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**Income/Franchise:
Minnesota DOR Discusses How Recently Enacted Federal Tax Reforms May Affect Some State Income Taxation**

How do federal changes impact 2017 Minnesota business tax returns?, Minn. Dept. of Rev. (1/29/18). The Minnesota Department of Revenue (Department) has issued some guidance on how the recently enacted federal tax reform provisions may impact 2017 Minnesota business tax returns – noting that because Minnesota has not yet adopted the

federal changes, adjustments must be made to a taxpayer's Minnesota business tax return to determine its 2017 Minnesota tax. The Department additionally explains that a list of provisions that may affect a taxpayer's 2017 Minnesota business tax return is included within the return instructions, and that some 2017 Minnesota forms and schedules have been updated accordingly. Please contact us with any questions.

[URL: https://content.govdelivery.com/accounts/MNREV/bulletins/1d6acc0](https://content.govdelivery.com/accounts/MNREV/bulletins/1d6acc0)

— Ray Goertz (Minneapolis)
Managing Director
Deloitte Tax LLP
rgoertz@deloitte.com

Mark Sanders (Minneapolis)
Manager
Deloitte Tax LLP
msanders@deloitte.com

Income/Franchise:

Montana DOR Discusses How Recently Enacted Federal Tax Reforms May Affect Some State Income Taxation

Changes to the 2017 Form 2 to Conform to New Federal Tax Laws, Mont. Dept. of Rev. (1/25/18). The Montana Department of Revenue (Department) has issued some guidance on how the recently enacted federal tax reform provisions may impact Montana individual income taxes, explaining that the following changes were made to the 2017 Montana Individual Income Tax Return (Form 2) as a result:

[URL: https://mtrevenue.gov/2018/01/25/2017-form-2-federal-changes/](https://mtrevenue.gov/2018/01/25/2017-form-2-federal-changes/)

1. The Department has voided and reserved for future use:
 - a. Line 35 on Form 2 (Tuition and Fees), and
 - b. Line 14 (Qualified Mortgage Insurance Premiums) on Schedule III (Itemized Deductions) because these two federal provisions expired at the end of 2016; and
2. Line 3 of Schedule III (Itemized Deductions) has been updated to reflect the new limitation used to calculate allowable medical and dental expenses (noting that medical and dental expenses are allowed for tax year 2017 to the extent they exceed 7.5% of the taxpayer adjusted gross income).

In a separate email communication, the Department has also indicated that it, along with the Office of Budget and Policy Planning, are reviewing the recently enacted federal tax reform legislation and its potential impacts on Montana's tax system – noting that with the legislation “being the most significant federal tax reform in 30 years it will take additional time to sort through the bill.” The Department has also informally indicated that one particular provision included within the federal tax bill – the new 20 percent deduction of qualified business income (QBI) from certain pass-through businesses – “is not an eligible deduction for Montana individual income tax purposes.” Please contact us with any questions.

— Greg McClure (Denver)
Managing Director
Deloitte Tax LLP
grmcclure@deloitte.com

Laura Fisbeck (Denver)
Manager
Deloitte Tax LLP
lfisbeck@deloitte.com

Income/Franchise:

North Carolina DOR Reminds that Corporate Annual Reports Now Must be Filed Directly with Secretary of State's Office

Notice: Corporate Annual Reports No Longer Filed with NCDOR in 2018, N.C. Dept. of Rev. (1/3/18). The North Carolina Department of Revenue (Department) has issued a notice reminding that, effective January 1, 2018, all state corporate annual reports must be filed directly with the North Carolina Secretary of State's Office. Prior to this law change, corporations could file their North Carolina income tax returns and North Carolina corporate annual reports together with the Department. Beginning in 2018, corporations must file their annual reports directly with the Secretary of State, and can no longer file them with the Department as part of their income tax filings. North Carolina corporate taxpayers must therefore revise their filing processes accordingly; please contact us with any questions.

