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State Tax Changes as of January 1, 2020

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Key Findings

- Thirty-four states have major tax changes taking effect on January 1, 2020.
- Arkansas, Tennessee, and Massachusetts will each see reductions in their individual income tax rates.
- Five states (Iowa, Kansas, Maine, North Carolina, and Ohio) will see notable changes to their individual income tax bases.
- Corporate income, capital stock, franchise, or similar taxes on businesses or financial institutions will decrease or be eliminated in six states (Connecticut, Florida, Illinois, Indiana, Missouri, and Mississippi) but will increase in two states (New Jersey and Washington).
- Oregon will implement a new Corporate Activity Tax (CAT), which is a modified gross receipts tax (GRT).
- Florida is the lone state with a general sales tax rate change (a reduction).
- Five states will see changes to their estate taxes. Connecticut, Minnesota, Vermont, and New York will see increases in their estate tax exemptions (taxpayer-friendly provisions), while Hawaii's estate tax will become more burdensome.
- Two states (Illinois and Louisiana) will implement new excise taxes on cannabis products.
- Three states (Maine, Nevada, and New Hampshire) will begin applying excise taxes to vapor products.
- Four states (Hawaii, Illinois, Michigan, and Wisconsin) will begin requiring marketplace facilitators to collect sales taxes.
- Three states (Arizona, Georgia, and Washington) will modify the economic nexus threshold in their remote sales tax collection requirements.

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- Two states (Hawaii and Pennsylvania) will begin using *Wayfair*-like standards to determine economic nexus for income tax purposes.

- Two states (Connecticut and Virginia) will see notable changes to their sales tax base. (Connecticut's sales tax base will broaden to additional consumer goods and services, while Virginia's base will become narrower.)

- Six states (Arkansas, Maryland, Missouri, New Hampshire, New Mexico, and Tennessee) will see various changes to their corporate income tax base or apportionment formulas.

- Various road user taxes and fees will change in Kansas and Nevada.

Introduction

To say that 2018 and 2019 were "big years" in state tax policy would be quite the understatement. With a major overhaul of federal individual and corporate income tax systems in December 2017, followed by the U.S. Supreme Court's *South Dakota v. Wayfair* decision impacting interstate sales tax collections the following June, states have spent the past two years reacting to major federal policy changes, in addition to enacting many of their own state-specific reforms.

While many state responses to the 2017 Tax Cuts and Jobs Act (TCJA) and the 2018 *Wayfair* decision have already taken effect, a number of additional policy changes, whether reactions to federal law or otherwise, are slated to take effect as we ring in the new year on January 1, 2020. Altogether, 34 states have major tax changes taking effect at the start of the new calendar year.

The individual and corporate income tax rate changes are shown in the table below.

TABLE 1.

Individual and Corporate Income Tax Rate Changes Effective January 1, 2020

State	Top Rate (2019)	Number of Brackets (2019)	Top Rate (2020)	Number of Brackets (2020)
Individual Income Tax				
Arkansas	Middle-income earners: 6 percent High-income earners: 6.9 percent	Middle-income earners: 6 High-income earners: 6	Middle-income earners: 5.9 percent High-income earners: 6.6 percent	Middle-income earners: 6 High-income earners: 4
Tennessee	2 percent (investment income only)	Single-rate tax	1 percent (investment income only)	Single-rate tax
Massachusetts	5.05 percent	Single-rate tax	5.00 percent	Single-rate tax
Corporate Income Tax				
Florida	4.458 percent	Single-rate tax	4.458 percent*	Single-rate tax
Missouri	6.25 percent	Single-rate tax	4.0 percent	Single-rate tax
New Jersey	11.5 percent (including a 9 percent base rate and a 2.5 percent surcharge)	4	10.5 percent (including a 9 percent base rate and a 1.5 percent surcharge)	4

Note: *The corporate income and franchise tax rates in Florida were set to revert back to the 2018 rates of 5.5 percent, but legislation was enacted extending the 2019 rates (both set at 4.458 percent) to 2020 and 2021.
Source: State statutes.

