



TaxNewsFlash

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KPMG reports: Michigan (sales and use tax exemption, industrial processing); Texas (franchise tax credit, R&D activities)

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.

- **Michigan:** A state appellate court held that sales of container-recycling machines and repair parts did not qualify for a sales and use tax exemption that is available with regard to sales of tangible personal property used to perform an industrial processing activity. The court concluded that the container-recycling machines did not perform any specifically enumerated industrial processing activity.
- **Texas:** The Comptroller of Public Accounts in late July 2022 adopted amendments to a rule addressing the franchise tax research and development (R&D) activities tax credit. Previously, extensive amendments to the rule limited a taxpayer's ability to qualify for credits. The most recent amendments, however, are more taxpayer favorable. One key change is that the revised rule addresses the disconnect between federal and state law that exists because Texas defines the Internal Revenue Code for purposes of the R&D activities tax credit as the IRC in effect as of December 31, 2011. Under the revised rule, a federal regulation adopted after December 31, 2011, is applicable if a taxable entity could have applied the regulation to its 2011 tax year. The revised rule also addresses credit carryforwards when the membership of a combined group changes.

Read an [August 2022 report](#) prepared by KPMG LLP

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