

State Tax Review®

by CCH Tax Law Editors

Hawaii IRC Conformity Updated

Hawaii has updated its Internal Revenue Code (IRC) tie-in date for computing corporate and individual income tax liability to December 31, 2025, for tax years beginning after December 31, 2025. Previously, the tie-in date was December 31, 2024, for tax years beginning after December 31, 2024. However, a number of IRC provisions are made inoperative for Hawaii income tax purposes, including the following:

- Sec. 139K, relating to scholarships for qualified elementary or secondary education expenses of eligible students;
- Sec. 139L, relating to interest on loans secured by rural or agricultural real property;
- Sec. 174A, relating to domestic research or experimental expenditures;
- Sec. 225, relating to qualified overtime compensation;
- Sec. 1062, relating to gain from the sale or exchange of qualified farmland property to qualified farmers;
- amendments made after December 31, 2024, to Sec. 68, relating to overall limitation on itemized deductions;
- Sec. 163(h)(4), relating to qualified passenger vehicle loan interest;
- Sec. 164(b)(7), relating to the applicable limitation amount for the deduction of state and local taxes;
- Sec. 168(n), relating to the special allowance for qualified production property;
- amendments made after December 31, 2024, to Sec. 174, relating to amortization of research and experimental expenditures; and
- amendments made after December 31, 2024, to Sec. 1202, relating to partial exclusion for gain from certain small business stock.

Act 35 (H.B. 2329), Laws 2026, effective May 26, 2026, and applicable as noted

Minnesota IRC Conformity Updated, Pass-Through Entity Tax Extended

Minnesota has enacted omnibus tax legislation that brings state law into further conformity with federal law and makes many other tax changes. The changes include:

- updating the Internal Revenue Code (IRC) tie-in date;
- extending the pass-through entity tax;
- mandating a direct free filing system for individual income tax returns;
- revising tax credits and exemptions;
- providing a one-time increase in the homestead credit refund;
- modifying refund claim time limits;



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- clarifying composite return options; and
- imposing a new tax on amounts obtained by fraud of a public program.

Federal conformity

Minnesota's new IRC tie-in date for income and franchise tax purposes is May 1, 2026 (previously, May 1, 2023). Incorporated federal changes are generally effective for Minnesota purposes at the same time they were effective for federal purposes. However, some federal changes are not adopted. The following modifications apply:

- for taxable years beginning after December 31, 2025, the itemized deduction for charitable contributions for an individual is limited to contributions in excess of 1% of the taxpayer's contribution base for the year;
- an addition to income is required for distributions from a 529 plan used to pay for postsecondary credentialing expenses, effective retroactively at the same time the changes under the One Big Beautiful Bill Act (OBBBA) (P.L. 119-21) became effective;
- for taxable years beginning after December 31, 2025, an addition to income is required for employer student loan payments, as well as other forms of educational assistance in excess of \$5,250;
- for taxable years beginning after December 31, 2025, an addition to income is required for qualified transportation fringe benefits in excess of the limit in effect prior to the passage of OBBBA;
- for taxable years beginning after December 31, 2025, an addition to income is required for any income that is nontaxable federally as hazard duty pay for services provided in the Sinai Peninsula, Kenya, Mali, Burkina Faso, and Chad;
- for taxable years beginning after December 31, 2025, an addition to income is required to offset the federal tax benefits for capital gains in an Opportunity Zone;
- for taxable years beginning after December 31, 2026, the amount of capital gains in an Opportunity Zone that was previously deferred under federal law and added to Minnesota income may be subtracted under Minnesota law when the gain is recognized federally;
- an addition to income is required for the amount of interest on loans secured by rural or agricultural real property that was excluded from gross income for federal purposes, effective retroactively at the same time the provision in the OBBBA became effective;
- for taxable years beginning after December 31, 2025, an addition to income is required for the amount of business meal expenses in excess of the 50% limitation that are deducted under federal law for meals provided on certain fishing vessels, fish processing facilities, and oil and gas platforms, plus the amount of expenses allowed as a deduction for goods and services sold by a taxpayer in a bona fide transaction;
- for taxable years beginning after December 31, 2025, a subtraction from income is allowed for net CFC tested income, similar to the amount allowed under prior law for qualified business asset investment;
- for purposes of determining net CFC tested income or subpart F income, OBBBA provisions relating to the look-thru rule do not apply and adjustments are required;
- for corporations, additions to income are required for 80% of the amount of deduction claimed for domestic research and experimental expenditures that are expensed federally, effective retroactively for taxable years beginning after 2021, and for the amount of deduction claimed for unamortized amounts, effective retroactively for taxable years beginning after 2024;
- subtractions to income are allowed for the 80% addition for research and experimental expenditures, effective retroactively for taxable years beginning after 2022, and for unamortized amounts deducted federally over an accelerated timeframe and added back for Minnesota purposes, effective retroactively for taxable years beginning after 2024; and
- for taxable years beginning after December 31, 2025, Minnesota decouples from federal changes to the

dependent care credit and adopts a version of the credit that was allowed federally prior to OBBBA.

Alternative minimum tax definitions are also modified to account for additions and subtractions required due to the state's selective conformity to federal law.

Pass-through entity tax

The Minnesota pass-through entity tax is extended so that it is available through tax years 2026 and 2027. The related credit for pass-through entity tax paid is similarly extended. Estimated tax payment relief is provided for tax year 2026.

Direct free filing system

The Department of Revenue (DOR) must establish an electronic system through which taxpayers can directly file their individual income tax returns electronically for free. The DOR must make the system available on its website for taxable years beginning after December 31, 2026, and must not limit access based on income. The system must allow taxpayers to claim the marriage penalty credit, education credit, child and working families credits, dependent care credit, student loan credit, and renter's credit.

Credits and exemptions

Sustainable aviation fuel credit.—Changes to the sustainable aviation fuel credit include:

- modifying the definition of “biomass” to exclude certain agricultural feedstocks and include gaseous carbon oxides and certain hydrogen;
- providing that carbon oxides sequestered as part of the production process must not be used as tertiary injectants in qualified enhanced oil recovery projects;
- allowing a supplemental credit of \$0.02 per gallon, up to \$2.00 per gallon total, for projects meeting certain carbon intensity reductions;
- increasing the total amount of credits that may be allocated; and
- extending the credit through tax year 2035.

Agricultural asset owner credit.—For tax year 2026 only, the annual \$4 million cap on tax credits for agricultural asset owners that sell or rent assets to beginning farmers is temporarily removed.

Championship golf exemption.—Sales of admission to a world championship golf tournament sponsored by the Professional Golfer's Association of America (PGA) and

related events sponsored by the PGA are exempt from sales tax, effective for sales made after June 30, 2026.

Property taxes

Homestead credit refund.—For homestead credit refund claims based on property taxes payable in 2026, the refund otherwise payable is increased by 14.88%.

Class 1c properties.—The tier thresholds for class 1c homestead resort properties are increased. The threshold for the first tier increases from \$600,000 to \$1,500,000 and the threshold for the second tier increases from \$1,700,000 to \$3,000,000, effective beginning with assessment year 2026.

Property owned by certain tribes.—An existing exemption for a medical clinic in Duluth owned by the Fond du Lac Band of Lake Superior Chippewa is modified, effective beginning with assessment year 2027, by adding the clinic's parking lot to the exemption, allowing the property to consist of up to five (previously, two contiguous) parcels and structures, and extending the expiration of the exemption from 2028 to 2038.

Also, a new exemption is established for a parcel of property in Cloquet that is owned by the Fond du Lac Band of Lake Superior Chippewa and used to store medical equipment and materials, effective beginning with taxes payable in 2027.

Refund claim time limits

The general timeframe for filing claims for refund of state tax is changed to the later of:

- three and one-half years from the date the return was due, including any extension granted (if filed within the extended time); or
- two years from the date the tax, penalties, or interest was paid (previously, one year from the date of an order assessing tax, an order determining an administrative appeal, or a return made by the Commissioner of Revenue where the taxpayer failed to file a return).

Composite returns

Nonresident partners who incur accelerated gain under an installment sale may opt to file composite returns, unless they defer the gain, in which case they would need to report the deferred gain on individual income tax returns, effective for taxable years beginning after December 31, 2025.

Tax on amounts obtained by fraud

A tax equal to 100% of the program fraud amount will be imposed on any individual or organization convicted of public program fraud, effective for convictions after 2025.

Also, for amounts obtained by fraud of a public program, as determined by the Commissioner of Revenue, for which a conviction has not been made, a penalty equal to 100% of the amount attributable to the fraud may be imposed, effective for determinations of fraud made after 2025. Ch. 128 (H.F. 2438), Laws 2026, effective as noted

New York's Enacted Budget Includes Tax on Alternative Nicotine Products, Extended Corporate Rates, Deduction for Tips, and Makes Other Changes

Enacted as part of New York's 2026-27 budget package, S.B. 9009 contains a variety of New York state and New York City personal income, corporate franchise, sales and use, property, tobacco, motor fuel, gaming, and other tax changes, including those detailed below.

Pied-a-terre tax. A so-called pied-a-terre tax is created for luxury second homes in New York City valued at \$5 million or more when measured by sales of comparable properties. Specifically, beginning July 1, 2026, the tax is an annual surcharge imposed in New York City on a covered property, or in the case of a covered property that is a residential cooperative property, a residential cooperative dwelling unit, that is not a primary residence. The surcharge only applies to those homes that are not the primary residence of the owner or are not rented to a primary resident or occupied by the owner's family.

However, since many homes have not historically been valued using comparable sales methods, the surcharge is imposed in two phases. Phase one uses current valuation methods and phase two uses comparable sales as follows:

- Phase 1: For fiscal years beginning on or after July 1, 2026, and before July 1, 2028, the phase one market value of such covered property that is a class one property is equal to or greater than \$5 million dollars, the phase one market value of such covered property that is a residential condominium dwelling unit is equal to or greater than \$1 million, or, in the case of a covered property that is a residential cooperative property, the phase one market value of a residential cooperative dwelling unit within

such residential cooperative property is equal to or greater than \$1 million.

- Phase 2: For fiscal years beginning on or after July 1, 2028, the phase two market value of such covered property or, in the case of a covered property that is a residential cooperative property, such residential cooperative dwelling unit, is equal to or greater than \$5 million when measured by sales of comparable properties.

