
MyStateTaxOffice: July - Sept 2013

California enacts sweeping changes to Enterprise Zone credit program p2 / Missouri proposed rule on new sales factor election p4 / Pennsylvania enacts significant tax changes p5 / Other state tax development insights p10

State Tax Quarterly Insights



Highlighting state developments

This quarter we highlight three state tax changes with significant impact to taxpayers.

California made sweeping changes to its enterprise zone program, including the creation of a new hiring credit and a new state-wide sales and use tax exemption.

Missouri recently provided taxpayers with an election to use a new single sales factor apportionment method. Because the legislation provided no effective date, there remained some uncertainty regarding the first year the election would be applicable. Under a proposed rule, corporate taxpayers may generally take the new election on original corporate returns filed on or after August 28, 2013.

Pennsylvania enacted several state tax changes in July, including (1) a corporate tax addback for intangible expenses and for interest relating to intangibles, effective for tax years beginning after 2014 and (2) market-based sourcing for sales other than sales of tangible personal property, effective for tax years beginning after 2013.

The *developments* section, starting on page 10, summarizes significant state and local tax developments over the last three months. Each item is linked to a PwC Insight that provides analysis and observations regarding the development.

Key state developments

California enacts sweeping changes to Enterprise Zone credit program

In brief

California Governor Jerry Brown signed both [Assembly Bill 93](#) and [Senate Bill 90](#) on July 11, 2013, which make sweeping changes to the California Enterprise Zone credit program. The new Enterprise Zone credits, exemptions, and incentives apply beginning January 1, 2014, unless otherwise noted. Set forth below are some of the key features of the new programs.

In detail

New hiring credit for hiring over next 7 calendar years

The new hiring credit:

- is not available for retailers, food service, temporary employment agencies, casinos, bars, or sexually oriented businesses
- allows businesses to claim Hiring Credits in certain economic development areas (former Enterprise Zones and LAMBRAs, with some exceptions), as well as in designated census tracts with high unemployment and poverty rates
- is available for hiring employees who are long-term unemployed; unemployed veterans; ex-felons; or recipients of the federal earned income tax credit, CalWORKs, or general assistance
- is available only to employers that create net new jobs statewide
- is equal to 35% of wages paid in first five years of employment (up to \$56,000), but only wages in excess of 150% of California minimum wage (currently \$12 per hour or \$10 per hour in designated pilot areas), and not greater than 350% of California minimum wage (currently \$28 per hour)
- must be requested soon after employment start date (at most, 50 days), along with other reporting requirements
- may be taken only on an originally filed income tax return
- is available for hires on or after January 1, 2014, and sunsets on January 1, 2021, but the credit may continue to be taken for qualified employees hired before January 1, 2021.

New partial sales and use tax exemption for purchases over next 8 fiscal years

The partial sales and use tax exemption:

- provides a statewide sales tax exemption for a portion (approximately 4.19%) of the state sales and use tax on up to \$200 million of certain manufacturing and research and development equipment (and certain related equipment)
- is available to manufacturers (NAICS codes 3111 to 3399) and also certain Biotechnology, Physical, Engineering, and Life Sciences companies conducting research and development (NAICS codes 541711 and 521712)
- is not available to certain financial institutions, agricultural, and extractive taxpayers
- applies to purchases made on or after July 1, 2014, and sunsets on July 1, 2022.

New ‘California Competes’ incentives credit program

- A new fund will be created, to be administered by the Governor’s Office of Business and Economic Development, ‘GO-Biz,’ which will negotiate agreements to provide tax credits related to certain investments and employment expansion in California.
- The following funds will be available: (1) \$30 million for 2013-14; (2) \$150 million for 2014-15; and (3) \$200 million for each additional year through

2017-18, with adjustments based upon the performance of the Hiring Credit and Sales/Use Tax exemption

- The program is available January 1, 2014, and sunsets on January 1, 2025.

Transition – Generally 10 years to use credit carry-forwards

- Carryovers of existing California Enterprise Zone credits (earned before 2014) expire in 2024.

The takeaway

California taxpayers should review the impact of the expiring Enterprise Zone program. Taxpayers who have not taken full advantage of existing rules still have a limited time to do so. In addition, taxpayers who have significant credit carryforwards should consider the impact of the new limitation on the carryforward period.