Arizona

Arizona adopted an Internal Revenue Code (IRC) conformity bill, House Bill 2757, in May 2019, which also included adjustments to the state's *Wayfair* response. While several of this law's provisions were retroactive and have already taken effect, a change in the safe harbor for small remote sellers will take effect on January 1, 2020. Specifically, the *de minimis* exemption for remote sellers will drop from $200,000 to $150,000. Remote sellers exceeding this amount in direct sales into Arizona for the current or previous calendar year are required to collect the transaction privilege tax (TPT), Arizona's unique sales tax. This safe harbor is scheduled to drop even further, to $100,000, in 2021.[1]

Arkansas

Arkansas recently enacted a series of tax reforms that will continue phasing in in the new year. Arkansas is unique among states in that it has three entirely different individual income tax rate schedules depending on total taxable income. As taxpayers' income rises, they not only face higher marginal rates but also shift into an entirely different rate schedule. In the new year, Arkansas's individual income tax rate schedule for high earners, which currently has six marginal income brackets, will be consolidated into four brackets, and the top marginal rate will drop from 6.9 to 6.6 percent. In 2021, this top rate will be reduced even further, to 5.9 percent. For those subject to the middle rate schedule, the top rate will decrease from 6.0 to 5.9 percent this January.[2] On the corporate tax front, the net operating loss (NOL) carryforward period will increase from five to eight years in 2020 and to 10 years in 2021.[3]

TABLE 2.

Arkansas Individual Income Tax Rates (2020)

Total Income Under $22,200		Total Income Between $22,000 and $79,300		Total Income Above $79,300	
Income Bracket	Tax Rate	Income Bracket	Tax Rate	Income Bracket	Tax Rate
$0-$4,499	0.0%	$0-$4,499	0.75%	$0-$4,000	2.0%
$4,500-$8,899	2.0%	$4,500-$8,899	2.50%	$4,001-$8,000	4.0%
$8,900-$13,399	3.0%	$8,900-$13,399	3.50%	$8,001-$79,300	5.9%
$13,400-$22,199	3.4%	$13,400-$22,199	4.50%	$79,301+	6.6%
		$22,200-$37,199	5.00%		
		$37,200-$79,300	5.90%		

Note: The exact brackets will change slightly due to Arkansas' policy of inflation-adjusting its brackets annually.
Source: Act 182, Arkansas 2019.

1 "State Tax Matters," Deloitte, Sept. 6, 2019, https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-statetaxmatters-190906.pdf.

2 Arkansas Governor Asa Hutchinson, "2019: The 5.9 Tax Plan," https://governor.arkansas.gov/tax-cuts/2019-the-5.9-tax-plan/.

3 "Arkansas: Corporate Tax Legislation Signed Into Law," KPMG, https://tax.kpmg.us/events/podcasts/twist/2019/twist-041519/twist-041519-ar.html.

Connecticut

In October 2017, former Connecticut Governor Dannel Malloy (D) approved a budget that phased in an increase to the state's estate and gift tax exemption, with the intent of conforming to the federal estate tax exemption by 2020. However, the TCJA, enacted in December 2017, nearly doubled the federal estate tax exemption, bringing it to $10 million (indexed for inflation). As a result, in May 2018, Connecticut enacted a law to extend its own exemption phase-in, such that it will reach $5.1 million in 2020 and will match the federal exemption in 2023.[4]

In addition, Connecticut's budget for fiscal years (FYs) 2020-21, which Gov. Ned Lamont (D) signed into law in June, includes several tax changes that will take effect on January 1st. One such change is that Connecticut will no longer levy a Business Entity Tax (BET). Previously, owners of S corporations, limited liability companies (LLCs), and partnerships paid this tax every other year in the amount of $250. Further, effective January 1st, additional select services will be included in Connecticut's sales tax base, including parking garages, meters, and related parking services; interior design services; and dry cleaning and laundry services (excluding coin-operated laundry services).[5]

Florida

In March 2018, legislation was enacted in Florida to trigger corporate income and franchise tax rate reductions for the 2019 tax year in the event that Florida's FY 2019 tax collections exceeded adjusted forecasted collections by at least 7 percent.[6] In June 2019, legislation was enacted to extend the trigger to also be available in tax years 2020 and 2021. As a result, in September, the Department of Revenue announced that the corporate income and franchise tax rates would indeed be reduced, from 5.5 to 4.458 percent, retroactive to January 1, 2019, and effective for tax years 2020 and 2021. Further reductions for 2020 and 2021 are possible depending on actual collections for those years.