The surcharge rates are calculated as follows:

- Phase 1: For fiscal years beginning on or after July 1, 2026, and before July 1, 2028, (1) for covered property that is in class one, where the phase one market value is (A) greater than or equal to \$5 million, but less than or equal to \$15 million, at a rate of 0.8%; (B) greater than \$15 million dollars, but less than or equal to \$25 million, at a rate of 1.05%; (C) greater than \$25 million, at a rate of 1.3%; and (2) for covered property that is a residential condominium dwelling unit or, in the case of a residential cooperative property, a residential cooperative dwelling unit, where the phase one market value is (A) greater than or equal to \$1 million, but less than or equal to \$3 million, at a rate of 4.0%; (B) greater than \$3 million, but less than or equal to \$5 million, at a rate of 5.25%; and (C) greater than \$5 million, at a rate of 6.5%.
- Phase 2: For fiscal years beginning on or after July 1, 2028, for covered property or, in the case of a residential cooperative property, a residential cooperative dwelling unit, where the phase two market value is (1) greater than or equal to \$5 million, but less than or equal to \$15 million, at a rate of 0.8%; (2) greater than \$15 million, but less than or equal to \$25 million, at a rate of 1.05%; and (3) greater than \$25 million, at a rate of 1.3%.

The New York City Department of Finance must make, on an annual basis, an initial determination that a covered property, or, in the case of a covered property that is a residential cooperative property, a residential cooperative dwelling unit, that has a phase one or phase two market value equal to, or greater than, the above thresholds, is not a primary residence. The department must provide notice to the owner of a covered property, or, in the case of a covered property that is a residential cooperative property, a residential cooperative dwelling unit, of such initial determination, provided that, for the fiscal year beginning July 1, 2026, the notice must be provided no later than August 30, 2026. Such notice must

include an opportunity for the owner to submit proof of primary residence, to the satisfaction of the department. The department may require that the owner provide a certification that such covered property or residential cooperative dwelling unit is a primary residence, as well as any documentation demonstrating specific statutory requirements.

“Covered property” means real property, other than excluded property, classified as:

- class one property, other than vacant land;
- class two property that is a residential cooperative property in which at least one residential cooperative dwelling unit: (A) has a phase one market value equal to or greater than \$1 million or phase two market value equal to or greater than \$5 million; and (B) is not a primary residence; and
- class two property that is a residential condominium dwelling unit.

“Excluded property” means a class one or class two property:

- for which a temporary or permanent certificate of occupancy is required and has not yet been issued; or
- a residential condominium dwelling unit or residential cooperative dwelling unit that is subject to an offering plan required by Sec. 352-e of the General Business Law and such unit has not been sold, or an economic interest in such unit has not been transferred, by the person, partnership, corporation, company, trust or association who has filed such plan.

“Primary residence” means the use of a covered property, or, in the case of a residential cooperative property, a residential cooperative dwelling unit, as of the taxable status date immediately preceding the fiscal year in which the surcharge is imposed, as a primary residence of (1) one or more of the covered owners, or an immediate family member of one or more of the covered owners, provided such covered owners are natural persons; or (2) one or more lessees, and any sub-lessees to which a lessee has sublet the covered property or residential cooperative dwelling unit, provided any such lessee or sub-lessee is a natural person occupying such covered property or residential cooperative dwelling unit pursuant to a bona fide lease agreement negotiated in an arms-length transaction with a term of not less than one year. For purposes of this article, “immediate family member” means a spouse, child, sibling, parent, grandparent, or grandchild.

Alternative nicotine products. The tobacco products excise tax is expanded to include alternative nicotine products, applicable to all sales of such products on or after September 1, 2026. However, the tax does not apply to 75 units or less of alternative nicotine products. An “alternative nicotine product” is any noncombustible product, other than vapor products, which contains nicotine but not tobacco and is intended for human consumption, whether chewed, absorbed, dissolved, or ingested by any other means. “Alternative nicotine product” does not include any product regulated as a drug or device by the U.S. Food and Drug Administration (FDA). The term “unit” as it relates to alternative nicotine products means any cannister, pack, box, carton, or container of any kind or, if no other container, any wrapping, in which an alternative nicotine product is offered for sale, sold, or otherwise distributed to consumers.

Corporate franchise tax rates. The budget extends the current 7.25% business income tax rate for 3 years, through tax year 2029, for taxpayers with a business income base over \$5 million. In addition, the current 0.1875% capital base tax rate is also extended for 3 years, through tax year 2029.

Tipped wages. A personal income tax subtraction is enacted for up to \$25,000 of qualified tips, to the extent a federal deduction is allowed under IRC Sec. 224. The modification applies for taxable years beginning on or after January 1, 2026.

Vendor re-registration program. The Department of Taxation and Finance is required to undertake a complete sales tax vendor re-registration program in phases, to be completed by December 31, 2030. This allows the department to determine the order in which current sales tax vendors must re-register within the overall re-registration program. Also, the bill sets time lines for applications, department determinations and taxpayer protests.

In addition, the bill establishes a sales and use tax penalty and interest discount program to incentivize current sales tax debtors to resolve their outstanding sales tax liabilities before the re-registration program begins. For purposes of the penalty and interest discount program, an eligible taxpayer is any person who is a holder of a current certificate of authority subject to the reregistration program who has an eligible tax liability, and who meets the statutory conditions. An eligible tax liability is a liability for sales and use taxes, including any interest or penalty thereon, that is fixed and final

on or before September 1, 2026, such that the taxpayer no longer has any right to an administrative or judicial review. The discounted amount due under the program for an eligible taxpayer with an eligible tax liability is the sales or use tax liability plus 50% of the interest accrued through December 31, 2026. The Commissioner of Taxation and Finance must identify the eligible taxpayers with eligible tax liabilities, compute the discounted amount due on such eligible tax liabilities, and notify eligible taxpayers of the discounted amount due. The discount will not be granted unless the eligible taxpayer pays the discounted amount due in full on or before December 31, 2026.

Alternative fuels exemptions. The expiration date for the alternative fuel tax exemptions for fuel types E-85, compressed natural gas (CNG) and hydrogen, and the partial exemption for B-20, is extended to September 1, 2031. Previously, the exemptions were scheduled to expire September 1, 2026.

Residential energy storage system exemptions. The expiration dates of the existing sales and use tax exemptions for receipts from retail sales of residential energy storage systems equipment and the service of installing these systems, as well as sales of electricity by a person primarily engaged in the sale of energy storage system equipment, are extended until June 1, 2028. Previously, these exemptions were scheduled to expire June 1, 2026.

Vending machine sales tax exemption. The existing sales and use tax exemption for certain food and drink purchased from vending machines is extended until May 31, 2029. Previously, the exemption was scheduled to expire May 31, 2026.

Exemption for certain student food donations. The sales and use tax exemption for food sold to a student enrolled in a college, university or school purchasing a meal using an approved donation program of funds or food points is modified. Specifically, effective June 1, 2026, a contractual arrangement between an enrolled student and a college, university or school may include a provision permitting such enrolled student to donate unused meal funds, meals or meal points to other students enrolled in such school, college or university who are facing food insecurity through a program operated by such school, college or university directly or through a contract with a nonprofit organization that is exempt from federal taxation. However, no part of the donated funds, meals or meal points can inure to the benefit of such school, college, university or nonprofit organization.

STAR exemption and STAR credit programs. Technical corrections are made to simplify the administration of the STAR exemption and credit programs by:

- updating the “good cause” provision of the STAR program to reflect that there are no longer any applications for the Enhanced STAR exemption;
- making the eligibility determination and protest provisions uniform across all variations of the STAR program;
- providing that STAR credit eligibility must be based on ownership status as of July 1, consistent with the residency eligibility date set forth in existing law;
- restoring former Tax Law §606(eee)(2), which authorized the credit and was inadvertently repealed;
- clarifying that the age requirement for the Enhanced STAR credit applies to taxable years commencing in 2026; and
- eliminating the Department of Taxation and Finance’s obligation to allow credit recipients to apply for supplemental payments (Form IT-119) when filing their personal income tax returns.

Petroleum business tax filing deadline for commercial vessel operators. Non-exempt commercial vessel operators are required to file petroleum business tax returns on an annual basis on or before March 20th of each year, instead of on a monthly basis. The provision is effective September 1, 2026. However, a petroleum business that is required to file an annual return pursuant to existing law must file monthly returns for periods ending on or before September 1, 2026, and file an annual return for the remainder of the annual period of March 1, 2026, through February 28, 2027, on or before March 20, 2027. These businesses are required to file annual returns going forward.

Exemptions for senior citizens and persons with disabilities. The Senior Citizen Rent Increase Exemption (“SCRIE”) and the Disability Rent Increase Exemption (“DRIE”) programs are extended until June 30, 2028. Previously, they were scheduled to expire June 30, 2026. In addition, the income eligibility thresholds for both programs, as well as certain exemptions for senior citizens and persons with disabilities, are expanded from \$50,000 to \$75,000. Further, the bill provides notice to tenants regarding rent increase exemptions.

Telecommunications ceiling program. The telecommunications ceiling program that was created to provide a standardized, state level process for determining the taxable assessed value of local public utility mass

real property under Article 4, Title 5, of the Real Property Tax Law, is extended until January 1, 2031. Previously, the program was scheduled to expire January 1, 2027.

Exemption for certain disabled veterans. Applicable to assessment rolls based on taxable status dates occurring on and after October 1, 2026, the property tax exemption for certain disabled veterans is amended. Specifically, a locality may adopt a local law or resolution providing that the primary residence of any seriously disabled veteran is fully exempt from property tax. To be eligible for the exemption, a veteran:

- must have been discharged or released from active military, naval, space or air service, including army and air national guard service performed pursuant to federal order, under honorable conditions;
- must have a qualifying condition and must have received a discharge other than bad conduct or dishonorable from such service;
- must be a discharged LGBT veteran and must have received a discharge other than bad conduct or dishonorable from such service; and
- must be considered by the U.S. Department of Veterans Affairs to be permanently and totally disabled as a result of military service, as evidenced by a letter, official form, or other document sent to such veteran from such department that specifically states such veteran is considered to be permanently and totally disabled as a result of such service.

