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TaxNewsFlash

United States

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KPMG reports: California (sales and use tax); Massachusetts (research credit); Nebraska (dividends received deduction); Virginia (manufacturing exemption); multistate (sales and use tax on leased property)

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

- **California:** The state legislature approved Assembly Bills 52 and 2854 involving the state's Bradley-Burns Uniform Local Sales and Use Tax Law, which allows counties, cities, and districts to impose local sales and use tax in their respective jurisdictions.

- **Massachusetts:** The state Appellate Tax Board (Board) determined that a financial institution is eligible to claim the state's research credit. The Board ultimately held in favor of the taxpayer, holding that under the plain and ordinary meaning of the statutory language of the research credit, there was nothing to limit it to corporations subject to the corporation excise tax.

- **Nebraska:** The state Supreme Court upheld a district court ruling holding that repatriation income under IRC section 965 did not qualify for the state's "deemed dividends received" deduction.

- **Virginia:** The Tax Commissioner held that a manufacturer of electronic components used primarily in telecommunications was entitled to an exemption on purchases of property used directly in its manufacturing process. The Commissioner determined that the taxpayer's property was used directly in its manufacturing process for quality control and testing during production. Therefore, the taxpayer was entitled to a refund.

- **Multistate:** Illinois and Maine adopted legislation earlier this year to change the collection and remittance of sales and use tax on leased property.

- **Illinois:** House Bill 4951, which will require lessors to begin collecting tax on payments for the lease of tangible personal property was signed by the governor. The bill states that the imposition of tax applies to leases in effect, entered into, or renewed on or after January 1, 2025. The new rules do not apply to leases of motor vehicles, watercraft, aircraft, and semitrailers that are required to be registered with the state.

- **Maine:** The Department of Revenue Services released a bulletin summarizing changes to the taxation of leases of tangible personal property. Beginning on January 1, 2025, sales tax on leased tangible personal property will be imposed on each periodic lease payment charged by the lessor to the lessee.

Read a September 2024 report prepared by KPMG LLP

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