[URL: https://www.ncdor.gov/news/press-releases/2018/01/03/corporate-annual-reports-no-longer-filed-ncdor-2018](https://www.ncdor.gov/news/press-releases/2018/01/03/corporate-annual-reports-no-longer-filed-ncdor-2018)

— John Galloway (Charlotte)
Partner
Deloitte Tax LLP
jgalloway@deloitte.com

Art Tilley (Charlotte)
Managing Director
Deloitte Tax LLP
atilley@deloitte.com

Emily Dean (Charlotte)
Manager
Deloitte Tax LLP
emdean@deloitte.com

Income/Franchise: Pennsylvania DOR Announces Immediate Effectiveness of 2017 Legislative Amendments Involving NOL Limitations

Act 43-2017 Notice of Pennsylvania Supreme Court Decision Concerning Constitutionality of Corporate Net Income Tax Net Loss Deduction, Penn. Dept. of Rev. (1/27/18). The Pennsylvania Department of Revenue (Department) has published a notice announcing the immediate effectiveness of certain net operating loss (NOL) provisions within legislation that was signed into law in 2017 [H.B. 542 [Act 43]; see *State Tax Matters*, Issue 2017-44, for more details on this 2017 legislation], thereby increasing the percentage cap of taxable income on Pennsylvania's NOL carryover deduction for state corporate net income tax purposes to 35% (previously 30%) of taxable income in 2018, and then to 40% of taxable income in 2019 and thereafter, effective as of January 27, 2018.

[URL: https://www.pabulletin.com/secure/data/vol48/48-4/157.html](https://www.pabulletin.com/secure/data/vol48/48-4/157.html)

[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)

[URL: http://newsletters.usdbriefs.com/2017/Tax/STM/171103_6.html](http://newsletters.usdbriefs.com/2017/Tax/STM/171103_6.html)

Also effective immediately under this legislation and published notice, the fixed-dollar statutory cap of \$5 million on Pennsylvania's NOL carryover deduction is repealed for tax years beginning after 2017. Note that the Department had previously issued a bulletin announcing that the fixed-dollar statutory cap would not be available for taxable years beginning in 2017 and thereafter, consistent with the Pennsylvania Supreme Court's ruling on this issue [see previously issued Multistate Tax Alert for more details on this 2017 decision, for which final action occurred on January 4, 2018]; however, this recent published notice does not address the previous Department bulletin, and no announcement has been made as to the effect of the decision on any open years prior to 2017.

[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:020218](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:020218)

Note also that according to provisions under H.B. 542 [Act 43], the Department was required to publish an official notice if all or any part of the NOL carryover deduction was deemed unconstitutional by the Pennsylvania Supreme Court and that the NOL limitation amendments could only become effective "as of the date that notice of such decision is published in the Pennsylvania Bulletin." This January 27 Department bulletin constitutes such official notice and publication. Please contact us with any questions.

— Kenn Stoops (Philadelphia)
Managing Director
Deloitte Tax LLP
kstoops@deloitte.com

Stacy Ip-Mo (Philadelphia)
Senior Manager
Deloitte Tax LLP
sipmo@deloitte.com

Bob Kovach (Pittsburgh)
Senior Manager
Deloitte Tax LLP
rkovach@deloitte.com

Indirect/Sales/Use: Pennsylvania DOR Discusses New Law that Imposes Information Reporting/Notice Requirements on Some Remote Sellers, Including Marketplace Facilitators

Sales and Use Tax Bulletin No. 2018-01, Penn. Dept. of Rev. (1/26/18). The Pennsylvania Department of Revenue (Department) has issued a bulletin explaining legislation enacted in 2017 [H.B. 542 [Act 43]; see *State Tax Matters*, Issue 2017-44, for more details on this new law] that 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. More specifically, the Department explains that, under this new law, sellers of products on the Internet *not* maintaining a place of business in Pennsylvania and *not* collecting Pennsylvania sales tax but making sales of at least \$10,000 into Pennsylvania in the previous calendar year, must file an election by March 1, 2018 opting either to begin collecting state sales and use tax going forward, or commit to sending use tax notices with each sale. Please contact us with any questions.

