TWIST-Q | Summary of developments – 2nd Quarter 2018

Rate changes	State	Potential Impact on Current Tax?	Potential Impact on Deferred Taxes?	Potential Impact on ASC 740-10?	Other/ Comments
For tax years beginning on or after January 1, 2021, on the first $100,000 of taxable income the corporate income tax rate is reduced to 5.5 percent. On taxable income between $100,000 and $250,000, the rate is 9.0 percent, and on taxable income of $250,000 or more, the rate is 9.8 percent. Senate File 2417 (signed May 30, 2018).	IA				
Effective for tax years beginning on or after January 1, 2021, the corporate AMT is repealed. Senate File 2417 (signed May 30, 2018).	IA				
Effective for tax years beginning on or after January 1, 2018, the corporate income tax rate is a flat 5.0 percent. House Bill 366 (enacted April 13, 2018).	KY				
For all tax years beginning on or after January 1, 2020, the corporate income tax rate is reduced from 6.25 percent to 4.0 percent. Senate Bill 884 (signed June 1, 2018).	MO				

Nexus	State	Potential Impact on Current Tax?	Potential Impact on Deferred Taxes?	Potential Impact on ASC 740-10?	Other/ Comments
Single-member LLCs wholly owned by a tax-exempt IRC section 401(a) pension trust are required to file franchise tax reports. Although the section 401(a) trust was not a taxable entity, the LLCs were legal entities separate from the trust, and the tax-exempt status of the trust did not extend to the LLCs. Private Letter Ruling No. 2017010155 (Tex. Comp. Public Accounts March 26, 2018).	TX				

Tax Base	State	Potential Impact on Current Tax?	Potential Impact on Deferred Taxes?	Potential Impact on ASC 740-10?	Other/ Comments
Enacted legislation updating IRC conformity date and addressing various aspects of federal tax reform. Please see accompanying TWIST-Q article for additional details.	AZ				
Enacted legislation addressing various aspects of federal tax reform, including adopting a new entity level tax imposed on pass-through entities. Please see accompanying TWIST-Q article for additional details.	CT				
Under Connecticut law, corporations are not allowed a deduction for expenses that are allowable as a deduction or credit under the Internal Revenue Code and are related to dividends subject to the state dividends-received deduction. Effective for income years commencing on or after January 1, 2017, expenses related to dividends will equal five percent of all dividends received by a company during an income year. Senate Bill 11 (signed May 31, 2018).	CT				
Enacted legislation updating IRC conformity date and addressing various aspects of federal tax reform. Please see accompanying TWIST-Q article for additional details.	HI				
Enacted legislation updating IRC conformity date and addressing various aspects of federal tax reform. Please see accompanying TWIST-Q article for additional details.	IN				

Tax Base	State	Potential Impact on Current Tax?	Potential Impact on Deferred Taxes?	Potential Impact on ASC 740-10?	Other/ Comments
For tax years beginning before January 1, 2022, fifty percent of the federal income taxes paid or accrued during the tax year can be subtracted to the extent payment is for a tax year beginning prior to January 1, 2021. Senate File 2417 (signed May 30, 2018).	IA				
Enacted legislation updating IRC conformity date and addressing various aspects of federal tax reform. Please see accompanying TWIST-Q article for additional details.	IA				
Enacted legislation updating IRC conformity date. Please see accompanying TWIST-Q article for additional details.	KY				
Enacted legislation updating IRC conformity date. Please see accompanying TWIST-Q article for additional details.	NE				
A taxpayer filing a consolidated return in New Mexico was not allowed a dividends-received deduction for dividends and Subpart F income received from more than 50 percent owned controlled foreign corporations. The Department's failure to allow such a deduction did not discriminate against foreign commerce when the Department employed the so-called Detroit formula to provide factor relief. *In re General Electric Company & Subsidiaries* (N.M. Tax. & Rev. Dep't Apr. 6, 2018).	NM				
A taxpayer did not qualify for the unreasonable exception to the related party interest expense add back requirement when the taxpayer did not formally guarantee its parent's debt, the parent did not pay any tax on the interest income, and the interest rate was not at arm's length. *Kraft Global Foods, Inc. v. Director, Div. of Taxation* (N.J. Tax Ct. May 17, 2018).	NJ				
Enacted legislation addressing various aspects of federal tax reform. Please see accompanying TWIST-Q article for additional details.	NY				

Tax Base	State	Potential Impact on Current Tax?	Potential Impact on Deferred Taxes?	Potential Impact on ASC 740-10?	Other/ Comments
Enacted legislation updating IRC conformity date and addressing various aspects of federal tax reform. Please see accompanying TWIST-Q article for additional details.	NC				
Effective for tax years beginning on or after January 1, 2020, IRC section 163(j) shall be applied as it existed before the enactment of the Tax Cuts and Jobs Act. Senate Bill 2119 (signed May 21, 2018).	TN				
For tax periods beginning on or after January 1, 2017, a corporate taxpayer is allowed a deduction from net earnings and losses for any amount that the taxpayer would have excluded from federal taxable income as a result of applying IRC section 118 as it existed immediately before enactment of P.L. 115-97. Senate Bill 2119 (signed May 21, 2018).	TN				
Enacted legislation updating IRC conformity date and addressing various aspects of federal tax reform. Please see accompanying TWIST-Q article for additional details.	WI				

