



# TaxNewsFlash

## United States

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### **KPMG reports: Alabama (domestic production deduction); Alaska (percentage of completion method); Oregon (tax proposals); Pennsylvania (manufacturing exemption)**

KPMG's This Week in State Tax—produced weekly by KPMG's State and Local Tax practice—focuses on recent state and local tax developments.

- **Alabama:** The Alabama Tax Tribunal rejected a taxpayer's attempt to base its domestic production activities deduction limitation on Alabama taxable income, but concluded the domestic production activities deduction limitation was to be based on federal taxable income.
- **Alaska:** The Office of Administrative Hearings determined that federal "look-back" interest applies—i.e., interest that needs to be paid by a taxpayer or refunded to a taxpayer as the result of income from a long-term contract that has been reported on prior year tax returns using the percentage of completion method—but at a rate of interest under Alaska law.
- **Oregon:** The governor's fiscal year 2017-2019 executive budget includes certain revenue and tax proposals to address the state's estimated \$1.7 billion shortfall. Separately, the City of Portland approved a new pay-ratio surtax.
- **Pennsylvania:** The Commonwealth Court concluded that purifying and distilling water was not manufacturing for purposes of the exemption from the sales and use tax.

Read more at KPMG's [\*\*This Week in State Tax\*\*](#)

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