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Administrative/Amnesty:

Connecticut: New Law Provides for “Fresh Start” Program that Permits Potential Waiver of Most Penalties and 50% Interest, as well as Limited Look-Back

S.B. 1502, signed by gov. 10/31/17. Effective immediately, new law authorizes the Connecticut Department of Revenue Services to implement a “fresh start program” for eligible taxpayers through November 30, 2018, that would apply to most taxes (including state corporate income and sales and use taxes) for failing to file a tax return, or failing to report the full amount of tax properly due on a previously filed tax return, that was due on or before December 31, 2016. Such “fresh start” agreements may provide for a potential waiver of most underlying penalties, as well as 50% of the interest related to a failure to pay any amount due by the date prescribed for payment. A fresh start agreement for a qualified taxpayer that has failed to file a tax return or returns on eligible taxes potentially may also provide for a limited look-back period.

URL: https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&which_year=2017&bill_num=1502

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Income/Franchise:

Connecticut: New Law Revises Claimant Period for Combined Reporting-Related ASC 740 Deduction

S.B. 1502, signed by gov. 10/31/17. Effective immediately, new law revises the period over which the ASC 740 deduction that was originally part of legislation enacted in 2015 – which adopted a mandatory unitary combined reporting regime effective January 1, 2016 [see previously issued Multistate Tax Alert for more details on the 2015 legislation] – may be claimed from the original seven-year period to a thirty-year period. Accordingly, under this revised ASC 740 deduction, for the thirty-year period beginning with the unitary group’s first income year that begins in 2018, a unitary group shall be entitled to a deduction from unitary group net income equal to one-thirtieth of the amount necessary to offset the increase in the net deferred tax liability or decrease in the net deferred tax asset, or the aggregate change thereof if the net income of the unitary group changes from a net deferred tax asset to a net deferred tax liability, as computed in accordance with generally accepted accounting principles, that would result from Connecticut’s imposition of unitary reporting requirements.

URL: https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&which_year=2017&bill_num=1502

URL: <http://www2.deloitte.com/us/en/pages/tax/articles/sweeping-connecticut-tax-reforms-enacted.html?id=us:2em:3na:stm:awa:tax:110317>

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Income/Franchise: Florida DOR Proposes Administrative Rule Changes Reflecting New Law on Return Filing and Payment Due Dates

Proposed Amended Rules 12C-1.0222 and 12C-1.034, Fla. Dept. of Rev. (10/18/17). The Florida Department of Revenue has issued proposed amended corporate income tax rules reflecting recently enacted legislation (Chap. 2017-36) that generally conforms certain state tax law provisions to current federal income tax policy by:

URL: <https://www.flrules.org/Faw/FAWDocuments/FAWVOLUMEFOLDERS2017/43202/43202doc.pdf>

- Allowing calendar-year corporate income tax payers a six-month time period (previously, a five-month time period) for tax return extensions after the original due date, applicable retroactively to taxable years beginning on or after January 1, 2016; and
- Modifying the estimated corporate income tax payment deadline at the end of June if the last day of the month is either a weekend or a holiday by essentially providing that such estimated payment is due on the last day of June that is not a weekend or holiday.

In this respect, the proposed revisions essentially restore the six-month extension of time to file the Florida corporate income tax return for calendar year filers; as well as conform the timing of filing returns, making payments, and filing declarations to the corresponding federal income tax provisions. The proposed rule revisions also provide updated payment deadlines for certain estimated tax payments, and implement changes to Florida corporate income tax forms. Please contact us with any questions.

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Income/Franchise: Massachusetts DOR Issues Ruling on Net Worth Calculation Where Subsidiaries are Owned Indirectly through a Pass-Through Entity

Letter Ruling No. 17-3, Mass. Dept. of Rev. (10/23/17). The Massachusetts Department of Revenue (Department) has issued a letter ruling discussing whether a corporation may, when calculating its net worth pursuant to G.L. c. 63, § 30.8 for Massachusetts corporate excise tax purposes, subtract from the book value of its total assets the book value of its investments in subsidiary corporations held indirectly through a limited liability company. Based on the described organizational structure in the provided facts, the Department held that the corporation may *not* subtract from the book value of its total assets the book value of its investments in the two subsidiaries at issue. Under the facts, the corporation is a Delaware corporation owning 100 percent of the voting rights of, and possessing a 92.16 percent membership interest in a Delaware limited liability company (LLC) treated as a partnership for federal income tax purposes. Neither the corporation nor LLC currently file tax returns in Massachusetts, but the parent corporation expects to have nexus in Massachusetts and begin filing state corporate excise returns in the future. The LLC owns 100 percent of a Delaware corporation (Sub 1); Sub 1, in turn, owns 100 percent of a limited liability company organized in Delaware (Sub 2) that has elected to be treated as a corporation for federal income tax purposes. Sub 1

