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Income/Franchise

California – Voters Back "Proposition 3" Ballot Measure that Makes Top Individual Income Tax Rates Permanent

Proposition 3; *Proposition 3 election results*, *unofficially approved by voters 11/3/26.* In California's recent election held on November 3, 2026, a majority of California voters voted "yes" on "Proposition 3" that, once certified, will amend the State of California Constitution by making permanent certain existing voter-approved state income tax rates for individuals. Specifically, the existing top California individual income tax rates of 10.3%, 11.3%, and 12.3%, which were set to expire on December 31, 2030, will be made permanent under this ballot measure. Note that the ballot measure election results are scheduled to be officially certified on December 11, 2026. Please contact us with any questions.

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Colorado – Voters Back "Amendment 87" Ballot Measure that Creates Graduated Corporate and Individual Income Tax Rate Structure

Amendment 87; *Amendment 87 election results*, *unofficially approved by voters 11/3/26*. In Colorado's recent election held on November 3, 2026, voters in Colorado appear to have approved "Amendment 87" that, once certified, will amend the State of Colorado Constitution by eliminating the current requirement of a flat state corporate and individual income tax rate and statutorily adopting a graduated state income tax rate structure after tax year 2026 – which will include an 8.41% income tax rate on certain annual incomes greater than $1 million.

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

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Indiana – Updated PTET and Composite Return Bulletins Address Investment Partnerships and Various Computations

Information Bulletin #72; *Information Bulletin #72B*, Ind. Dept. of Rev. (rev. 11/26). The Indiana Department of Revenue issued updated pass-through entity tax (PTET) and composite return bulletins addressing, among other revisions, certain implementation of legislation enacted in 2025 [see *H.B. 1427 (2025)*, and *State Tax Matters, Issue 2025-20*, for more details on this legislation]. Among the changes are revisions to "reflect the removal of the post-2025 method of computing income subject to PTET," and "provide that investment partnerships should remove qualifying investment partnership income for nonresident partners from the calculation of PTET." Please contact us with any questions.

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Iowa – Proposed Rules Address Corporate Income Tax Nexus, P.L. 86-272 and Internet Activity with Comments Due by December 1

Proposed rescinded and readopted Rule 701—Chapter 501 [RA 26-399], Iowa Dept. of Rev. (11/11/26). The Iowa Department of Revenue released several proposed state corporation income tax rules, including one (*i.e.*, "Rule 701—501.1(422)") that has been updated to "reflect the treatment of more modern methods of doing business, which are not contemplated in the current rule, and how they should be treated for nexus and Public Law 86-272 purposes." In delineating certain activities that may *not* be protected under P.L. 86-272 for Iowa corporation income tax purposes, the proposed rule lists:

- the placement of "internet cookies onto the computers or other electronic devices of in-state customers that gather customer search information that will be used to adjust production schedules and inventory amounts, develop new products, or identify new items to offer for sale;" and
- remotely fixing or upgrading "products previously purchased by its in-state customers by transmitting code or other electronic instructions to those products via the internet."

In delineating certain activities that may be protected under P.L. 86-272 for Iowa corporation income tax purposes, the proposed rule lists the placement of "internet cookies onto the computers or other devices of in-state customers that only gather customer information for purposes entirely ancillary to the solicitation of orders for tangible personal property, such as to remember items that customers have placed in their shopping cart during a current web session, to store personal information customers have provided to avoid the need for the customers to re-input the information when they return to the seller's website, and to remind customers what products they have considered during previous sessions" – where such cookies "perform no other function, and these are the only types of cookies delivered by the business to its customers' computers or other devices." A public hearing on these various proposed rule changes is scheduled for December 1, 2026, and written comments are due on the same date. Please contact us with any questions.

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Maine – Proposed Rule Seeks to Clarify Sourcing Receipts from Services and TPP with Comments Due by December 4

Proposed Amended Reg. section 18-125-801; *Agency Rulemaking Notice*, Me. Rev. Serv. (11/4/26). Maine Revenue Services is proposing to amend Maine's corporate income tax apportionment rule (*i.e.*, "Rule 801") to: i) "clarify that the information required to be used for determining where sales are attributed applies to both sales of tangible personal property and sales of other than sales of tangible personal property;" ii) provide in certain circumstances a method for the reasonable approximation of the amount of receipts from sales of other than sales of intangible property attributable to Maine; iii) add new examples to illustrate sourcing receipts from the performance of services; and iv) make other technical changes to "enhance clarity." Comments on these proposed rule changes are due by December 4, 2026. Please contact us with any questions.

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Sales/Use/Indirect

Iowa – Cryptocurrency Mining Facility Does Not Qualify for Data Center or Manufacturing Exemptions

Docket No. 1333034, Iowa Dept. of Rev. (9/23/26). In a declaratory order involving a company that owns and operates in-state specialized computing servers that in large volumes receive, compute, and validate electronic data in the process of cryptocurrency mining, the Iowa Department of Revenue (Department) held that based on the provided facts, the company failed to qualify for Iowa's sales tax exemption for data center businesses. In doing so, the Department explained that even though the company met the definition of a data center business under state law, it failed to qualify for several other delineated statutory requirements to claim the exemption. Additionally, the Department concluded that because the company does *not* produce tangible personal property at any point, it does not meet the definition of "processing" and thus cannot qualify for Iowa's statutory exemption for computers and equipment directly and primarily used in processing. Please contact us with any questions.

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Texas – Ruling Says Online Ordering Service Company is Providing Taxable Data Processing

SOAH Docket No. 304-26-02364 (CPA Hearing No. 120,930), Tex. Comptroller of Public Accounts (7/8/26). In a ruling involving a company operating an online ordering (OLO) service that is used by the franchisees of its parent entity and which allows end consumers to place orders through the parent's website and for those orders to be sent to the correct franchisee's licensed point-of-sale software (which is also licensed to the franchisee by the OLO company) to process payments from end consumers, a Texas Comptroller of Public Accounts decision affirmed an administrative law judge ruling that the OLO company is selling taxable data processing services that constitute the essence of the transactions. While the company unsuccessfully contended that the OLO transactions are merely commissions paid in consideration for placing an online order with a franchisee, the ruling concluded that based on the provided facts and terms of the underlying agreements, the "OLO fee" allows access to the online ordering system and that the company here is "entering, retrieving and/or storing data and/or storing and compiling information," which constitutes taxable data processing services under applicable Texas law. Please contact us with any questions.

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