With respect to the proposed draft regulation released earlier this year, while it is uncertain what will happen given the enactment of A.B. 93 and S.B. 90, it is possible that the proposed regulation will never be finalized, since any changes would only be effective for a relatively short period of time.

Taxpayers should consider the new rules for the new hiring credit. The new hiring credit may provide up to \$56,000 (over five years) for each qualified employee. However, there are a series of significant documentation requirements to fulfill, which could prove challenging. Employers using a technology solution for identifying qualified hires and tracking Point of Hire credits, such as PwC's LoCATE and CenterPOINT, could have an advantage in identifying and documenting potentially qualified employees within the required time frame to apply for hiring credits.

Under the new partial sales tax exemption, some manufacturers and companies with research and development activities could save up to approximately \$8 million each year on purchases of qualified property. Taxpayers should consider expected purchases and whether they may qualify for the partial exemption based upon the new eligibility criteria.

Finally, creation of the Go-Biz program allows taxpayers to negotiate tax credits based on job creation and investments in California, which creates additional opportunities as well.

Additional reading

On September 26, 2013, the governor signed two bills that: (1) authorize vouchering through January 1, 2015, (2) clarify that all qualified hiring ends on December 31, 2013, (3) clarify that the ten-year credit carryover period for existing credits generally begins on January 1, 2014, and (4) allow property purchased by December 31, 2013, and placed in service as late as December 31, 2014, to qualify for the sales tax credit. [California enacts technical Enterprise Zone changes](#) (September 30, 2013)

Let's talk

For more information about the changes to California's Enterprise Zone program, please contact our authors:

Matt Mandel
Principal, *San Francisco*
+1 (415) 498-7699
matthew.a.mandel@us.pwc.com

Erin Bradley
Director, *San Francisco*
+1 (415) 498-5715
erin.r.bradley@us.pwc.com

or our other State and Local Tax Services professionals:

Michael Harris
Partner, *Kansas City*
+1 (816) 218-1667
michael.a.harris@us.pwc.com

Kenneth Hunter
Principal, *Tampa*
+1 (813) 351-2399
kenneth.hunter@us.pwc.com

Melanie McDaniel
Partner, *Los Angeles*
+1 (213) 356-6609
melanie.mcdaniel@us.pwc.com

Tim Kacich
Managing Director, *Boston*
+1 (617) 530-4051
timothy.j.kacich@us.pwc.com

Missouri - Proposed rule would allow taxpayers to elect the new single sales factor method on original returns filed on or after August 28, 2013

In brief

Under a proposed rule filed by the Missouri Department of Revenue on September 18, 2013, corporate taxpayers may generally elect the new single sales factor method on original corporate income tax returns filed on or after August 28, 2013. The proposed rule leaves many open issues, including the level of reliance afforded to taxpayers that file returns before the proposed rule is effective, the method for sourcing sales of services and intangibles, and the statutory support for limiting the new election to originally filed returns.

Since Missouri apportionment elections have historically been irrevocable once made, taxpayers must fully consider the potential impact of any revisions to the proposed rule during the comment period, any new rules that might be proposed addressing open questions, or any unfavorable rulings subsequently issued by the Department or Missouri courts.

In detail

New single sales factor election

On July 12, 2013, Missouri enacted [H.B. 128](#), which provides taxpayers with a new single sales factor apportionment election. [Click here](#) for our insight into H.B. 128.

If taken, the election provides that:

- sales of tangible personal property are included in a taxpayer's apportionment numerator if the purchaser's destination point is in Missouri (without regard to the FOB point or other conditions of the sale)
- sales of tangible personal property are not included in the numerator if the destination point is outside Missouri, regardless of the shipping point location
- investment or reinvestment of a taxpayer's own funds, or the sale of any such investment or reinvestment, is excluded from the sales numerator and denominator.

H.B. 128 has an effective date of August 28, 2013; however, the law is silent regarding the first tax year in which the new single sales factor method is available. Additionally, the law is silent regarding how to source sales of services and intangibles.

Proposed rule – Election available for original returns filed on or after August 28, 2013

On September 18, 2013, the Missouri Department of Revenue filed a proposed rule addressing the new apportionment election provided under H.B. 128.

