



Multistate Tax

State Tax Matters

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Articles:

States Use Credits and Incentives to Attract Startups and Technology Companies

Business headlines increasingly feature stories covering the rapid rise of technology startups and the related eye-popping IPOs. This press highlights recent technology industry growth at roughly three times the rate of the rest of the private sector, with each high-tech job creating 4.3 additional jobs throughout the rest of the economy. Technology companies currently employ just under 6 million people in the United States with compensation at 98% more than the average for the private sector. Facebook, Twitter, Instagram and Snapchat, unheard of around a decade ago, are now household names, while traditional service companies are being displaced by the sharing economy that has been encouraged by the likes of Uber, Airbnb, and Venmo.

The success and growth of the technology industry has not gone unnoticed by state legislatures, as the states recognize that these companies produce more vibrant communities by boosting job creation (including the trend among established technology companies to hire from local universities), revenues, and intellectual capital. Consequently, the states have responded in a number of ways to attract technology businesses.

Through various credit, incentive and similar programs, states are working to create an environment that encourages technology businesses to open up shop within their borders, with the hope that the next Apple or Microsoft emerges as a taxpayer and job creator for the local population. These programs also seek to keep established startups from moving to other states as the competition to lure tech giants away from one state and into another heats up. Finally, in a nod toward the life-blood of startups, many states provide credits to the investors that fund the businesses at early growth stages.

In this article, Kevin Potter, a Director in Deloitte Tax LLP's National Credits & Incentives practice, highlights some of the states with noteworthy programs focused on attracting and retaining technology companies and startups.

URL: <http://www2.deloitte.com/us/en/pages/tax/articles/states-use-credits-and-incentives-to-attract-startups-and-technology-companies.html?id=us:em:na:stm:eng:tax:042415>

Income/Franchise:

New York City: Department of Finance Discusses Transitional Filing Provisions for Taxpayers Affected by Recently Enacted Corporate Tax Reform Legislation

Finance Memorandum 15-2: Transitional Filing Provisions for Taxpayers Affected By Corporate Tax Reform Legislation, N.Y.C. Dept. of Fin. (4/17/15). Pursuant to recently enacted legislation [S4610A/A6721] that provides for broad-based tax reform of the New York City corporate tax regime [see previously issued Multistate Tax Alert for more details on this new law], the New York City Department of Finance has issued a memorandum that explains transitional filing provisions for the 2014 and 2015 tax years for affected New York City General Corporation Tax (GCT) and Banking Corporation Tax (BCT) taxpayers. More specifically, the memorandum discusses the tax filing changes applicable to the BCT, GCT, S corporations, as well as estimated tax payments. Regarding 2015 transitional filing provisions for GCT filers, the memo covers such topics as fiscal year taxpayers, filing combined reports when members have different tax years, taxpayers using a 52-53 week accounting period, and short-period returns.

URL: http://www1.nyc.gov/assets/finance/downloads/pdf/fm/fm_1502.pdf

URL: <http://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-new-york-corporate-tax-law-reform-enacted.html?id=us:em:na:stm:eng:tax:042415>

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Income/Franchise:

Oregon: New Law Replaces 20% Penalty for Taxpayer's Substantial Understatement of "Taxable Income" with 20% Penalty for Substantial Understatement of "Net Tax"

H.B. 2488, signed by gov. 4/16/15. Effective on the 91st day after the date on which the 2015 session of the 78th Legislative Assembly adjourns sine die, and applicable to tax years beginning on or after January 1, 2015, new law replaces Oregon's 20% penalty for substantial understatement of "taxable income" with a 20% penalty for the substantial understatement of "net tax" for state corporate and personal income tax purposes. Correspondingly, the new law sets the "net tax" understatement amount that would trigger the 20% penalty at \$2400 for personal income tax purposes and \$3500 for corporate income tax purposes (previously, \$15,000 and \$25,000 of "taxable income," respectively). Additionally, the new law provides for the adjustment of these net tax threshold amounts for inflation for calendar years beginning on or after January 1, 2017.

URL: <https://olis.leg.state.or.us/liz/2015R1/Downloads/MeasureDocument/HB2488/Enrolled>

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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.

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

California Employment Training Panel Incentive Program Update

The California Employment Training Panel (ETP) administers a vocational training incentive program through performance-based contracts. The goal of this program is to assist California employers' efforts to effectively train workers and maintain a skilled workforce. The program is funded by the Employment Training Tax paid by California employers, and its purpose is to spur job creation and support employers affected by out-of-state competition. Since 1982 the ETP has reimbursed employers more than \$1 billion for training more than 800,000 California workers.

The ETP anticipates a funding capacity of over \$90 million for FY15/16, and individual employers may receive grants of up to \$750,000. The ETP will begin accepting "pre-applications" for FY15/16 funding at 8:00am on May 1.

This Multistate Tax Alert summarizes the ETP program, provides a brief update regarding its anticipated funding capacity and highlights the May 1 commencement date for FY15/16 "pre-applications."

[Issued: April 16, 2015]

URL: <http://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-california-employment-training-panel-incentive-program-update.html?id=us:em:na:stm:eng:tax:042415>

North Dakota Phases in Single-sales Factor Election; Amends MTC Provisions

On April 20, 2015, North Dakota Governor Jack Dalrymple signed Senate Bill No. 2292, amending North Dakota law by phasing in a single-sales factor election for apportioning business income and eliminating the elective apportionment formula pursuant to North Dakota's adoption of the Multistate Tax Compact.

This Multistate Tax Alert summarizes these law changes.

[Issued: April 22, 2015]

URL: <http://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-north-dakota-phases-in-single-sales-factor-election-amends-mtc-provisions.html?id=us:em:na:stm:eng:tax:042415>

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