and Sub 2 both currently file in Massachusetts as part of a Massachusetts combined group. The Department explained that because the LLC is taxed as a partnership and has not elected to be treated as a corporation for tax purposes, the LLC is not a business corporation and therefore the parent corporation's investments in the LLC cannot be subtracted from the book value of the parent corporation's total assets in calculating the parent's net worth for Massachusetts corporate excise tax purposes. In addition, the Department explained that there is no look-through or constructive ownership principle that would apply to treat the parent corporation as owning its proportionate share of the LLC's investments.

[URL: http://www.mass.gov/dor/businesses/help-and-resources/legal-library/letter-rulings/letter-rulings-by-years/2017-rulings/lr-17-3.html](http://www.mass.gov/dor/businesses/help-and-resources/legal-library/letter-rulings/letter-rulings-by-years/2017-rulings/lr-17-3.html)

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Income/Franchise: New Jersey Appellate Court Affirms Tax Court Ruling Involving Adjustments to Federal Basis for CBT Purposes

Docket No. A-5189-14T3, N.J. Super. Ct. App. Div., (10/23/17). The Superior Court of New Jersey, Appellate Division, has affirmed a 2014 New Jersey Tax Court ruling [see previously issued Multistate Tax Alert for more details on this earlier decision], which had held in favor of the taxpayer regarding whether it could for New Jersey Corporation Business Tax (CBT) purposes adjust the federal basis in its property to account for depreciation deductions for which it received no CBT benefit. More specifically, the New Jersey Tax Court had ruled that when calculating the net gain from the sale of the taxpayer's capital assets, the taxpayer could increase the federal basis in the property it sold during the prior tax years at issue by the amount of depreciation that was unused for CBT purposes. Thus, the taxpayer was allowed to depart from the federal adjusted basis in calculating the gain to account for the combined effect of New Jersey's federal bonus depreciation decoupling and temporary net operating loss suspension, resulting in reduced entire net income subject to the CBT. Please contact us with any questions.

[URL: http://www.njcourts.gov/attorneys/assets/opinions/appellate/unpublished/a5189-14.pdf](http://www.njcourts.gov/attorneys/assets/opinions/appellate/unpublished/a5189-14.pdf)

[URL: https://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-new-jersey-court-permits-adjustments-to-federal-basis.html?id=us_email_Tax_STM_103114?id=us:2em:3na:stm:awa:tax:110317](https://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-new-jersey-court-permits-adjustments-to-federal-basis.html?id=us_email_Tax_STM_103114?id=us:2em:3na:stm:awa:tax:110317)

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Income/Franchise: Pennsylvania: New Law Revises NOL Carryover Deduction Limitation; Reflects State Supreme Court Ruling on NOL Carryovers

H.B. 542 [Act 43], signed by gov. 10/30/17. New law increases the current percentage cap of 30% of taxable income on Pennsylvania's net operating loss (NOL) carryover deduction for state corporate net income tax purposes to 35% of taxable income in 2018, and then to 40% of taxable income in 2019 and thereafter. Additionally, this new law removes the fixed-dollar statutory cap of \$5 million on Pennsylvania's NOL carryover deduction. According to the legislation – which was originally drafted prior to the Pennsylvania Supreme Court's recent ruling which held that the fixed-dollar statutory cap on Pennsylvania's NOL carryover deduction, as applied to the taxpayer at issue, violated the Uniformity Clause of the Pennsylvania Constitution [see previously issued Multistate Tax Alert for more details on this decision] – these NOL changes become effective if all or any part of the NOL carryover deduction has been deemed unconstitutional by the Pennsylvania Supreme Court as of the date that notice of such decision is published in the Pennsylvania Bulletin.

URL: <http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2017&sind=0&body=H&type=B&bn=542>

URL: <https://www2.deloitte.com/us/en/pages/tax/articles/pa-supreme-court-affirms-that-fixed-dollar-cap-on-net-loss-deduction-is-unconstitutional-but-holds-that-percentage-cap-is-valid.html?id=us:2em:3na:stm:awa:tax:110317>

Another provision in this bill revises the tax administrative appeals process by reducing the number of days for taxpayers to bring appeals from 90 days to 60 days. The legislation also includes modifications to a number of state incentive programs, including a new deduction for certain manufacturing-related investments.