The rule provides that the new method:

- may be elected on an original corporate income tax return filed on or after August 28, 2013, regardless of the taxable year for which the original income tax return is being filed
- may be elected by a corporation that has income resulting from transactions partially in this state and partially in another state or states
- is irrevocable and cannot be changed on a subsequent return
- may not be elected on an amended return, i.e., it may not be elected on any return filed on or before August 27, 2013.

The takeaway

While the proposed rule is helpful in some respects, several open questions remain.

The proposed rule will not be effective until after a 30-day comment period ends, which will be after the October 15, 2013, extended filing deadline for calendar year taxpayers. What authority does this proposed rule have for filings made before its effective date?

H.B. 128 provides no restrictive language limiting the new election to only originally filed returns. It is unknown whether the denial of an election taken on an amended return would survive judicial scrutiny, although the position of irrevocability is consistent with Missouri's historical rules related to apportionment elections. Nevertheless, given the unique timing of the date on which a taxpayer may elect to use the new single factor apportionment method, questions of uniformity or equality may arise if similarly situated taxpayers have different apportionment computation elections available to them for the same tax year simply due to when they filed their returns.

While interpretive guidance exists regarding the sourcing of service and intangible income under Missouri's historical single sales factor method, neither the statute nor the proposed rule concerning the new method provide any similar guidance. How do taxpayers properly source service and intangible income under the new method?

Current forms do not cover the new method. How mechanically does a taxpayer properly make the election to use the new method? Additionally, taxpayers are left to manually alter forms in order to reflect changes made pursuant to electing the new method.

Finally, since Missouri apportionment elections have historically been irrevocable once made, taxpayers must fully consider the potential impact of any revisions to the proposed rule during the comment period, any new rules that might be proposed addressing open questions, or any unfavorable rulings subsequently issued by the Department or Missouri courts.

Let's talk

If you have any questions regarding this proposed rule, please contact:

State and Local Tax Services

Jeff Dardick
Partner, *St. Louis*
+1 (314) 206-8355
jeffrey.m.dardick@us.pwc.com

Brian Bernert
Principal, *St. Louis*
+1 (314) 206-8790
brian.w.bernert@us.pwc.com

David Kennedy
Director, *St. Louis*
+1 (314) 206-8461
david.a.kennedy@us.pwc.com

Pennsylvania enacts intangible expense addback, market-based sourcing, and other significant tax changes

In brief

On July 9, 2013, Pennsylvania Governor Tom Corbett signed [H.B. 465](#), which makes significant changes to Pennsylvania taxes, including: adopting intangible expense addbacks, expanding the cap on the net operating loss deduction, requiring market based sourcing for services, extending the phase-out of the Capital Stock/Franchise Tax for 2 years, implementing comprehensive Bank Shares Tax reform, modifying and creating certain tax credit programs, and broadening the application of the realty transfer tax.

In detail

Intangible expense addback

For taxable years beginning after December 31, 2014, Pennsylvania requires a Corporate Net Income Tax (CNIT) addback for: (1) intangible expenses and (2) interest expenses related to an intangible that are paid, accrued, or incurred directly or indirectly in connection with one or more transactions with an affiliated entity.

For purposes of the addback, 'intangible expense' means "[r]oyalties, licenses or fees paid for the acquisition, use, maintenance, management, ownership, sale, exchange or other disposition of patents, patent applications, trade names, trademarks, service marks, copyrights, mask works or other similar expenses." Further, 'interest expense'

means "[a] deduction allowed under [IRC Sec. 163] to the extent that such deduction is directly related to an intangible expense."

The following exceptions apply:

- **Subject to tax.** A taxpayer receives an apportioned credit to the extent that the affiliated entity was subject to a tax that includes the expense in its tax base.
- **Business purpose.** The addback does not apply to a transaction that did not have as its principal purpose the avoidance of CNIT and was done at arm's length rates and terms.
- **Treaty.** The addback does not apply when the affiliated entity is domiciled in a foreign nation that has in force a comprehensive income tax treaty with the US with certain provisions.
- **Conduit.** The addback generally does not apply when the affiliated entity directly or indirectly paid the expense to a non-affiliated entity, with certain conditions.

