after January 1, 2027, recently enacted legislation generally requires interest on tax overpayments to begin accruing on the 91st day after the Florida Department of Revenue (Department) receives a refund application and effectively removes the prerequisite for a tax refund claim to be deemed "complete" by the Department before such interest may begin to accrue. The legislation also clarifies when interest begins accruing on tax refund denials that are under protest. Please contact us with any questions.

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New Hampshire – New Law Addressing Use of Digital Assets and Blockchain Prohibits Disparate Treatment

H.B. 639, signed by gov. 7/10/26. New law establishes certain protections for users of blockchain technology and digital assets – including virtual currencies, cryptocurrencies, and natively electronic assets (such as stablecoins and non-fungible tokens (NFTs)) – and provides that "no state or local government agency or subdivision thereof shall prohibit, restrict, or otherwise impair the ability of" an individual to:

- use digital assets to purchase legal goods or services;
- self-custody digital assets using a self-hosted wallet or third-party wallet; or
- use digital assets as a method of payment "without the imposition of any tax, withholding, assessment, or charge based solely on the fact that a digital asset was used as the method of payment."

The legislation defines "digital assets" as "any fungible or non-fungible digital representation of value, unit of value, voting, or usage right that can be exclusively possessed and transferred, person to person, without necessary reliance on an intermediary, and is recorded on a blockchain system." Please contact us with any questions.

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South Carolina – New Law Says Administrative Agencies are Not Entitled to Deference from Reviewing Courts

H.B. 3021, signed by gov. 6/30/26. Effective immediately, newly enacted legislation modifies South Carolina's standard for review of a state agency's interpretation of South Carolina statutes and regulations. Specifically, the legislation provides that in interpreting a South Carolina statute or regulation, the reviewing court shall not defer to the agency's interpretation of the statute or regulation and "instead shall interpret the statute or regulation de novo." Please contact us with any questions.

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Income/Franchise
New Hampshire – New Law Increases BET Annual Receipts Filing Threshold and Potentially Lowers BET Rate

H.B. 155, signed by gov. 7/10/26. Recently enacted legislation raises the annual gross business receipts threshold for requiring certain businesses to file a New Hampshire business enterprise tax (BET) return from $250,000 to $400,000, as well as lowers the BET rate "in the event of certain business tax revenue surpluses." Subject to these annual business tax revenue surplus goals being met and certified, the BET rate potentially may be "reduced by 0.05 percentage points" for taxable periods beginning on or after January 1 of the calendar year immediately following the calendar year in which the certification is issued; however, the BET rate "shall not be reduced below 0.25 percent by operation" of this new provision. Please contact us with any questions.

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Pennsylvania – New Law Enables Philadelphia to Decouple BIRT from OBBBA Provisions Pertaining to R&D Expenses, §163(j), and §168(n)

S.B. 146 (Act 21), signed by gov. 7/12/26. Applicable for tax years beginning after December 31, 2024, recently signed state legislation enables the City of Philadelphia, Pennsylvania (City) to decouple the net income component of the City business income and receipts tax (BIRT) from some aspects of the federal One Big Beautiful Bill Act (commonly referenced as "OBBBA" and more formally as P.L. 119-21), including OBBBA provisions pertaining to:

- the expensing of domestic research and experimental (R&D) expenditures in Internal Revenue Code (IRC) section 174A and related sections;
- the modifications of adjusted taxable income (ATI) and the limitation on business interest under IRC section 163(j); and
- the special depreciation allowance for qualified production property under IRC section 168(n).

These newly enacted law changes correspond with Pennsylvania legislation enacted in 2025 [see *H.B. 416 (Act 45), signed by gov. 11/12/25*, and *previously issued Multistate Tax Alert* for more details on this legislation] that decouples Pennsylvania's corporate net income tax (CNIT) from the same OBBBA provisions.

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Pennsylvania – DOR Proposes Rules on Sourcing Sales from Services and is Accepting Comments

Proposed Amended and New Regulation 61 Pa. Code §§ 153.26 and 153.26a, Penn. Dept. of Rev. (7/13/26). The Pennsylvania Department of Revenue (Department) released proposed rules to provide guidance related to Act 52 of 2013 "for sourcing revenue from sales of services in the computation of corporate net income tax" and to "codify existing guidance in light of a 2023 Pennsylvania Supreme Court decision upholding the Department's apportionment methodology for sourcing revenue from sales of service" [see *Case No. J-16-2022*, Pa. (2/22/23) and *State Tax Matters, Issue 2023-9*, for more details on the 2023 Pennsylvania Supreme Court decision]. According to the Department, this rulemaking proposes to revise an existing regulation to limit its application to sourcing sales of tangible personal property, and to add a new regulation to address the methodology for sourcing revenue from sales of services. The proposed new regulation also includes "special rules for certain industries, markets or business models where determining the location of service delivery may be more difficult to ascertain," and "provides taxpayers with basic rules for reasonably approximating the amount of service receipts that are delivered in this Commonwealth." Various examples are included in the proposal. Comments on these proposed amended and new rules are due within 30 days after the date of their publication in the *Pennsylvania Bulletin.* Please contact us with any questions.

