



TaxNewsFlash

United States



No. 2023-014
January 18, 2023

KPMG reports: Minnesota (federal tax conformity); Missouri (sales and use tax changes); Ohio (tax and fee amnesty); Washington State (bad debt sales tax credit and B&O tax deduction)

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

- **Minnesota:** House File 31 (signed into law on January 12, 2023) updates Minnesota's conformity to generally adopt the Internal Revenue Code as amended through December 15, 2022, for both individual income tax and corporate franchise tax purposes. Because of Minnesota's prior conformity date of December 31, 2018, the state did not conform to any of the tax changes in the seven federal bills that were enacted since the end of 2018. House File 31 generally adopts all the tax changes included in those federal enactments retroactively, with certain exceptions—including (but not limited to) the expanded deductions for business interest and net operating losses (NOLs) included in the CARES Act, the increased charitable contributions deduction for subchapter C corporations, and the 100% deduction allowed for business meals.
- **Missouri:** Certain sales and use tax law changes enacted in Missouri during the 2021 legislative session became effective January 1, 2023, including the state's economic nexus provisions that apply to out of state retailers and marketplace facilitators. In addition, previously, the manufacturing exemption applied to state sales and use tax, as well as local use tax, but did not apply to local sales tax. As of January 1, 2023, purchases qualifying for the exemption are also exempt from local sales tax.

- **Ohio:** House Bill 45 authorizes the state tax authority to establish and administer a tax and fee amnesty program with respect to qualifying delinquent taxes and fees. However, the amnesty program will be implemented only if necessary to meet the obligations required to be paid from the state general fund in 2023. If that determination is made, the amnesty program will operate during two consecutive months in 2023, as designated by the tax authority.
- **Washington State:** The Washington Board of Tax Appeals recently held that a retailer taxpayer was not entitled to claim the bad debt sales tax credit and business and occupation (B&O) tax deduction on uncollectible amounts charged to the store's branded private label credit card. The taxpayer, relying on a previous case, *Lowe's*, argued that it was indirectly compensating the bank that issued the cards and was in essence guaranteeing the debts, as was the case for the retailer in *Lowe's* who qualified for the bad debt deduction. The Board disagreed, concluding that although the taxpayer received payments for the performance of account services and those payments were reduced for uncollectible amounts, the taxpayer did not provide a guarantor's obligation and as such, the taxpayer did not qualify for either the bad debt sales tax credit or B&O tax deduction.

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