Sales factor and market-based sourcing

Under current law, all sales, other than sales of tangible personal property, are sourced to Pennsylvania if: (1) the income-producing activity is in Pennsylvania; or (2) the income-producing activity is performed both inside and outside of Pennsylvania and a greater portion is performed in Pennsylvania than in any other state, based on costs of performance.

Effective for tax years beginning after December 31, 2013, the following sales are sourced to Pennsylvania:

- Sales from the sale, lease, rental or other use of real property, if the real property is located in Pennsylvania.
- Sales from the rental, lease, or licensing of tangible personal property if the customer first obtained possession of the tangible personal property in Pennsylvania. If the tangible personal property is subsequently taken out of Pennsylvania, the taxpayer may use a reasonably determined estimate of usage in Pennsylvania.
- Sales of services delivered to a location in Pennsylvania.
- Sales of services delivered to a location in and outside Pennsylvania are sourced based upon the percentage of 'total value' of the service delivered to the Pennsylvania location.

For sales of services, if the customer is not an individual, and the state of assignment cannot be determined, then the service is deemed to be delivered to the location where the services were ordered, and deemed delivered to the customer's billing address if the order location cannot be determined. If the customer is an individual (and not a sole proprietor), the service is deemed to be delivered at the customer's billing address.

All other sales (other than sales of tangible personal property), such as sales of intangible assets, continue to be sourced to Pennsylvania under the current law, i.e., based on income producing activity/costs of performance.

Expanded cap on utilization of net operating loss deductions

Since 2010, the CNIT net loss deduction has generally been limited to the greater of 20% of taxable income or \$3 million. The new legislation expands the cap as follows:

- For taxable years beginning after December 31, 2013, the net loss deduction is the greater of 25% of taxable income or \$4 million.
- For taxable years beginning after December 31, 2014, the net loss deduction is the greater of 30% of taxable income or \$5 million.

Extension of the Capital Stock/Franchise Tax

The Capital Stock/Franchise Tax is imposed at a rate of 0.89 mills for the 2013 tax year and is scheduled to expire after 2013. H.B. 465 extends the scheduled phase-out of the tax as follows:

- For taxable years beginning January 1, 2014 to December 31, 2014, the rate of tax is 0.67 mills.
- For taxable years beginning January 1, 2015 to December 31, 2015, the rate of tax is 0.45 mills.

The tax is scheduled to expire for taxable years beginning after December 31, 2015.

Satellite television service apportionment

Effective for tax years beginning after December 31, 2013, all business income of satellite television service providers shall be apportioned to Pennsylvania based on a fraction, the numerator of which is the value of Pennsylvania equipment owned or rented by the taxpayer or owned by an entity that is included with the taxpayer in a controlled group, as defined in IRC Sec. 267(f), and used by the taxpayer in generating, processing or transmitting satellite television services, and the denominator of which is the value of all such equipment located everywhere.

Bank Shares Tax reform

H.B. 465 establishes comprehensive Bank Shares Tax reform. The following changes become effective for the calendar year beginning January 1, 2014, and each calendar year thereafter:

- The rate of the Bank Shares Tax is reduced from 1.25% to 0.89%.
- The tax base changes from total equity capital to bank equity capital.
- The six-year moving average valuation formula is replaced with a one-year valuation formula.
- Currently, the tax is apportioned based on an evenly-weighted three factor apportionment formula, consisting of payroll, receipts and deposits. The new legislation eliminates the payroll and deposits factors, thereby apportioning the tax base using only the receipts factor.
- Receipts factor sourcing requirements are expanded and generally follow a market-based approach.
- Specific nexus standards are established with respect to out-of-state institutions. An institution is considered to be 'doing business' in Pennsylvania if it generates gross receipts apportioned to Pennsylvania (in accordance with the new sourcing provisions) in excess of \$100,000 and meets any of the established criteria with regard to physical presence.
- Current law requiring a special process for Bank Shares Tax appeals is repealed. Such appeals will be included in the newly reformed Board of Finance and Revenue appeals process.

We will issue a separate release regarding the Bank Shares Tax changes as a result of H.B. 465.