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Wisconsin – Taxpayer Asks U.S. Supreme Court to Review Decision on Scope of P.L. 86-272 Protections

Docket No. 25A1220, US (*petition for cert. filed 7/13/26*). In a case addressing whether an out-of-state corporation that sold travel services to Wisconsin residents through at least 100 in-state independent consultants was subject to Wisconsin corporate franchise tax for the tax years at issue, the taxpayer is asking the U.S. Supreme Court whether the protections afforded under P.L. 86-272 extend only to taxpayers that solicit sales of tangible personal property, *or* "is the federal law concerned with the level of in-state business activity regardless of how the taxpayer earns its income?" In 2025, a Wisconsin Court of Appeals indicated that the taxpayer's in-state service activity was *not* protected by P.L. 86-272, reasoning that this federal law only extends its protections to the solicitation of sales of tangible personal property [see *Appeal No. 2023AP1251*, Wis. Ct. App. (6/3/25) and *State Tax Matters, Issue 2025-22*, for more details on the Wisconsin Court of Appeals' 2025 decision]. Earlier this year, the Wisconsin Supreme Court denied reviewing the Wisconsin Court of Appeals' 2025 decision [see *Case No. 2023AP1251*, Wis. (*review denied 2/12/26*) and *State Tax Matters, Issue 2026-7*, for details on the Wisconsin Supreme Court's denied review of this case]. Please contact us with any questions.

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Gross Receipts
Washington – Receipts from Remote Title Service Transactions Deemed Sourced to Location of Purchasers' In-State Real Property

Case No. 59809-4-II, Wash. Ct. App. (7/14/26). In a state business and occupation (B&O) tax receipts sourcing case involving a national title insurance/escrow service company that provides its services remotely through out-of-state affiliated agencies in connection with the sale or refinancing of real property, a Washington Court of Appeals (Court) reiterated [see *State Tax Matters, Issue 2026-9*, for details on the Court's initial decision in this case] that the receipts at issue must be sourced to Washington under Rev. Code Wash. section 82.32.730(1)(b) as remote transactions because purchasers "receive" or "make first use of" the services in Washington at the underlying real property's in-state location, rather than outside Washington at a remote agent's closing office pursuant to Rev. Code Wash. section 82.32.730(1)(a). Please contact us with any questions.

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Sales/Use/Direct
California – July 21 Workshop to Address Taxation of Electronically Delivered Digital Products, Prewritten Software

Notice: Digital Products Workshop, Cal. Dept. of Tax and Fee Admin. (7/7/26). Pursuant to recently enacted legislation that amends California sales and use tax law by subjecting to tax beginning as of January 1, 2027, the permanent or temporary transfer of the right to open, view, access, download, copy, update, possess, store, manipulate, or otherwise use certain defined digital products transferred electronically or accessed remotely [see *S.B. 122, signed by gov. 6/29/26,* and *previously issued Multistate Tax Alert* for more details on this legislation] – where such a "digital product" includes prewritten computer software – the California Department of Tax and Fee Administration (CDTFA) has scheduled a workshop on July 21, 2026 (which may be attended virtually or in-person) to "discuss and receive input regarding the application of sales and use tax to digital products." Any related written suggestions or comments must be submitted prior to this July 21 workshop. Please contact us with any questions.

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Colorado – DOR to Hold Workgroup Meeting on Rules that Implement Repealed Downloaded Software Exemption

Workgroup Meeting – Computer Software, Colo. Dept. of Rev. (7/26). Citing recently enacted legislation that repeals a Colorado sales and use tax exemption on downloaded computer software [see *H.B. 1223, signed by gov. 6/4/26* and *State Tax Matters, Issue 2026-23*, for more details on this legislation], the Colorado Department of Revenue (Department) announced that it will host a virtual workgroup meeting on August 6, 2026, to discuss the development of related new rules. In doing so, the Department explains that it has not yet drafted rules for this workgroup and is "instead seeking input from the public to help determine what issues and guidance the rules should provide." The Department is also requesting that any "comments identifying issues and guidance" that these rules should provide to be submitted by August 6, 2026. Please contact us with any questions.

