



Multistate Tax

State Tax Matters

February 13, 2015

In this issue:

Income/Franchise: Federal: Mobile Workforce State Income Tax Simplification Act is Introduced in US Senate	1
Multistate Tax Alerts	2

Income/Franchise: Federal: Mobile Workforce State Income Tax Simplification Act is Introduced in US Senate

S. 386, introduced in US Senate on 2/5/15. Pending legislation has been introduced in the US Senate that, if enacted, would create a bright-line standardized 30-day threshold to determine nonresident state income tax liability with the intent of ensuring that:

URL: <https://www.congress.gov/bill/114th-congress/senate-bill/386/text?q=%7B%22search%22%3A%5B%22S.+386%22%5D%7D>

- Employees clearly understand when they are liable for nonresident state income taxes, and
- Employers are able to accurately withhold these state individual income taxes.

More specifically, this pending federal legislation would limit state taxation of the wages or other remuneration of any employee who performs duties in more than one state to: i) the state of the employee’s residence; and ii) the state(s) in which the employee is “present and performing employment duties for more than thirty days during the calendar year in which the wages or remuneration is earned.” The bill applies these same standards to an employer’s withholding and reporting requirements.

In general, under this pending federal legislation, an employer could rely on an employee’s determination of the time he or she spends in each state during the year – unless the employer maintains a “time and attendance system” that records and tracks where employees perform their daily duties. In the latter case, this “time and attendance system” must be used to determine the number of days an employee works in each state.

According to a related press release, this federal legislation would prevent individuals from “having to sort through complicated tax reporting burdens from the multiple states where they travel for work” by simplifying and standardizing tax filing for employees and employers that conduct business in multiple states.

URL: <http://www.brown.senate.gov/newsroom/press/release/with-tax-season-underway-brown-announces-bipartisan-bill-to-simplify-income-tax-filings-for-employees-working-in-multiple-states>

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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>

IRS Guidance on Vehicle Transfer under State Replacement Incentive Program

On January 22, 2015, the Internal Revenue Service (“IRS”) Office of Chief Counsel issued IRS Program Manager Technical Assistance 2014-03 (“PMTA 2014-03”), which provides guidance on the federal excise tax implications of a taxpayer’s transfer of a vehicle to a dealer under a state vehicle replacement incentive program (“Program”). PMTA 2014-03 concludes that under the specified Program the transfer of the vehicle to the dealer is considered a “sale” for purposes of the Federal Heavy Highway Vehicle Use Tax (“HHVUT”) under Internal Revenue Code §4481 and is thus eligible for a prorated credit or refund of the tax.

Although PMTAs do not constitute precedential authority, the reasoning underlying PMTA 2014-03 may potentially be applicable to vehicle transfers in states with similar Programs.

This Multistate Tax Alert summarizes the HHVUT, PMTA 2014-03, and other related matters.

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URL: <http://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-irs-guidance-on-vehicle-transfer-under-state-replacement-incentive-program.html?id=us:em:na:stm:eng:tax:021315>

Illinois Adopts Change to “Retaliatory Tax” Law

Illinois Governor Bruce Rauner recently signed into law Senate Bill 3366 (“P.A. 98-1169”). The new law, effective January 9, 2015, was adopted in response to the Appellate Court of Illinois’ 2014 decision in *United States Liability Insurance Company v. Department of Insurance*. The case involved a dispute over how insurance companies incorporated or organized outside Illinois but doing business in Illinois should treat their Illinois income tax for purposes of the Illinois “Retaliatory Tax.”

This Multistate Tax Alert summarizes the Retaliatory Tax, the decision in *Liability Insurance*, and the effects of P.A. 98-1169.

[Issued: February 6, 2015]

URL: <http://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-illinois-adopts-change-to-retaliatory-tax-law.html?id=us:em:na:stm:eng:tax:021315>

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