KPMG

TaxNewsFlash

United States

No. 2020-445
July 13, 2020

KPMG reports: California (market-based sourcing); Illinois (sales tax); San Francisco (transfer tax); San Francisco (payroll tax); Seattle (payroll tax)

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.

- **California:** The Franchise Tax Board on July 21, 2020, is holding an "interested parties meeting" regarding the next round of amendments to the market-based sourcing rules for sales other than sales of tangible personal property. Read a **July 2020 report**

- **Illinois:** A state appellate court held that a taxpayer (retailer) was not a "construction contractor" when it sold and installed certain built-in appliances and was therefore required to collect sales tax on the appliance sales. To be considered a construction contractor, the taxpayer had to establish that the tangible personal property it sold "had no value to the customers except as a result of services the taxpayer rendered." In the court's view, the appliances had substantial value even without the installation services, given customers could opt out of the installation. Read a **July 2020 report**

- **San Francisco:** A state appellate court held that a transaction involving the sale of a building that included a lease was not subject to San Francisco's documentary transfer tax for a second time. The taxpayer had already paid the city's transfer tax after recording the original 45-year lease. The taxpayer then sold the building, including the lease, with a remaining term of 35 years. At issue was whether the transaction constituted "realty sold" so that the lease was subject to transfer tax a second time. The appellate court held that, other than substituting the new building owner as the lessor, there was no transfer of the lessee's interests under the original lease, and no transfer tax was due on the transaction. Read a **July 2020 report**

- **San Francisco:** Changes that could be proposed in ballot measures would restructure the city's gross receipts tax regime and would repeal the payroll component of the tax and replace it with an increase in gross receipts tax rates for most types of businesses. Read a **July 2020 report**

- **Seattle:** The city council approved a revenue plan, which beginning January 1, 2021, adopts a new payroll expense tax imposed on persons doing business in Seattle that have over $7 million in payroll expense paid to employees primarily assigned to Seattle. The rate of tax depends on the business' total payroll expense and the individual employee's annual compensation and rates range from 0.7% to 2.4%. Read a **July 2020 report**

Direct comments, including requests for subscriptions, to Washington National Tax. For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.