

State Tax Matters

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In this issue:

Sales/Use: California: State Board of Equalization Adopts Amended Rule Addressing Manufacturing and R&D Equipment Exemption	1
Articles: State Tax Considerations for Foreign Entities	1
Multistate Tax Alerts	2

Sales/Use:

California: State Board of Equalization Adopts Amended Rule Addressing Manufacturing and R&D Equipment Exemption

News Release, Cal. SBE (7/18/14); *Amended Regulation 1525.4, Manufacturing and Research & Development Equipment*, Cal. SBE (5/30/14). The California State Board of Equalization has announced that it has adopted a regulation to implement California's "Manufacturing and Research & Development Equipment Partial Sales and Use Tax Exemption" during a public hearing on July 17, 2014. The regulation applies to equipment used primarily in manufacturing or research and development, which is part of the Governor's Economic Development Initiative which provides tax exemptions and credits to qualified businesses to promote business expansion and job growth in California. The regulation reflects new law that, effective July 1, 2014, provides a partial exemption from state sales/use tax for certain sales and purchases, including leases, of tangible personal property for use in specified manufacturing and research & development activities. The rule addresses when the partial exemption applies, as well as defines key terms.

URL: <http://www.boe.ca.gov/news/2014/106-14-G.pdf>

URL: http://www.boe.ca.gov/regs/pdf/Reg1525_4_Text_2014.pdf

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Articles:

State Tax Considerations for Foreign Entities

When considering state tax issues for a foreign entity, it is natural to focus initially on the potential corporate income tax considerations, particularly as an extension of analyzing whether that entity might be subject to any federal income tax filing requirements. This article provides an overview of the state income tax considerations for foreign entities in the context of six questions:

URL: http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-Tax/bd475a7d67947410VgnVCM1000003256f70aRCRD.htm?id=us:em:na:stm:eng:tax:072514

- How is the foreign entity classified for state income tax filing purposes?
- Does the foreign entity have nexus for state income tax purposes?
- If nexus exists, does the foreign entity have income subject to state tax?
- If the foreign entity has income subject to state tax, does it have in-state apportionment factors?
- Even if the foreign entity does not have income tax nexus, is it required to be included in any state unitary combined filings, and if so, to what extent?
- To what extent may the foreign entity be subject to state taxes other than those based on net income, such as franchise or net worth, gross receipt, or sales or use taxes?

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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

Michigan Supreme Court Upholds "Compact" Apportionment Election for 2008 MBT Purposes and Characterizes Modified Gross Receipts Tax as an Income Tax

On July 14, 2014, a four justice majority of the Michigan Supreme Court in *International Business Machines v. Michigan Department of Treasury* ("IBM") reversed an earlier Michigan Court of Appeals decision and held that the enactment of the Michigan Business Tax Act ("MBT Act") did not "repeal by implication" the election provision of the Multistate Tax Compact ("Compact") codified in the Michigan Revenue Act, MCL Section 205.581, Article III(1). Therefore, the court held that the taxpayer could elect to compute its Michigan Business Tax ("MBT") liability for the 2008 tax year pursuant to the equally-weighted, three-factor apportionment formula (property, payroll and sales) provided by Article III of the Compact in lieu of the 100% sales-weighted apportionment formula under the MBT Act.

The court also held that the Modified Gross Receipts Tax ("MGRT") component of the MBT fit the Compact's broad definition of an "income tax" and therefore the taxpayer could elect to apply the Compact's equally-weighted, three-factor formula in computing the MGRT in addition to the Business Income Tax component of the MBT.

This Multistate Tax Alert summarizes the Michigan Supreme Court's decision in *IBM* and provides taxpayer considerations.

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URL: http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-Tax/c5a96dd80e347410VgnVCM3000003456f70aRCRD.htm?id=us:em:na:stm:eng:tax:072514

URL: http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/Tax/us_tax_MI_MBT_071714.pdf?id=us:em:na:stm:eng:tax:072514

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