Realty Transfer Tax

Under current law, the Pennsylvania Realty Transfer Tax is imposed on the value of real property transferred by deed, instrument, or other writing. In addition, certain transfers of a 'real estate company' interest are subject to the tax when 90% or more of the total ownership interest in a real estate company is transferred within a three-year period. A 'real estate company' is generally defined as an entity primarily engaged in the business of holding, selling, or leasing real estate with 90% of its ownership interest held by 35 or fewer persons and which either (1) derives 60% or more of its annual gross receipts from the ownership or disposition of real estate; or (2) holds real estate, the value of which comprises 90% or more of the value of its entire tangible asset holdings, exclusive of tangible assets that are freely transferrable and actively traded on an established market.

Effective January 1, 2014, a 'real estate company' also includes a corporation or association that owns, as 90% or more of the fair market value of its assets, a direct or indirect interest in a real estate company.

Also effective January 1, 2014, H.B. 465 modifies the criteria for determining when 90% or more of the total ownership interest in a real estate company has been deemed to be transferred.

Sales and use tax

The Independent Fiscal Office, in conjunction with the Department of Revenue, must submit a report outlining the implementation of the Federal Marketplace Fairness Act, whereby remote sellers can be required to collect sales and use tax. The report is due within 90 days of the Department's published notice announcing enactment of the Federal legislation.

The sunset provision for the additional 1% local Philadelphia sales and use tax is eliminated.

Personal Income Tax

Effective for tax years beginning after December 31, 2013, the Personal Income Tax (PIT):

- aligns Pennsylvania with Federal rules to allow for a start-up business deduction in the year a business is established
- provides for the option to capitalize and recover allowable intangible drilling costs under IRC Sec. 263(c) over a ten year period or elect to currently expense up to one-third of the costs in the year the costs are incurred and recover the remaining costs over a ten-year period
- eliminates the PIT credit for taxes paid to foreign countries. The credit allowed for taxes paid to other states remains in effect.

Credits

- **Film Production Tax Credit.** Applicable to tax credits awarded after June 30, 2013, the Director of the Film Office may consider additional criteria he or she deems appropriate when evaluating and approving credit applications to ensure maximum employment and benefit in Pennsylvania. Additionally, a Film Production Tax Credit purchased or assigned in calendar year 2013 and 2014 may be carried forward and used in 2014 and 2015, respectively.
- **Job Creation Tax Credit.** The Department of Community and Economic Development may award the total amount of credit authorized for a multiple year Job Creation Tax Credit in the first year in which the new job is created and the tax credit is earned.
- **Innovate in PA Tax Credit.** H.B. 465 establishes the new Innovate in PA Tax Credit program, which provides a new source of funding for early-stage venture capital investment. The program authorizes the sale of up to \$100 million of insurance premiums tax credits to qualified purchasers.
- **Mobile Telecommunications Broadband Investment Tax Credit.** For tax years beginning after December 31, 2013, and ending before January 1, 2024, H.B. 465 establishes a new credit against the CNIT for providers of mobile communications services measured by 5% of the cost of investment in qualified broadband equipment located in Pennsylvania. The credit is available to all taxpayers (i.e. corporations, pass-through entities and is transferrable to owners of pass-through entities), is capped at \$5 million per year, and will be prorated, if necessary. Further, the credit is non-refundable and may be carried forward 5 years.
- **City Revitalization and Improvement Zones (CRIZ).** H.B. 465 establishes the CRIZ program to provide economic development and job creation in third class cities meeting certain criteria. The legislation requires guidelines necessary to implement the CRIZ program to be published by October 31, 2013.

We will issue a separate release regarding these tax credit changes.

Compliance requirements for pass-through businesses

H.B. 465 authorizes actions by the Department of Revenue to improve income tax compliance and administrative efficiency for pass-through entities such as partnerships, LLCs, and S-corporations. The bill also establishes new measures for collecting PIT from non-resident owners with Pennsylvania source income. Specifically, the legislation establishes the following, effective for taxable years beginning after December 31, 2013:

- authorizes the assessment of tax at the pass-through entity level in certain instances where income has been underreported
- requires a partnership to maintain an accurate list of partners and addresses
- requires estates and trusts to withhold Pennsylvania tax on Pennsylvania source income from non-residents
- requires non-resident estates and trusts to file Pennsylvania returns if they have Pennsylvania beneficiaries or Pennsylvania source income
- mandates the filing of Form PA-20S/PA-65 (pass-through information return) and Forms RK-1 and NRK-1 for all resident and non-resident owners.

