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TaxNewsFlash

United States

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KPMG reports: Connecticut (solar electricity property tax exemption); Pennsylvania (sourcing); Michigan (income tax nexus)

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 Superior Court concluded that a solar power company was not entitled to a property tax exemption for certain personal property used to generate solar electricity The court, looking to the sales tax law, held that the taxpayer was not entitled to the exemption because the generation of electricity is not manufacturing for sales tax or property tax purposes.

- **Pennsylvania:** The state Department of Revenue addressed the new sourcing rules that first applied for tax years beginning on or after December 31, 2022. Under prior law, specific sourcing rules applied to receipts from sales of services and receipts from sales of tangible personal property.

- **Michigan:** A city of Detroit income tax dispute came before the Michigan Court of Appeals for the third time. In sum, the appeals court reversed the Tax Tribunal (and its own prior conclusion) and held that a passive holding company formed to hold an investment had nexus with the City of Detroit. The appeals court also rejected the Tribunal's conclusion that even if there was nexus, the taxpayer nevertheless had no income apportioned to Detroit because each of the numerators of the three-factor apportionment formula was zero.

Read a January 2024 report prepared by KPMG LLP

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