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KPMG reports: Connecticut (corporate surcharge extension); Illinois (investment partnership status changes); Louisiana (sales tax economic nexus threshold change); Mississippi (no good faith basis for exempt sales); Oklahoma (franchise tax repealed)

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

- **Connecticut**: The state's budget bill, which is currently pending signature, revives the 10% corporation business tax surcharge that expired at the end of 2022. Under the bill, the surcharge is extended through tax years beginning prior to January 1, 2026. The bill also makes numerous changes to Connecticut's tax credit provisions, including allowing corporations that meet specific criteria fixed capital investment tax credits for investments made by certain LLCs they own. Finally, the bill makes Connecticut's mandatory pass-through entity tax optional for tax years beginning on or after January 1, 2024. Numerous additional changes are made to implement the optional tax.

- **Illinois**: The governor signed Senate Bill 1963, which includes changes to the Illinois investment partnership test and new requirements for certain Illinois investment partnerships. These changes are effective for tax years ending on or after December 31, 2023, which means payments that will become due on April 15, 2024, may be affected.

- **Louisiana**: House Bill 171 eliminated the 200 transactions sales and use tax economic nexus threshold. Senate Bill 1, which has been sent to the governor, would reduce the franchise tax rate by 25% each year that sufficient revenues were deposited into the state Revenue Stabilization Trust Fund. Louisiana House Bill 631, if signed, would repeal the corporate income tax throwout rule effective for tax years beginning on or after January 1, 2024.

- **Mississippi**: The Court of Appeals affirmed an earlier determination that a taxpayer was liable for uncollected sales tax on supplies and equipment sold to oilfield service companies that held Mississippi retail sales tax permits. For the sales at issue, there was no evidence that the purchasers were ever asked any questions about the nature of their business or the purpose for which each specific purchase was being made, either before or after having presented the permit.

The court concluded that the taxpayer did not have a good faith basis to believe that the sales at issue were wholesale sales.

- **Oklahoma**: House Bill 1039, which became law without signature, repeals the state's corporate franchise tax effective beginning with the 2024 tax year.

Read a **June 2023 report** prepared by KPMG LLP

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