



Multistate Tax

State Tax Matters

February 20, 2015

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Income/Franchise:

Iowa: New Law Updates State Conformity to Internal Revenue Code

S.F. 126, signed by gov. 2/17/15. Effective immediately and applicable retroactively for tax years beginning on or after January 1, 2014, new law generally updates statutory references to the Internal Revenue Code (IRC) as amended through January 1, 2015 (previously January 1, 2014) for state corporate and individual income tax purposes. Note that this new law continues to decouple with the bonus depreciation provisions allowed for federal tax purposes, including federal bonus depreciation permitted for the 2014 tax year.

URL: <http://coolice.legis.iowa.gov/Cool-ICE/default.asp?Category=billinfo&Service=Billbook&menu=false&hbill=sf126>

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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>

Georgia Income Subtraction for Individual Resident Owners of Flow-throughs

A recent summary judgment decision by the Georgia Tax Tribunal (“Tribunal”) in *Rosenberg v. Macginnittie* highlights a unique statutory provision that may allow individual residents to subtract, from adjusted gross income (“AGI”) used in determining Georgia tax, income received from a flow-through entity that was subject to an entity-level tax in another state. The applicable statute permits an individual resident who is a partner in a partnership, a member of a limited liability company (“LLC”), or the single member of an LLC disregarded for federal income tax purposes to “make an adjustment to federal adjusted gross income for the entity’s income taxed in another state that imposes on the entity a tax on or measured by income.” The *Rosenberg* decision addresses whether this statute applies to individual owners of pass-through entities subject to the Texas Franchise Tax. In the decision, issued in response to the taxpayer’s motion for summary judgment, the Tribunal determined that the Texas Franchise Tax constitutes a tax “on or measured by income” for purposes of determining state taxable income for a Georgia individual resident. Although the case is not yet final, the Tribunal’s decision suggests that Georgia individual residents may be entitled to a subtraction from AGI for income received from a flow-through entity subject to the Texas tax in addition to entity-level income taxes imposed by other states.

This Multistate Tax Alert summarizes the Tribunal’s summary judgment decision and offers some taxpayer considerations.

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URL: <http://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-georgia-income-subtraction-for-individual-resident-owners-of-flow-throughs.html?id=us:em:na:stm:eng:tax:022015>

Proposed New York State Tax Changes Contained in Governor’s 2015-16 Budget

On January 21, 2015, New York State Governor Andrew Cuomo presented the 2015-2016 New York State Executive Budget, which includes proposed technical corrections to the New York State tax reform provisions enacted in 2014, changes to the sales tax, and other proposals. The 2015-2016 Budget also includes broad-based reform of the New York City corporate tax regime, the proposed provisions of which are generally consistent with the New York State tax reform provisions enacted in 2014.

This Multistate Tax Alert summarizes the more significant New York State tax reform proposals included in the Executive Budget.

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URL: <http://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-proposed-new-york-state-tax-changes-contained-in-governors-2015-2016-budget.html?id=us:em:na:stm:eng:tax:022015>

New York Administrative Law Judge Holds that Travel Reservation Facilitation Receipts Are Service Receipts

An Administrative Law Judge (the “ALJ”) from the New York State Division of Tax Appeals recently ruled in favor of Expedia, Inc. (“Expedia”), a Washington-based corporation, holding that Expedia’s receipts from its travel reservation facilitation business should be characterized as “services,” and therefore should be sourced to where the services are performed (in this case outside of New York), for purposes of apportioning income under Article 9-A of the New York Tax Law. The ALJ also ruled that the advertising receipts of an Expedia affiliate that

operated an on-line travel search engine and directory should be classified as service revenue and sourced accordingly. The New York State Department of Taxation and Finance (the “Department”) had, on audit, asserted that such revenues constituted “other business receipts,” and sourced these receipts to New York using a customer location approach. The Department has the right to appeal this decision within 30 days of the ALJ’s ruling. Accordingly, the decision may not be final.

This Multistate Tax Alert summarizes this ALJ decision.

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URL: <http://www2.deloitte.com/us/en/pages/tax/articles/multistate-tax-alert-new-york-alj-travel-reservation-facilitation-receipts-are-service-receipts.html?id=us:em:na:stm:eng:tax:022015>

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