Reduced transfer tax rates for qualifying REITs. The tax rate reductions for conveyances of real property to qualified existing real estate investment trusts (REITs) under the New York state real estate transfer tax and the New York City real property transfer tax are extended until September 1, 2029. Previously, such rates were set to expire on September 1, 2026.

Decoupling from certain OBBBA provisions. The law is amended to decouple from certain provisions of federal P.L. 119-21. Specifically, New York's existing treatment of depreciation for qualified production property is preserved. In addition, New York is decoupled from the federal accelerated deductions for pre-2025 domestic research and experimental (R&E) expenditures and the ability to immediately deduct domestic R&E expenditures in the year incurred. Also, the bill aligns the state's treatment of domestic and foreign R&E expenditures, with all qualifying R&E expenditures deductible over a 5-year period. The provisions apply to tax years beginning on or after January 1, 2025.

Similar modifications are enacted for New York City business income tax purposes concerning qualified production property and domestic R&E expenditures. Further, additional New York City decoupling provisions are enacted for business interest expenses (requiring taxpayers to compute adjusted taxable income with regard to depreciation, amortization, and depletion as in place before the OBBBA) and the expensing of depreciable business assets (applying deduction limits that were in place before the OBBBA).

Child and dependent care credit. The child and dependent care credit is revised for taxable years beginning after 2025 to simplify the calculation and enhance the benefit provided. For purposes of the revised credit, any references to the IRC are to the Code as it existed before January 1, 2025.

Charitable contributions. The law is amended to retain the deductibility of certain charitable contributions as a New York itemized deduction for individual contributions to entities that lose their federal tax-exempt status. Specifically, contributions to an organization that meets the definition of an exempt organization under New York Tax Law Sec. 1116(a)(4) or to organizations that were approved for tax-exempt status under IRC Sec. 501(c) by the IRS before January 1, 2025, will continue to qualify as charitable contributions allowable as a New York itemized deduction, even if the IRS revokes the organization's tax-exempt status. The organization must establish that the revocation was unrelated to its charitable mission and that it continues to meet the statutory requirements of IRC Sec. 501(c)(3). The provisions apply to taxable years beginning on or after January 1, 2026.

Farmer definition. A uniform definition of "eligible farmer" is created across various tax credits to streamline the process for claiming the credits. The definition is simplified for purposes of the agricultural property tax credit, and that definition is cross-referenced from the farm workforce retention credit, the farm employer overtime credit, and the credit for farm donations to food pantries. The changes apply to taxable years beginning on or after January 1, 2026.

Farm donations to food pantries credit. For taxable years beginning on and after January 1, 2026, the credit for farm donations to food pantries is increased to 50% (previously 25%) of the fair market value of the taxpayer's qualified donations made to any eligible food pantry during the taxable year, not to exceed \$20,000 (previously \$5,000) per taxable year.

POWER rebates. A program called the Protecting Our Wallets Energy Rebate (POWER) credit is created, under which checks of up to \$200 will be available to certain New York residents, based on 2024 tax returns.

Commercial security credit. The commercial security tax credit is extended for 3 years, through tax year 2028.

New York City musical and theatrical production credit. The aggregate amount available under the New York City musical and theatrical tax credit program is increased by \$150 million. The increase applies to qualified New York city musical and theatrical production

companies whose first performance was on or after December 1, 2025.

Election by individuals to be subject to tax at corporate rates. A personal income tax subtraction is enacted for the amount of any distribution included in federal adjusted gross income under IRC Sec. 962(d), applicable to taxable years beginning on or after January 1, 2026.

Brownfield credits. The law extends the duration of certain brownfield redevelopment and remediation tax credits for specified sites. Ch. 59 (S.B. 9009), Laws 2026, effective May 28, 2026, except as noted

ALABAMA

S&U Tax: Dadeville Imposes Rental Tax

Dadeville, Alabama, will implement a new local rental tax effective June 1, 2026, with the first return due on July 20, 2026. The tax rate is 3% on general rentals, automobile vehicles, truck trailers, semi-trailers, house trailers, linens, and garments. Taxpayers are required to report and remit this tax in accordance with state procedures using the electronic City and County Tax Return form. *Notice*, Alabama Department of Revenue, May 26, 2026

S&U Tax: Tuscumbia Tax Rates Increased

Alabama announced certain increased sales and use tax rates for the City of Tuscumbia and its police jurisdiction, effective June 1, 2026. The general sales and use tax rate, the rate for admissions to places of amusement and entertainment, and the rate for vending machine food will all increase from 3.5% to 4%. A new \$50 withdrawal fee is imposed on automotive vehicle dealers. Other rates remain unchanged. Police jurisdiction tax rates will continue to be half of the corporate limits rates. *Notice*, Alabama Department of Revenue, May 26, 2026

S&U Tax: Westover Filing Process Updated

Alabama announced changes to the filing process for Westover rental taxes (auto, general, and linens), effective with the tax period ending June 30, 2026, due by July 20, 2026. These taxes must be remitted using locality code

9565 (Westover Rental) through My Alabama Taxes (MAT). Sales and use taxes will continue to use locality code 9765, renamed Westover Sales & Use. *Notice*, Alabama Department of Revenue, May 26, 2026

S&U Tax: Guin Prohibited from Collecting License Revenue, Taxes, and Fees

Alabama has prohibited the city of Guin from collecting license revenue, taxes, or fees within its police jurisdiction due to its failure to file an annual report. Businesses in Guin's police jurisdiction can continue to remit validly levied taxes online through My Alabama Taxes. This prohibition is effective starting June 1, 2026. *Notice*, Alabama Department of Revenue, May 27, 2026

CALIFORNIA

S&U, Motor Fuel Taxes: 2026-2027 Fuel Tax Rates Announced

California provides the sales and use tax, sales tax prepayment, and motor vehicle fuel excise tax rates effective July 1, 2026, through June 30, 2027.

Sales and Use Tax Rates

Effective July 1, 2026, through June 30, 2027, the sales and use tax rates applicable to fuels remain the same at:

- 2.25% for gasoline (motor vehicle fuel);
- 7.25% for aircraft jet fuel; and
- 13% for diesel fuel.

Sales and use tax rates are inapplicable to aviation gasoline.

Sales Tax Prepayment Rates

The per gallon sales tax prepayment rates applicable to fuels during the same time period are:

- \$0.080 (formerly, \$0.075) for gasoline (motor vehicle fuel);
- \$0.145 (formerly, \$0.125) for aircraft jet fuel; and
- \$0.425 (formerly, \$0.385) for diesel fuel.

Sales tax prepayment rates are inapplicable to aviation gasoline.

Motor Vehicle Fuel Excise Tax Rates

The per gallon motor vehicle fuel excise tax rates applicable to fuels during the same time period are:

- \$0.634 (formerly, \$0.612) for gasoline (motor vehicle fuel);
- \$0.02 (remains the same) for aircraft jet fuel;
- \$0.482 (formerly, \$0.466) for diesel fuel; and
- \$0.197 (formerly, \$0.19) for aviation gasoline.

The excise tax on aircraft jet fuel is not subject to an annual adjustment. *Special Notice L-1025*, California Department of Tax and Fee Administration, June 2026

Tobacco Tax: Taxpayer's Failure to Retain Records on Location Constituted Violation

The taxpayer's failure to retain records on location and available for inspection upon request constituted a statutory violation. A retailer must retain purchase invoices for all cigarettes and tobacco products the retailer purchased for a period of four years, and those invoices must be kept at the retail location for at least one year after the purchase and must be made available upon request during normal business hours for review, inspection, and copying. Although the taxpayer provided purchase invoices for most of its cigarette and tobacco products inventory during the inspection, it did not provide any purchase invoices or receipts for the unstamped cigarette packages that were seized. In addition, the invoices were not all on the premises at the start of the inspection, only three were provided when requested and additional invoices were later brought to the business location. As such, the taxpayer violated the California Cigarette and Tobacco Products Licensing Act of 2003 by failing to keep records on location and available for inspection upon request for at least a year. *Sam Investments, Inc.*, California Office of Tax Appeals, 2026-OTA-279P, April 3, 2026

CALIFORNIA

Property Tax: Disabled Veterans' Exemption Increases for 2027

As adjusted by an annual inflation factor, the 2027 disabled veterans' exemption amounts are: (1) \$185,889 for the basic exemption; and (2) \$278,836 for the low-income exemption, with a 2027 household income limit of \$83,474 for those claiming the low-income exemption. Both the exemption amounts and the household income limit for the disabled veterans' exemption are compounded annually by an inflation factor. *Letter to County Assessors, No. 2026/019*, California State Board of Equalization, May 22, 2026

COLORADO

S&U Tax: Guidance on Sales and Use Tax on Gasoline and Special Fuels Updated

Colorado updated its guidance on sales and use taxes for gasoline and special fuels. In general, gasoline and special fuels for which the excise tax has been charged and collected are exempt from sales and use taxes. The fuel remains exempt even if the excise tax is later refunded. Some aviation fuels are exempt from the excise tax, and are therefore subject to sales tax. Sales tax is charged on the purchase price of the fuel, which may include the cost of fuel, state and federal excise taxes, and any airport fuel flowage fees. *Sales and Use Tax Topics: Gasoline and Special Fuels*, Colorado Department of Revenue, May 2026

CONNECTICUT

Income Tax: Deductions Added for Members of Military Honor Details and National Guard

Connecticut enacted legislation that adds personal income tax deductions for compensation received by:

- members of military honor guard details for attending a veteran's funeral service, effective for tax years beginning on or after January 1, 2026; and
- National Guard members ordered outside the state for active service, effective for tax years beginning on or after January 1, 2027.

P.A. 26-35 (H.B. 5406), Laws 2026, effective as noted

FLORIDA

Property Tax: Governor Calls Special Session on Property Tax Relief

Florida Gov. Ron DeSantis called for a special session of the legislature during the week of June 1 to consider a constitutional amendment on broad property tax relief. The governor's constitutional amendment proposes to:

- exempt the first \$250,000 of a homestead's value from taxation and require, through law, a schedule for full elimination;
- require individuals who establish Florida residency after January 1, 2027, to maintain their residency for up to 5 years before receiving the increased homestead exemption;
- require local governments to use remaining property taxes solely for core public needs including public safety, education and schools, infrastructure, and natural resources; and
- limit future property tax assessments on businesses.

