



State Tax Changes as of July 1, 2019

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Key Findings

- Twenty-three states and the District of Columbia had notable tax changes take effect on July 1, 2019.
- Indiana had the lone corporate income tax change, with the rate decreasing from 5.75 to 5.5 percent.
- Two states saw changes to certain provisions in their individual income tax code: Ohio made its Earned Income Tax Credit more generous, while Vermont subjected more capital gains income to the individual income tax.
- New York and Vermont made changes under their property tax code to capture more tax revenue from property transfers.
- Thirteen states adopted a new sales tax collection requirement for remote sellers or expanded their existing remote sales tax collection law to include marketplace facilitators.
- Three states (Illinois, New Mexico, and Vermont) adopted a new tax on vapor products, and two states (Illinois and New Mexico) increased their tax on cigarettes.
- Seven states—California, Illinois, Montana, Nevada, Ohio, South Carolina, and Tennessee—had statutory gas tax increases take effect on July 1.
- The District of Columbia and Massachusetts adopted payroll taxes to fund new paid family leave programs.

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Introduction

Although the majority of state tax changes begin at the start of the calendar year, others take effect at the beginning of the fiscal year. Twenty-three states and the District of Columbia had tax changes take effect on July 1, 2019, the beginning of the 2020 fiscal year.

Corporate Income and Gross Receipts Taxes

Indiana

Indiana has been incrementally reducing its corporate income tax rate since 2011. As part of an additional tax package passed in 2014 to phase down the corporate income tax rate to 4.9 percent by 2022,¹ Indiana's corporate income tax rate decreased from 5.75 to 5.5 percent on July 1.²

Washington

As of July 1, certain classifications of businesses are paying higher taxes under Washington's Business and Occupation (B&O) tax, a gross receipts tax. For example, the rate for international investment managers has increased from 0.275 to 1.8 percent, and the rate that applies to travel agents and tour operators has increased to 0.9 percent.³ Much more significant increases are slated for January 1, 2020.

Individual Income Tax

Ohio

House Bill 62, a new transportation budget signed in April, increased the state's Earned Income Tax Credit (EITC) to mitigate the impact of that law's 10.5-cent gas tax increase on lower-income individuals. Under this new law, Ohio taxpayers can now receive an EITC up to 30 percent of the amount received at the federal level, up from Ohio's former rate of 10 percent. Prior to enactment of House Bill 62, a limit was placed on the credit once a taxpayer's Ohio taxable income reached \$20,000. Ohio's new law removes that limit and instead mirrors the federal phaseout schedule. However, unlike the federal EITC, Ohio's EITC is nonrefundable.⁴

1 Scott Drenkard, "Indiana's 2014 Tax Package Continues State's Pattern of Year-Over-Year Improvements," Tax Foundation, Apr. 7, 2014, <https://taxfoundation.org/indiana-s-2014-tax-package-continues-state-s-pattern-year-over-year-improvements/>.

2 Indiana Department of Revenue, "Corporate Tax Rate History," 2019, <https://www.in.gov/dor/3470.htm>.

3 "New Washington Business and Occupation Tax Legislation Affects Service Businesses," Perkins Coie, May 2, 2019, <https://www.jdsupra.com/legalnews/new-washington-business-and-occupation-50566/>.

4 "State Lawmakers Send Bipartisan Transportation Budget to Governor's Desk," Minority Caucus Blog, The Ohio House of Representatives, Apr. 2, 2019, <http://www.ohiohouse.gov/democrats/press/state-lawmakers-send-bipartisan-transportation-budget-to-governors-desk>.

Vermont

Under House Bill 541, Vermont limited the amount of long-term capital gains a taxpayer can exclude from standard individual income tax rates to \$350,000. Most states tax capital gains as ordinary income, but Vermont has historically allowed an exclusion for the greater of 40 percent of capital gains income or \$5,000. It is this 40 percent exclusion to which the new \$350,000 cap applies.⁵

Property Tax

Vermont

As of July 1, Vermont's property transfer tax applies not only to the transfer of real property but also to the purchase of a controlling interest in a business that owns real property in the state.⁶

New York

Legislation (Senate Bill 1509/Assembly Bill 2009) enacted in April 2019 expands the scope of New York's real estate transfer tax and "mansion tax." Specifically, this new law adds a surcharge to New York's 0.4 percent real estate transfer tax, such that another 0.25 percent tax is levied on transfers of residential real property sold for \$3 million or more and for commercial or multiunit property sold for \$2 million or more.

