

State Tax Matters

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Income/Franchise:

California: Franchise Tax Board Announces New Inflation-Indexed “Bright-Line Nexus” Threshold Amounts

Tax News, Cal. FTB (9/14). The California Franchise Tax Board (FTB) announces that the new indexed “nexus” threshold requirements of California Revenue and Taxation Code (R&TC) Section 23101, which defines “doing business” in California, are \$52,956 (originally, \$50,000) of property, \$52,956 (originally, \$50,000) of payroll, or \$529,562 (originally, \$500,000) of sales for the 2014 tax year. Accordingly, a taxpayer is now deemed to be “doing business” in California if:

URL: https://www.ftb.ca.gov/professionals/taxnews/2014/September/Inside_FTBS.html

- The taxpayer actively engages in any transaction in California for the purpose of financial or pecuniary gain or profit;
- The taxpayer is organized or commercially domiciled in California;
- The taxpayer’s sales, as defined in subdivision (f) of R&TC Section 25120, including sales by the taxpayer’s agents and independent contractors, exceeds the lesser of \$529,562 or 25% of the taxpayer’s total sales;
- The taxpayer’s real and tangible personal property in California exceeds the lesser of \$52,956 or 25% of the taxpayer’s total real and tangible personal property; or
- The amount paid in California by the taxpayer for compensation, as defined in subdivision (c) of R&TC Section 25120, exceeds the lesser of \$52,956 or 25% of the total compensation paid by the taxpayer.

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Income/Franchise:

Virginia: Department of Taxation Summarizes New Law that Exempts DISCs from State Corporate Income Tax, Other Taxes

2014 Legislative Summary, Va. Dept. of Tax. (7/14). The Virginia Department of Taxation has issued a summary of 2014 tax legislative changes, including new law [*H.B. 480*; see previously issued State Tax Matters article for more details on this new law] that exempts interest charge "DISCs" (as defined under the Domestic International Sales Corporations provisions of the Internal Revenue Code) from the Virginia corporate income tax, the minimum tax on telecommunications companies, and the tax imposed on electric suppliers, pipeline distribution companies, gas utilities, and gas suppliers for taxable years beginning on or after January 1, 2014.

URL: <http://www.tax.virginia.gov/Documents/2014%20Legislative%20Summary.pdf>

URL: <http://lis.virginia.gov/cgi-bin/legp604.exe?141+ful+HB480ER+pdf>

URL: http://newsletters.usdbriefs.com/2014/Tax/STM/140314_2.html

According to this summary, an IC-DISC is a tax exempt entity that an export company may form under federal law "to avoid federal corporate income taxation on commission payments made by the export company to the IC-DISC" and that "such payments are then subject to taxation at lower federal capital gain rates when the IC-DISC distributes the payments to its shareholders as dividends." The department explains that, under prior law, IC-DISCs were not exempt from taxation in Virginia, and were required to file and pay Virginia corporate income taxes even when exempt from federal taxation. This new law exempts IC-DISCs from the Virginia corporate income tax, "but the dividends paid to shareholders remain subject to Virginia income taxation."

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Articles:

An interview featuring Kevin Potter of Deloitte Tax LLP in Bloomberg BNA's "Tax Management Weekly State Tax Report"

In a recent interview with Bloomberg BNA's "Tax Management Weekly State Tax Report," Deloitte Tax LLP Director Kevin Potter said, "Tax credits and incentives can be an effective tool in assisting our veterans seeking employment because it incentivizes businesses to hire individuals who have historically faced barriers to employment." Check out the entire article by Jason Plotkin, in which Kevin delves into the benefits of this "growing trend" in many states.

URL: [http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-](http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-Tax/d090ac3baea38410VgnVCM3000003456f70aRCRD.htm?id=us:em:na:stm:eng:tax:090514)

[Tax/d090ac3baea38410VgnVCM3000003456f70aRCRD.htm?id=us:em:na:stm:eng:tax:090514](http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-Tax/d090ac3baea38410VgnVCM3000003456f70aRCRD.htm?id=us:em:na:stm:eng:tax:090514)

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

No new alerts were issued this week. 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.

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