The governor wants the constitutional amendment placed on the ballot for voters this fall. *Press Release*, Office of Florida Gov. Ron DeSantis, May 27, 2026

GEORGIA

S&U Tax: Tax Exemption Established For Construction Materials Near Convention Centers

Georgia has introduced a sales and use tax exemption for tangible property and construction materials used in specific building projects near state-owned convention facilities located on river islands. The exemption, effective from July 1, 2026, to June 30, 2033, or until \$7 million in refunds are issued, requires purchasers to pay taxes upfront and claim refunds later, excluding interest. Act 467 (H.B. 1209), Laws 2026, effective May 11, 2026, and applicable as noted above

Property, Utilities Taxes: Hearing Officer Reviews Expanded For Business Property Appeals

Georgia's government expands property tax appeals by introducing hearing officer reviews for disputes involving business tangible personal property valued over \$200,000 and wireless property exceeding \$500,000.

COLORADO

Property Tax: Tax Lien Sale Procedures Revised

Colorado has enacted legislation modifying procedures related to the collection of delinquent property taxes by tax lien sale. The changes include:

- updated fees to be charged by county treasurers;
- revised timelines for reviewing applications for treasurer's deeds and notifying relevant parties about the applications and public auctions; and
- clarification that the procedures for public auctions and treasurer's deeds also apply to mobile homes, manufactured homes, modular homes, and tiny homes.

S.B. 144, Laws 2026, effective June 1, 2026

The amendments clarify definitions and establish qualifications for hearing officers.

The definition of "public utility" is also revised to include private water and sewage systems with at least 10,000 connections. Act 464 (H.B. 445), Laws 2026, effective July 1, 2026

Multiple Taxes: Tax Credits Enacted For Forestry Manufacturing Facilities

The "Keep Georgia Forested Act" amends multiple sections of the personal and corporate income tax code to introduce and expand tax credits specifically for forestry manufacturing facilities.

The legislation defines "forestry manufacturing" as businesses certified by the state that use domestically sourced wood fiber, biomass, or forestry by-products as primary feedstock for producing forest products, renewable fuels, bio-based chemicals, bioenergy, or other value-added products. Existing statutes are amended to explicitly include forestry manufacturers as eligible for various job creation and investment tax credits, aligning them with other manufacturing and business enterprises in less developed areas and across county tiers.

Job credits

For taxable years beginning on or after January 1, 2026, and before January 1, 2031, forestry manufacturers are

eligible for additional tax credits for creating new full-time jobs, with the amount and eligibility thresholds varying by county tier (e.g., \$500 per new job, with minimum job creation requirements ranging from 5 to 25 depending on the county's economic status).

Investment credits

For taxable years beginning on or after January 1, 2026, and before January 1, 2031, investment tax credits for forestry manufacturers are also enhanced: 15% in tier 1 counties, 10% in tier 2, and 3% in tier 3 and 4 counties, based on the cost of qualified investment property. These credits are subject to the same conditions as those for other manufacturers, such as wage and health insurance requirements.

Transferability

Forestry manufacturers are allowed to transfer or sell unused tax credits to other Georgia taxpayers, subject to specific notification and reporting requirements. Each forestry manufacturer may make only one transfer or sale per taxable year, though it may involve multiple transferees. The Department of Revenue is tasked with preparing annual reports on the total amount of credits transferred, which must be submitted to legislative committees by December 31 each year. Failure to comply with reporting requirements results in disallowance of the credit until compliance is achieved. The transferability provisions, as well as the enhanced credits, are set to be automatically repealed at the end of December 31, 2030, but accrued credits may still be transferred after that date if earned before the repeal.

Aggregate caps and administrative provisions

The aggregate caps on the total tax credits available to forestry manufacturers are \$250 million overall, with a \$100 million cap for credits in tier 3 and 4 counties. Any renewal or extension of these tax credits beyond the initial period requires a two-thirds majority vote in both chambers of the General Assembly. The Department of Revenue is authorized to promulgate regulations necessary for the administration of these provisions. Act 427 (H.B. 134), Laws 2026, effective July 1, 2026, and applicable to taxable years beginning on or after January 1, 2026

ILLINOIS

S&U Tax: Cannabis Excise Tax Excluded From Local Sales Tax

Illinois issued a general information letter discussing the cannabis purchaser excise tax and local taxes on the gross

CONNECTICUT

Income, S&U Taxes: Angel Investor Credit Modified, Nonelectronic School Supply Exemption Limited

Legislation is enacted that:

- effective July 1, 2026, modifies requirements for businesses to qualify for the angel investor personal income tax credit program, by: (1) reducing the minimum percentage of a business's employees that must live in Connecticut from 75% to 50%; and (2) requiring applications to Connecticut Innovations from a business and a related person to be treated as a single Connecticut business under the program; and
- effective July 1, 2026, and applicable to sales occurring on or after that date, limits the sales and use tax exemption for nonelectronic school supplies, like backpacks, lunchboxes, notebooks, pens, pencils, crayons, rulers, and paper, to supplies purchased for nonbusiness purposes.

Act 26-76 (S.B. 477), Laws 2026, effective and applicable as noted

receipts of retailers selling cannabis. The state excise tax is a tax collected from purchasers for the privilege of using cannabis, other than medical use cannabis. A retailer must state the tax on the purchaser's invoice as a distinct item separate and apart from the purchase price. The tax varies based on the type and potency of the cannabis. Municipalities and counties can impose a tax on the gross receipts of retailers selling cannabis, other than medical use cannabis. "Gross receipts" from the sales of cannabis by a retailer means the total selling price, excluding the cannabis purchaser excise tax. *General Information Letter ST 26-0013-GIL*, Illinois Department of Revenue, April 28, 2026

S&U Tax: Destination-Based Sales Tax Guidance Issued

Illinois issued a guidance publication on destination-based sales tax for retailers and service providers making sales or transfers of tangible personal property (TPP)

as part of a sale of service from outside the state to customers in the state. If retailers or service providers meet the \$100,000 economic nexus threshold or have physical presence in Illinois, they must register with the Illinois Department of Revenue (IDOR), collect destination-based sales tax, file returns, and pay the tax to the IDOR. The publication includes guidance on important definitions, registration procedures, the tax treatment of leases and sales or transfers through a marketplace facilitator, the determination of destination-based tax rates, and recordkeeping requirements. *Publication 113-D Overview of Destination-Based Sales Tax*, Illinois Department of Revenue, May 2026

S&U Tax: Guidance Issued on July 1 Aviation Fuel Rate Changes

Illinois issued guidance on local aviation fuel sales and use tax rate changes that are effective July 1, 2026. Rates will increase to 7% in Fairfield, 7.25% in Rochelle, and 8.25% in Prospect Heights. The guidance advises aviation fuel retailers to adjust their cash registers and computer programs to collect and pay the correct tax. *Informational Bulletin FY 2026-27*, Illinois Department of Revenue, May 2026

S&U Tax: Taxation of Deal-of-the-Day Vouchers Discussed

Illinois issued a general information letter on the taxation of online digital prepaid vouchers redeemable for a round of golf or items in golf course pro shops. These transactions are known as Deal-of-the-Day vouchers. Businesses or individuals selling vouchers that entitle purchasers to redeem those vouchers for tangible personal property or services are making sales of nontaxable intangibles. When the purchaser redeems the voucher for a round of golf, the golf course is providing a nontaxable service if it does not involve the transfer of any tangible personal property incident to that service. When Deals-of-the-Day involve vouchers redeemable for tangible personal property, like golf balls or a golf hat, the sale of the voucher is still a nontaxable sale of intangibles. However, the redemption of the voucher at the golf course is a taxable transaction, because it involves the taxable sale of tangible personal property. If the golf course knows how much the customer paid for the voucher, it must charge tax based on that amount. If the golf course does not know how much the customer

GEORGIA

Insurance Tax: Deadline for Claims for Insurance Refunds Enacted

Georgia updated its tax code to include that claims for refunds and credits of insurance license fees and taxes erroneously or illegally assessed and collected must be made by the insurer in writing within three years after the date of payment. Act 635 (H.B. 1344), Laws 2026, effective January 1, 2027

paid for the voucher, it must charge tax based on the full value of the voucher. For example, if a seller sells a voucher for a sleeve of golf balls and the golf course does not know how much the customer paid for the voucher, then the golf course must pay sales tax and charge the customer use tax based on the price the course normally charges for the sleeve of golf balls. *General Information Letter ST 26-0014-GIL*, Illinois Department of Revenue, April 28, 2026

Multiple Taxes: Bill Passed With Digital Advertising, Cryptocurrency, Prediction Market Taxes

The Illinois legislature passed a major tax bill as part of the state's fiscal-year budget, including provisions that:

- create a 10% tax on targeted digital advertising service providers who have annual gross receipts of \$1 million or more from services directed at consumers in the state, effective beginning January 1, 2027;
- establish a 0.2% tax on the value of cryptocurrency and other digital assets sold to Illinois customers by brokers who have a physical presence in the state or \$100,000 or more in sales to customers in the state, effective beginning January 1, 2027;
- impose a monthly fee on social media platforms at inflation adjusted rates of \$0.10 on the number of Illinois users over 100,000 to 500,000, \$0.25 on the number of Illinois users over 500,000 to 1 million, plus \$40,000, and \$0.50 on the number of Illinois users over 1 million, plus \$165,000, effective beginning January 1, 2027;
- freeze the annual motor fuel tax increase from July 1, 2026 until January 1, 2027;

