

This Week in State Tax (TWIST)

January 27, 2025



Multistate: Legislative Sessions Open with Flurry of Bill Introductions

All but a handful of state legislatures have convened their 2025 sessions, and governors have begun to deliver their state of the state and budget messages. This has occasioned the introduction of the usual avalanche of state tax bills and proposals – most of which will not be enacted, but all of which will provide grist for the mill. A comprehensive census of the tax bills introduced is not possible here, but this abbreviated discussion may be helpful in fostering a sense of likely topics for discussion with respect to business taxes as the legislative sessions unfold.

Combined Reporting – Maryland Governor Moore, as part of a larger package to address a budget deficit, has proposed adoption of worldwide combined reporting with a water's edge election, accompanied a modest corporate rate reduction (HB 352). Legislation that would require worldwide combined reporting has also been introduced in Hawaii (SB 314). Similar proposals have been made in prior years in both states.

Miscellaneous Corporate Measures – The Idaho legislature has already sent to the Governor a bill to update its conformity to the Internal Revenue Code to the Code in effect as of January 1, 2025 (HB 3). Virginia Governor Youngkin has again proposed that the Commonwealth adopt market-based sourcing for sales of other than tangible personal property (HB 1866). Utah legislators have proposed two different corporate income tax rate reduction bills – one reducing the rate by 0.5 percent (SB 116) and the other making a reduction contingent on revenue performance (SB 85). A New York measure increases the corporation tax rates and reduce the amount of certain foreign income (i.e., GILTI) from 95 percent to 50 percent (S 953). The Missouri legislature has formed a special committee on tax reform to consider a variety of broad measures, including at least one to phase out the corporate income tax by 2029 (HB 425). Finally, in Washington State, a bill to increase many Business and Occupation Tax rates by about 10 percent has been introduced at the request of the Department of Finance and Management (HB 1320).

Retail Delivery Fees – In the past few years, Colorado and Minnesota have enacted a retail delivery fee on each delivery shipped to a customer in the state to be collected in conjunction with the state retail sales tax. Revenues are generally dedicated to transportation funding. This year, similar measures have been introduced in Maryland (\$.75 per delivery) (HB 325) and Mississippi (\$.30 per delivery) (HB 530). A measure has been introduced in Indiana to authorize counties to adopt a county-level retail delivery fee of \$.50-\$1.00 per qualified delivery with collection handled by the Department of State Revenue HB 1461). In Minnesota, there is a proposal to impose the fee only on deliveries involving items subject to the retail sales tax, as well as one to repeal the existing fee.

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Digital Advertising Taxes – Rhode Island Governor McKee, facing a moderate budget deficit, [has proposed](#) adoption of a 10 percent excise tax on digital advertising companies with greater than \$1 billion in worldwide receipts, modeled on the tax enacted in Maryland in 2021. Similar measures have also been proposed by individual legislators in Massachusetts (HD 3914) and New York (S 173).

Miscellaneous Sales Tax Measures – Minnesota Governor Walz [has proposed](#) a modest reduction in the state sales and use tax rate, with revenues to be offset by extending the tax to investment, banking and legal services provided to individuals. The Mississippi House has passed a bill (HB 1), a larger package calling for elimination of the personal income tax, that includes an additional 1.5 percent statewide local sales tax (in addition to current 7 percent state sales tax). Localities would have until July 1, 2026, to opt out of the local tax. The measure also reduces the sales tax rate on food for home consumption and imposes a 5 percent sales tax on sales of motor fuels. The Utah legislature is also considering a proposal to remove state sales and use taxes on food for home consumption (SB 122), and the Virginia legislature is considering a proposal to impose the sales and use tax on streaming services and digital personal property (HB 1755). Please stay tuned to TWIST for more information on state tax legislation as it moves through the process.

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