

Multistate Tax Alerts

Throughout the week, we highlight selected developments involving state tax legislative, judicial, and administrative matters. The alerts provide a brief summary of specific multistate developments relevant to taxpayers, tax professionals, and other interested persons. Read the recent alerts below or visit the archive.

Archive: <https://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-archive.html?id=us:2em:3na:stm:awa:tax>

Taxpayers consenting to inclusion in California’s pass-through entity tax may have a reduced other state tax credit due to calculation mechanics

California allows a credit for taxes paid to other states based on a ratio of double taxed income over total California income times an individual’s California net tax (as defined by section 17039) payable. Based on the mechanics of California Schedule S, the Franchise Tax Board interprets the term “net tax payable” to be tax after most credits are utilized including the California Passthrough Entity Tax credit (“CA PET”). Under this interpretation, taxpayers with CA PET credits may see a reduction in their other state tax credit (“OSTC”) because the CA PET may reduce “net tax payable” which may reduce the federal benefit of consenting to inclusion in California’s pass-through entity tax regime.

URL: https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=17039.&lawCode=RTC

URL: <https://www.ftb.ca.gov/forms/2020/2020-540-s.pdf>

This Multistate Tax Alert summarizes this development and some related taxpayer considerations.

[Issued June 24, 2022]

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-taxpayers-consenting-to-inclusion-in-californias-pass-through-entity-tax.pdf>

New Jersey announces Transfer Pricing Initiative

On June 16, 2022, the New Jersey Division of Taxation announced the New Jersey Transfer Pricing Initiative (the “Initiative”), which invites eligible corporate income taxpayers to participate in a voluntary program aimed at resolving intercompany transfer pricing issues. The Initiative is intended to create an efficient resolution for transfer pricing audits. The Initiative began on June 15, 2022, and will continue through March 2, 2023; however, requests to participate must be received by September 15, 2022. Furthermore, New Jersey is a member of the Abusive Tax Avoidance Transactions Partnership with the Internal Revenue Service and other state taxing agencies; as a result of New Jersey’s membership in the partnership, the State is required to share leads and audit results with the other agencies regarding abusive tax avoidance transactions.

URL: <https://www.nj.gov/treasury/taxation/cbt/tpinitiative.shtml>

URL: <https://www.irs.gov/pub/irs-news/ir-03-111.pdf>

This Multistate Tax Alert summarizes the Initiative and some related taxpayer considerations.

[Issued June 27, 2022]

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-new-jersey-announces-transfer-pricing-initiative.pdf>

Ohio clarifies tax treatment of the sale of business interest

On June 24, Ohio House Bill 515 (H.B. 515) was signed into law. The bill provides clarification to existing law regarding the personal income taxation of gains and losses from the sale of an equity or ownership interest in a business, including the sale of a partnership or limited liability company interest.

URL: https://search-prod.lis.state.oh.us/solarapi/v1/general_assembly_134/bills/hb515/PS/04/hb515_04_PS?format=pdf

This Multistate Tax Alert summarizes the bill's provisions and provides some taxpayer considerations.

[Issued June 28, 2022]

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-ohio-clarifies-tax-treatment-of-the-sale-of-business-interest.pdf>

Vermont adopts several corporate tax reform changes

On May 31, 2022, Vermont Senate Bill 53 (S.B. 53) was signed into law. Under the legislation, Vermont adopted single sales factor apportionment, repealed Vermont's sales factor "throwback" rule, repealed Vermont's 80/20 provisions related to overseas business organizations, moved from a *Joyce* to a *Finnigan* approach to determine nexus and in-state activity for unitary combined group taxpayers, and adjusted Vermont's current corporate minimum tax structure. These corporate tax reform changes take effect for tax years beginning on or after January 1, 2023. Additionally, Vermont updated its annual conformity date to the Internal Revenue Code as amended retroactive to January 1, 2022, and this applies to taxable years beginning on and after January 1, 2021.

URL: <https://legislature.vermont.gov/Documents/2022/Docs/ACTS/ACT148/ACT148%20As%20Enacted.pdf>

This Multistate Tax Alert summarizes some of the provisions of S.B. 53.

[Issued June 29, 2022]

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-vermont-adopts-several-corporat-tax-reform-changes.pdf>

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