



TaxNewsFlash

United States



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KPMG reports: Illinois (guidance on taxation of cryptocurrency); Maryland (digital advertising tax struck down); multiple states (tax rate changes on ballots)

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.

- **Illinois:** The state tax authority issued a general information letter responding to an annual survey on its tax policies that included guidance on the taxation of cryptocurrency. Specifically, the letter confirmed that (1) Illinois conforms to the federal treatment of cryptocurrency as property, and (2) sales of cryptocurrency are treated as sales of intangibles for purposes of apportionment and the application of Pub. L. No. 86-272.
- **Maryland:** A state circuit court judge struck down Maryland's digital advertising tax following a hearing on certain motions associated with the case. It has been reported that the judge ruled from the bench that the digital advertising tax violated the Internet Tax Freedom Act, the Commerce Clause, and the First Amendment. It remains to be seen whether the ruling will be appealed. Although the Maryland Senate president indicated the state would appeal, the comptroller issued a statement on October 20, 2022, appearing to question whether the state will in fact appeal.
- **Multiple states:** On election day, voters will cast ballots on a number of measures in different states that would implement tax rate increases and decreases.
 - In Colorado, Proposition 121 would reduce the state's current 4.55% corporate and individual (personal) income tax rate to 4.40%—effective for tax years commencing on or after January 1, 2022
 - In California, Proposition 30 would impose an additional tax of 1.75% on individual (personal) income above \$2 million
 - In Massachusetts, a constitutional amendment would increase the state's flat individual income tax rate from 5% to 9% on income above \$1 million—effective for tax years beginning on or after January 1, 2023
 - In Los Angeles, California, a proposed measure would impose an increased rate of transfer tax on properties valued at more than \$5 million

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