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**Income/Franchise:**

**Connecticut: New Law Extends NOL Carryforward Period and Creates Deduction for Shift to Combined Reporting**

*H.B. 5524*, signed by gov. 6/6/24. Recently enacted legislation extends the state corporation business tax net operating loss (NOL) carryforward period from 20 to 30 income years, applicable for NOLs incurred in income years starting on or after January 1, 2025. Effective January 1, 2025, the legislation also permits certain combined groups meeting specified qualifications to deduct, over a 30-year period, the amount necessary to offset the increase in the valuation allowance against NOLs and tax credits in Connecticut that resulted from Connecticut’s shift to combined reporting, which was first implemented in Connecticut in the 2016 income year. Specifically, for a 30-year period beginning with the 2026 income year, the bill allows eligible combined groups to take a corporation business tax deduction equal to 1/30th of the amount necessary to offset the increase in the valuation allowance against NOLs and tax credits in Connecticut that resulted from Connecticut’s shift to combined reporting. Under the bill, a “valuation allowance” is the portion of a deferred tax asset for which it is likely that a tax benefit will not be realized, as determined under generally accepted accounting principles (GAAP). The bill requires any combined group intending to claim this deduction to file a statement with Connecticut Department of Revenue Services by July 1, 2025, specifying the total deduction amount. Please contact us with any questions.

**URL:** [https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&which\\_year=2024&bill\\_num=5524](https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&which_year=2024&bill_num=5524)

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**Income/Franchise:**

**Illinois: New Law Limits NOL Deduction to \$500K, Revises Financial Institution Apportionment, and Increases Franchise Tax Credit**

*H.B. 4951*, signed by gov. 6/7/24. Recently enacted omnibus tax legislation in Illinois contains several law changes, many of which are effective immediately, including:

**URL:** <https://www.ilga.gov/legislation/BillStatus.asp?DocNum=4951&GAID=17&DocTypeID=HB&LegId=152864&SessionID=112&GA=103>

- For any taxable year ending on or after December 31, 2024 and prior to December 31, 2027, no Illinois corporate income tax net operating loss (NOL) carryover deduction shall exceed \$500,000;
- For taxable years ending on or after December 31, 2024, the Illinois apportionment factor calculation for financial institutions is modified by revising how receipts from trading assets and activities are treated;
- For taxable years beginning on or after January 1, 2025, the Illinois franchise tax credit is increased from \$5,000 to \$10,000.

See forthcoming Multistate Tax Alert for more details on these and other tax law changes included in the legislation, and please contact us with any questions in the meantime.

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## Income/Franchise:

### West Virginia: Reminder: July 1, 2024 Filing Deadline to Claim New Deferred Tax Deduction

According to legislation enacted in 2023 that permits some publicly traded companies impacted by West Virginia’s apportionment law changes (*e.g.*, its move to single sales factor apportionment and market-based sourcing) to claim a deferred tax deduction in computing their West Virginia taxable income related to a decrease in net deferred tax assets or increase in net deferred tax liabilities calculated in accordance with generally accepted accounting principles (GAAP) [see H.B. 3286 (2023) and *State Tax Matters*, Issue 2023-14, for more details on the 2023 legislation], taxpayers intending to claim this new deduction must “file a statement with the Tax Commissioner on or before July 1, 2024, specifying the total amount of the subtraction which the taxpayer claims.” Please contact us with any questions.

**URL:** [http://www.wvlegislature.gov/Bill\\_Status/Bills\\_history.cfm?input=3286&year=2023&sessiontype=RS&btype=bill](http://www.wvlegislature.gov/Bill_Status/Bills_history.cfm?input=3286&year=2023&sessiontype=RS&btype=bill)  
**URL:** [https://dhub.deloitte.com/Newsletters/Tax/2023/STM/230407\\_9.html](https://dhub.deloitte.com/Newsletters/Tax/2023/STM/230407_9.html)

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## Sales/Use/Indirect:

### Arizona Supreme Court Says Rewards Program Reimbursements for Hotel Lodging is Taxable Consideration

*Case No. CV-23-0176-PR, Ariz. (6/7/24).* Addressing the Arizona Court of Appeals' "split decision" from 2023 that certain customer loyalty program reimbursements paid by a hotel chain to an Arizona hotel/lodging provider fell within Arizona's statutory definitions of gross receipts and gross income and thus were subject to Arizona's transaction privilege tax (TPT), the Arizona Supreme Court (Court) vacated the 2023 Court of Appeals ruling even though it agreed with the overall taxability result – holding instead that the reimbursements were a transfer of monies to cover rewards members' complimentary stays and thus constituted taxable consideration for lodging space provided in the course of the Arizona hotel's business activities under the TPT. Distinguishing the case at hand from a previous Court case involving a different type of loyalty program implementing a grocer's stamp redemption plan for customers that were engaged in "a system of advanced spending and deferred enjoyment of the fruits thereof" where TPT imposition on such "whole transactions" would have amounted to "double taxation," the Court reasoned that any points-earning transaction at the Arizona hotel in this case would probably not result in a future complimentary stay at the same hotel. Among its claims, the Arizona hotel unsuccessfully argued that it was *not* being paid for providing free lodging to members but was merely receiving nontaxable reimbursements for participation in the hotel chain's rewards program and any TPT levied on these "redemptions" resulted in double taxation. Please contact us with any questions.

