TaxNewsFlash

United States

No. 2021-196
May 3, 2021

KPMG reports: Arkansas (sales tax exemption); Arkansas (NOL add-back); Florida (federal tax conformity); New York City (sale of partnership interest); Washington State (excise tax, capital gain)

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.

- **Arkansas:** The state's Supreme Court held that a taxpayer qualified for a sales and use tax exemption—an exemption that applies to the sale of machinery and equipment used directly in manufacturing articles of commerce if such equipment is purchased for a new facility or to expand an existing facility. In reaching this conclusion, the court rejected the contention of the Department of Revenue that an eligible article does not include custom-made items prepared for specific customers. Read a **May 2021 report**

- **Arkansas**: An administrative law judge concluded that partnership income allocated to another state must be added back in computing a corporate taxpayer's Arkansas net operating loss. Read a **May 2021 report**

- **Florida:** House Bill 7059 (approved by the legislature) generally adopts the Internal Revenue Code retroactively as of January 1, 2021. However, certain provisions of legislation enacted in 2020 (the CARES Act and the Consolidated Appropriations Act) were not adopted for Florida corporate income tax purposes. Read a **May 2021 report**

- **New York City:** A tax appeals tribunal sustained the city's general corporation tax assessment with regard to capital gain from the sale of a partnership interest. Although the taxpayer claimed it lacked nexus with the city, the tribunal disagreed and concluded that the capital gain was to be included in the corporate partner's entire net income because it was derived from the sale of the limited liability company (LLC) that conducted business activity in the city. Read a **May 2021 report**

- **Washington State:** Senate Bill 5096 (approved by the legislature) imposes a new excise tax on the sale or exchange of long-term capital assets (effective January 1, 2022), but only individual taxpayers are to be subject to the tax—imposed at a rate of 7% of an individual's Washington capital gains. In computing Washington State capital gain, a standard deduction of $250,000 for both individuals and joint filers is allowed. Read a **May 2021 report**