



# This Week in State Tax (TWIST)

February 24, 2025



## Multistate: Legislative Sessions Gain Steam; Wide Range of Bills Proposed

It's still early in the legislative calendar in most states, but things have begun to come somewhat into shape. Below is a review of a variety of business tax measures under consideration this year.

**Digital Services** – Rhode Island Governor McKee has proposed a tax on digital advertising services in the state as part of his budget (H.B 5076, Art. 5). The bill would impose a 10 percent tax on the assessed base, defined as gross revenues derived from digital advertising services in Rhode Island. The tax is imposed only on persons with greater than \$1 billion in gross annual revenues. Montana is also considering a tax on digital advertising services (SB 192). The tax would be imposed at the rate of 10 percent of the assessable base, defined as annual gross revenue derived from digital advertising services in the state. The tax would apply to all persons with worldwide gross digital advertising revenues exceeding \$25 million. In some variations on the theme, Washington State is considering a measure (HB 1887) to require the licensing of certain brokers in the business of collecting and selling certain personal biometric data of Washington residents. The bill would also impose a “severance tax” on such brokers based on the number of residents about which brokered personal data is collected each month. Last, a Maryland bill (HB 414) would impose a tax on certain social media platforms allowing the exchange of images among persons connecting on the platform.

**Retail Delivery Fees** –The Vermont General Assembly is considering a \$.30 retail delivery fee on retail sales of tangible personal property delivered in the state, effective July 1, 2025. Funding would be dedicated to transportation purposes. See the [January 27 TWIST](#) for a discussion of similar measures in Maryland and Mississippi.

**Miscellaneous Indirect Tax Bills** – If enacted, Texas Senate Bill 265 would exclude services provided by a marketplace provider “in relation to the processing of a sale or payment for a marketplace seller” from the definition of taxable data processing services for sales tax purposes, effective October 1, 2025. The Alaska legislature is deliberating imposition of a two percent sales tax on the “sale of property or services delivered in the state by a marketplace facilitator,” if the facilitator had \$250,000 in gross revenue or 200 separate sales in the state in the prior year (HB 97). The Rhode Island budget (HB 5076, Art. 5) would extend the hotel tax of five percent to “whole home short term rentals” of houses, condominiums and dwellings by any person, including room resellers. Virginia HB 1755, imposing the sales tax on digital goods and streaming services, failed to advance from the House Finance Committee.

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**Connecticut Budget** – Governor Ned Lamont included several important business tax measures in his [FY 2026 Budget](#) as presented to the General Assembly. They include (a) eliminate cap providing that the conversion to combined reporting in 2016 cannot cause a taxpayer's liability to increase by more than \$2.5 million over separate filing, effective for tax years beginning after January 1, 2025; (b) repeal provision allowing corporations with greater than \$6 billion in cumulative NOLs to deduct 100 percent of the losses exceeding that amount and limit such entities to deducting 50 percent of the loss as with other corporations; (c) accelerate phase-out of the capital tax base to January 1, 2026 – two years earlier than currently scheduled; and (d) extend the 10 percent corporation tax surcharge through tax year 2028. The surcharge, which applies to corporations with total income of \$100 million or more and those that file as part of a combined group, is currently scheduled to expire at the close of tax year 2025.

**IRC Conformity** – Idaho has enacted a measure (HB 3, chapter 1) that updates the state's date of conformity to the Internal Revenue Code to the Code in effect on January 1, 2025. Legislation (HB 1028) enacted in South Dakota also updates its IRC conformity to the Code "as amended and in effect on January 1, 2025."

**Combined Reporting** – A bill introduced in Oregon (SB 419) would require worldwide combined reporting for corporate tax purposes and eliminate the current water's edge election. New Hampshire House Bill 502, which would have required worldwide combined filing for the business profits tax, was deemed "Inexpedient to Legislate" by the Committee on Ways and Means.

**Miscellaneous Corporate Measures** –The Arizona legislature is considering a measure (HB 2850) to eliminate an option for corporate income tax sourcing using only the sales factor and requiring use of a double-weighted sales factor, effective for tax years beginning after December 31, 2025. The measure would also adopt market-based sourcing for sales of other than tangible personal property, effective for tax years beginning after December 31, 2025. Virginia House Bill 1866, which would have adopted market-based sourcing for sales of other than tangible personal property, failed to advance from the House Finance Committee. Please stay tuned to TWIST for updates throughout the legislative sessions.

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