**URL:** <https://www.azcourts.gov/Portals/0/OpinionFiles/Supreme/2024/CV230176PR.pdf>

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## Sales/Use/Indirect:

### South Carolina Appellate Court Affirms Store Owes Tax Based on Retail Price of Materials Used in Installation Contracts

*Case No. 2021-000031, S.C. Ct. of App. (6/12/24).* The South Carolina Court of Appeals (Court) affirmed that based on the underlying facts involving a home improvement store that primarily engaged in retail sales but also provided some installation contract services, the store owed applicable South Carolina sales tax in transactions involving installation services based on the fair market value of the underlying materials (*i.e.*, the retail price it charged its customers) upon withdrawal from its inventory rather than based on the wholesale purchase price of the materials from its suppliers. In doing so, the Court noted that the facts showed separate itemized charges for materials and labor and that the store only provided installation services if the customer purchased the underlying materials from its store. The Court rejected the store's claims that its installation

services contracts constituted “lump sum contracts,” or that no transfer of tangible personal property occurred in connection with an installation services contract because for purposes of such a contract, the store acted as a “contractor” under South Carolina’s dual business regulation. The Court essentially concluded that, under the facts, the store’s retail sale of materials to the contracting customer constituted the last sale in a chain of transactions from original supplier to ultimate consumer. Please contact us with any questions.

[URL: https://www.sccourts.org/opinions/HTMLFiles/COA/6062.pdf](https://www.sccourts.org/opinions/HTMLFiles/COA/6062.pdf)

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## **Sales/Use/Indirect:**

### **Utah Letter Ruling Explains Taxability of Services Related to Sales of Online Employee Rewards Programs**

*Private Letter Ruling No. 22-001*, Utah State Tax Comm. (4/24/24). In a recently posted private letter ruling involving a company that sells to various employers “employee reward programs” that incorporate the company’s software and include the creation of websites configured specifically for each employer, the Utah State Tax Commission (Commission) concluded that, based on the provided facts:

[URL: https://tax.utah.gov/commission/ruling/22-001.pdf](https://tax.utah.gov/commission/ruling/22-001.pdf)

- The company’s one-time consulting, startup, and website design fees are not subject to Utah sales and use taxes;
- The essence or primary object of the transactions for sales of the employee reward programs are to obtain nontaxable services;
- Transaction fees charged by the company to its customers when employee reward points are rewarded are not subject to Utah sales and use tax;
- The company’s underlying sales of merchandise to reward program employees in Utah are subject to Utah sales and use taxes; and
- The company’s sales of gift cards are not subject to Utah sales and use taxes because they represent nontaxable sales of intangible rights.

Please contact us with any questions.

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## Property:

### **Kansas: Appellate Court Remands Big-Box Store Valuation Case in Light of Caselaw Involving Dark Store Theory**

*Case No. 124,621*, Kan. Ct. App. (6/7/24). In an unpublished decision involving the property tax valuation of an in-state big-box retail store, the Kansas Court of Appeals (Court) agreed with the county appraiser that the Kansas Board of Tax Appeals' (BOTA) 2021 decision in favor of the taxpayer was invalid because it erroneously relied on an exclusionary rule set forth in a 2012 case that was subsequently overruled by the Kansas Supreme Court in 2022 "to the exclusion of other available evidence." The Court therefore remanded the case to the BOTA to reconsider the subject property's value without such limitations. In doing so, the Court explained that in 2022, the Kansas Supreme Court overruled the exclusionary rule established in the 2012 case that "rental rates from commercial build-to-suit leases do not reflect market conditions and may not be relied on by appraisers without adjustments." The Court explained that pursuant to the 2022 case, the Kansas Supreme Court now requires the BOTA "to engage in fact-finding as the highest administrative tribunal to determine the reliability of conflicting appraisals without the limitations set forth" in the 2012 case. Please contact us with any questions.

**URL:** <https://www.kscourts.org/KSCourts/media/KsCourts/Opinions/124621.pdf>

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## Unclaimed Property:

### **Connecticut: New Law Addresses Virtual Currency and Makes Various Other Changes to Unclaimed Property Provisions**

*S.B. 393*, signed by gov. 6/4/24. Recently signed legislation enacts numerous changes to Connecticut law regarding unclaimed property, including explicitly subjecting "virtual currency" to its provisions and establishing circumstances under which virtual currency is presumed abandoned. Moreover, under the new law, business associations and banking or financial organizations holding abandoned virtual currency generally must liquidate it before delivering its net proceeds to the Connecticut Treasurer as escheated property. Please contact us with any questions.

**URL:** [https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill\\_num=SB00393&which\\_year=2024](https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=SB00393&which_year=2024)

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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:** <https://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-archive.html?id=us:2em:3na:stm:awa:tax>

*No new alerts were issued this period. Be sure to refer to the archives to ensure that you are up to date on the most recent releases.*

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