

# TaxNewsFlash

## United States



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## KPMG reports: Maryland (no tax liability for tribe); Oklahoma (date for refund claim); Washington State (B&O tax apportionment for Tacoma)

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.

- **Maryland:** A state appellate court held that a tribal corporation taxpayer that was not subject to federal income tax (and thus did not have federal taxable income) was not subject to Maryland corporate income tax. The court concluded that the Comptroller does not have authority to levy taxes on income that is not included in a taxpayer's federal taxable income.
- **Oklahoma:** The state's Supreme Court in a case concerning when corporate income taxes are deemed paid for purposes of filing a timely claim for refund, held that the taxpayer's taxes were deemed paid when it filed its return on the extended due date—although the high court found that the statute was, after examining all the relevant statutes and the federal rules, ambiguous.
- **Washington State:** A state appellate court affirmed the City of Tacoma's interpretation of the apportionment provisions for services income under the state's B&O tax. The taxpayer provided management and administrative services to medical professionals from its offices in Tacoma, Tennessee, and Texas. For the years at issue, the taxpayer apportioned its receipts to Tacoma using a two-factor payroll and service-income method. Most of the taxpayer's customers were outside the city, and the taxpayer computed a service-income factor that was nearly zero. The city argued that because many of the taxpayer's business activities did not require direct customer contact, apportionment of the service receipts based on customer contact did not reflect a fair apportionment of its service income, and the city applied a costs-of-performance approach that increased the taxpayer's B&O liability. After a trial court held in the taxpayer's favor, the city appealed. The appeals court reversed, holding that the statute set forth three alternative methods of apportioning a taxpayer's service income, allowing the tax authority to select the method that most fairly and accurately apportioned service receipts.

Read an [April 2022 report](#) prepared by KPMG LLP

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