



Multistate Tax

State Tax Matters

January 16, 2015

In this issue:

Articles: State Tax Implications of Accounting Method Changes.....	1
Articles: Current Trends in State Taxation: Consumption Tax Versus Income Tax	1
Income/Franchise: New York City: Mayor Bill de Blasio Announces that He Will Propose Tax Reform.....	2
Multistate Tax Alerts	3

Articles:

State Tax Implications of Accounting Method Changes

Federal accounting method changes are an often overlooked area by state tax professionals. Tax professionals sometimes assume an election to change the method of accounting for a particular transaction or item of income or expense will be followed for state tax purposes with no unique ramifications apart from the federal tax implications. In many states this is true; however, there are exceptions. These exceptions can create traps for the unwary as well as potential missed opportunities. Ruth Kallio-Mielke of Deloitte Tax LLP summarizes various state compliance requirements and highlights certain situations where an accounting method change that produces different federal and state tax effects may potentially present an opportunity for tax savings.

URL: <http://www2.deloitte.com/us/en/pages/tax/articles/state-tax-implications-of-accounting-method-changes.html?id=us:em:na:stm:eng:tax:011615>

URL: <http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-state-tax-implications-of-accounting-method-changes-011315.pdf?id=us:em:na:stm:eng:tax:011615>

Articles:

Current Trends in State Taxation: Consumption Tax Versus Income Tax

In recent years, a significant trend has emerged among the states regarding tax reform. Many states, including Georgia, Kansas, Oklahoma, Ohio, and North Carolina, among others, have introduced and/or passed legislation that reduces the state's income tax rate applicable to

individuals, corporations, or both, while attempting to increase tax revenue from consumption taxes. Generally, increased revenue from consumption taxes comes from an increase in the state's sales and use tax rate or an expansion of the sales/use tax base. This article, by Joe Eleniewski, Doug Nagode, and James P. Trebby, examines the drivers of this trend by identifying possible reasons for it and analyzing the costs and benefits of switching to a tax system primarily based on taxing consumption rather than income.

[URL: http://www2.deloitte.com/us/en/pages/tax/articles/current-trends-in-state-taxation-consumption-tax-versus-income-tax.html?id=us:em:na:stm:eng:tax:011615](http://www2.deloitte.com/us/en/pages/tax/articles/current-trends-in-state-taxation-consumption-tax-versus-income-tax.html?id=us:em:na:stm:eng:tax:011615)

[URL: http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-current-trends-in-state-taxation-consumption-tax-versus-income-tax-010915.pdf?id=us:em:na:stm:eng:tax:011615](http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-current-trends-in-state-taxation-consumption-tax-versus-income-tax-010915.pdf?id=us:em:na:stm:eng:tax:011615)

Income/Franchise:

New York City: Mayor Bill de Blasio Announces that He Will Propose Tax Reform

News Release: Mayor de Blasio Announces Tax Reform to Provide Relief to NYC Businesses and Manufacturers, Modernize NYC's Corporate Tax System, New York City, Office of the Mayor (1/12/15). New York City Mayor Bill de Blasio has proposed a major reform of New York City's corporate tax structure to conform New York City's corporate tax system to that of New York State's – explaining that such conforming legislation would “ensure that firms will not need to maintain separate records for State and City tax purposes,” as well as “create the consistency in computation of taxes that is critical to facilitating joint audits and preventing major administrative burdens” for both taxpayers and New York City. Many of these proposed reforms, if enacted, would be retroactive to January 1, 2015.

[URL: http://www1.nyc.gov/office-of-the-mayor/news/020-15/mayor-de-blasio-tax-reform-provide-relief-nyc-businesses-manufacturers-](http://www1.nyc.gov/office-of-the-mayor/news/020-15/mayor-de-blasio-tax-reform-provide-relief-nyc-businesses-manufacturers-)

According to the news release, Mayor de Blasio's New York City corporate tax reform proposal would include:

- Updating New York City's corporate income tax and minimum tax codes to mirror the New York State codes;
- Target relief toward many of New York City's small businesses and local manufacturers;
- Merging the bank tax into the corporate franchise tax for certain C corporations;
- Adopting a new method for computing net income that “broadens the tax base by treating most income as business income;”
- Adopting a new method for determining how corporations attribute net income, “based on where a firm's markets are located, rather than the location of the business operations;” and
- Adopting unitary combined reporting rules.

Stay tuned for a forthcoming Multistate Tax Alert with more details on these corporate tax reform proposals.

Note that New York State enacted sweeping tax legislation during 2014 that changed many aspects of its state tax law – including providing for the unification of Article 32 (Franchise Tax

on Banking Corporations) into Article 9-A (Franchise Tax on Business Corporations), modifying the net income tax base, moving to a bright-light statutory nexus threshold to determine whether out-of state corporations are subject to the state corporate franchise tax, as well as apportionment and combined reporting reforms [see previously released New York State Corporation Tax Reforms of 2014 by Russell Banigan, Kenneth Jewell and Mary Jo Brady of Deloitte Tax LLP for more details on this enacted state legislation].

[URL: http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-article-new-york-state-corp-tax-reforms-2014.pdf?id=us:em:na:stm:eng:tax:011615](http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-article-new-york-state-corp-tax-reforms-2014.pdf?id=us:em:na:stm:eng:tax:011615)

— Ken Jewell
Director
Deloitte Tax LLP
kjewell@deloitte.com

Shona Ponda
Senior Manager
Deloitte Tax LLP
sponda@deloitte.com

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.

[Archive: http://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-archive0.html?id=us:em:na:stm:eng:tax](http://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-archive0.html?id=us:em:na:stm:eng:tax)

No new alerts were issued this period. Be sure to refer to the archives to ensure that you are up to date on the most recent releases.

Have a question?

If you have needs specifically related to this newsletter's content, send us an email at clientsandmarketsdeloittetax@deloitte.com to have a Deloitte Tax professional contact you.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Disclaimer

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. None of Deloitte Touche Tohmatsu Limited, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.