KPMG

TWIST-Q | Summary of developments – First quarter 2024

This checklist includes developments for the first calendar quarter of 2024 that have occurred prior to the date of publication. Please note that certain items may be dated earlier as these items were first made publicly available during the first quarter of 2024. Additionally, there may be developments that occur or legislation that will be enacted after we release this checklist. Please stay tuned to our TWIST weekly podcast series for additional updates.

Rate Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
The corporate income tax rate is reduced from 5.8 percent to 5.695 percent effective January 1, 2024. House Bill 521 (signed March 29, 2024).	ID				
Effective January 1, 2025, a flat 5.9 percent rate applies to a corporation's taxable income. Currently, a 4.8 percent rate applies to taxable income not over $500,000 and the 5.9 percent rate applies to taxable income over $500,000. House Bill 252 (signed March 6, 2024).	NM				
A company was a "qualified New York Manufacturer," or QNYM, eligible for a lower corporate franchise tax rate although it used property in New York (as required for QNYM status) through a contractor who performed the work in accordance with the taxpayer's objectives and requirements. The Division had asserted that because the taxpayer had no employees present in the state, it did not use property in New York. *Matter of E & J Gallo Winery* (N.Y. Div. Tax App. February 15, 2024).	NY				

Rate Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
Each member of a combined group, tested separately, must meet the test for being a Qualified Emerging Technology Company or QETC for the combined group to be considered a QETC. *Matter of Charter Communications, Inc.* (N.Y. Tax App. Trib. January 25, 2024).	NY				
For tax years beginning on or after January 1, 2024, the corporate income tax rate is reduced from 4.65 percent to 4.55 percent. Senate Bill 69 (signed March 14, 2024).	UT				
IRC Conformity	**State**	**Potential impact on current tax?**	**Potential impact on deferred taxes?**	**Potential impact on ASC 740–10?**	**Other/ Comments**
For taxable years beginning from and after December 31, 2023, "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended, in effect on January 1, 2024, including those provisions that became effective during 2023 with the specific adoption of all retroactive effective dates, but excluding any changes to the code enacted after January 1, 2024. House Bill 2379 (signed March 18, 2024).	AZ				
For tax years beginning on or after January 1, 2023, Georgia adopts the Code as amended through January 1, 2024. House Bill 1162 (pending signature).	GA				
Idaho has adopted the Internal Revenue Code as in effect on January 1, 2024. House Bill 385 (signed February 1, 2024).	ID				
South Dakota has adopted the Internal Revenue Code as in effect on January 1, 2024. House Bill 1018 (signed February 5, 2024).	SD				

IRC Conformity	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
For corporate net income tax purposes, all amendments made to the laws of the United States after December 31, 2022, but prior to January 1, 2024, shall be given effect to the same extent those changes are allowed for federal income tax purposes, whether the changes are retroactive or prospective, but no amendment to the laws of the United States made on or after January 1, 2024, shall be given any effect. Senate Bill 483 (signed February 8, 2024).	WV				

Nexus and P.L. 86-272	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
A passive holding company formed to hold an investment had City of Detroit Income Tax nexus because its officers and agents, who were employees of a Detroit private equity firm, engaged in activities related to a stock sale in the city on behalf of the company. *Apex Labs. Int'l. Inc. v. City of Detroit* (Mich. Ct. App. January 4, 2024).	MI				
New guidance has been posted addressing when a corporation is considered to be doing business in Oregon. The guidance also addresses the scope of P.L. 86-272 and explains that taxpayers should review the "Statement of Information Concerning Practices of Multistate Tax Commission and Signatory States Under Public Law 86-272" on the MTC's website for more information. *Corporations with Headquarters Outside Oregon* (Ore. Dep't of Rev. March 2024).	OR				

Nexus and P.L. 86-272	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
State, not federal law, governed the question as to whether the licensing of software for use by Wisconsin customers was a protected activity under P.L. 86-272. Under state income tax law, sales of software licenses involved intangible personal property and was not an activity projected under P.L. 86-272. Further, certain of the taxpayer's activities, all of which occurred outside of the state, were not limited to solicitation and there was nothing in P.L. 86-272 that stated non-solicitation activities (such as the taxpayer's customer support services via phone and email) could be de minimis. *Kuta Software LLC v. Dep't of Rev.* (Wis. Tax App. Comm'n July 28, 2023).	WI				
Tax Base	**State**	**Potential impact on current tax?**	**Potential impact on deferred taxes?**	**Potential impact on ASC 740–10?**	**Other/ Comments**
Qualifying dividends deducted from income under R&TC section 24411 are sales includable the sales factor, despite FTB Legal Ruling 2006-01, which generally provides that income excluded from the tax base due pursuant to a deduction is required to be excluded from the apportionment formula. *In the Matter of Microsoft* (Cal. OTA February 14, 2024).	CA				
Under Missouri law, a deduction is allowed for corporate dividends from sources within Missouri that are not deductible under federal law. As such, dividends received from a Missouri REIT were deductible in determining Missouri taxable income. *Great Southern Bancorp v. Director* (Mo. Hear. Comm'n January 26, 2024).	MO				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
Effective January 1, 2025, the subtraction for Subpart F income is eliminated. House Bill 252 (signed March 6, 2024).	NM				
Pre-2009 net business losses (NBLs) incurred by entities that were members of a combined reporting group beginning in 2009 cannot be shared with members of a new combined group when the entities incurring the NBLs originally left the former combined group and joined a new combined group. *Lincare Holdings, Inc. v. Dep't of Rev.* (Wis. Tax App. Comm'n December 15, 2023).	WI				
Apportionment Changes and Developments	**State**	**Potential impact on current tax?**	**Potential impact on deferred taxes?**	**Potential impact on ASC 740–10?**	**Other/ Comments**
A generator of electricity at certain types of facilities is considered a manufacturer that may elect to use single sales factor apportionment permanently. Previously, the election expired after the 2023 tax year. House Bill 252 (signed March 6, 2024).	NM				
For tax years beginning on or after December 31, 2022, comprehensive customer-based sourcing rules apply to several specific types of receipts in lieu of the income producing activity test. An eight-page bulletin defines key terms used in the statute and interprets the statutory rules. Corporation Tax Bulletin 2024-01 (Pa. Dep't of Rev. January 5, 2024).	PA				

Filing Methods	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
Effective January 1, 2025, the water's-edge combined group will exclude only foreign organized corporations with less than 20 percent of their property, payroll and sales sourced to locations within the United States. Currently, the exclusion applies to all such corporations, wherever organized or incorporated. House Bill 252 (signed March 6, 2024).	NM				
The first step toward combination is that the Department of Revenue must have "reason to believe" that a corporation's tax return does not accurately reflect South Carolina income due to transactions that lack economic substance or are not at fair market value. If such intercompany transactions lack economic substance or are not at fair value, then the Department must demonstrate that correction cannot be achieved by adding back, eliminating, or otherwise adjusting the intercompany transactions. House Bill 298 (signed March 11, 2024).	SC				