

State Tax Review®

by CCH Tax Law Editors

Governor Orders Changes to Arizona Tax Forms in Anticipation of Legislation Being Enacted

Arizona Governor Katie Hobbs has issued an Executive Order to direct the Arizona Department of Revenue to update Arizona income tax forms for the 2025 tax year to reflect provisions anticipated in pending legislation. Arizona's Middle Class Tax Cuts Package will be considered by the Arizona legislature after they reconvene on January 12, 2026. The tax package includes conformity to multiple tax provisions from the federal One Big Beautiful Bill Act. Governor Hobbs has ordered the changes to occur now "because the vast majority of taxpayers will file prior to completion of the FY27 budget." The changes to the tax forms will:

- increase the standard deduction on state tax forms to \$15,750 (currently, \$15,000) for single filers, and \$31,500 for joint filers;
- add an additional \$6,000 deduction for Arizonans over 65 years old;
- allow deductions for tipped income;
- allow deductions for eligible overtime income; and
- allow deductions for interest on car loans for new, American-made vehicles.

The Executive Order states that any further conformity provisions affecting corporations and high earners will be considered in the Arizona FY27 budget. Executive Order 2025-15, Office of Arizona Governor, November 20, 2025; *News Release*, Arizona Office of the Governor, November 20, 2025

Bonus Depreciation and Research Expense Decoupling Legislation Enacted in Delaware

Delaware enacted legislation decoupling from provisions under the One Big Beautiful Bill Act (OBBBA) and creating state modifications for income taxpayers who deduct:

- 100% bonus depreciation on their federal return for property acquired and placed in service after January 19, 2025, and before January 1, 2031; and
- 100% bonus depreciation on their federal return for qualified production property placed in service before January 1, 2031.



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The legislation also establishes corporate income tax modifications for an OBBBA provision that allows taxpayers to accelerate remaining deductions for domestic research and experimental expenses made after December 31, 2021 and before December 31, 2024 over a 1 or 2-year period. Ch. 231 (H.B. 255), Laws 2025, effective November 19, 2025

International Remote Seller Voluntary Disclosure Program Announced in Washington

The Washington Department of Revenue has announced voluntary disclosure program for international remote sellers and international marketplace facilitators that are unregistered and have established substantial nexus with Washington. The program runs from February 1, through May 31, 2026. An eligible business must be headquartered outside the United States and meet the following criteria:

- has not had an active registration with or reported taxes to the department within the current statutory period (four years plus current year);
- has not been contacted by the department for enforcement purposes within the current statutory period; and
- has not engaged in evasion or misrepresentation in tax reporting.

The program offers a limited lookback period of four years plus the current year for business and occupation (B&O) taxes and 12 months for uncollected retail sales tax. Furthermore, it offers waiver of up to 39% in potential penalties.

The online application requires the business's name, address, and phone number, spreadsheet of gross income, Washington Business Activities Questionnaire, Confidential Tax/Email Authorization form, and copies of reseller permits, exemption certificates or similar documentation. *International Remote Seller Voluntary Disclosure Program and International Remote Seller Voluntary Disclosure Program frequently asked questions*, Washington Department of Revenue, November 19, 2025

CALIFORNIA

S&U Tax: Updated Guidance Issued for Motor Vehicle Dealers

Updated sales and use tax guidance is issued for motor vehicle dealers regarding the sale, lease, or use of a vehicle. Topics discussed include motor vehicle sales, vehicle leases and rentals, vehicles used for purposes other than resale or lease, and special taxing jurisdictions. *CDTFA Publication 34, Motor Vehicle Dealers*, California Department of Tax and Fee Administration, October 2025

Multiple Taxes: Updated Guidance Issued on Interest, Penalties, and the Collection Cost Recovery Fee

Updated guidance is issued, for purposes of all taxes administered by the California Department of Tax and

Fee Administration (CDTFA), regarding: (1) when and how interest, penalties, and the collection cost recovery fee may apply; and (2) how these charges can be waived. *CDTFA Publication 75, Interest, Penalties, and Collection Cost Recovery Fee*, California Department of Tax and Fee Administration, November 2025

Multiple Taxes: CDTFA Issues Updated Guidance Regarding Collection Procedures

Updated guidance is issued regarding collection procedures for all taxes administered by the California Department of Tax and Fee Administration (CDTFA). The guidance discusses what taxpayers should do when they receive a Notice of Determination or a Demand for Immediate Payment. *CDTFA Publication 54, Collection Procedures*, California Department of Tax and Fee Administration, November 2025

COLORADO

Income Tax: Innovative Motor Vehicle Credit Amounts Announced for 2026

Colorado updated its guidance on the refundable income tax credit for the purchase or lease of new electric, plug-in hybrid electric, and hydrogen fuel cell motor vehicles that are titled and registered in Colorado to note the credit amounts for tax year 2026. For 2026, the allowable credit is \$750, regardless of whether the vehicle is purchased or leased. For tax years commencing on or after January 1, 2024, but prior to January 1, 2029, an additional credit of \$2,500 is allowed for any qualifying vehicle that has a manufacturer's suggested retail price (MSRP) under \$35,000. No credit is allowed for any motor vehicle purchased or leased after June 30, 2023, that has an MSRP greater than \$80,000. The guidance provides additional information on eligibility requirements, qualifying vehicles, credit assignment, reporting requirements, and claiming the credit. *Income Tax Topics: Innovative Motor Vehicle Credit*, Colorado Department of Revenue, November 2025