In addition, effective January 1st, the commercial lease tax, a special sales tax remitted by commercial real estate owners but paid by their tenants, will drop from 5.7 to 5.5 percent.[7]

Georgia

House Bill 182, signed into law in April 2019, reduced Georgia's *de minimis* exemption for small remote sellers from $250,000 to $100,000, effective January 1, 2020.[8]

4 "State Death Tax Chart," The American College of Trust and Estate Counsel, Aug. 2, 2019, https://www.actec.org/resources/state-death-tax-chart/.

5 "Legislation Affecting Sales and Use Taxes as of January 1, 2020," State of Connecticut Department of Revenue Services, Dec. 4, 2019, https://portal.ct.gov/-/media/DRS/Publications/pubssn/2019/SN-2019%2810%29.pdf?la=en.

6 "Florida Reduces Corporate Income Tax Rate," Grant Thornton, Oct. 21, 2019, https://www.grantthornton.com/library/alerts/tax/2019/SALT/F-J/FL-reduces-corporate-income-tax-rate-10-21.aspx.

7 Karen Lake, "Florida Again Reduces State Sales Tax on Commercial Real Estate Leases in 2020," Berkowitz Pollack Brant, Nov. 12, 2019, https://www.bpbcpa.com/florida-again-reduces-state-sales-tax-on-commercial-real-estate-leases-in-2020-by-karen-a-lake-cpa-cfst/.

8 "State Notices & Resources for Remote Sellers," Sales Tax Institute, Dec. 17, 2019, https://www.salestaxinstitute.com/resources/state-notices-resources-for-remote-sellers.

Hawaii

As of the first of the year, Hawaii will require marketplace facilitators to collect and remit its General Excise Tax (the state sales tax) when those marketplace facilitators have $100,000 or more in income sourced to Hawaii or at least 200 transactions in the state.[9]

Hawaii also became the first state to align its income tax economic standards with its *Wayfair* safe harbor. Senate Bill 495, enacted in July 2019, requires income tax filing for any individual, estate, or business with 200 or more transactions or more than $100,000 in sales into Hawaii.[10]

In addition, Act 3, signed into law in April, created a new estate tax bracket, taxing estates valued above $10 million at a rate of 20 percent. This new rate applies to decedents dying in 2020.[11]

Illinois

Illinois has several tax changes taking effect in January, including a marketplace facilitator sales tax collection law, a marijuana excise tax, a parking excise tax, and the phaseout of the franchise tax.

As of the first of the year, marketplace facilitators will be required to collect Illinois' sales tax when those facilitators have $100,000 or more in sales or at least 200 transactions in the state.[12]

Public Act 101-0027, signed into law in June, creates a legal market for recreational marijuana and imposes various excise taxes. These taxes include a 7 percent tax on wholesale sales made to dispensaries, as well as retail excise taxes of 10 percent, 20 percent, or 25 percent depending on tetrahydrocannabinol (THC) content or product type. A local option tax of up to 3 percent will not take effect until July 2020.[13]

The new excise tax on parking services will be paid by drivers for the privilege of parking in a designated space, garage, or other area. The tax will be imposed at a rate of 6 percent of the purchase price for hourly, daily, or weekly parking spaces and 9 percent of the purchase price of parking on a monthly or annual basis.[14]

Finally, Illinois' franchise tax, which has historically been imposed on C corporations doing business in Illinois, will be phased out between 2020 and 2023. In 2020, the first $30 in franchise tax liability will be exempted, and by 2024, no tax will be owed.[15]

9 Gail Cole, "Marketplace Facilitators to Collect Hawaii Sales Tax for Third-Party Sellers," Avalara, Oct. 22, 2019, https://www.avalara.com/us/en/blog/2019/10/marketplace-facilitators-collect-hawaii-sales-tax-for-third-party-sellers.html.

10 "Hawaii Adopts Wayfair Standard for Income Tax Nexus Presumption," RSM, July 12, 2019, https://rsmus.com/what-we-do/services/tax/state-and-local-tax/income-and-franchise/hawaii-adopts-wayfair-standard-for-income-tax-nexus-presumption.html.

11 "Department of Taxation Announcement No. 2019-09," State of Hawaii Department of Taxation, July 24, 2019, http://files.hawaii.gov/tax/news/announce/ann19-09.pdf.