See forthcoming Multistate Tax Alert for more details on this recently enacted legislation, as well as related taxpayer considerations.

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Income/Franchise:

Tennessee DOR Explains that Federally Disregarded SMLLCs of Partnerships Are Classified as Partnerships for Purposes of Qualifying for Certain Franchise and Excise Tax Exemption

Revenue Ruling No. 17-14, Tenn. Dept. of Rev. (9/20/17). In a ruling involving a limited liability company taxed as a partnership for federal income tax purposes that wholly owns multiple single member limited liability companies (the "SMLLCs") that are disregarded for federal income tax purposes, the Tennessee Department of Revenue (Department) held that because the SMLLCs are treated as a division of the partnership for federal tax purposes, they are treated as partnerships for purposes of qualifying for Tennessee's exemption from franchise and excise tax under Tenn. Code Ann. § 67-4-2008(a)(10)(A) – an exemption for certain entities whose sole purpose is the asset-backed securitization of debt obligations. Under the facts, the partnership is subject to the Tennessee franchise and excise taxes and conducts its business activities both within and outside of Tennessee. The Department explained that while interpretations of federal tax law are generally not controlling for purposes of applying Tennessee tax law, whether an entity qualifies for the exemption under Tenn. Code Ann. § 67-4-2008(a)(10)(A) depends on the entity classification rules under 26 USC. § 7701. In this case, the SMLLCs qualify for the exemption because they are disregarded as entities separate from their parent for federal tax purposes; therefore, the entities are considered partnerships for purposes of determining whether they qualify for the applicable franchise and excise tax exemption. Please contact us with any questions.

URL: <https://www.tn.gov/assets/entities/revenue/attachments/17-14.pdf>

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Indirect/Sales/Use:

Pennsylvania: New Law Imposes Information Reporting/Notice Requirements on Some Remote Sellers, Including Marketplace Facilitators

H.B. 542 [Act 43], signed by gov. 10/30/17. New law requires certain out-of-state remote sellers, online marketplace facilitators and referrers meeting specified "economic nexus" statutory criteria (*i.e.*, having in-state sales of \$10,000

or more in the previous calendar year) to collect and remit Pennsylvania sales tax on their sales to in-state customers beginning March 1, 2018, or else choose to comply with new information reporting and consumer notice requirements. The new law also provides that if federal legislation has not been enacted addressing remote sellers by December 31, 2018, a study must be conducted in part by the Pennsylvania Department of Revenue to assess the legal and fiscal implications of mandating notice requirements for remote sellers.

[URL: http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2017&sind=0&body=H&type=B&bn=542](http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2017&sind=0&body=H&type=B&bn=542)

The legislation additionally includes modifications related to Pennsylvania's taxation of digital products by excluding certain separately-stated support services.

See forthcoming Multistate Tax Alert for more details on this recently enacted legislation, as well as related taxpayer considerations.

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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](#).

[Archive: http://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-archive0.html?id=us:2em:3na:stm:awa:tax](http://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-archive0.html?id=us:2em:3na:stm:awa:tax)

Wisconsin State Budget Includes Important Tax Law Changes

On September 21, 2017, Governor Walker signed Assembly Bill 64, which became 2017 Wisconsin Act 59 (Act 59). Act 59 impacts state corporate and personal income, sales and use, and other taxes. This Multistate Tax Alert highlights some of the more notable Wisconsin tax law changes (which have various effective dates as specified in the Alert) that were contained in Act 59, including:

- Updating the Wisconsin income tax code to conform to the Internal Revenue Code (IRC) as amended through December 31, 2016 (with certain enumerated exceptions);
- Introducing special sourcing rules for broadcasters for apportionment purposes;
- Creating a partially refundable Research and Development tax credit;
- Aligning the "look-back" period for credits and net business losses;
- Modifying the allowable Manufacturing and Agriculture Credit that can be claimed;
- Introducing a limitation on the personal income tax credit for taxes paid to other states;
- Exempting from state sales and use taxes tangible personal property sold to construction contractors who, in fulfillment of a contract for construction activities, transfer the property to certain entities within the University of Wisconsin system;
- Repealing Wisconsin's sales tax on Internet access charges, effective July 1, 2020; and
- Creating a sales and use tax exemption for certain frozen foods manufactured by a retailer at a retailer's off-site manufacturing facility.

[Issued October 26, 2017]

URL: <https://www2.deloitte.com/us/en/pages/tax/articles/wisconsin-state-budget-includes-important-tax-law-changes.html?id=us:2em:3na:stm:awa:tax:110317>

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