Income Tax: Innovative Truck Credit Amounts Announced for 2026

Colorado updated its guidance on the refundable income tax credit for the purchase or lease of new electric, plug-in hybrid electric, and hydrogen fuel cell trucks that are titled and registered in Colorado to note the credit amounts for tax year 2026. For 2026, the allowable credit ranges from \$750 to \$8,000, depending on truck weight class. The guidance provides additional information on eligibility requirements, qualifying trucks, credit assignment, reporting requirements, and claiming the credit. *Income Tax Topics: Innovative Truck Credit*, Colorado Department of Revenue, November 2025

FLORIDA

Motor Fuel Tax: 2026 Motor Fuels Tax Rates Announced

The 2026 Florida motor fuel and diesel fuel tax rates are announced. The aviation fuel tax is repealed effective January 1, 2026. The adjusted fuel tax rates are effective January 1, 2026, and they apply during the entire calendar year. Annual adjustments to the state fuel tax rates and

ARKANSAS

Income Tax: Agricultural Federal Relief Payments Are Exempt

Arkansas Governor, Sarah Huckabee Sanders, announced that payments received by farmers from the Emergency Commodity Assistance Program (ECAP) are exempt from state income tax for tax years beginning January 1, 2025. In addition, payments received by ranchers from the Emergency Livestock Relief Program (ELRP) are also exempt for the tax year in which the loss or expenses were incurred. *News Release*, Office of the Governor, November 20, 2025, *Letter re: Agricultural Assistance Efforts*, Arkansas Department of Finance and Administration, November 19, 2025

FLORIDA

Multiple Taxes: New eFile and Pay System Launches December 1, 2025

Beginning December 1, 2025, the Florida Department of Revenue will transition sales and use tax, solid waste fees and surcharges, and the prepaid wireless fee to a new eFile and Pay system. As a result, on and after December 1, 2025, taxpayers may access the new system by linking to the eFile and Pay Taxes, Fees, and Remittance page at floridarevenue.com/taxes/filepay, selecting Sales and Use Tax, and using current login information (User ID/Password or Certificate Number/Business Partner Number). Saved credentials in the previous system will not transfer to the new system. The department encourages taxpayers to file and pay as early as possible in December to allow time to become familiar with navigating the new system and to avoid waiting in long queues for assistance. *Tax Information Publication, No. 25A01-16*, Florida Department of Revenue, November 19, 2025

the State Comprehensive Enhanced Transportation System (SCETS) tax rate, which is based on the National Consumer Price Index, are statutorily required.

Motor Fuel

The state tax rate on motor fuel will increase from 21.5 cents per gallon to 22 cents per gallon. The ninth-cent and local option rates vary by county. The SCETS rate will increase from 9.7 cents per gallon to 9.9 cents per gallon. The inspection fee on motor fuel will remain 0.125 cents per gallon.

Diesel Fuel

The state tax rate on diesel fuel will increase from 21.5 cents per gallon to 22 cents per gallon. The county tax rate (ninth-cent, SCETS, and local option tax rates) on diesel fuel will increase from 16.7 cents per gallon to 16.9 cents per gallon statewide. The total state and county rates on diesel fuel will increase from 38.2 cents per gallon to 38.9 cents per gallon statewide.

Aviation Fuel

The aviation fuel tax is repealed effective January 1, 2026. *Tax Information Publication, No. 25B05-05*, Florida Department of Revenue, November 19, 2025

ILLINOIS

Property Tax: University Granted Charter Exemption Not Subject to Tax

A nonprofit university granted a charter-based property tax exemption under the Illinois Constitution was not subject to property tax after it no longer conducted educational activities. The county assessor argued that the university no longer qualified for the exemption because of a change in use and had to exhaust its administrative remedies before filing suit to prevent property tax collection. The university was not required to exhaust its administrative remedies because the exemption originated from its constitutional charter, not from the Illinois tax code. The exemption applied to all property belonging to the university without conditions related to use and also did not owe its continuing existence to the discretion of taxing authorities. Consequently, the local assessor did not have the authority to assess the university's exempt property. *Lincoln University v. Logan County*, Appellate Court of Illinois, Fourth District, No. 4-24-1012, November 14, 2025

INDIANA

S&U Tax: December 2025 Gasoline Use Tax Rate Announced

The Indiana gasoline use tax rate for the month of December 2025, is \$0.165 per gallon. *Departmental Notice #2*, Indiana Department of Revenue, December 2025

KANSAS

Income Tax: Reminder Issued on End of Food Tax Credit

Kansas issued guidance reminding personal income taxpayers about the sunset of the food sales tax credit. The credit, previously available to resident taxpayers who purchased food in Kansas and met other eligibility requirements, no longer applies after the 2024 tax year. Taxpayers cannot claim the credit for tax year 2025 or subsequent tax years. *Notice 25-08*, Kansas Department of Revenue, November 19, 2025

