

TaxNewsFlash

United States



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KPMG reports: California (apportionment formula); Michigan (sales factor, taxation of digital goods); New Hampshire (deduction for disallowed interest); Ohio (oil and gas sales and use tax exemption)

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

- **California:** The California Office of Tax Appeals ruled that property, payroll, and sales associated with deductible cooperative member income are not excluded from the apportionment formula.
- **Michigan:** The Michigan Supreme Court held that income from the sale of a business was included in the tax base, but excluded from the sales factor denominator under the statutory formula, and such exclusion did not result in tax disproportionate to the taxpayer's business activities in Michigan.
- **Michigan:** The Michigan Department of Treasury issued a comprehensive Revenue Administrative Bulletin (RAB 2023-10) addressing the taxation of computer software, computer software service contracts, and digital goods. The new RAB replaces RAB 1999-5 and is retroactive to all tax periods open under the statute of limitations.
- **New Hampshire:** Under recently enacted New Hampshire Senate Bill 189, effective for tax years beginning on or after January 1, 2024, a deduction will be allowed for any interest expense disallowed under IRC section 163(j). Conversely, an addition will be required for an IRC section 163(j) carryforward generated in tax years commencing after January 1, 2024.
- **Ohio:** The Ohio Supreme Court held that certain pieces of equipment used in fracking were exempt from sales and use tax under the expanded sales and use tax exemption for oil and gas production.

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