



TaxNewsFlash

United States



No. 2023-070
February 27, 2023

KPMG reports: Mississippi (decoupling from section 174); Pennsylvania (income-producing activity test); Washington State (capital gains excise tax); multistate (federal tax conformity)

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

- **Mississippi:** There are two bills pending in Mississippi that would in essence decouple from the Tax Cuts and Jobs Act's changes to IRC section 174 by allowing taxpayer to immediately deduct research and experimental (R&E) expenditures. In addition, the bills would allow 100% bonus depreciation for qualified property or qualified improvement property placed in service during the tax year, notwithstanding any changes to federal law related to cost recovery beginning on January 1, 2023, or some other date.
- **Pennsylvania:** The Pennsylvania Supreme Court on February 22, 2023, upheld a “benefits-received” interpretation of the income-producing activity test for sourcing receipts from sales of services. Read [TaxNewsFlash](#)
- **Washington State:** The litigation over the constitutionality of Washington State's capital gains excise tax is currently pending before the Washington State Supreme Court, but a stay granted to

the Department of Revenue allows the agency to administer the tax pending the outcome of the appeal. Although the capital gains tax return due date is extended if a taxpayer's federal income tax return is extended, there are no extensions for making payments. The first payment is due on April 18, 2023, and the department's online system is open to make tax payments. The department's website notes that if the court eventually rules that the capital gains tax statute is unconstitutional, any tax payments received will be refunded with interest. If the tax is determined to be constitutional on appeal, then taxpayers that did not make required payments may be subject to late filing and late payment penalties.

- **Multistate:** A number of fixed date conformity states (i.e., Arizona, Idaho, South Dakota, Virginia, and West Virginia) have advanced their conformity to the Code or have legislation pending signature that would do so.

Read a [February 2023 report](#) prepared by KPMG LLP

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