- extend the hotel operators' occupation tax to hotel marketplace facilitators, including hotel room re-renters and short-term rental hosting platforms, who have \$100,000 or more in annual gross receipts in the state from their own hotel room rentals or rentals for marketplace hotel operators, effective beginning July 1, 2026;
- modify the hotel operators' occupation tax nexus threshold for remote re-renters of hotel rooms in the state by adopting a threshold based only on the \$100,000 or more gross receipts test and eliminating the 200 or more separate transactions test;
- remove the bond requirement for cigarette distributor and machine operator licenses, effective beginning July 1, 2027, lengthen the amount of time for challenging the denial of a license, and make other changes to licensing requirements;
- expand the tobacco products tax to remote retailers of cigars, pipe tobacco, or alternative nicotine products who have annual gross receipts in the state of \$100,000 or more, effective beginning January 1, 2027;
- change the tobacco products tax from a 45% rate based on of the wholesale price of products to a rate based on 45% of the actual price paid for each individual SKU before any stated discounts or rebates, effective beginning January 1, 2027;
- limit the tobacco products tax on each cigar sold, excluding little cigars, to \$0.75 from January 1, 2027 to December 31, 2029;
- require an addition adjustment by partnerships, trusts, estates, and individuals computing state income tax liability for the amount of gain from the sale of qualified small business stock (QSBS) excluded from the taxpayer's federal return under IRC Sec. 1202, effective beginning with the 2026 tax year;
- implement a sales tax holiday for 5% of the state sales and use tax normally imposed at 6.25% on certain back-to-school items, effective from August 7, 2026, through August 16, 2026;
- add a tax on licensees of prediction markets or exchanges tied to sporting contests or events at the rate of 1.75% on each wager for the first \$5 million in total wagers during the fiscal year and then 3.5% on each wager exceeding that threshold;
- allow partnerships computing the optional pass-through entity tax to make a binding election to use either a full distributive share method or

HAWAII

S&U Tax: Exemption Provided for Sale of Aircraft Maintenance Materials to Air Carriers

Beginning January 1, 2027, the sale of materials, parts or tools to an air carrier will be exempt from Hawaii general excise tax if purchased for aircraft service and maintenance or for the construction of an aircraft service and maintenance facility. Act 20 (H.B. 1688), Laws 2026, effective January 1, 2027

Illinois-sourced income method, effective beginning with the 2026 tax year; and

- create a 15% privilege tax on the adjusted gross receipts of licensed businesses or individuals who offer fantasy sports contests to participants in the state, effective beginning July 1, 2026.

The bill also changes the cap on corporate income tax net operating loss carryovers to a cap based on the greater of \$500,000 or:

- 15% of net income for the 2027 tax year;
- 30% of net income for the 2028 tax year;
- 50% of net income for the 2029 tax year;
- 65% of net income for the 2030 tax year; and
- 80% of net income for tax years after 2030.

Finally, it extends the corporation and personal income tax credits for:

- donations to affordable housing projects in the state until December 31, 2036;
- live theater productions in the state until January 1, 2039;
- research and development activities in the state until January 1, 2037;
- angel investments provided to new business ventures in the state until December 31, 2032;
- historic structure restoration and preservation in state River Edge Redevelopment Zones until January 1, 2034;
- apprenticeship education expenses for state residents until January 1, 2032; and
- Reimagining Energy and Vehicles in Illinois (REV Illinois) manufacturers in the state until December 31, 2028.

S.B. 3019, as passed by the Illinois General Assembly on June 1, 2026

INDIANA

Income Tax: Updated Guidance Issued on Indiana Treatment of Qualified Production Property

This bulletin, regarding bonus depreciation, IRC Sec. 179 expensing, and qualified production property treatment for Indiana income tax purposes, is updated to reflect the state's treatment of qualified production property and to reflect new reporting for circumstances when a taxpayer has both a depreciation modification and a disallowed federal excess business loss. *Income Tax Information Bulletin #118*, Indiana Department of Revenue, May 2026

LOUISIANA

Property Tax: Constitutional Amendments to be Decided at November Election

Louisiana voters will be asked to decide three constitutional property tax measures at the statewide election on November 3, 2026.

First, voters will be asked to decide whether a surviving spouse of a qualified disabled veteran who takes a homestead exemption and then acquires a different eligible property is entitled to a one-time transfer of the exemption.

Second, whether a taxing authority may continue to levy a lower millage rate without subsequently losing its ability to adjust to the maximum authorized millage rate will be decided by the voters.

Finally, a ballot measure asks voters to decide on an additional ad valorem tax exemption for certain property owners aged 65 and older. Act 39 (S.B. 180), Laws 2026; Act 273, (H.B. 521), Laws 2026; Act 274 (H.B. 514), Laws 2026

Multiple Taxes: Incentives Created for Aerospace Manufacturing

Louisiana has enacted two new tax incentives for manufacturing activities associated with aerospace programs.

An approved aerospace facility owner or contractor is eligible for a sales tax rebate, paid annually, for sales and use taxes paid for the purchase, lease, rental, or use of machinery, equipment, materials, supplies, or services

MARYLAND

Income Tax: Subtraction for Public Safety Employee Retirement Income Increased

The subtraction from Maryland personal income tax for public safety employee retirement income is Increased from \$15,000 to \$20,000 by tax year 2030. The subtraction is phased in over the next five years. Ch. 686, S.B. 607, Laws 2026, effective July 1, 2026

used directly in aerospace activities. Purchases made on or after July 1, 2026, are eligible for the rebate.

In addition, the property tax exemption for certain manufacturing establishments has been extended to certain aerospace manufacturing establishments. Act 102 (H.B. 1179), Laws 2026, effective May 11, 2026; Act 190 (H.B. 1088), Laws 2026, effective July 1, 2026

MASSACHUSETTS

Multiple Taxes: Interest Rates increased for the Third Quarter of 2026

Massachusetts announced an increase of the quarterly interest rates on overpayments and underpayments of income taxes. The rates for the period July 1, 2026, through September 30, 2026, are:

- overpayment: 6%; and
- underpayment: 8%.

The rates for the second quarter were 5% for overpayments, and 7% for underpayments. *Technical Information Release TIR 26-3*, Massachusetts Department of Revenue, May 27, 2026

MICHIGAN

Income Tax: List of Community Foundations For Michigan Business Tax Credit Released

The Michigan Department of Treasury has released a list of certified community foundations for tax year 2026 for purposes of the Michigan business tax credit for contributions to community foundations. The list

is composed of the following: Berrien Community Foundation, Charlevoix County Community Foundation, and Community Foundation of the Holland/Zeeland Area. *Revenue Administrative Bulletin 2026-7*, Michigan Department of Treasury, May 27, 2026

Income Tax: No Education Foundations Certified For Tax Year 2025

The Michigan Department of Treasury has announced that no education foundations have been certified for tax year 2026 for purposes of the Michigan business tax credit for contributions to education foundations. *Revenue Administrative Bulletin 2026-8*, Michigan Department of Treasury, May 28, 2026

S&U, Motor Fuel Taxes: Notice on Fuel Tax Changes Updated

The Michigan Department of Treasury has updated its guidance on fuel tax changes enacted by Public Acts 17, 18, 19, and 20 of 2025. Motor fuel, such as gasoline, diesel fuel, and dyed diesel fuel, is considered “eligible fuel” exempt from sales and use tax unless it falls within one of the statutory exclusions. Eligible fuel does not include aviation fuel or motor fuel and alternative fuel used for residential, commercial, or industrial use for heating ventilation, or cooling. The updated guidance also includes additional examples relating to the taxation of dyed diesel fuel. *Updated Notice Regarding Fuel Tax Changes from Public Acts 17-20 of 2025*, Michigan Department of Treasury, May 27, 2026

MISSOURI

Income Tax: Capital Losses and Certain Mutual Fund Distributions Ineligible for Capital Gains Subtraction

Missouri issued a ruling on personal income tax treatment for a taxpayer regarding capital gains subtractions for tax year 2025. The ruling determined that the taxpayer cannot increase their Missouri Capital Gains Subtraction to exclude netted capital losses from federal adjusted gross income. Furthermore, short-term capital gains from mutual fund distributions reported as ordinary dividends do not qualify for the subtraction. The ruling is binding for three years unless legal or interpretive changes occur.

MARYLAND

S&U Tax: Exemption for Coins Expanded

Effective July 1, 2026, all sales of precious metal bullion or coins over \$1,000 are exempt from Maryland sales and use tax. Prior to that time, only sales made at the Baltimore Convention Center in that amount are exempt. Ch. 730, S.B. 309, Laws 2026, effective as noted

The Missouri Department of Revenue issued a ruling on the personal income tax treatment for a taxpayer regarding capital gains subtractions for tax year 2025. The Department ruled that the taxpayer may not increase their capital gains subtraction to remove the effect of the netting of capital losses against capital gain in arriving at Federal Form 1040, Line 7a. Although the Missouri capital gains subtraction allows a subtraction for “one hundred percent of all income reported as a capital gain for federal income tax[,]” that amount is only allowed “to the extent included in federal adjusted gross income[.]” Before they are included in federal adjusted gross income, capital gains are netted against capital losses. Therefore, 100% of all income reported as a capital gain for federal income tax purposes, to the extent included in federal adjusted gross income, requires that capital gains be netted against capital losses. It is only these capital gains, after netting, that are included in federal adjusted gross income, and so only these capital gains, after netting, are eligible for the Missouri capital gains subtraction.

In addition, the Department ruled that the taxpayer may not increase their capital gains subtraction to account for distributions of short-term capital gains from mutual funds that were reported on Federal Form 1040, Line 3b rather than Federal Form 1040, Line 7a. The Department ruled that a mutual fund is fundamentally a corporation. It is not a pure pass-through entity like a partnership but is instead better described as a “quasi-pass-through entity.” The amount referred to by the taxpayer does not represent the short-term capital gains of an individual, but instead - at least for purposes of Sec. 143.121.3(14), RSMo - reflects dividends paid from a corporation to a shareholder. The dividends just so happen to have resulted from short-term capital gain of the mutual fund. Unlike the situation of a partner in a partnership, the capital gain character of these items does not flow through to the

mutual fund investor. Importantly, the Department ruled that distributions involved in the taxpayer's question are not "capital gain dividends." "Capital gain dividends" are treated as capital gains in the hands of the mutual fund shareholder. "Capital gain dividends" cannot properly be reported on Tax Year 2025 Federal Form 1040, Line 3b. By contrast, a mutual fund's distribution of its short-term capital gains must be reported as ordinary dividends for federal income tax purposes. Only income reported as a capital gain for federal income tax purposes, to the extent included in federal adjusted gross income, qualifies for the Missouri capital gains subtraction. *Letter Ruling No. LR 8397*, Missouri Department of Revenue, May 28, 2026

S&U Tax: Tax Applies to Purchase of Pre-Engineered Steel Building Kit for Storage of Farm Machinery and Equipment

An applicant's purchase of a pre-engineered steel building kit for the storage of farm machinery and land-management equipment is subject to Missouri sales because it is a sale of tangible personal property that does not qualify for a sales tax exemption. While storage of farm machinery may be necessary to preserve the long-term health of the machine's functionality, storage of farm machinery is not a production activity. The applicant's purchase of a steel building kit does not qualify for an exemption, and therefore the purchase is subject to state and local sales tax. *Letter Ruling No. LR 8389*, Missouri Department of Revenue, April 23, 2026

S&U Tax: Taxability of Drop-Shipped Orders Discussed

A Missouri-based business should charge and remit Missouri sales tax on orders placed at its Missouri headquarters and drop-shipped from Arkansas to customers in Missouri because the orders are taken in Missouri. *Letter Ruling No. LR 8390*, Missouri Department of Revenue, April 23, 2026

S&U Tax: Taxability of Purchases of Building Materials by Political Subdivision Discussed

Purchases of building materials by contractors hired for a renovation project by an instrumentality of a political subdivision are exempt from Missouri sales tax when paid

TENNESSEE

S&U, Misc. Taxes: Counties Authorized to Provide Natural Disaster Tax Relief for Displaced Residents

A Tennessee county that has declared a state of local emergency or is subject to a state of emergency or disaster declaration is authorized to provide tax relief to individuals displaced from their homes as a result of the emergency or disaster. The tax relief applies to the local occupancy tax and various other local taxes that may apply to renting an accommodation. A county can implement the tax relief either by resolution from the county legislative body or through an executive order from the county executive.

