



State Tax Matters

August 8, 2014

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Income/Franchise:

Ohio: Department of Taxation Issues Guidance on Implementation of New FIT

Financial Institutions Tax Information Release FIT 2014-01, Ohio Dept. of Tax. (7/14). The department has issued an information release that describes which entities are subject to the Ohio financial institutions tax (FIT) – i.e., financial institutions (including bank organizations, holding companies, and nonbank financial organizations) with nexus in Ohio generally are subject to the FIT. Note that a “financial institution” does *not* include a diversified savings and loan holding company, a grandfathered unitary savings and loan holding company, an institution organized under the “Federal Farm Loan Act” or a successor of such an institution, an insurance company, a captive finance company, or a credit union.

URL: http://www.tax.ohio.gov/FinancialInstitutionsTax/information_releases/FIT/fit_2014_01.aspx

The Department also notes that the first FIT return is due October 15, 2014 with estimated payments having been due the 31st of January, March, and May 2014, and that such entity should have filed its final Ohio corporation franchise tax (CFT) return for tax year 2013 between January 1, 2013 and March 31, 2013. Also, if an entity was previously subject to the Ohio commercial activity tax (CAT) but is now subject to the FIT, such entity should have continued to pay the CAT until December 31, 2013, and file its final return reflecting the fourth quarter 2013, as necessary, on or before February 10, 2014.

See previously issued Multistate Tax Alert for more details on the 2012 legislation that created the new FIT (which generally replaces the CFT previously applicable to financial institutions).

URL: [http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-](http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-Tax/049d19a93218c310VgnVCM1000003256f70aRCRD.htm?id=us:em:na:stm:eng:tax:080814)

[Tax/049d19a93218c310VgnVCM1000003256f70aRCRD.htm?id=us:em:na:stm:eng:tax:080814](http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-Tax/049d19a93218c310VgnVCM1000003256f70aRCRD.htm?id=us:em:na:stm:eng:tax:080814)

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Sales/Use:

Illinois: Appellate Court Affirms Cook County's Non-Titled Personal Property Use Tax is Invalid

Reed Smith LLP v. Director of the Cook County Department of Revenue, Ill. App. Ct. (8/4/14). An Illinois Appellate Court has affirmed the circuit court's ruling [see previously issued Multistate Tax Alert for details on the earlier 2013 circuit court ruling in this case] that the Cook County non-titled personal property use tax violated local "home rule authority" ordinances because it was "a tax on the 'selling price or purchase price' of tangible personal property when first subjected to use in the County."

URL: http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-Tax/43e2fec5f9322410VgnVCM3000003456f70aRCRD.htm?id=us:em:na:stm:eng:tax:080814

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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.

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

Multistate Tax Commission Adopts Changes to Article IV of the Multistate Tax Compact

On July 30, the Multistate Tax Commission (MTC) adopted amendments to five provisions of Article IV of the Multistate Tax Compact (Compact). These amendments revise the Compact's provisions regarding factor weighting and the sourcing of service and intangible revenue, and the definitions of the terms "sales" and "business income." The amendments also grant to state tax agencies the explicit authority under Article IV.18 (Section 18) to establish apportionment regulations (e.g., industry-wide and transaction-based regulations). While the Compact has been adopted by a number of states, these MTC amendments will not become the law of a particular state unless formally adopted by that state.

Additionally, several other amendments to Section 18 that were not yet up for consideration by the MTC were approved by the MTC's Executive Committee on July 31 for submission to Compact member states as part of a Bylaw 7 survey (i.e., a survey in which member states are asked whether they would consider adoption of the proposal as a new addition or amendment to their tax statutes or regulations). These amendments would generally place the burden of proof on the party seeking the application of an alternative apportionment method and limit the ability of a taxing authority to impose criminal and civil penalties in instances where the taxpayer files consistent with a statutory method of apportionment. The revisions also protect taxpayers from a state tax agency's retroactive revocation of written permission to use an alternative apportionment method. If approved in the Bylaw 7 survey, these amendments would be ready for approval of the MTC at its July 2015 annual meeting.

This Multistate Tax Alert summarizes the approved and pending amendments to Article IV and provides taxpayer considerations as the MTC moves forward with developing regulations to implement the Article IV amendments.

[Issued: August 5, 2014]

URL: http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-Tax/5d2c5df31dba7410VgnVCM3000003456f70aRCRD.htm?id=us:em:na:stm:eng:tax:080814

URL: http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/Tax/us_tax_multistate_MTC_080514.pdf?id=us:em:na:stm:eng:tax:080814

Multistate Tax Commission Continues to Explore Transfer Pricing

The Multistate Tax Commission (MTC) Arm's-length Adjustment Service (ALAS) Advisory Group – the group designated to lead the MTC's project to develop a multistate transfer pricing service – convened in Albuquerque, New Mexico on July 28 for its second in-person meeting. Although the project is still in its development phase, a recurring theme throughout the meetings has been the need for states to secure economic experts to support transfer pricing issues on audit and during litigation.

This Multistate Tax Alert provides background regarding the ALAS project, summarizes the July 28 meeting and the project timeline, and suggests additional considerations.

[Issued: July 31, 2014]

URL: http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-Tax/cba9acbf4d197410VgnVCM3000003456f70aRCRD.htm?id=us:em:na:stm:eng:tax:080814

URL: http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/Tax/us_multistate_tax_MTC_080114.pdf?id=us:em:na:stm:eng:tax:080814

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