



TaxNewsFlash

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KPMG reports: Kansas (remote sellers); Maryland (pre-merger NOLs); Massachusetts (interest limitation); Pennsylvania (economic nexus)

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

- **Kansas:** The state Attorney General issued an opinion (2019-008) concluding that a Department of Revenue notice and the Department's new sales tax enforcement policy (announced in the notice) are not a valid exercise of administrative authority by the Department of Revenue. The notice states that remote sellers not already registered with the state were required to register and begin collecting tax by October 1, 2019.
- **Maryland:** A state tax court invalidated a regulation limiting the use of pre-merger net operating losses (NOLs). The state tax court noted that the starting point in computing Maryland modified income is federal taxable income including any federal NOL deduction, and there is no specific statutory modification requiring a taxpayer to add back federal NOLs from acquired corporations that did not file Maryland returns in the year the losses were generated.
- **Massachusetts:** The Department of Revenue issued a working draft technical information release (TIR) addressing the computation of the IRC section 163(j) limitation for Massachusetts corporate excise tax purposes. Taxpayers filing a separate Massachusetts corporate excise tax return will compute the business interest expense (BIE) limitation on a separate entity basis. The draft TIR also addresses how the section 163(j) limitations interact with Massachusetts' related-party interest addback rules. When an add back is required, the Massachusetts deduction for BIE is to be determined using the rules set forth for in the TIR, after first reducing current-year BIE by the amount of the required add back.
- **Pennsylvania:** The Department of Revenue issued a corporation tax bulletin (2019-04) to require corporations to begin filing returns if they meet an economic nexus standard for tax years beginning on or after January 1, 2020. Under the new standard, there is a rebuttable presumption

that a corporate taxpayer without a physical presence in Pennsylvania, but that has \$500,000 or more of direct or indirect gross receipts sourced to Pennsylvania from any combination of (1) gross receipts from the sale, rental, lease, or licensing of tangible personal property; (2) gross receipts from the sale of services; and (3) gross receipts from the sale or licensing of intangibles, including franchise agreements, will have a filing responsibility.

Read more at KPMG's [This Week in State Tax](#)

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