This same law also added a layer to the 1 percent "mansion tax," imposing an additional tax of between 0.25 percent and 2.9 percent for transfers of \$2 million or more, with the rate increasing progressively with the value of the transfer. Functionally, this acts as two mansion taxes, inasmuch as both taxes are now higher on high-end properties, the difference being that, legally, the transfer tax is incurred by the seller and the mansion tax is imposed on the buyer. The highest combined rate rises from 1.4 to 4.55 percent.⁷

5 Graham Campbell, "H.541: An act relating to changes that affect the revenue of the State- Committee of Conference," Legislative Fiscal Note, Vermont Legislative Joint Fiscal Office, May 23, 2019, https://ljo.vermont.gov/assets/Publications/House-Bills/7bb5bb90ee/GENERAL-340238-v5-Final_Revenue_Bill_Fiscal_Note.pdf.

6 "Vt. Legislative Changes To Impact the Sale of Capital Assets, Real Estate," *Caledonia Record*, July 5, 2019, https://www.caledonianrecord.com/features/business/vt-legislative-changes-to-impact-the-sale-of-capital-assets/article_70fce508-fcb2-5d3f-bf43-e8996f02db03.html.

7 Michele Rosenman, "Changes to New York State's Real Property Transfer Taxes Become Effective July 2019," *EisnerAmper*, July 1, 2019, https://www.eisneramper.com/real-property-transfer-tax-nys-0719/?utm_source=Mondaq&utm_medium=syndication&utm_campaign=View-Original.

Sales Taxes

Arkansas

Effective July 1, Senate Bill 576 requires remote sellers and marketplace providers to collect the state's sales tax if they have more than \$100,000 in sales or 200 transactions in the state.⁸

In addition, legislation enacted in 2014 is phasing in an offset to the sales tax on machinery and equipment, which is a step in the right direction toward reducing harmful taxes on business inputs. As of July 1, businesses can receive a 3 percent sales tax rate reduction (paid in the form of a refund) for sales taxes paid on purchases of machinery and equipment. This refund will continue to increase until 2022, when machinery and equipment will be fully exempt from the sales tax.⁹

Connecticut

Connecticut's new remote sales tax law requires remote sellers to collect the state's sales tax if they have more than \$100,000 in sales or 200 transactions in the state.¹⁰

Indiana

Under House Bill 1001, marketplace facilitators are now required to collect Indiana's sales tax if they meet the state's economic nexus threshold of more than \$100,000 in sales or at least 200 transactions in Indiana.¹¹

Kentucky

In accordance with House Bill 354, a tax law enacted in March 2019 that builds upon a comprehensive tax reform package adopted in 2018, marketplace providers with at least \$100,000 in sales or 200 transactions in Kentucky are required to collect the state's sales tax. This same law also makes several minor changes to various sales tax exemptions.¹²

Nevada

On July 1, Nevada taxpayers saw several changes to their sales tax. Assembly Bill 309 allows counties to enact a quarter-cent sales tax, with revenue authorized for education or housing programs. Separately, Senate Bill 447 created several new sales tax exemptions.

8 "Sales and Use Tax: Remote Sellers," Arkansas Department of Finance and Administration, <https://www.dfa.arkansas.gov/excise-tax/sales-and-use-tax/remote-sellers>.

9 Craig R. Cockrell, "Act 465 of 2017: Sales and Use Tax Exemption for Repair and Replacement of Manufacturing Machinery and Equipment," Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., May 8, 2017, <https://www.mitchellwilliamsllaw.com/act-465-of-2017-sales-and-use-tax-exemption-for-repair-and-replacement-of-manufacturing-machinery-and-equipment>.

10 "New Connecticut Tax Legislation," Connecticut Council of Family Service Agencies, June 13, 2019, <https://www.ctfsa.org/news/2019/6/13/new-connecticut-tax-legislation>.

11 "House Bill 1001," Indiana General Assembly (2019 Session), 2019, <http://iga.in.gov/legislative/2019/bills/house/1001#digest-heading>.

