



TaxNewsFlash

United States

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KPMG reports: California (sourcing rules for professional services); New York (NYC business corporation tax); Texas (sales and use tax on data process 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.

- **California:** The California Franchise Tax Board issued long-awaited proposed regulations amending its market-based sourcing rules for sales of other than tangible personal property. Specifically, the proposed regulations would revise the industry-specific assignment rules for providers of large volume professional services, including tax services, audit, legal, actuary, business advisory consulting, investment management, and certain brokerage services. The proposed regulations would apply for tax years beginning on or after January 1, 2024.
- **New York:** The New York City Department of Finance released an update on its development of regulations implementing the New York City business corporation tax (BCT). Although the BCT closely tracks the state corporate franchise tax, it was previously unclear in which areas the City would parallel the State regulations and in which they might diverge. The update describes the major areas in which the City is considering deviations from the State regulations.
- **Texas:** The Comptroller of Public Accounts proposed amendments to the regulation governing treatment of data processing services under the state sales and use tax law. In addition, the Comptroller issued a letter ruling on the taxability of membership fees for a product that combined nontaxable business consulting services with taxable data processing services. Considering the entire transaction, the Comptroller determined that the entire transaction was presumed taxable because the taxable component reflected more than 5% of the total charge.

Read a [September 2024 report](#) prepared by KPMG LLP

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