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Articles:
Tax Credits and Incentives for Oil & Gas Producers in a Low-Price Environment

Given the generally low-price environment, oil and gas producers have focused renewed attention on cost reduction, management of their global tax burden and improving cash flow. Utilization of available federal and state tax incentives, exemptions and exclusions to reduce federal and state tax burdens is one way companies in the oil and gas industry can seek to accomplish these goals. To this end, the US and state governments continue to provide tax incentives for eligible oil and gas companies to encourage domestic oil and gas exploration and recovery during

periods of low commodity prices. These incentives may prove to be particularly valuable in the current low-price environment.

This edition of "Credits & Incentives Talk with Deloitte," a monthly column by Kevin Potter of Deloitte Tax LLP featured in the *Journal of Multistate Taxation and Incentives* (a Thomson Reuters publication), is co-authored in part with Dan Shirley and Irene Manos of Deloitte Tax LLP's National Multistate Tax Services Practice and focuses on some of the federal and state tax benefits potentially available to oil and gas producers in the current low-price environment.

URL: <https://www2.deloitte.com/us/en/pages/tax/articles/tax-credits-and-incentives-for-oil-and-gas-producers-in-a-low-price-environment.html?id=us:2em:3na:stm:awa:tax:031717>

Income/Franchise: Arkansas: New Law Provides for Automatic Conformity to Federal Subchapter "S" Corporation Treatment

H.B. 1563, signed by gov. 3/9/17. Effective for tax years beginning on and after January 1, 2018, new law provides that a corporation shall be treated as a subchapter "S" corporation for Arkansas income tax purposes if the corporation has elected subchapter "S" treatment for federal income tax purposes for the same tax year, and that an election made under subchapter "S" of the Internal Revenue Code (i.e., 26 USC. § 1361 et seq.) will automatically be deemed made for Arkansas income tax purposes. Additionally, as a result, a corporation that has elected treatment as a subchapter "S" corporation for federal income tax purposes will no longer be able to elect treatment as a subchapter "C" corporation for Arkansas income tax purposes. Note that, currently, federal subchapter "S" corporations may elect to file as subchapter "S" corporations for Arkansas income tax purposes only if a separate state election is filed.

URL: <http://www.arkleg.state.ar.us/assembly/2017/2017R/Acts/Act434.pdf>

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Income/Franchise: District of Columbia CFO Certifies Franchise Tax Rate Reductions Based on Availability of Funding

The District of Columbia's Fiscal Year 2015 Budget Support Act of 2014 (A20-0424) was enacted as permanent law on February 26, 2015. The Act contained significant tax reforms including certain tax rate reductions for businesses and individuals that would take effect on a cascading basis. Under the Act, for tax years beginning on or after December 31, 2014, the unincorporated business and incorporated business franchise tax rate was immediately reduced from 9.975 percent to 9.4 percent. Under the cascading rate reduction rules, both the unincorporated business and incorporated business franchise tax rate had the potential to be further reduced from 9.4 percent to 9.2 percent, 9 percent, 8.87 percent, 8.5 percent, and ultimately 8.25 percent, subject to the availability of funding. See D.C. Code Ann. § 47-181.

On February 26, 2016, the District of Columbia Office of the Chief Financial Officer (District CFO) released the February 2016 Revenue Estimate FY2015-FY2019, which certified that the projected revenues were sufficient to implement additional tax cuts, specifically, the reduction of the unincorporated business and incorporated business franchise tax rate from 9.2 percent to 9.0 percent for tax years beginning on or after December 31, 2016.

Most recently, on February 28, 2017, the District CFO released the February 2017 Revenue Estimate FY2017-2021. This report certified that projected revenues were sufficient to implement the remaining tax cuts outlined in DC. Code Ann. Section 47-181 – thus having potential financial statement implications for calendar year taxpayers in the first quarter of 2017. This includes a further reduction of the unincorporated business and incorporated business franchise tax rate from 9.0 percent to the maximum afforded reduction of 8.25 percent for tax years beginning on or after December 31, 2017. See D.C. Code Ann. § 47-181(16).

Please contact us with any related questions.

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Income/Franchise:

Wisconsin: New Law Revises Corporate and Partnership Tax Return Due Dates to Conform with Federal Revisions

Act 2 (S.B. 2), signed by gov. 3/9/17. Effective March 11, 2017 and applicable retroactively to taxable years beginning on January 1, 2016, new law revises the due dates for filing Wisconsin partnership and corporation franchise and income tax returns to accommodate the new federal due dates. The new law provides that state partnership information returns and state corporation franchise and income tax returns are generally due on the date on which the entities are required to file for federal income tax purposes, not including any extensions, under the Internal Revenue Code. Accordingly, Wisconsin corporate returns will now be due on April 18, 2017 for calendar year filers with similar changes for fiscal year corporate filers. The new law also revises the timing of some corporate estimated tax payments.