Apportionment Changes and Developments	State	Potential Impact on Current Tax?	Potential Impact on Deferred Taxes?	Potential Impact on ASC 740-10?	Other/ Comments
Effective for income tax years commending on or after January 1, 2019, Colorado's income tax laws substantially conform to the Multistate Tax Compact's division of income provisions, which were amended a few years ago to adopt definitional changes and market-based sourcing rules for service and intangible receipts. House Bill 1185 (signed June 4, 2018).	CO				

Apportionment Changes and Developments	State	Potential Impact on Current Tax?	Potential Impact on Deferred Taxes?	Potential Impact on ASC 740-10?	Other/ Comments
Effective for all tax years beginning on or after January 1, 2018, a single-receipts factor formula is used by most corporations to apportion income to Kentucky and receipts from sales other than sales of tangible personal property are sourced to Kentucky if the taxpayer’s market for the sale is in the state. Service receipts will be sourced if and to the extent the service is delivered to a location in Kentucky. If the taxpayer is not taxable in a state to which a receipt is assigned, or the state of assignment cannot be determined or reasonably approximated, that receipt will be eliminated from the denominator of the receipts factor entirely. House Bill 366 (enacted Apr. 13, 2018).	KY				
An exception from the single-receipts factor apportionment and market-based sourcing requirements applies to providers of communications services, cable services, or internet access. Furthermore, transportation companies and freight forwarders continue to apportion their income using miles-based formulas. Corporations may continue to elect to apportion business income from the sale of management, distribution, or administration services to or on behalf of regulated investment companies based on the extent that shareholders are domiciled in Kentucky. House Bill 487 (enacted Apr. 27, 2018).	KY				

Apportionment Changes and Developments	State	Potential Impact on Current Tax?	Potential Impact on Deferred Taxes?	Potential Impact on ASC 740-10?	Other/ Comments
Effective for tax years beginning after December 31, 2017, Maryland will require most corporations to begin phasing in a single sales factor apportionment formula. For the tax year beginning after December 31, 2017 and before January 1, 2019, the sales factor is triple-weighted and the denominator is five. For the tax year beginning after December 31, 2018 and before January 1, 2020, the sales factor is weighted four times and the denominator is six. For the tax year beginning after December 31, 2019 and before January 1, 2021, the sales factor is weighted five times and the denominator is seven. For the tax year beginning after December 31, 2020 and before January 1, 2022, the sales factor is weighted six times and the denominator is eight. For the tax year beginning after December 31, 2021, a 100 percent sales factor will be used. House Bill 1794 and Senate Bill 1090 (signed Apr. 24, 2018).	MD				
For tax years beginning on or after January 1, 2020, all taxpayers, other than certain special industries, must use a single-receipts factor formula and market based sourcing to apportion their income to Missouri. Currently, taxpayers can elect between three different formulas. Senate Bill 884 (signed June 1, 2018).	MO				
Receipts from intangible property are sourced to North Carolina to the extent the intangible property is used within the state. Previously, such receipts were sourced to North Carolina if the receipts were received from sources in the state. For receipts from sales of services, income-producing activity means an activity directly performed by the taxpayer or its agents for the ultimate purpose of generating the sale of the service. Service receipts are attributed to North Carolina in proportion to the income-producing activities performed in North Carolina to the total income-producing activities performed everywhere that generate the sale of service. Senate Bill 99 (enacted June 12, 2018).	NC				

Filing Methods	State	Potential Impact on Current Tax?	Potential Impact on Deferred Taxes?	Potential Impact on ASC 740-10?	Other/ Comments
Effective for tax years beginning on or after January 1, 2019, members of a unitary business group must elect to file a unitary combined report or make a 96-month binding election to file a consolidated return with all affiliated group members included. House Bill 487 (enacted Apr. 27, 2018).	KY				
Revised guidance explains the tests for determining if a unitary business group exists. Revenue Administrative Bulletin 2018-12 (Michigan Dep't of Treas. May 23, 2018).	MI				
For returns filed on or after August 28, 2018, all transactions between affiliated group members filing a Missouri consolidated return are eliminated. Senate Bill 884 (signed June 1, 2018).	MO				

Credits	State	Potential Impact on Current Tax?	Potential Impact on Deferred Taxes?	Potential Impact on ASC 740-10?	Other/ Comments
The sale of stock in a IRC section 338(h)(10) transaction is treated as a disposition of the assets held by the target for purposes of these credits. As such, certain credits previously taken by the target corporation with respect to those assets were subject to credit recapture provisions. However, the transaction will qualify as an acquisition of qualifying property by the target, and therefore the target may be allowed new Investment Tax Credit. Letter Ruling 18-1 (Massachusetts Dep't of Revenue Feb. 23, 2018).	MA				

Administration	State	Potential Impact on Current Tax?	Potential Impact on Deferred Taxes?	Potential Impact on ASC 740-10?	Other/ Comments
For tax years ending after January 1, 2017, if a taxpayer elects to make installment payments of tax due pursuant to IRC section 965(h), such election may also apply to the payment of Oklahoma income tax attributable to the income upon which such installment payments are based. House Bill 3715 (signed May 7, 2018).	OK				

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