No. 2024-094
March 11, 2024

KPMG reports: Colorado (manufacturing exemption); New Mexico (individual and corporate income tax changes); New York (taxable information services)

KPMG This Week in State Tax—produced weekly by the KPMG State and Local Tax practice—focuses on recent state and local tax developments.

- **Colorado:** The Department of Revenue issued a private letter ruling concluding that an operator of retail grocery stores was entitled to a state manufacturing exemption for purchases of equipment (e.g., mixers, oven racks, labeling machines) used in the stores' bakeries.

- **New Mexico:** House Bill 252 was signed into law on March 6, 2024. The bill makes numerous changes to New Mexico's individual income tax laws and adopts various new income tax credits and gross receipts tax deductions. For corporate taxpayers, there are a few key changes to note. First, the bill adopts a flat 5.9% corporate income tax rate and eliminates the current subtraction for subpart F income. The bill revises the makeup of the water's-edge combined group to exclude only "foreign" corporations with less than 20% of their property, payroll, and sales sourced to locations within the United States. Currently, the exclusion applies to all such corporations, wherever organized or incorporated. The corporate income tax changes are all effective January 1, 2025.

- **New York:** The New York Supreme Court, Appellate Division upheld a Tax Appeals Tribunal decision concluding that a taxpayer's service was a taxable information service. The court rejected the taxpayer's position that it was providing a nontaxable consulting service; the court found that the primary function of the service was the collection and analysis of information. The court also determined the taxpayer did not qualify for the exclusion for information personal or individual in nature that is not incorporated in reports provided to others.

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