



TaxNewsFlash

United States



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KPMG reports: California (market-based sourcing rules); Hawaii (economic nexus); New Jersey (tax rate increases); South Carolina (business license taxes)

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 California Franchise Tax Board issued a public service bulletin informing taxpayers that tax returns being prepared for tax years beginning during the 2019 calendar year are not required to use the proposed changes to CCR section 25136-2 (that is, the regulation that sets forth market-based sourcing rules for sales of other than tangible personal property). Certain regulations are being revised, and the applicability date for the proposed revisions has yet to be finally determined. Read an [October 2020 report](#)
- **Hawaii:** The Department of Taxation issued guidance (a Tax Information Release (TIR)) addressing the application of P.L. 86-272 in light of Hawaii's new corporate income tax economic nexus threshold. The Department noted that only activities associated with solicitation of orders of tangible personal property are protected under P.L. 86-272. The TIR sets forth a list of activities that if performed by a taxpayer would cause the loss of P.L. 86-272 protection, as well as activities that would be protected. The list of unprotected activities includes making sales that equal or exceed \$100,000 during the current or preceding calendar year, and engaging in 200 or more business transactions with persons within Hawaii during the current or preceding calendar year—apparently a position that having substantial economic activity in the state eliminates the protection of P.L. 86-272. Read an [October 2020 report](#)
- **New Jersey:** Two bills were enacted to increase taxes on certain individuals and corporations. Under Assembly Bill 10, effective retroactively to tax years beginning on or after January 1, 2020, the individual (personal) income tax rate is increased from 8.97% to 10.75% for persons with income over \$1 million. Individuals with income over \$5 million were already subject to a 10.75% rate on such income. Also effective retroactively to January 1, 2020, Assembly Bill 4721 extends the corporation business tax (CBT) surtax. As such, CBT taxpayers—except public utilities—having

allocated taxable New Jersey net income in excess of \$1 million are subject to an additional 2.5% rate of tax for the privilege periods through December 31, 2023. The surtax does not apply if the federal corporate income tax rate is increased to at least 35%. Read an [October 2020 report](#)

- **South Carolina:** House Bill 4431, the “South Carolina Business License Tax Standardization Act,” was signed into law by the governor on September 30, 2020. The legislation makes a number of reforms to South Carolina’s local business license taxes as imposed by certain counties or municipalities for the privilege of doing business in the jurisdiction. Specifically, a county or municipality that levies a business license tax must comply with the provisions of the new law. Read an [October 2020 report](#)

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