12 "Public Act 101-0009 (S.B. 0689)," Illinois 101st General Assembly, http://www.ilga.gov/legislation/publicacts/grplist.asp?GA=101&Min=0001&Max=0100.

13 "Status of State Taxation/ Sales of Marijuana," Federation of Tax Administrators, Dec. 9, 2019, https://www.taxadmin.org/assets/docs/Research/Rates/marijuana.pdf.

14 "Parking Excise Tax," Illinois Department of Revenue, https://www2.illinois.gov/rev/research/taxinformation/excise/Pages/Parking%20Excise%20Tax.aspx.

15 Mary Kay McCalla Martire, and Lauren A. Ferrante, "Illinois Fiscal Year 2020 Income and Franchise Tax Changes," *The National Law Review*, June 13, 2019, https://www2.illinois.gov/rev/research/taxinformation/excise/Pages/Parking%20Excise%20Tax.aspx.

Indiana

Indiana's financial institutions tax rate will fall from 6.25 to 6.0 percent in 2020 under a phasedown that will reduce the rate to 4.9 percent by 2023.[16] The state's corporate income tax rate is on a similar phasedown schedule, but rates change each July, not in January.

Iowa

As of January 1st, Iowa will fully conform to federal expensing provisions under IRC Section 179, while conforming to the federal repeal of the deferral of gain or loss for the like-kind exchange of property.[17] Iowa will also begin conforming to the IRC on a rolling basis.[18]

Kansas

In 2020, several of Kansas' individual income tax provisions will become more generous. Currently, Kansas offers five itemized deductions that are linked to the itemized deductions available under the federal code. While Kansas' deduction for charitable contributions is already on par with the federal provision, other itemized deductions, including for qualified medical and dental expenses, real estate taxes, personal property taxes, and qualified residential interest and mortgage insurance premiums, were offered at a set percentage of the federal provisions. In 2020, these deductions will be offered at parity with the federal provisions. In addition, Kansas' child and dependent care credit will be offered at 25 percent of the federal amount, up from 18.75 percent.[19]

In addition, starting in January, hybrid and electric vehicles will be subject to annual license fees of $50 and $100, respectively.[20]

Kentucky

House Bill 354, which was signed into law in March, specifies that certain businesses need not file a tangible personal property (TPP) tax return for TPP valued at $1,000 or less.[21]

Louisiana

Act 247, signed into law in June, applies a 3 percent excise tax to the retail sale of cannabidiol (CBD) products.[22]

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

17 "State Tax Matters," Deloitte, June 28, 2019, https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-statetaxmatters-190628.pdf.

18 Jared Walczak, "What's in the Iowa Tax Reform Package?" Tax Foundation, May 9, 2018, https://taxfoundation.org/whats-iowa-tax-reform-package/.

19 Carl York, "2019 Legislative Changes & Enactments," Kansas Department of Revenue, https://www.ksrevenue.org/pdf/2019LegislativeChanges.pdf.

20 Id.

21 "2019 Kentucky Tax Changes," Kentucky Department of Revenue, Apr. 15, 2019, 4, https://revenue.ky.gov/News/PublishingImages/Pages/2019-Kentucky-Tax-Changes/2019%20Kentucky%20Tax%20ChangesV3.pdf.

22 "CBD Products Subject to Tax in Louisiana, Effective January 1, 2020," Sales Tax Institute, June 27, 2019, https://www.salestaxinstitute.com/resources/cbd-products-subject-to-tax-in-louisiana.

Maine

As of January 1st, Maine's earned income tax credit (EITC) will increase from 5 to 12 percent of the amount available under federal law, with a few additional modifications.[23] On January 2nd rather than the 1st, Maine's new vapor tax will take effect, levied at 43 percent of the wholesale price.[24]

Maryland

Maryland is currently phasing in a new single sales factor apportionment formula for most corporate income. In 2020, the sales factor will be weighted more heavily than in 2019. The phase-in will be complete by tax year 2022.[25]

Massachusetts

Massachusetts' single-rate individual income tax will decline from 5.05 to 5.0 percent, due to the state meeting revenue targets outlined in a tax trigger law that was passed in 2000.[26] The state did, however, adopt a payroll tax, imposed in addition to the income tax, within the past year.