12 "2019 Kentucky Tax Changes," Kentucky Department of Revenue Office of Tax Policy & Regulation, Apr. 15, 2019, <https://revenue.ky.gov/News/PublishingImages/Pages/2019-Kentucky-Tax-Changes/2019%20Kentucky%20Tax%20ChangesV3.pdf>.

New Mexico

Among other provisions, House Bill 6, signed into law in April 2019, requires remote sellers and marketplace providers with \$100,000 or more of sales into New Mexico to begin collecting the state's gross receipts tax.¹³

Pennsylvania

As of July 1, remote sellers with more than \$100,000 in sales into Pennsylvania are required to collect the state's sales tax.¹⁴

Rhode Island

Rhode Island now requires remote sellers and marketplace providers to collect the state's sales tax. House Bill 5278A and Senate Bill 251A set the economic nexus threshold at \$100,000 in sales or 200 transactions.¹⁵

Tennessee

House Bill 667 requires remote sellers to collect the state's sales tax if they have more than \$500,000 of sales into Tennessee.¹⁶

Virginia

As of July 1, remote sellers and marketplace providers are required to collect Virginia's sales tax if they have more than \$100,000 in sales or at least 200 transactions in Virginia.¹⁷

West Virginia

House Bill 2813 requires marketplace facilitators with more than \$100,000 in sales or at least 200 transactions in West Virginia to collect the state's sales tax.¹⁸

13 Charlie Moore, "Several Changes to New Mexico Tax Law Effective July 1, 2019," New Mexico Taxation and Revenue Department, June 27, 2019, http://tax.newmexico.gov/uploads/PressRelease/e19f5d4c8b014c6d870f8073d673341b/July_1_tax_changes.pdf.

14 Jeffrey Johnson, "New Services Help Online Sellers with Pennsylvania Sales Tax," Pennsylvania Pressroom, June 10, 2019, <https://www.media.pa.gov/Pages/Revenue-details.aspx?newsid=288>.

15 "New Law requires remote sellers to collect and remit sales and use tax," Rhode Island Department of Revenue Division of Taxation, May 24, 2019, http://www.tax.ri.gov/Advisory/ADV_2019_11.pdf.

16 Gail Cole, "Tennessee to tax out-of-state sales starting July 1, 2019," Avalara, May 22, 2019, <https://www.avalara.com/us/en/blog/2019/05/tennessee-to-tax-out-of-state-sales-starting-july-1-2019.html>.

17 "New sales tax requirements for remote sellers and marketplace facilitators," Virginia Department of Taxation, 2019, <https://www.tax.virginia.gov/remote-sellers-marketplace-facilitators-economic-nexus>.

18 Dale W. Steager, "Consumers Sales and Service Tax: Marketplace Facilitators Having Economic Nexus With West Virginia Required to Collect West Virginia Sales and Use Taxes on Sales Made on and After July 1, 2019," Administrative Notice 2019-21, West Virginia State Tax Department, Apr. 11, 2019, <https://tax.wv.gov/Documents/AdministrativeNotices/2019/AdministrativeNotice.2019-21.pdf>.

Washington

Consumers from states and territories without a state sales tax are eligible for a sales tax exemption when making purchases in Washington. However, as of July 1, this exemption is no longer available at the point of sale. Instead, Senate Bill 5997 requires nonresidents seeking a sales tax exemption to submit a request to the Washington Department of Revenue. A refund will only be issued if total state sales taxes paid amount to at least \$25.¹⁹

Separately, under Senate Bill 5581, Washington has improved compliance with the U.S. Supreme Court's decision in *South Dakota v. Wayfair*.²⁰ As of July 1, Washington's notice and reporting requirement is no longer in effect, meaning remote sellers must only collect the state's sales tax if they make more than \$100,000 in sales or 200 transactions in Washington.²¹

Wyoming

Under House Bill 69, enacted in February, Wyoming now requires marketplace facilitators to collect the state's sales tax. The state has a preexisting economic nexus threshold of \$100,000 in sales or 200 transactions.²²