Tax appeals reform

H.B. 465 makes substantial changes to tax appeal procedures at the Board of Finance and Revenue (Board). Under current law, only the taxpayer (or authorized representative) can present oral and documentary evidence to the Board. The Pennsylvania Department of Revenue (DOR) is represented on the Board, since one of the six Board members includes DOR counsel. The Board is also not authorized to enter into settlements with taxpayers.

Effective April 1, 2014, both the taxpayer and the DOR are entitled to present oral and documentary evidence before the Board. Additionally, the Board may order a compromise settlement with agreement of both parties. HB 465 also reorganizes the existing Board to include three full-time members: (1) two members nominated by the governor and approved by the senate; and (2) the treasurer or designee.

The takeaway

H.B. 465 represents sweeping change to Pennsylvania taxation in several areas. Pennsylvania joins the ranks of states that require related party addbacks, but only for intangible expenses and interest expenses related to intangibles. Taxpayers should carefully review the addback exceptions, particularly the calculations required for the subject to tax credit. Taxpayers engaged in selling services will have to navigate the new statutory framework for sourcing services, including identifying where services are 'delivered.' Taxpayers with Pennsylvania NOLs should re-evaluate the amount of NOLs that can be utilized through 2015 as a result of the NOL cap expansion and consider the impact of any increase in NOL utilization for valuation allowance purposes.

Taxpayers subject to the Capital Stock/Franchise Tax (CS/FT) should consider opportunities since the tax will remain in effect through 2015. Specifically, to the extent three-factor apportionment is utilized, taxpayers should consider the impact of market based sourcing since the CNIT apportionment rules also apply for purposes of the CS/FT.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

State and Local Tax Services

Todd Forney
Partner, *Philadelphia*
+1 (267) 330-2218
todd.forney@us.pwc.com

Bill Kellogg
Managing Director, *Philadelphia*
+1 (267) 330-6254
bill.kellogg@us.pwc.com

Scott Austin
Principal, *Philadelphia*
+1 (267) 330-2567
scott.l.austin@us.pwc.com

Other state tax development insights

The following summarizes PwC Insights published over the last quarter. The parenthetical indicates the Insight's published date.

Multistate Tax Compact

[Gillette files Answer Brief on Merits - Submits previously uncovered documents](#) (July 22, 2013)

State legislative and regulatory enactments

District of Columbia

[D.C. modifies combined reporting, decreases sales tax, and repeals/re-enacts the Compact](#) (August 9, 2013)

Massachusetts

[Market sourcing and sales tax on computer services](#) (July 26, 2013)
(updated 9/30/13 to reflect repeal of computer services tax)

[Guidance on the new computer services sales tax](#) (July 31, 2013)

[New computer and software tax deadline delayed](#) (September 17, 2013)

Missouri

[New income tax sourcing election and sales tax affiliate nexus](#) (July 24, 2013)

[Proposed rule would allow taxpayers to elect the new single sales factor method on original returns filed on or after August 28, 2013](#) (September 19, 2013)

North Carolina

[Significant tax changes](#) (July 25, 2013)

Ohio

[Significant sales, commercial activity, and personal income tax changes](#) (July 2, 2013)

Oregon

[Unitary reporting group includes 'tax haven' entities](#) (August 15, 2013)

Pennsylvania

[Intangible expense addback, market-based sourcing, and other significant tax changes](#) (July 9, 2013)

Budget and legislative proposals

Federal

[Business Activity Tax Simplification Act of 2013 introduced](#) (August 29, 2013)

Massachusetts

[Massachusetts enacts FAS 109 deduction extension, governor threatens to veto other tax provisions](#) (July 18, 2013)

State adjustment powers

Indiana

[Disallowed excess expense management fee deduction](#) (August 22, 2013)

Nexus

Indiana

[Physical presence required for corporate income tax and insurance premiums tax](#) (September 19, 2013)

Apportionment

Arizona

[Goodwill receipts excluded from sales factor](#) (September 5, 2013)