A county may provide the tax relief in the form of an occupancy tax waiver at the point of sale or reimbursement to the customer of taxes paid for renting the accommodation. A county may also authorize reimbursement for taxes paid by residents for lodging in an adjoining county if there is a limited vacancy within their home county. The relief period is limited to 14 days. Ch. 979 (S.B. 2504), Laws 2026, effective May 19, 2026; Notice 26-11, Tennessee Department of Revenue, May 2026

for with public grant funds. Purchases are exempt when made by contractors hired by exempt entities so long as they are furnished an appropriate exemption certificate. However, any purchases made with the entity's own contributed funds or that exceed the public grant budget that require private funding are subject to sales tax. *Letter Ruling No. LR 8391*, Missouri Department of Revenue, April 23, 2026

S&U Tax: Sales of Electronic Textbooks Not Taxable

A post-secondary educational institution should not collect Missouri state and local sales tax on sales of electronic textbooks because sales of digital property are not taxable. Since the textbooks are delivered electronically and are only accessible through the applicant's learning management system in electronic form, they are not in tangible form. Missouri imposes sales

tax only on the transfer of tangible personal property and does not tax sales of computer software unless provided in a tangible medium. Thus, sales of electronic textbooks are not subject to state or local taxes. Therefore, the applicant should continue their practice of not collecting Missouri state and local sales tax on these sales. *Letter Ruling No. LR 8392*, Missouri Department of Revenue, April 26, 2026

S&U Tax: Classification of Marketplace Facilitator Discussed

A company that provides both downloaded software and a Software as a Service (SaaS) technology solution to enable customers to advertise items for sale online is not a marketplace facilitator because it does not collect or remit payments for goods sold by users of its site. In addition, providing connection capability that enables customers to connect independently with third-party payment processors constitutes “indirect payment processing” as contemplated by Sec. 144.752(1), RSMo. However, merely providing a connection to payment processors through a technology solution is not “indirect” payment processing in the context of marketplace facilitator classification as long as it does not constitute direct or indirect agreement with third parties to collect payment from purchasers and transmission of all or part of the payment to the marketplace seller. Further, the company does not have an obligation to obtain and maintain transaction-level records for transactions where it is unable to access or control payments or confirm final sale. *Letter Ruling No. LR 8393*, Missouri Department of Revenue, May 28, 2026

S&U Tax: Mobile Automobile Detailing Services Not Taxable

A company's charges for mobile automobile detailing services are not subject to Missouri sales tax because car detailing is not an enumerated taxable service. The soaps, waxes, polishes, and coatings that are consumed in the performance of the mobile automobile detailing services do not constitute the “true object” or “essence of the transaction” to render the entire service subject to sales tax. Customers of the company's mobile detailing business are seeking the company's services, and the tangible personal property consumed in these services is incidental to the service sought. Thus, the company must pay sales tax upon purchasing these materials. However, charges for the mobile automobile detailing services using

these consumables are not subject to sales tax. *Letter Ruling No. LR 9394*, Missouri Department of Revenue, May 28, 2026

S&U Tax: Tax Obligations of Wholesalers Discussed

A remote fabric wholesaler that has no physical presence in Missouri and exceeds the economic threshold is not required to register, collect, or remit Missouri sales tax when making wholesale sales unless it is selling directly to end users/consumers. In that case, the wholesaler should register as a seller of goods, not a wholesaler.

Missouri sales tax is imposed on all sellers for the privilege of engaging in the business of selling tangible personal property within Missouri. However, Missouri exempts from sales tax sales made for resale, which wholesaler sales are. A wholesaler should obtain and retain a resale certificate attesting to the recipient's intent to re-sell the goods in the course of their business. *Letter Ruling No. LR 8395*, Missouri Department of Revenue, May 28, 2026

S&U Tax: Electronic Delivery of Medical Records Not Taxable

A law firm's electronic delivery of medical records through a third-party company is not subject to Missouri sales tax because electronic documents do not constitute tangible personal property. *Letter Ruling No. LR 8396*, Missouri Department of Revenue, May 28, 2026

S&U Tax: Wholesale Distributor May Accept Out-of-State Resale Exemption Certificate Accepted in Good Faith

A wholesale distributor that operates a warehouse in Missouri can accept a Minnesota-issued resale exemption certificate for a transaction where title to one of the products it sells passes in Missouri, provided the certificate is accepted in good faith. *Letter Ruling No. LR 8398*, Missouri Department of Revenue, May 28, 2026

Multiple Taxes: “Show-Me Prosperity Fund to Eliminate State-Imposed Taxes Established, Subject to Voter Approval

The Missouri General Assembly passed a joint resolution proposing an amendment to the Missouri Constitution, if

approved by voters, to establish the “Show-Me Prosperity Fund”. The fund would be a permanent public endowment fund with the goal of eliminating all state-imposed taxes.

No money can be appropriated from the fund until the notification is given by the State Treasurer that the net investment earnings of the fund, as defined in the amendment, are sufficient to eliminate state-imposed taxes, at which time net investment earnings from the fund must be used to eliminate state taxes. Moneys appropriated from the fund can only be used to eliminate the following state-imposed taxes:

- the individual income tax;
- the state sales and use tax;
- the state corporate income tax; and
- all other state-imposed tax in an order of priority to be determined by law.

Upon the elimination of all state-imposed taxes, no such taxes can thereafter be enacted, provided, however, that in the event the fund is unable to meet its obligations due to insolvency, revenue shortfall, or program failure, the General Assembly retains full authority to appropriate funds from any lawful source and to enact legislation establishing or increasing taxes or other revenues as necessary to ensure continuity of state programs and fulfillment of state expenditures that were anticipated to be supported by the fund. Senate Joint Resolution No. 95, Laws 2026, subject to voter approval

NEW YORK

Multiple Taxes: Enacted Budget Extends Refundability of Investment Tax Credit for Farmers

Enacted as part of New York’s 2026-27 budget package, A.B. 10008 extends through 2032 the provision making the investment tax credit refundable for eligible farmers. Previously, the provision applied only to taxable years beginning before January 1, 2028. Ch. 58 (A.B. 10008), Part K, Laws 2026, effective May 26, 2026

Multiple Taxes: Interest Rates for Third Quarter of 2026 Announced

The interest rates on overpayments and underpayments of New York taxes for the period July 1 through September 30, 2026, have been announced. *Interest Rates*, New York Department of Taxation and Finance, June 1, 2026

NEW YORK CITY

Property Tax: Enacted Budget Authorizes Tax Abatement for Alterations and Improvements to Eligible Affordable Rental and Owner-Occupied Buildings

Enacted as part of New York’s 2026-27 budget package, A.B. 10006 authorizes a real property tax abatement (commonly referred to as the J-51 program) for 100% of the certified reasonable construction costs of alterations and improvements to eligible affordable rental and owner-occupied buildings in New York City.

The abatement is for up to 20 years and is available for eligible preservation work completed after June 30, 2026, and before June 30, 2036. Eligible buildings include rental housing where at least 50% of the units are affordable, Mitchell-Lama rental housing, government-subsidized rental properties, regulated homeownership housing operated by mutual companies or mutual redevelopment companies, and homeownership buildings with an average assessed valuation of \$60,000 or less per dwelling unit, adjusted annually to reflect any increase in the consumer price index. Such an abatement becomes effective beginning with the first quarterly tax bill immediately following the date of issuance of the certificate of eligibility and reasonable cost.

The annual abatement of real property taxes on such eligible buildings must not exceed 8.333% of the total certified reasonable cost of such eligible construction. Also, the annual abatement of real property taxes on such eligible building in any consecutive 12-month period must in no event exceed the amount of real property taxes payable in such 12-month period for such building, provided, however, that such abatement does not exceed 50% of the amount of real property taxes payable in such 12-month period for any of the following:

- an eligible rental building owned by a limited-profit housing company or a redevelopment company;
- an eligible homeownership building; and
- an eligible regulated homeownership building.

The bill also includes tenant protections such as rent stabilization for affordable units, reporting requirements, and enforcement measures.

In addition, the bill amends the benefits for eligible multiple dwellings under the affordable New York housing program in Sec. 421-a of the Real Property Tax Law. Specifically, the definition of “eligible multiple

dwelling” is expanded to include a multiple dwelling or homeownership project that is

- located on a parcel of land that was part of a tract of land for which a special permit for a large scale general development as defined in the zoning resolution of New York City was approved via the uniform land use review procedure on or before June 15, 2022, and such tract contains a multiple dwelling for which the commencement date is after December 31, 2015, and on or before June 15, 2022; and
- complies with affordability option A, affordability option B, affordability option D, affordability option E or affordability option F.

Ch. 56 (A.B. 10006), Laws 2026, effective May 28, 2026, or as noted; *Education, Labor and Family Assistance (ELFA) Memorandum in Support*, New York Division of the Budget

Property, Misc. Taxes: Enacted Budget Includes Pied-a-terre Tax on Luxury Second Homes in New York City and Makes Other Changes

Enacted as part of New York’s 2026-27 budget package, S.B. 9009 creates a so-called pied-a-terre tax for luxury second homes in New York City valued at \$5 million or more when measured by sales of comparable properties. Specifically, beginning July 1, 2026, the tax is an annual surcharge imposed in New York City on a covered property, or in the case of a covered property that is a residential cooperative property, a residential cooperative dwelling unit, that is not a primary residence. The surcharge only applies to those homes that are not the primary residence of the owner or are not rented to a primary resident or occupied by the owner’s family.

