



# TaxNewsFlash

## United States

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### **KPMG reports: Connecticut (GILTI); Michigan (bad debt deduction); Utah (IRC section 965)**

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.

- **Connecticut:** The Department of Revenue Services issued guidance addressing the state treatment of “global intangible low-taxed income” (GILTI)—pursuant to the new federal tax law enacted December 22, 2017—for state corporate business tax purposes. Because GILTI is treated in a manner similar to Subpart F income for federal tax purposes, Connecticut will treat such income as dividend income and will extend the 100% dividends received deduction (DRD) to GILTI. However, Connecticut requires taxpayers to add back expenses attributable to dividend income (defined to mean 5% of dividend income) so that the addback must equal 5% of the gross amount of GILTI prior to any corresponding federal deduction.
- **Michigan:** The Michigan Supreme Court addressed whether two financing companies were entitled to tax refunds under Michigan's bad debt statute for taxes paid on vehicles that had been financed, repossessed, and resold for less the full amount of the outstanding debt. The taxpayers wrote these amounts off as bad debts for federal tax purposes, and filed refund claims with the Michigan tax authorities to recoup the prorated share of Michigan sales tax already paid that was attributable to the bad debts. After the refund claims were denied, the taxpayers appealed and lost at two lower state court levels. The state supreme court affirmed the state's determinations on improper documentation to support the refund claims, but reversed and remanded on two other issues. First, the state argued, and the lower courts agreed, that no refund would be paid with respect to any portion of a bad debt for which the related property had been repossessed. The state high court overturned these decisions, concluding that a refund would be appropriate for sales tax relating to the portion of the debt remaining after the proceeds of the sale of the repossessed property had been applied to the outstanding debt. Second, the high court rejected the lower courts' interpretation of

a contract between the taxpayer and the predecessor creditor, determining that the taxpayer was the appropriate party to file the refund claim.

- **Utah:** The governor on July 21, 2018, signed into law two bills that address certain Utah tax aspects of the new federal tax law enacted in December 2017. House Bill 2002 concerns the Utah tax treatment relating to IRC section 965(a), and House Bill 2003 revises Utah's net operating loss (NOL) provisions to conform to changes made to NOLs at the federal level effective for tax years beginning on or after January 1, 2018.

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

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