California

[Interested parties meetings for market-based sourcing and apportionment of partnership income](#) (September 27, 2013)

Florida

[Licensing and advertising revenue sourced to customer location](#) (August 29, 2013)

Michigan

[Individuals may combine income and apportionment from unitary flow-through businesses income](#) (July 12, 2013)

Mississippi

[Mississippi Supreme Court – Taxpayer has burden of proof in state's assertion of alternative apportionment](#) (July 3, 2013)

Amnesty

Los Angeles

[Los Angeles Business Tax amnesty program announced](#) (September 17, 2013)

Combination/Decombination

New York

[ALJ upholds decombination based on failure to show substantial intercorporate transactions](#) (July 9, 2013)

Related party expenses

Indiana

[Subsidiary sales treated as business income and interest expense disallowed](#) (September 13, 2013)

Virginia

[Franchise fee deduction supported by transfer pricing study and subject-to-tax addback exception limited](#) (August 9, 2013)

Throwout

New Jersey

[Tax Court finds throwout rule does not apply to taxpayers subject to tax in other states under New Jersey's economic nexus standard](#) (September 16, 2013)

Other income tax developments

California

[Disclosure required for like-kind exchanges of out-of-state property](#) (July 3, 2013)

[Withholding Voluntary Compliance Program underway](#) (July 26, 2013)

[Bills propose extending qualified small business stock gain exclusion/deferral](#) (September 27, 2013)

District of Columbia

[Additional month extension to file combined returns](#) (August 16, 2013)

Indiana

[General partner's distributive income is operational income](#) (July 11, 2013)

Michigan

[Amended returns required for certain financial institutions to report effect of eliminations](#) (September 27, 2013)

New York

[In a reversal, appeals court upholds Metropolitan Transportation Authority payroll tax](#) (July 2, 2013)

Texas

[Guidance provided regarding COGS changes](#) (August 9, 2013)

Washington

[Washington creates, expands, and extends tax preferences](#) (July 19, 2013)

Other sales and use tax developments

Alabama

[Sales tax on rail carrier's diesel fuel purchases discriminatory in violation of federal act](#) (July 11, 2013)

Arizona

[Exemptions for qualified data centers](#) (July 17, 2013)

Colorado

[Use tax notice and reporting requirement injunction dissolved](#) (August 23, 2013)

Illinois

[Chicago: Lease Tax expanded to include perpetual software licenses](#) (September 12, 2013)

Maine

[Temporary sales tax increase, sales tax on electronically transferred products, and other tax changes](#) (July 18, 2013)

Texas

[Sales tax changes](#) (August 9, 2013)

Asset Management

[San Francisco's new tax - what it means for asset managers](#) (August 13, 2013)

[Illinois - Composite returns eliminated, non-resident withholding required, alternative apportionment updated](#) (August 21, 2013)

[How Ohio's tax changes impact the financial services industry](#) (September 9, 2013)

Credits and incentives

Enterprise zones

[California bills propose Enterprise Zone changes](#) (September 13, 2013)

Real Estate

[State transfer tax changes in Maryland, Pennsylvania, Virginia, and California](#) (August 16, 2013)

Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

Bryan Mayster
Managing Director, *Chicago*
+1 (312) 298-4499
bryan.mayster@us.pwc.com

Jennifer Jensen
Director, *Washington, DC*
+1 (202) 414-1741
jennifer.jensen@us.pwc.com

Adam Weinreb
Director, *New York, NY*
+1 (646) 471-4409
adam.weinreb@us.pwc.com

Amy St Clair
Manager, *Las Vegas*
+1 (702) 691-5445
amy.c.st.clair@us.pwc.com

Denise Dockrey
Director, *Washington, DC*
+1 (202) 465-5097
denise.s.dockrey@us.pwc.com

Michael Santoro
Director, *Chicago*
+1 (312) 298-2917
michael.v.santoro@us.pwc.com

Jessica J Castro-Acevedo
Manager, *New York, NY*
+1 (646) 471-8465
jessica.j.castro.acevedo@us.pwc.com

Elaine Harper
Sr. Associate, *Seattle*
+1 (202) 414-1013
elaine.harper@us.pwc.com