TaxNewsFlash

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KPMG reports: Arkansas (tax credits); Minnesota (loss limitation); Texas (sales tax exemption); Texas (costs of goods sold)

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.

- **Arkansas:** An administrative law judge found that the sale of tax credits by a corporate taxpayer generated business income.

- **Minnesota:** The state's tax court held that the IRC section 382 limitation (when a loss corporation undergoes an ownership change, the amount of post-change income that can be offset by pre-ownership change losses cannot exceed the section 382 limitation) was not required to be apportioned.

- **Texas:** A state appeals court held that a private company operating detention facilities for government detainees did not qualify for the residential-use exemption from the sales and use tax for gas and electricity sold.

- **Texas:** A state appeals court held that the taxpayer's use of the federal costs of goods sold (COGS) calculation as a starting point for calculating the Texas COGS deduction did not provide sufficient evidence to support the claimed deduction. The court held that the Texas COGS deduction is to be computed on an item-by-item basis, and allowed the taxpayer to deduct subcontractor payments in calculating the taxable margin.

Read more at KPMG's ***This Week in State Tax***

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