Michigan

In December, Michigan adopted a package of bills codifying preexisting remote sales tax collection regulations, including a *de minimis* exemption of $100,000 in sales or 200 transactions, as well as establishing sales tax collection requirements for marketplace facilitators. The marketplace facilitator law takes effect at the beginning of the year.[27]

Minnesota

Legislation enacted in 2017 phased in an increase in the estate tax exemption, which will reach $3 million for 2020 and beyond.[28]

Mississippi

Mississippi's phasedown of its franchise tax, which began in 2018, will continue through 2028. In 2020, the rate will drop to 2.0 mills, down from 2.25 mills in 2019.[29]

23 "Enacted Tax Legislation 2019 Session," Maine Revenue Services, https://www.maine.gov/revenue/rules/legischange19.htm.

24 "E-Cigarette Regulations – Maine," Public Health Law Center, https://www.publichealthlawcenter.org/resources/us-e-cigarette-regulations-50-state-review/me.

25 "Twist-Q – 2018 Summary of Developments," KPMG, 24, https://tax.kpmg.us/content/dam/tax/en/taxwatch/pdfs/2018/twist-q-checklist-december-2018.pdf.

26 Mary Markos, "Massachusetts Income Tax Drops to 5% Flat Rate – 20 Years After Passage," *Boston Herald*, Dec. 16, 2019, https://www.bostonherald.com/2019/12/13/massachusetts-income-tax-drops-to-5-flat-rate-20-years-after-passage/.

27 "Michigan Governor Signs Marketplace Facilitator Bills," *TaxNotes*, Dec. 16, 2019, https://www.taxnotes.com/tax-notes-today-state/marketplace-facilitators/michigan-governor-signs-marketplace-facilitator-bills/2019/12/16/2bpg9 [paywall].

28 "State Death Tax Chart," The American College of Trust and Estate Counsel, Aug. 2, 2019.

29 Joseph Bishop-Henchman, "Mississippi Approves Franchise Tax Phasedown, Income Tax Cut," Tax Foundation, May 16, 2016, https://taxfoundation.org/mississippi-approves-franchise-tax-phasedown-income-tax-cut/.

Missouri

Several of Missouri's recent reforms will take effect on January 1st. Senate Bill 884, enacted in June 2018, reduces the corporate income tax rate from 6.25 to 4.0 percent starting in 2020. This change was partially paid for by requiring most corporations (except for specified industries) to use single sales factor apportionment and market-based sourcing of service income, where, previously, they could select the more favorable of single sales factor or evenly weighted three-factor apportionment.[30]

Separately, Senate Bill 769, which was signed into law in July 2018, requires the franchise tax levied on financial institutions be reduced by the same percentage as the corporate income tax. As a result, the franchise tax rate will be 4.48 percent instead of 7.0 percent moving forward.[31]

Montana

Senate Bill 338, signed into law in May 2019, will increase Montana's lodging sales tax from 3 to 4 percent on January 1st. This 4 percent lodging sales tax will be applied in addition to the existing 4 percent lodging facility use tax, bringing total lodging taxes to 8 percent.[32]

Nevada

Senate Bill 48, signed into law in May 2019, authorizes counties to impose local diesel taxes of up to 5 cents per gallon, which may be levied starting on January 1st.

In addition, a new fee for electric vehicle licenses will take effect, with an initial fee of $125 and a renewal fee of $80. Revenue will be dedicated to the State Highway Fund.[33]

Finally, Senate Bill 263, enacted in June 2019, imposes a 30 percent excise tax on the wholesale price of vapor products.[34]

New Hampshire

In New Hampshire, vapor products will also be subject to excise taxes come January. "Closed cartridge" devices will be taxed at a rate of 30 cents per milliliter of liquid containing nicotine, and "open system" products will be taxed at 8 percent of the wholesale sales price of the container of liquid containing nicotine.[35]

30 "S.B. 884, Modifies Provisions Relating to Taxation," Missouri House of Representatives, 2018 Regular Session, https://senate.mo.gov/18info/BTS_Web/Bill.aspx?SessionType=R&BillID=71207714.

31 "Twist-Q – 2018 Summary of Developments," 25.

32 "Lodging Facility Sales and Use Tax," Montana Department of Revenue, https://mtrevenue.gov/taxes/miscellaneous-taxes-and-fees/lodging-facility/.

