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KPMG reports: District of Columbia (FY 2025 budget includes increase in sales and use tax rate); New Mexico (gross receipts tax); Pennsylvania (taxation of electricity used to power vehicles); multistate (tax reform proposals)

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

- **District of Columbia**: The City Council recently approved the FY 2025 budget, which includes an increase in the sales and use tax rate (from 6% to 6.5% effective October 1, 2025, and then to 7% on October 1, 2026) and a shift effective for tax years beginning after December 31, 2025, of the corporate franchise tax to Finnigan-style apportionment under which corporation franchise taxpayer members of a combined group will be required to sum the sales figures for all group members, including those without nexus to the District, when determining a single apportionment factor for the entire group. Under current law, D.C. uses the Joyce method of apportionment, which requires each group member to compute its apportionment factor separately. Additional changes address personal income, property, and motor vehicle excise taxes, as well as sports wagering.

- **New Mexico**: The Court of Appeals held that certain employment and payroll services and the associated markup were not exempt from gross receipts tax (GRT) as either receipts from a disclosed agent or services performed outside the state.

- **Pennsylvania**: The governor signed Senate Bill 656 into law, which clarifies and modifies the current regime for taxing electricity used to power vehicles for both operators of public charging stations and individual owners charging at private residences.

- **Multistate**: The governors of Louisiana and Nebraska are using the legislative interim to urge consideration of major state and local tax reforms.

- **Louisiana**: The governor is reportedly mulling approaches for reducing or eliminating individual (personal) income and business taxes. A recent legislative presentation by the Department of Revenue presented alternatives to restructure and reduce the individual income tax, adopt a flat rate corporate income tax, eliminate the corporate franchise tax, and modify the business inventory tax. Financing for such measures focused primarily on expanding the sales tax base by curtailing exemptions and taxing items such digital goods and personal services.

- **Nebraska**: The governor convened a special legislative session to consider reducing local property taxes by 40-50%. Financing for the measure would be generated principally by broadening the sales and use tax base, adopting a 7.5% advertising services tax, increasing some excise taxes, and eliminating current exemptions for agricultural and manufacturing machinery and equipment and subjecting these items to a reduced levy of 2% (as opposed to the standard rate of 5.5%).

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