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KPMG reports: New Jersey (corporation business tax); New York (new employee displacement tax); Texas (data processing services)

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

- **New Jersey:** The state Division of Taxation issued several new and revised Technical Bulletins addressing various aspects of the legislation enacted in July that made substantial changes to the corporation business tax. The latest is Technical Bulletin-113, which addresses the inclusion of certain captive entities in the New Jersey combined group and the exception for captives owned by small banks and savings and loans. Importantly, the Bulletin sets forth rules for determining the value of assets for purposes of the exception and provides guidance on aligning the captive’s income reporting period with the combined group privilege period.

- **New York:** Assembly Bill 8179 would, if enacted, impose a new tax in addition to the normal corporate franchise tax under N.Y. Tax Law § 209 on certain businesses when employees of the company are displaced from their employment due to the deployment of certain technologies.

- **Texas:** In a private letter ruling, the state Comptroller confirmed that the use of data processing services to facilitate the provision of certain employee health benefits and retirement administration services does not cause said services to become taxable data processing services for sales and use tax purposes. The relevant services also required professional knowledge and skills in physical sciences, accounting principles, and tax law, which the Comptroller determined went beyond the mere processing of data. Accordingly, the Comptroller reasoned that the data processing component of these services merely facilitated the provision of an overall service that required the application of professional knowledge and skills.

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