



TaxNewsFlash

United States



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KPMG reports: Michigan (bank's claim for sales tax refunds); Ohio (public utility excise tax) Washington State (B&O tax, state school)

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.

- **Michigan:** A state appellate court denied a claim for refund of sales tax on finding that the taxpayer—a bank that had offered private-label credit cards to customers of various merchants—had not presented sufficient evidence to prove that sales tax had been actually paid to the state by the merchants. The bank had obtained from the merchants the percentage of the merchants' gross sales subject to sales tax, and then applied that percentage to the taxpayer's written-off accounts as bad debts (thus an estimate of the tax that might have been paid on the bad debts). The court agreed with the state's tax authority that the taxpayer had not presented sufficient evidence to support its claim that sales tax had actually been paid on these defaults. Read a [February 2020 report](#)
- **Ohio:** The state's highest court, the Ohio Supreme Court, held that the taxpayer—an interstate natural gas pipeline subject to the state's public utility excise tax—was liable for the excise tax on receipts derived from the transportation of gas that entered a pipeline in Ohio and exited the pipeline at delivery points in Ohio. Under Ohio law, a public utility is subject to an annual excise tax for the privilege of doing business in the state. The tax base equals the amount of all gross receipts actually received from all sources of business in Ohio, but there is an exclusion for receipts derived wholly from interstate business. The high court rejected the taxpayer's claim that these sales were involved in interstate commerce and that they were eligible for the interstate business exclusion. Read a [February 2020 report](#)
- **Washington State:** A state appellate court held that a Utah nonprofit corporation (the sole member of which was the University of Utah, a component unit of the state) was subject to Washington's business and occupation (B&O) tax. The entity, a laboratory of the university's medical school, was found to be a "person" subject to B&O, despite its connection to the university. The court noted that the lab employed staff who were not university employees and

although the taxpayer's income accrued to the university, it did not receive funding from the state and it paid lawsuit settlements and judgements from its own funds. Read a [February 2020 report](#)

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