However, since many homes have not historically been valued using comparable sales methods, the surcharge is imposed in two phases. Phase one uses current valuation methods and phase two uses comparable sales as follows:

- Phase 1: For fiscal years beginning on or after July 1, 2026, and before July 1, 2028, the phase one market value of such covered property that is a class one property is equal to or greater than \$5 million dollars, the phase one market value of such covered property that is a residential condominium dwelling unit is equal to or greater than \$1 million, or, in the case of a covered property that is a residential cooperative property, the phase one market value of a residential cooperative dwelling unit within

such residential cooperative property is equal to or greater than \$1 million

- Phase 2: For fiscal years beginning on or after July 1, 2028, the phase two market value of such covered property or, in the case of a covered property that is a residential cooperative property, such residential cooperative dwelling unit, is equal to or greater than \$5 million when measured by sales of comparable properties.

The surcharge rates are calculated as follows:

- Phase 1: For fiscal years beginning on or after July 1, 2026, and before July 1, 2028, (1) for covered property that is in class one, where the phase one market value is (A) greater than or equal to \$5 million, but less than or equal to \$15 million, at a rate of 0.8%; (B) greater than \$15 million dollars, but less than or equal to \$25 million, at a rate of 1.05%; (C) greater than \$25 million, at a rate of 1.3%; and (2) for covered property that is a residential condominium dwelling unit or, in the case of a residential cooperative property, a residential cooperative dwelling unit, where the phase one market value is (A) greater than or equal to \$1 million, but less than or equal to \$3 million, at a rate of 4.0%; (B) greater than \$3 million, but less than or equal to \$5 million, at a rate of 5.25%; and (C) greater than \$5 million, at a rate of 6.5%.
- Phase 2: For fiscal years beginning on or after July 1, 2028, for covered property or, in the case of a residential cooperative property, a residential cooperative dwelling unit, where the phase two market value is (1) greater than or equal to \$5 million, but less than or equal to \$15 million, at a rate of 0.8%; (2) greater than \$15 million, but less than or equal to \$25 million, at a rate of 1.05%; and (3) greater than \$25 million, at a rate of 1.3%.

A separate story on the New York state budget provides a complete discussion of the pied-a-terre tax and additional New York City-related tax provisions. Ch. 59 (S.B. 9009), Laws 2026, effective May 28, 2026, except as noted

NORTH CAROLINA

Property Tax: Constitutional Amendment Proposed to Enact a Limit on Property Tax Levies

Legislation is enacted that requires a referendum to be held on a constitutional amendment that would require

the General Assembly to enact laws limiting how much county and municipal property tax levies can increase. The ballot question will be decided by voters at the statewide general election on November 3, 2026. The State Board of Elections will certify the results of the referendum. If the certification reflects that a majority of votes cast on the question are in favor of the amendment, the amendment will be effective upon certification.

If approved, the referendum would enact an amendment to the North Carolina Constitution that would require the General Assembly to enact limits on how much revenue can be generated from property tax, and specific criteria would be outlined in subsequent legislation. In addition, the bill does not require or prohibit the General Assembly from using any specific variables to measure or define allowable increases in property tax revenues if the referendum is successful, such as growth percentages that are flat, based on population changes, on inflationary changes, a combination of those variables, or something entirely different. Ch. 2026-5 (H.B. 1089), Laws 2026, effective May 21, 2026; *Legislative Fiscal Note*, Fiscal Research Division of the North Carolina General Assembly, May 5, 2026

OKLAHOMA

S&U Tax: Additional Local Tax Rate Change Announced

The Oklahoma Tax Commission has announced an additional local sales and use tax change for the period of July 1, 2026 through September 30, 2026. Hominy decreases its sales and use tax rate to 3.0%. *Rates and Codes for Sales, Use, and Lodging Tax*, Oklahoma Tax Commission, May 29, 2026

OREGON

Income, Misc. Taxes: Portland Arts Tax Amended

Portland has amended its Arts Tax to provide tax relief and enhance the sustainability of the Arts Access Fund.

The tax is increased from \$35 to \$50 on each resident of Portland who is at least 18 in tax year 2026. Taxfilers will now follow the filing status on their Oregon personal income tax return. No tax will be imposed if Oregon taxable income, after allowable deductions, does not exceed \$40,000 if filing jointly and \$20,000 if filing single.

A taxfiler is allowed a deduction for the number of dependents claimed on the Oregon personal income

tax return. The amount of the deduction is based on the poverty guideline's income steps published by the U.S. Department of Health and Human Services.

Beginning in 2027, the tax and exemption amounts will be indexed for inflation. Ord. 192185, City of Portland, effective June 26, 2026

SOUTH CAROLINA

Property, Franchise Taxes: License Fee Exclusion, Small Business Property Tax Exemption Enacted

For a taxpayer whose corporate headquarters is in South Carolina, a corporate license fee exclusion is enacted for the first \$50 million of equity contributions from a qualifying venture capital fund, angel or accredited investor, or private investment firm. To qualify for the exclusion, the taxpayer must obtain a certificate from the South Carolina Research Authority certifying that the exclusions result from equity contributions from a qualifying entity. The taxpayer must also: (a) submit an annual report containing the name of each qualifying entity, the date of the equity contribution, the manner in which the qualifying entity meets the applicable requirements, the amount of the paid-in or capital surplus for each year that is attributable to each qualifying entity, and any other required information; and (b) keep detailed books and records, including segregating out equity contributions attributable to each qualifying entity and retaining information concerning the information required to be provided in the annual report. The exclusion first applies to the tax year beginning after July 1, 2026.

In addition, a property tax exemption is created for the first \$10,000 of the net depreciated value of business personal property (BPP) owned by a small business. "Small business" is defined as a commercial retail service, industry entity, or nonprofit corporation, including affiliates, that: (a) has ownership comprised of taxpayers who pay income taxes in South Carolina; (b) is independently owned and operated; and (c) employs fewer than 100 full-time employees or has gross annual sales of less than \$10 million. The law further specifies that a taxpayer is not required to pay BPP taxes if it has less than \$10,000 of net depreciated value of BPP and provides annual certification to that effect to the Department of Revenue. The law also requires all BPP returns to be filed with the department. The exemption and filing requirements first apply to property tax years

beginning after 2026. S.B. 688, Laws 2026, effective July 1, 2026, applicable as noted

TENNESSEE

S&U Tax: Tax Imposed on Money Transmission Services

Tennessee enacted a law imposing sales tax on the service of transmitting money from a location originating in the state to a location outside of the United States or its territories, effective January 1, 2027. The sales tax applies only to entities licensed under the Tennessee Money Transmission Modernization Act.

Rate. The tax rate is \$10 per transaction. If the amount of money transmitted per transaction exceeds \$500, an additional 2% tax applies to the amount transmitted in excess of \$500.

Sourcing. Sales are deemed to originate in Tennessee when: (1) for a transaction requested in person, the physical location where the in-person request is made is within Tennessee; and (2) for a transaction requested electronically or by phone, the physical location associated with the customer who transmitted the money is in Tennessee, as determined by the provider of the money transmission.

To determine whether money is being transmitted to a location outside the United States or its territories, the provider may rely on customer-supplied recipient address information or account records showing a foreign location.

Local sales tax. The service of transmitting money from a location originating in Tennessee to a location outside of the United States or its territories is not subject to the local option sales tax.

Exempt entities. The transmission of money by any corporation defined as a financial institution is exempt from the tax, unless the entity is also licensed under the Tennessee Money Transmission Modernization Act. Ch. 1035 (H.B. 2502), Laws 2026, effective January 1, 2027; Notice 26-12, Tennessee Department of Revenue, May 2026

Tobacco Tax: Vapor Product Definitions Revised

Tennessee has expanded the definition of “consumable material” to include both natural or synthetic liquid nicotine solutions and liquid nicotine analogues.

The law also revises the definition of “vapor product” to mean a noncombustible product containing consumable

material that employs a mechanical heating element, battery, electronic circuit, or other mechanism, regardless of shape or size, that can be used to produce or emit a visible or non-visible vapor.

Vapor products containing consumable material, whether natural or synthetic, or a liquid nicotine analogue, are subject to the tobacco tax at the rate of 10% of the wholesale cost price.

Manufacturers of vapor products that are sold for retail sale in Tennessee are required to register each vapor product for inclusion in the vapor product directory. Ch. 1126 (S.B. 2293), Laws 2026, effective May 22, 2026; Notice 26-13, Tennessee Department of Revenue, May 2026

Misc., Tobacco Taxes: Additional Tax Imposed on Inhalable Liquid Hemp-Derived Cannabinoid Products

Tennessee has imposed a tax on inhalable liquid hemp-derived cannabinoid products (HDCPs) equal to 10% of the product’s wholesale cost, effective July 1, 2026. Inhalable liquid HDCPs are liquid HDCPs that are inhalable in cartridge form, which includes tetrahydrocannabinol (THC) vape pens and cartridges containing liquid HDCP.

The Department of Revenue advises that the 10% tax on the wholesale cost of inhalable liquid HDCPs applies to the products in addition to the \$4.40 per gallon tax that applies to the sale of HDCPs at wholesale in liquid form. The department will be updating the HDCP wholesale tax return to include the reporting of inhalable liquid HDCPs.

The department also notes that only taxpayers subject to licensure by the Alcoholic Beverage Commission are subject to this tax. Taxpayers with valid licenses issued by the Department of Agriculture are not subject to the new wholesale tax. However, when the license issued by the Department of Agriculture expires, those taxpayers must obtain a license from the Commission and will be subject to the wholesale tax. Ch. 1127 (S.B. 2295), Laws 2026, effective July 1, 2026; Notice 26-14, Tennessee Department of Revenue, May 2026

TEXAS

Income Tax: April 2026 Certification of the Average Closing Price of Gas and Oil Released

The Texas Comptroller of Public Accounts has determined the average taxable price of crude oil for the reporting

period April 2026 is \$42.26 per barrel for the three-month period beginning on January 1, 2026 and ending March 31, 2026. Therefore, crude oil produced from a qualified low-producing oil lease during the month of April 2026 is not eligible for a credit on the crude oil production tax.