Cigarette and E-Cigarette Taxes

Colorado

House Bill 19-1033 allows Colorado's local governments to impose their own taxes and fees on cigarettes, e-cigarettes, and other nicotine products without forfeiting a portion of the state's cigarette tax revenue. Previously, localities were authorized to adopt their own tobacco taxes but would lose out on state revenue if they did so.²³

Illinois

At the end of June, Gov. J.B. Pritzker (D) signed Senate Bill 690, increasing Illinois's cigarette tax from \$1.98 to \$2.98 for a pack of 20 cigarettes.²⁴ The law also put into place a new tax on e-cigarettes, taxing them at 15 percent of the wholesale price. The revenue will be used to fund upgrades to roads, bridges, parks, and schools.²⁵

19 "Changes to the sales tax exemption for qualified nonresidents," Washington State Department of Revenue, May 31, 2019, https://dor.wa.gov/sites/default/files/legacy/Docs/Pubs/SpecialNotices/2019/sn_19_Qualified_Nonresident.pdf.

20 *South Dakota v. Wayfair, Inc.*, 585 U.S. ____ (2018).

21 "New law updates Washington state tax requirements for out-of-state businesses," Washington State Department of Revenue, Mar. 18, 2019, <https://dor.wa.gov/about/news-releases/2019/new-law-updates-washington-state-tax-requirements-out-state-businesses>.

22 "Wyoming Enacts Economic Nexus Legislation," Sales Tax Institute, June 28, 2018, <https://www.salestaxinstitute.com/resources/wyoming-enacts-economic-nexus-legislation>.

23 "HB19-1033: Local Governments May Regulate Nicotine Products," Colorado General Assembly, July 2019, <https://leg.colorado.gov/bills/hb19-1033>.

24 "Cigarette Tax Increase," Informational Bulletin, Illinois Department of Revenue, June 2019, <https://www2.illinois.gov/rev/research/publications/bulletins/Documents/2019/FY2019-26.pdf>.

25 "Illinois gas tax doubles starting Monday," 23WIFR.com, June 28, 2019, <https://www.wifr.com/content/news/Pritzker-to-sign-infrastructure-bill-doubling-Illinois-gas-tax-by-Monday-511952761.html>.

New Mexico

As of July 1, e-cigarettes are taxed in Mexico. Under House Bill 6, enacted in April 2019, vapor liquid is taxed at 12.5 percent of the wholesale price, and “closed system” cartridges or pods smaller than 5 milliliters are taxed at 50 cents per cartridge. In addition, the cigarette tax is now \$2.00 per pack of 20, up from \$1.66 per pack.²⁶

Vermont

In Vermont, e-cigarettes and all vapor products are now subject to a new excise tax equal to 92 percent of the wholesale price.²⁷ Before House Bill 47 was enacted in May 2019, vapor products were subject only to the state’s 6 percent sales tax.

Gasoline Tax

California

As the second part of a gas tax increase approved by legislators in 2017, California’s gas tax rose 5.6 cents per gallon on July 1, bringing total state taxes and fees on gasoline to 57.8 cents per gallon and surpassing Pennsylvania for the highest state taxes and fees on gasoline.²⁸

Illinois

Senate Bill 1939, a capital plan signed into law in June, doubled the gas tax from 19 to 38 cents per gallon and increased the diesel fuel tax by 24 cents to 44.5 cents per gallon.²⁹

Montana

House Bill 473, enacted in 2017, is phasing in a 6-cent per gallon increase in the gas tax and a 2-cent per gallon increase in the diesel tax by July 2022. In accordance with that law, gas taxes increased by 0.5 cents per gallon, and diesel taxes increased by 0.2 cents per gallon, on July 1.

Nevada

With the enactment of Senate Bill 48 in May 2019, most counties in Nevada are now authorized to levy a local tax on diesel fuel of up to 5 cents per gallon.

26 Charlie Moore, “Several Changes to New Mexico Tax Law Effective July 1, 2019.”

27 “2019 Legislative Highlights,” Vermont Agency of Administration Department of Taxes, 2019, https://tax.vermont.gov/research-and-reports/legislative-updates/2019#cigarette_tax.

28 Patrick McGreevy, “California gas tax goes up July 1, but leaders say road repairs need even more money,” *Los Angeles Times*, June 20, 2019, <https://www.latimes.com/politics/la-pol-ca-california-gas-tax-increase-road-repairs-20190620-story.html>.

