



# SALT Updates

## INCOME & FRANCHISE TAX

### California Factor Based Doing Business Thresholds set for 2016

The inflation-adjusted property, payroll, and sales factor thresholds for determining whether a multistate corporation is doing business in California for corporation franchise and income tax purposes have been set for tax years beginning on or after January 1, 2016.

- The property factor threshold is increased to \$54,771 (previously, \$53,644 for 2015),
- The payroll factor is increased to \$54,771 (previously, \$53,644 for 2015), and
- The sales factor is increased to \$547,711 (previously, \$536,446 for 2015).

### Connecticut Combined Reporting

Effective for income years beginning on or after January 1, 2016, commonly owned companies engaged in a unitary business are required to calculate their tax liability on a combined unitary basis. The Connecticut Department of Revenue Services has issued a publication that provides answers to frequently asked questions about the calculation of the corporation business tax on a combined unitary basis.

### Illinois Economic Development for a Growing Economy (EDGE) Program Sunset Date Extended to April 30, 2017

The sunset date for the Economic Development for a Growing Economy (EDGE) credit has been extended from December 31, 2016 to April 30, 2017. The EDGE credit may be claimed against Illinois corporate and personal income tax liability by taxpayers that enter an agreement with the Illinois Department of Commerce and Economic Opportunity (DCEO) to expand Illinois operations or to relocate headquarters to Illinois. See Sept 2016 SALT Update for more information on the program.

Trust earned.



### **New Jersey to delay state tax refunds**

The New Jersey Division of Taxation said early tax filers may experience a “slight” delay in receiving a refund as a result of the state using additional tools to guard refund fraud and identity theft. Refunds for 2016 will be issued starting March 1. Returns electronically filed may take at least four weeks to process. Paper returns may take a minimum of 12 weeks to process.

### **New York- Changes to Mandatory First Installment of Estimated Tax**

The New York Department of Taxation and Finance has issued a corporate franchise tax memorandum discussing Tax Law amendments that changed the estimated tax mandatory first installment (MFI) for certain corporations, applicable to payments due on or after March 15, 2017.

The law was amended to require certain corporations to use the second preceding year’s tax as the basis for determining whether a MFI payment is required and also for computing the amount of the payment. Although the due date has not changed, how this MFI is paid has. The payment for most corporate taxpayers can no longer be made with the prior year’s tax return or MTA surcharge return, or with the request for an extension of time to file. MFI payments must be made on new Form CT-300.

### **New York City- Changes to Mandatory First Installment of Estimated Tax**

The New York City Department of Finance has issued a memorandum discussing amendments that changed the estimated tax mandatory first installment (MFI) for corporations subject to the business corporation tax, applicable to payments due on or after March 15, 2017.

The law was amended to require corporations to use the second preceding year’s tax as the basis for determining whether an MFI payment is required and also for computing the amount of the payment. Although due dates have not changed, how the MFI is paid has. The payment can no longer be made with the prior year’s tax return or with the request for an extension of time to file.

MFI payments must be made on Form NYC-300.

### **New York Increased MTA surcharge for 2017**

New Reg. Sec. 9-1.2(c) provides that the surcharge will be computed at the rate of 28.3% of the tax imposed under Tax Law Sec. 209 for tax year 2017 (the rate was 28% for tax year 2016). The rate will remain the same in any succeeding tax year, unless a new rate is determined.

## SALES & USE TAX

### Multiple States: New Economic Nexus Standard and Click Through Nexus for Sales and Use Taxes

The Tennessee Department of Revenue has posted a sales and use tax registration application for out-of-state dealers. Certain out-of-state dealers with no physical presence in Tennessee are required to register with the department for sales and use tax purposes. See Sept 2016 SALT Update for more information on who has to register.

The Nebraska Legislature has introduced a bill that would require a remote seller to collect and remit Nebraska and local sales tax if, in the previous or current calendar year (i) its gross revenue from its sales delivered into Nebraska exceeds \$25,000 or (ii) it has at least two hundred Nebraska sales transactions. If such a remote seller refuses to collect sales tax, it is required to notify Nebraska purchasers that sales or use tax is due on certain purchases from the remote seller, send a notification to Nebraska purchasers, and file an annual statement with the Nebraska Department of Revenue.

In Mississippi, a House Bill has been introduced that would revise the definition of "person doing business" in Mississippi to include retailers that have substantial economic presence in the state. A substantial economic presence means that the retailer's retail sales of tangible personal property into Mississippi exceed \$250,000 based on the immediately preceding calendar year's sales. If enacted, these provisions would be effective July 1, 2017.

In South Carolina click-through nexus legislation has been introduced. Under this new legislation, a retailer would be liable for sales tax in South Carolina if the retailer enters into an agreement with a South Carolina resident under which the resident, for a commission or other consideration, directly or indirectly, refers potential customers, by an Internet website link or otherwise, to the retailer.

### Amazon agrees to collect Sales Tax

South Dakota has reached an agreement with Amazon to collect South Dakota sales tax on purchases made in the state. Amazon will begin collecting sale tax February 1, 2017.

Amazon.com has entered into a voluntary agreement to begin collecting Wyoming sales tax on its sales to Wyoming consumers and businesses beginning March 1, 2017. The Wyoming Legislature is considering a remote seller's bill, which would apply to all internet sales in an effort to require collection of sales tax by remote vendors.