INDIANA

S&U Tax: Updated Guidance Issued Regarding Leases of Motor Vehicles and Trailers

Updated guidance is issued regarding the leases of motor vehicles and trailers. The guidance has been updated to provide additional guidance on the exclusion of negative equity from tax, credit for taxes paid to other states, and situations in which the seller is the initial lessor and not an agent of the ultimate lessor. *Sales Tax Information Bulletin #28L*, Indiana Department of Revenue, November 2025

MICHIGAN

Multiple Taxes: Guidance on Tax Penalties Updated

The Michigan Department of Treasury has updated its guidance on civil tax penalties to address penalties faced by accelerated filers. Taxpayers that had \$720,000 or more of sales or use tax liability, or \$480,000 or more of withholding tax liability, in the preceding calendar year, are required to pay their taxes electronically on an accelerated schedule. Underpayments will be assessed a 5% penalty, in addition to any late or underpaid liability penalties and interest. *Revenue Administrative Bulletin 2025-15*, Michigan Department of Treasury, November 18, 2025

OREGON

Tobacco Tax: Oral Nicotine Products Tax Begins January 2026

The Oregon Department of Revenue (DOR) is encouraging businesses that distribute and sell oral nicotine products to plan ahead for a new tax that applies to all oral nicotine products sold and distributed in Oregon, starting January 1, 2026. Oregon adopted the tax when House Bill 3940 was signed into law this past summer.

Oral nicotine products subject to the new tax include tobacco derived nicotine and nicotine analogs, including synthesized nicotine products.

The Oral Nicotine Products Tax rates effective January 1, 2026 are:

- Packages with 20 or fewer consumable units will be taxed at \$0.65 per package.
- Packages with more than 20 units will be taxed at \$0.0325 per consumable unit in the package, rounded to the nearest cent.

News, Oregon Department of Revenue, November 19, 2025

TENNESSEE

Severance Tax: Unicoi County Rate Increased

Effective January 1, 2026, the Unicoi County, Tennessee, mineral severance tax rate will increase to 20 cents per ton. This rate will apply to sand, chert, sandstone,

MICHIGAN

Multiple Taxes: Interest Rate on Tax Tribunal Judgments Announced

The interest rate applicable to amounts of Michigan tax determined by the Michigan Tax Tribunal to be unlawfully paid or underpaid decreases to 8.48% for the period January 1, 2026 through June 30, 2026. *Bulletin No. 2025-13*, Michigan State Tax Commission, November 18, 2025

SOUTH CAROLINA

Multiple Taxes: Interest Rates Unchanged for First Quarter of 2026

From January 1, 2026, through March 31, 2026, the South Carolina interest rate on tax underpayments is 7%. The refund rate for overpayments is 4%. *Information Letter 25-22*, South Carolina Department of Revenue, November 19, 2025

limestone, and gravel severed from the ground by persons located in all areas of Unicoi County. *Notice 25-32*, Tennessee Department of Revenue, November 2025

Severance Tax: Rate Increase Announced for Giles County

Effective January 1, 2026, Giles County, Tennessee, will increase its mineral severance tax to 20 cents per ton. *Notice No. 25-33*, Tennessee Department of Revenue, November 2025

WASHINGTON

S&U Tax: Wages Paid by Property Management Company Were Subject to Tax

A property management company could not obtain a refund of Washington business and occupation (B&O) tax for wages paid to its onsite employees because evidence

supported the taxpayer's status as the employer. The property management agreement (PMA) explicitly states that the onsite employees are deemed to be employees of the taxpayer and that the owner "will not interfere with or direct any of" its employees. Furthermore, the taxpayer was the employer of record, withholding applicable taxes from onsite employee paychecks.

In addition, Rule 111 does not apply as the taxpayer cannot establish that it is an agent of the owner. The taxpayer controls all aspects of the employment relationship with onsite employees, including hiring, supervising, provision of benefits, and providing compensation. The PMA further disclaims any agency relationship between the taxpayer and owners. Though the taxpayer claimed that the onsite employee wages were imputed and were not part of the value proceeding from its property management services, use of funds from operating accounts to satisfy the taxpayer's obligation to pay its own employees was consideration "actually received or accrued." *Apartment Management Consultants LLC v. Department of Revenue*, The Court of Appeals of Washington, Division Two, No. 60254-7-II, November 12, 2025

WASHINGTON

S&U Tax: Local Lodging Tax Guide Released

The Washington Department of Revenue has released a local lodging tax guide addressing rate changes impacting lodging businesses beginning January 1, 2026. *Lodging Rates and Changes*, Washington Department of Revenue, November 21, 2025

S&U Tax: Local Tax Guide Released for Car Dealers and Leasing Companies

The Washington Department of Revenue has released a local sales and use tax guide for rate changes applicable to car dealers and leasing companies beginning January 1, 2026. *Car Dealers and Leasing Companies Local Sales & Use Tax Rates*, Washington Department of Revenue, November 21, 2025