The Comptroller has also determined that the average taxable price of gas for the reporting period April 2026 is \$1.18 per mcf for the three-month period beginning on January 1, 2026 and ending March 31, 2026. Therefore, gas produced from a qualified low-producing well during the month of April 2026 is eligible for credit on the natural gas production tax.

Additionally, the Comptroller has determined that the average closing price of West Texas Intermediate crude oil for the month of April 2026 is \$98.06 per barrel. Therefore, a taxable entity must not exclude total revenue received from oil produced during the month of April 2026, from a qualified low-producing oil well.

The Comptroller has also determined that the average closing price of gas for the month of April 2026 is \$2.67 per MMBtu. Thus, a taxable entity shall exclude total revenue received from gas produced during the month of April 2026, from a qualified low-producing gas well. *Texas Register*, Volume 51, Number 22, May 29, 2026

S&U Tax: Local Tax Rate Changes Announced

Texas announced updates to local sales and use tax rates, effective July 1, 2026, across various jurisdictions. The city of Weston in Collin County adopts an additional sales and use tax rate of 1.5% for street maintenance and repair, while Taft in San Patricio County abolishes its additional 1.75% sales and use tax for the same purpose. Several special purpose districts, such as the Crawford Municipal Development District (0.5%) and Falls County Emergency Services District No. 1 (1.5%), adopt new local sales and use tax rates. Combined area sales and use tax rates are introduced for Abbott/Hill County, Buda/Travis County, and Farmersville/Hunt County, with rates ranging from 1% to 2%. *New and Additional Tax Rate Changes*, Texas Comptroller of Public Accounts, June 1, 2026

UTAH

S&U Tax: Sigurd and Stockton Impose Local Taxes

The Utah Tax Commission has announced the following sales and use tax changes, effective July 1, 2026:

- Sigurd (Sevier County) imposes the city or town option sales and use tax at the rate of 0.3%. The tax increase raises the combined sales tax rate in Sigurd from 6.65% to 6.95%; and
- Stockton (Tooele County) imposes a town option sales and use tax at the rate of 1%. The tax increase raises the combined sales tax rate in Stockton from 6.6% to 7.6%.

Tax Bulletin No. 5-26, Utah State Tax Commission, June 2026

S&U Tax: Ogden Valley and Sigurd Impose Municipal Energy Tax

Effective July 1, 2026, the following Utah localities impose a municipal energy sales and use tax at the indicated rates:

- Ogden Valley (Weber County) at the rate of 6%; and
- Sigurd (Sevier County) at the rate of 4%.

Tax Bulletin No. 6-26, Utah State Tax Commission, June 2026

S&U Tax: Cottonwood Heights and Sigurd Impose Municipal Telecommunications License Tax

Effective July 1, 2026, the following Utah cities impose a municipal telecommunications license tax at the rate of 3.5%:

- Cottonwood Heights (Salt Lake County); and
- Sigurd (Sevier County).

Tax Bulletin No. 7-26, Utah State Tax Commission, June 2026

S&U Tax: Transient Room Tax Changes Announced in Hinckley, Ogden Valley, and Washington County

Effective July 1, 2026, the following Utah local transient room tax rate changes are effective:

- Hinckley (Millard County) imposes a municipality transient room tax at the rate of 1%. The total transient room tax in Hinckley will be 6.57%;
- Ogden Valley (Weber County) imposes a municipality transient room tax at the rate of 1%. The total transient room tax in Ogden Valley will be 6.75%; and
- Washington County increases its transient room tax rate from 4.25% to 4.5%.

Tax Bulletin No. 8-26, Utah State Tax Commission, June 2026

S&U Tax: Corrected Tax Rates Announced by State Tax Commission

The Utah State Tax Commission has announced that after a review of sales and sales-related taxes throughout Utah, it found instances where tax rates in some jurisdictions have been implemented at an incorrect rate. This bulletin announces the corrected rates, effective July 1, 2026.

Corrected Sales Tax Rates

Parts of the sales tax rates in the following jurisdictions are corrected:

- the municipal arts and zoo rate in Falcon Hill Clearfield (06-301) is corrected to 0.10%, raising the combined sales tax rate from 7.15% to 7.25%; and
- the municipal mass transit rate in Santaquin South (12-050) is corrected to 0%, lowering the combined sales tax rate from 7% to 6.75%.

These parts affect the combined sales tax rate and are reported on the Sales and Use Tax Return.

Corrected Transient Room Tax Rate

The municipal transient room tax rate in the following jurisdictions is corrected to 1%:

- Bluffdale South (25-010);
- Draper City South (25-029); and
- MIDA Bluffdale South (25-303).

This rate change raises the combined transient room tax rate in each jurisdiction from 5.57% to 6.57%.

Corrected Municipal Energy Tax Rates

The municipal energy tax rates in the following jurisdictions are corrected:

- UIPA Magna (18-503) has been corrected from 0% to 6%, imposing the tax at 6%;
- ULA Genola (25-801) has been corrected from 0% to 6%, imposing the tax at 6%;
- Ivins (27-010) has been corrected from 4.50% to 6%, raising the tax to 6%; and
- Marriot-Slaterville (29-022) has been corrected to 3%, lowering the rate from 6% to 3%.

Corrected Municipal Telecommunications License Tax

The municipal telecommunication license tax rate in the following jurisdictions has been corrected from 0% to 3.50%, imposing the tax at 3.50%:

- UIPA Magna (18-503); and
- Point of the Mountain Authority (18-603).

Tax Bulletin No. 11-26, Utah State Tax Commission, June 2026

S&U Tax: New Inland Port Local Tax Locations Announced

Effective July 1, 2026, the following new Utah Inland Port Authority sales tax are created in Utah:

- UIPA Duchesne County (location code 07-500);
- UIPA Roosevelt (location code 07-501);
- UIPA Enoch (location code 11-504);
- UIPA Blanding (location code 19-501); and
- UIPA Payson (location code 25-505).

Existing sales tax outlets within these boundaries have been closed and reopened with the new location codes. Businesses will receive a new outlet number and sales tax license. *Tax Bulletin No. 9-26, Utah State Tax Commission, June 2026*

VIRGINIA

Income Tax: Update Issued for Taxpayers Who Itemize Deductions on Tax Year 2025 Returns

The Virginia Department of Taxation issued an update for taxpayers who itemize deductions on Tax Year 2025 returns. Legislation was enacted generally conforming Virginia to federal tax law as of December 31, 2025. This included conforming to the federal state and local tax (SALT) cap amounts used in the Schedule A itemized deduction computations.

For tax year 2025, the amount entered on Line 5a of Virginia Schedule A should be limited to:

- \$40,000 (\$20,000 if married filing separately), or
- the phased-down amount based on modified adjusted gross income (MAGI) as specified under federal law. The phase-down begins at \$500,000 MAGI for married filing jointly (\$250,000 for single filers) and reduces the cap by 30% of the excess MAGI over the threshold.

If you received a notice that the Department adjusted your tax year 2025 return

No further action is required. The Department has already adjusted your return to reflect the updated SALT cap, and no additional adjustments will be made solely on account of this issue.

If you filed your tax year 2025 return using the prior \$10,000 SALT cap (\$5,000 if married filing separately) and did not receive a notice

You may be entitled to an additional deduction and should consider filing an amended return to reflect the applicable SALT cap amount under the new legislation.

If you have not yet filed your tax year 2025 return

Enter the applicable SALT cap amount, either \$40,000 (\$20,000 if married filing separately) or the phased-down MAGI-based amount, directly on Line 5a of your Virginia Schedule A.

Note: The Department noted that taxpayers should make sure to apply the applicable cap entered on Line 5a, not downstream on the Limited Itemized Deduction Worksheet. Otherwise, the Department may not be able to correctly process your return. *News Release, Virginia Department of Taxation, May 28, 2026*

Practice and Procedure, Unemployment Compensation: Tax Department to Uncouple Tax, Unemployment Insurance Accounts

The Virginia Department of Taxation announced that businesses will no longer be able to link their Virginia Tax and Virginia Employment Commission (VEC) accounts, beginning August 1, 2026. If accounts are currently linked, they will be uncoupled.

Impact On VEC Account

When this happens, employers will no longer manage their unemployment insurance tax through their Virginia Business Online Services account (iFile). Log into the VEC website using ID.me to manage your unemployment insurance tax. This impacts third quarter unemployment insurance, but the change can be made now.

Impact On Business Online Services Account

Beginning August 1, businesses will no longer log into their Virginia Tax Business Online Services account with their VEC account number. Instead, they must log into their account using their federal employer identification number (FEIN). *News Release, Virginia Department of Taxation, May 26, 2026*

WASHINGTON

S&U Tax: Materials Used in Oil Containment System Not Exempt

An oil and gas business did not qualify for a Washington use tax exemption for materials and services used in the construction of an oil containment system because it provided operators with the system and the vessel was not used primarily to transport people or property in interstate commerce. A use tax exemption exists for a consumer who uses property to produce for sale/lease a new article of tangible personal property. However, a “lease” excludes the circumstance where tangible personal property is provided along with an operator for a fixed or indeterminate period. Here, the taxpayer’s contract included provisions requiring it to recruit and train personnel, develop a training program for various systems, and to operate the containment system. As the taxpayer’s operators were necessary for the system to perform as designed, its contract is excluded from the definition of a lease, and it does not qualify for the use tax exemption.

Furthermore, the vessel was not used to transport property for hire. Its contract specified that the taxpayer design, maintain, and operate an arctic subsea spill containment system. The primary use of the vessel was to carry the containment system to a drilling site to be of use in case of an oil well blowout. *Superior Energy Services LLC v. Department of Revenue, The Court of Appeals of Washington, Division One, No. 88267-8-I, May 26, 2026*

WEST VIRGINIA

Income Tax: Guidance Revised on Gambling Withholding

West Virginia revised guidance on withholding requirements for gambling winnings to reflect an increase in the threshold for federal backup withholding requirements. The minimum federal threshold amount for payments made in calendar year 2026 is \$2,000. *TSD 432 Gambling Withholding and Losses, West Virginia Tax Division, May 2026*