29 “Motor Fuel Tax Rates and Fees,” Illinois Department of Revenue, 2019, <https://www2.illinois.gov/rev/research/taxrates/Pages/motorfuel.aspx>.

Ohio

Under a new transportation budget signed in April, Ohio's gas tax increased by 10.5 cents per gallon, and the tax on diesel fuel increased by 19 cents per gallon, effective July 1.

South Carolina

South Carolina's gas tax increased by 2 cents, bringing the total state gas tax to 22.75 cents per gallon. This year's increase is part of a five-year phase-in enacted in 2017 that will increase the gas tax by 2 cents per year until it reaches 28.75 cents per gallon in 2022. Revenue from the gas tax increase is dedicated to the Infrastructure Maintenance Trust Fund.³⁰

Tennessee

Tennessee increased its gas tax by 1 cent per gallon and its diesel tax by 3 cents per gallon. This increase is the final stage of gas tax increase phase-in enacted in 2017 that has increased gas taxes by 6 cents per gallon and diesel taxes by 10 cents per gallon overall.³¹

Business and Payroll Taxes

District of Columbia

As of July 1, the District of Columbia collects a tax from private sector employers to fund a new paid family leave benefit that will become available in July 2020. The tax is levied at a rate of 0.62 percent of the employer's gross wages paid.³²

Massachusetts

A new payroll tax has been put into place in Massachusetts to fund a new paid family and medical leave program, for which benefits will become available in January 2021. The tax is structured as a shared tax between employees and employers totaling 0.63 percent of employee wages up to the amount of the Social Security wage base (\$132,900 in 2019).³³

30 Morgan Scarboro and Andrew Eichen, "State Tax Changes Taking Effect July 1, 2018," Tax Foundation, June 26, 2018, <https://taxfoundation.org/state-tax-changes-july-1-2018/>.

31 "Gas Tax Increases Another 1 Cent Per Gallon Today Thanks to Gov. Haslam, Democrats, and 'Moderate' Republicans," *The Tennessee Star*, July 1, 2018, <https://tennesseestar.com/2018/07/01/gas-tax-increases-another-1-cent-per-gallon-today-thanks-to-gov-haslam-democrats-and-moderate-republicans/>.

32 "District of Columbia Paid Family Leave," Department of Employment Services, DC.gov, 2019, <https://does.dc.gov/page/district-columbia-paid-family-leave>.

33 Mark Holloway, "Massachusetts announces contribution rates effective July 1 for paid family leave," Lockton, Feb. 22, 2019, <http://locktonbenefitsblog.com/massachusetts-announces-contribution-rates-effective-july-1-for-paid-family-leave/>.

Other Taxes and Fees

Connecticut

House Bill 7424 increased from \$20 to \$80 the fee that certain pass-through businesses must pay to file an annual report with the Secretary of State.³⁴ This law also increased from 25 cents to 30 cents Connecticut's "transportation network company fee," or the fee that ridesharing companies must pay on each ride originating in Connecticut.

Hawaii

Under Senate Bill 162, Hawaii's "rental motor vehicle surcharge tax" increased from \$3 to \$5 per day.³⁵

New Mexico

New Mexico's motor vehicle excise tax, imposed on vehicles purchased in the state, increased from 3 to 4 percent for motor vehicles purchased July 1 or later. Revenue will be used for road repairs.³⁶

34 "New Connecticut Tax Legislation," Connecticut Council of Family Service Agencies.

35 Linda Chu Takayama, "Anticipated Rental Motor Vehicle Surcharge Tax rate change to \$5/day, effective July 1, 2019," Department of Taxation Announcement No. 2019-05, Hawaii Department of Taxation, June 17, 2019, <http://files.hawaii.gov/tax/news/announce/ann19-05.pdf>.

36 Charlie Moore, "Motor Vehicle Excise Tax Increase Will Fund Emergency Road Improvements," New Mexico Taxation and Revenue Department, June 19, 2019, http://www.tax.newmexico.gov/uploads/PressRelease/e19f5d4c8b014c6d870f8073d673341b/Motor_Vehicle_Excise_Tax_Increase_SSC.pdf.