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KPMG reports: Alabama (city use tax); Connecticut (taxation of remote work); Multistate (federal tax conformity)

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.

- **Alabama:** The state tax tribunal held that a taxpayer did not owe city use tax on materials that were temporarily present in the subject city before being used out-of-state. Although the materials were stored in the city and some assembly occurred while at the taxpayer's facility in the city, the taxpayer established that it intended to use the materials outside of the state. Read a **March 2021 report**

- **Connecticut**: House Bill 6516 was signed into law to alleviate the burden of double taxation for residents who were remotely working from their homes in Connecticut due to the coronavirus (COVID-19) pandemic. The bill allows a credit against Connecticut individual (personal) income tax for any resident who paid income tax in 2020 to a state that applies a convenience-of-employer rule similar to Connecticut's rule, or any state that by law or rule requires the resident to pay a nonresident income tax based on work performed remotely in Connecticut (assuming the resident worked in the other state immediately prior to March 11, 2020). The bill also provides that an employer will not establish nexus by having an employee working in the state due to COVID-19. Read a **March 2021 report**

- **Multistate:** A number of fixed-date conformity states have recently updated their connection to the Internal Revenue Code.

    - **Idaho:** Effective January 1, 2021, House Bill 58 adopts the Internal Revenue Code in effect on January 1, 2021, except that IRC section 461(l) applies as in effect on January 1, 2020.

- **Georgia:** For tax years beginning on or after January 1, 2020, House Bill 265 updates the state’s general conformity to the Internal Revenue Code as of January 1, 2021.

- **South Dakota:** Senate Bill 40 adopts the Internal Revenue Code as in effect on January 1, 2021.

- **Virginia:** Both chambers of the General Assembly passed essentially identical bills (Senate Bill 1146, House Bill 1935) that would update Virginia’s conformity to the Internal Revenue Code as it existed on December 31, 2020. For corporate taxpayers, the bills decouple Virginia from CARES Act changes by: (1) suspending the 80% limit on net operating losses (NOLs) and allowing NOL carrybacks; and (2) temporarily enhancing the amount of business interest that can be deducted under IRC section 163(j). For taxpayers other than corporations, the bills would also decouple from the IRC section 461(1) changes as enacted by the CARES Act. For corporate and individual taxpayers, for tax years beginning on and after January 1, 2020, but before January 1, 2021, the bills would allow a $100,000 deduction for expenses paid with forgiven Paycheck Protection Program (PPP) loan amounts.

- **West Virginia:** House Bill 2359 updates the state’s connection to the Internal Revenue Code for corporate net income tax purposes. Specifically, the bill provides “all amendments made to the laws of the United States after December 31, 2019, but prior to January 1, 2021, shall be given effect in determining the taxes imposed by this article to the same extent those changes are allowed for federal income tax purposes, whether the changes are retroactive or prospective.”

Read a **March 2021 report**