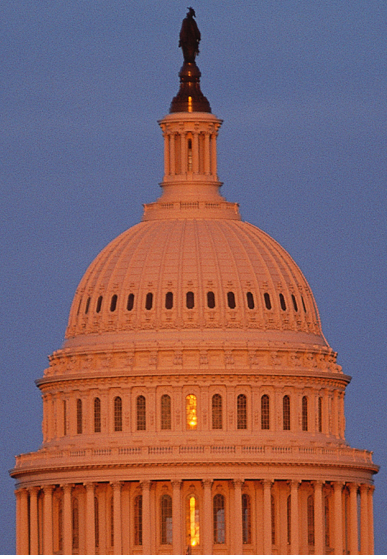
KPMG

TaxNewsFlash

United States



No. 2022-047
February 14, 2022

KPMG reports: California (COVID-related business tax relief); Idaho (income tax rate reductions); Massachusetts (deductibility of gross receipts taxes); Virginia (property factor)

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:** Senate Bill 113—a comprehensive COVID-19-relief bill—reinstates the net operating loss (NOL) deduction for all taxpayers and removes the temporary $5 million limit on allowable business credits for the tax year beginning on or after January 1, 2022. Senate Bill 113 also adjusts certain provisions of California's elective pass-through entity tax.

- **Idaho:** House Bill 436 (effective January 1, 2022) reduces the corporate income tax rate to 6% (from 6.5%) and also consolidates the individual income tax brackets from five brackets to four and lowers rates such that the maximum marginal rate will be 6% percent on taxable income over $5,000 retroactive to January 1, 2022.

- **Massachusetts:** The Department of Revenue issued a technical information release regarding the court's decision in the *Bay State Gas Company* case. At issue in the case was the deductibility of the Indiana utility receipts tax—a tax imposed on the gross receipts received from retail sales of utilities in Indiana. Although the Commissioner argued that the tax was not deductible, the court concluded that the tax was fundamentally similar to a transaction tax on a retail sale and was therefore deductible. In the tax information release, the Department reminded taxpayers that previously issued directives addressing the deductibility of gross receipts taxes continue to apply and consistent with those directives, "taxes imposed on a business as a whole, measured by gross receipts, for the privilege of doing business, are not deductible."

- **Virginia:** The highest court held in a taxpayer's favor regarding whether leaf tobacco was included in the property factor for the tax years at issue. The tobacco was stored in Virginia at the taxpayer's

facility for a period of time while it aged. The court concluded that the tobacco was not "used" in Virginia because the taxpayer did absolutely nothing to it during the storage and aging process.

Read a **February 2022 report** prepared by KPMG LLP

kpmg.com/socialmedia