[URL: http://docs.legis.wisconsin.gov/2017/related/acts/2.pdf](http://docs.legis.wisconsin.gov/2017/related/acts/2.pdf)

The Wisconsin Department of Revenue (Department) has subsequently released a chart depicting 2016 Wisconsin partnership and corporate tax return due dates and extended due dates, as well as 2017 corporate estimated tax due dates, under this new law. Regarding partnerships, the Department notes that the new law changes the return due date to March 15th; however, because the new law was signed close to this due date, the Department "will accept as timely 2016 returns and payments filed and paid by the due date under prior law (April 18, 2017)."

[URL: https://www.revenue.wi.gov/Pages/TaxPro/News-170310.aspx](https://www.revenue.wi.gov/Pages/TaxPro/News-170310.aspx)

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Indirect/Sales/Use:

Pennsylvania DOR Removes from Website Previously Issued Guidance on 2016 Legislation that Had Addressed Taxability of Support Services to Canned Software Sales

The Pennsylvania Department of Revenue (Department) has removed from its website a letter ruling it had released on February 9, 2017 [Letter Ruling No. SUT-17-001; see *State Tax Matters*, Issue 2017-9 for more details on this previously released letter ruling] that discussed to what extent "support services to canned computer software" are

subject to taxation. Letter Ruling No. SUT-17-001 had been issued pursuant to legislation enacted in 2016 [H.B. 1198 (Act 84)] that generally imposes state sales and use tax on electronically or digitally delivered, streamed or accessed video; photographs; books; any other otherwise taxable printed matter; applications (i.e., “apps”); games; music; any other audio, including satellite radio service; canned software; or any other otherwise taxable tangible personal property. In Letter Ruling No. SUT-17-001, the Department had essentially stated that it considered *all* such support services to canned computer software as being subject to state sales and use tax when transferred in a sale at retail, or made use of after being obtained in a purchase at retail. More specifically, the Department had stated that it considered any support involving the access to, use of, or alteration of the software itself as constituting a taxable component of the transaction – including electronic or remote access as well as direct physical access to the software. Upon its release last month, Letter Ruling No. SUT-17-001 sparked debate among many tax practitioners due to its apparently broad interpretation of taxable support services to canned computer software.

URL: http://newsletters.usdbriefs.com/2017/Tax/STM/170303_8.html

URL: <http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2015&sind=0&body=H&type=B&bn=1198>

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Indirect/Sales/Use:

Washington: Proposed Rule Amendments Reflect New Law Providing Nexus “Safe Harbor” for Certain In-State Trade-Show Activity

Proposed Expedited Amendments to WAC 458-20-193, Wash. Dept. of Rev. (2/14/17). The Washington Department of Revenue (Department) has issued proposed administrative rule amendments under its expedited rulemaking process that reflect legislation enacted in 2016 [H.B. 2938], which provides that for purposes of Washington’s sales, use, and business and occupation (B&O) taxes, the Department may *not* make a determination of nexus based solely on the attendance or participation of one or more representatives of a person at a single trade convention per year in Washington in determining if such person is “physically present” in Washington for purposes of establishing “substantial nexus” with Washington. However, this nexus “safe harbor” provision does *not* apply to persons making retail sales at a trade convention, including persons taking orders for products or services where receipt will occur in Washington. Similar to the new law, the proposed rule amendments define a “trade convention” as an exhibition for a specific industry or profession, which is *not* marketed to the general public, for the purposes of:

URL: <http://dor.wa.gov/Docs/Rules/draft/20-193cr5frmdraftFeb2017.pdf>

URL: <http://lawfilesexternal.leg.wa.gov/biennium/2015-16/Pdf/Bills/House%20Passed%20Legislature/2938-S.PL.pdf>

1. Exhibiting, demonstrating, and explaining services, products, or equipment to potential customers; or
2. The exchange of information, ideas, and attitudes in regards to that industry or profession.

“Not marketed to the general public” would be defined as meaning that the sponsor of a trade convention limits its marketing efforts for the trade convention to its members and specific invited guests of the sponsoring organization.

Any objections to these proposed rule amendments must be made in writing and received by the Department by April 17, 2017.

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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.

California FTB Issues Ruling on Credit or Deduction for Taxes Paid to Other State

On February 22, 2017, the California Franchise Tax Board issued Legal Ruling 2017-01, which provides guidance on the circumstances in which a taxpayer may claim the Other State Tax Credit or a deduction for taxes paid to another state under the California Revenue and Taxation Code. This ruling applies to taxable years beginning on or after January 1, 2016.

This Multistate Tax Alert summarizes the guidance provided in Legal Ruling 2017-01, and provides some taxpayer considerations.

Issue Date: March 10, 2017

URL: <https://www2.deloitte.com/us/en/pages/tax/articles/california-ftb-issues-ruling-on-credit-or-deduction-for-taxes-paid-to-other-state.html?id=us:2em:3na:stm:awa:tax:031717>

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