



State Tax Matters

August 22, 2014

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Rising Tide – Will Investment Managers Be Swept Up in State Income Tax Trends?

More and more states are looking to increase state income tax revenues by expanding their definition of nexus beyond physical presence to include “economic activity” in the state. In addition, more states are moving from cost of performance to market-based sourcing for receipts from services and intangibles. The question thus arises: Do these new rules apply to investment funds and investment managers? If they do, the partners in the funds and fund managers may face new state tax liabilities as well as some sticky compliance and withholding rules.

Check out this new [article](#) written by Gregory A. Bergmann, Keith Gray and Karen Boucher of Deloitte Tax LLP and recently published in the Journal of Taxation of Investments, which discusses these trends and highlights some of the related issues that have arisen for investment managers.

URL: http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-Tax/52391195873f7410VgnVCM2000003356f70aRCRD.htm?id=us:em:na:stm:eng:tax:082214

Multistate Tax Alerts

What’s new in the States? Our Multistate Tax Alerts highlight selected state tax developments relevant to taxpayers, tax professionals, and other interested persons. Read our more recent alerts below or visit the archive for ones you may have missed.

Archives: http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-Tax/multistate-tax-archive/index.htm?id=us:em:na:stm:eng:tax

California Competes Tax Credit – Application Process Reopening for FY 2014/2015

The California Competes Tax Credit (CCTC) is an income tax credit available to businesses expanding in or relocating to California. The CCTC was enacted on July 11, 2013, with the initial application period having closed on April 14, 2014. For fiscal year 2013/2014, the CCTC Committee awarded \$28,904,663 in tax credits in amounts ranging from \$20,000 to \$6,000,000 to 29 taxpayers. For fiscal year 2014/2015, the Governor’s Office of Business and Economic Development (“GO-Biz”) anticipates \$150,000,000 in available CCTC. Two of the three application periods and all CCTC committee hearing dates have been released by GO-Biz, and the application process should open shortly.

This Multistate Tax Alert provides a summary of the CCTC and information on the upcoming application process.

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Louisiana 2014 Tax Amnesty Program to Run October 15 – November 14

On August 12, 2014, the Louisiana Department of Revenue (LADOR) issued a press release, announcing additional details regarding the 2014 Louisiana Tax Amnesty Program (Amnesty Program). As specified by the LADOR, the Amnesty Program is scheduled to begin on October 15, 2014, at 12:01 AM and end November 14, 2014, at 11:59 PM.

This Multistate Tax Alert highlights the LADOR press release and provides links to our prior Multistate Tax Alerts on this topic, containing additional detail regarding the Amnesty Program.

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Michigan Files Motion for Rehearing and Motion to Stay in *IBM*; Legislators Explore Retroactive Legislation That Would Disallow “Compact” Election

On July 14, 2014, the Michigan Supreme Court in *International Business Machines v. Michigan Department of Treasury (IBM)* held that the taxpayer could elect to compute both the Modified Gross Receipts Tax and the Business Income Tax components of its 2008 Michigan Business Tax (MBT) liability using the Multistate Tax Compact (Compact) election in lieu of the 100% sales-weighted apportionment formula under the MBT Act. By application of the election (Compact Article III), the taxpayer was allowed to use an equally-weighted, three-factor apportionment formula (property, payroll and sales).

In response to the *IBM* decision, the Michigan Department of Treasury (Treasury) filed two motions with the court: a Motion for Rehearing, requesting that the court reconsider its decision; and a Motion to Stay, asking that the court suspend the effects of the case pending the outcome of the Motion for Rehearing. Also, some Michigan legislators have apparently begun to consider a legislative response aimed at retroactively disallowing the Compact election.

This Multistate Tax Alert summarizes Treasury’s two motions and the potential legislative response to the court’s decision, as well as provides some taxpayer considerations in light of the potential for retroactive legislation.

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