URL:
http://www.revenue.pa.gov/GeneralTaxInformation/TaxLawPoliciesBulletinsNotices/Documents/Tax%20Bulletins/SUT/st_bulletin_2018-01.pdf

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

URL: http://newsletters.usdbriefs.com/2017/Tax/STM/171103_8.html

— Steven Thompson (Philadelphia)
Managing Director
Deloitte Tax LLP
stethompson@deloitte.com

Louisa Matthews (Pittsburgh)
Managing Director
Deloitte Tax LLP
lmatthews@deloitte.com

Kenn Stoops (Philadelphia)
Managing Director
Deloitte Tax LLP
kstoops@deloitte.com

Dwayne Van Wieren (Los Angeles)
Partner
Deloitte Tax LLP
dvanwieren@deloitte.com

Indirect/Sales/Use: South Carolina: ALJ Denies DOR’s Motion for Injunction; Holds that Online Marketplace Provider is Not Required to Collect Tax on Third-Party Sales During Pendency of Case

Docket No. 17-ALJ-17-0238-CC, S.C. Admin. Law Ct. (12/15/17). In a case involving whether the South Carolina Department of Revenue (Department) can mandate an e-commerce platform to collect state sale/uses tax on its third-party marketplace sales to South Carolina purchasers under current law as an in-state person in the business of selling tangible personal property at retail, the administrative law judge (ALJ) has denied the Department’s related motion for injunction for the online marketplace provider to begin collecting state sales and use tax on all gross proceeds from all retail sales across its website and to deposit those proceeds into a trust pending the outcome of this case. In denying the Department’s requested injunctive relief, the ALJ explained that the imposition of responsibility to collect state sales and use taxes for sales of third-party-owned items through its website and transfer those funds to a trust account, would be “grossly unfair and punitive” to the online marketplace provider should it ultimately prove to be compliant with South Carolina’s tax laws in this case. The online marketplace provider is currently challenging the Department’s underlying assessment in this case, asserting the demand is unconstitutional and violates state and federal law. Please contact us with any questions.

— Jeff Corser (Charlotte)
Managing Director
Deloitte Tax LLP
jcorser@deloitte.com

Ryan Trent (McLean)
Manager
Deloitte Tax LLP
rtrent@deloitte.com

Dwayne Van Wieren (Los Angeles)
Partner
Deloitte Tax LLP
dvanwieren@deloitte.com

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>

Michigan Appellate Court Holds that Legal Services are Sourced to Client Location for Detroit City Income Tax Sales Factor Purposes

In a published order issued on January 18, 2018, the Michigan Court of Appeals in *Honigman Miller Schwartz and Cohn LLP v. City of Detroit*, reversed a Michigan Tax Tribunal ruling which had previously held that legal services performed in the City of Detroit for a client located outside of the City were considered “in-city” revenues under the City Income Tax Act sales factor provision. Interpreting the term “services rendered” in a manner consistent with the destination sourcing of tangible goods, however, the Appellate Court concluded that the services performed by an attorney physically located in the City on behalf of a client who is physically located outside of the City are “out-of-city” revenues for sales factor purposes.

This Multistate Tax Alert summarizes the relevant City Income Tax provisions, the Tax Tribunal decision and the Appellate Court decision.

[Issued January 30, 2018]

URL: <https://www2.deloitte.com/us/en/pages/tax/articles/mi-appellate-court-legal-services-sourced-to-client-location-for-detroit-city-income-tax-sales-factor-purposes.html?id=us:2em:3na:stm:awa:tax:020218>

Oregon DOR Issues Final Market-Based Sourcing Rule

On July 3, 2017, Governor Kate Brown signed legislation, effective January 1, 2018, which replaced the cost-of-performance methodology for sourcing sales of items other than tangible personal property for Oregon corporate income tax apportionment purposes with a market-based sourcing methodology. On December 22, 2017, the Oregon Department of Revenue filed amended Administrative Rule 150-314-0435 that includes administrative provisions for market-based sourcing.

This Multistate Tax Alert summarizes the Oregon market-based sourcing rule and offers some taxpayer considerations.

[Issued January 26, 2018]

URL: <https://www2.deloitte.com/us/en/pages/tax/articles/oregon-dor-issues-final-market-based-sourcing-rule.html?id=us:2em:3na:stm:awa:tax:020218>

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