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Kentucky – DOR Summarizes New Law that Removes 200-Transaction Nexus Threshold, Taxes Data Brokering Services, and Addresses Penny Shortage

Sales Tax Facts, Ky. Dept. of Rev. (7/14/26). A Kentucky Department of Revenue (Department) newsletter discusses recently enacted legislation that incorporates several tax-related measures, including i) removing Kentucky's 200 transaction-based "Wayfair" economic nexus annual threshold for remote retailers and marketplace providers, ii) taxing "data brokering services," and iii) addressing the federal government's decision to end production of the penny by providing specific rounding rules [see *H.B. 757*, *enacted without governor's signature on 4/14/26*, and *previously issued Multistate Tax Alert*, for more details on this legislation]. Regarding economic nexus, the Department explains that remote retailers and marketplace providers are no longer required to register for a Kentucky sales and use tax permit "if their only reason for registering is having met the transaction volume threshold for Kentucky customers" – and notes that the economic nexus threshold of "$100,000 or more in gross receipts in the previous or current calendar year" remains unchanged. Regarding taxable data brokering services, the Department states that "companies providing data brokering services to customers in Kentucky should register and begin collecting the 6% tax on receipts from sales occurring on or after August 1, 2026." With respect to the impending penny shortage, the Department explains that "effective July 15, 2026, traditional rounding is not merely a suggestion but a requirement with cash transactions when pennies are unavailable." Please contact us with any questions.

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Missouri – New Law Addresses Terminated Penny Production and Resulting Rounding Implications

H.B. 2819, signed by gov. 7/13/26. Addressing the federal government's decision to end production of the penny, recently enacted Missouri legislation provides vendors with precise rules for rounding to the nearest five-cents in certain cash transactions. While the legislation provides rounding rules for purposes of completing certain cash transactions, the rounding "shall be applied only to the final total of the transaction after all items, discounts, and taxes have been calculated." Additionally, the legislation states that the applicable amount of tax due in accordance with Missouri law must be remitted "regardless of the method of payment from the taxpayer's customer," and that "a vendor selling goods or services shall not be in violation of any requirements, laws, regulations, or standards of a state or political subdivision of this state based on any action taken in good faith and in compliance with" these new rounding rules. Please contact us with any questions.

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Pennsylvania – New Law Enables Localities to Move from Origin-Based Sourcing to Destination-Based Sourcing

S.B. 146 (Act 21), signed by gov. 7/12/26. Applicable for tax years beginning after December 31, 2025, recently enacted state legislation enables certain Pennsylvania localities (*i.e.,* Philadelphia and Allegheny County) to modify their sales and use tax situsing rules to match the state-level sales and use tax situsing rules – which effectively permits them to move from origin-based sourcing to destination-based sourcing. Please contact us with any questions.

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Property
New York City – Adopted Rules Implement New Pied-à-terre Surcharge

Rule Relating to Surcharge on Certain Non-Primary Residences, N.Y.C. Dept. of Fin. (eff. 7/14/26); *New chapter 62 of Title 19 of the Rules of the City of New York*, N.Y.C. Dept. of Fin. (eff. 7/14/26). Pursuant to recently enacted New York State budget legislation [see *S9009C* / *A10009C*, *signed by gov. 5/28/26,* and *previously issued Multistate Tax Alert* for more details on this state budget legislation] that imposes 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"), the New York City Department of Finance adopted rules relating to the administration of this surcharge. Please contact us with any questions.

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Unclaimed Property
Alaska – New Law Addresses Abandoned Virtual Currency and Related Reporting Requirements

S.B. 86, enacted without governor's signature 6/30/26. Recently enacted legislation includes some changes to Alaska unclaimed property law by explicitly subjecting defined "virtual currency" to its provisions and establishing circumstances under which virtual currency would be presumed abandoned. Under the new law, "virtual currency" generally means a digital representation of value that is used as a medium of exchange, unit of account, or store of value; and is *not* money, whether or not denominated in money. Additionally, "virtual currency" generally does *not* mean i) a transaction in which a merchant grants, as part of an affinity or rewards program, value that cannot be taken from or exchanged with the merchant for money, bank credit, or virtual currency; or ii) a digital representation of value issued by or on behalf of a publisher and used solely within an online game, game platform, or family of games sold by the same publisher or offered on the same game platform. Please contact us with any questions.

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Arizona – New Law Indicates that Gift Cards and Stored Value Instruments May Now Be Reportable

S.B. 1336, signed by gov. 6/22/26. New law contains several changes to Arizona's unclaimed property statutes, including removing provisions that had specifically excluded gift certificates, electronic gift cards, nonrefundable tickets, prepaid phone cards, frequent flyer miles, stored value cards, and merchandise points from the definition of "property." As such, without the delineated exclusions, these instruments may now fall within Arizona's unclaimed property reporting and remittance obligations. Please contact us with any questions.

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North Carolina – New Law Permits Contingency Fees for Vendor Auditors in Some Instances

H.B. 1126, signed by gov. 7/7/26. Recently enacted legislation contains several changes to North Carolina's unclaimed property statutes, including *removing* the following text:

> "If the Treasurer contracts with any other person to conduct an audit under this Chapter, the audit shall not be performed on a contingent fee basis or any other similar method that may impair an auditor's independence or the perception of the auditor's independence by the public…"

The applicable North Carolina unclaimed property statute continues to provide that "compensation of persons whose services may be employed pursuant to this section on a contingent fee basis shall be limited to twelve percent (12%) of the final assessment." Please contact us with any questions.

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