33 "S.B. 181, An ACT Relating to Special License Plates," Nevada Legislature, 80th (2019) Session, https://www.leg.state.nv.us/App/NELIS/REL/80th2019/Bill/6309/Overview.

34 "Status of Federal and State Legislative Activity through December 13, 2019," National Association of Tobacco Outlets, http://www.natocentral.org/legislative/monitor.

35 "Technical Information Release TIR 2019-008," New Hampshire Department of Revenue Administration, Dec. 9, 2019, https://www.revenue.nh.gov/tirs/documents/2019-008.pdf.

In addition, IRC conformity legislation enacted in September 2019 conforms New Hampshire to the TCJA's net interest limitation and includes 50 percent of global intangible low-taxed income (GILTI) in the corporate tax base.[36]

House Bill 620, also adopted this past year, modifies the taxation of insurance premiums. Specifically, this legislation establishes a graduated fee schedule for insurance premium taxes (except for surplus lines policies, which will be taxed at a flat rate).[37]

New Jersey

Assembly Bill 4202, enacted in July 2018, established an additional tax rate for taxpayers paying the Corporation Business Tax with taxable New Jersey net income above $1 million. This rate was set at 2.5 percent for 2018 and 2019 but partially sunset to 1.5 percent for 2020 and 2021, bringing the top rate from 11.5 to 10.5 percent, still higher than the 9 percent ordinary top marginal rate.[38]

New Mexico

In April 2019, a large package of corporate tax changes (House Bill 6) was adopted. While different provisions carry different effective dates, as of January 1st, New Mexico will require mandatory worldwide combined reporting for unitary groups unless the group makes a water's edge combined or consolidated group election under the federal code, in which case they can make such an election for New Mexico taxation purposes but must do so for at least seven years in a row.[39]

New York

New York's FY 2020 budget, signed into law in April 2019, includes an increase in the estate tax's basic exclusion amount, raising it from $5.74 million to $5.85 million for 2020.

North Carolina

Senate Bill 557, enacted in November 2019, includes several tax changes. As of January 2020, the standard deduction will increase by 7.5 percent for all filing statuses, and market-based sourcing will be used to apportion income for purposes of calculating corporate income and franchise tax liability.[40]

36 "New Hampshire Advances IRC Conformity Date," Grant Thornton, Oc. 21, 2019, https://www.grantthornton.com/library/alerts/tax/2019/SALT/K-O/NH-advances-IRC-conformity-date-10-21.aspx.

37 "RYP Tax Alert," Rath Young Pignatelli, August 2019, http://www.rathlaw.com/wp-content/uploads/2019/08/RYP-NH-Tax-Alert-August-2019.pdf.

38 "Twist-Q – 2018 Summary of Developments," 3.

39 "New Mexico: Comprehensive Tax Legislation Affecting Businesses Enacted," KPMG, Apr. 11, 2019, https://home.kpmg/us/en/home/insights/2019/04/tnf-new-mexico-comprehensive-tax-legislation-affecting-businesses-enacted.html.

40 Trina Griffin, "Senate Bill 557: Various Finance Law Changes," 2019-2020 North Carolina General Assembly, Nov. 15, 2019, https://dashboard.ncleg.net/api/Services/BillSummary/2019/S557-SMSV-84(sl)-v-4.

Ohio

Under its individual income tax system, Ohio applies different rates to business and non-business income. Currently, Ohio's business income deduction (BID) allows pass-through business owners to deduct up to $250,000 in business income before applying the 3 percent tax rate to such income. But under House Bill 166, Ohio's biennial budget for FYs 2020-21, attorneys and lobbyists will no longer be eligible for this favored treatment.[41]

Oregon

House Bill 3427, signed into law in May 2019, created a new Corporate Activity Tax (CAT), making Oregon one of only two states (joining Delaware) to impose both a corporate income tax and a gross receipts tax (GRT). Oregon's CAT will apply to all business entities that have Oregon income above $1 million, and it will be imposed at a rate of 0.57 percent of Oregon gross receipts above $1 million, plus $250.[42]

Pennsylvania

The Pennsylvania Department of Revenue issued a bulletin in September 2019 establishing the Commonwealth's new post-*Wayfair* remote sales tax thresholds as the economic nexus thresholds for corporate tax purposes as well. As a result, starting in 2020, Pennsylvania will require businesses to file a Pennsylvania Corporate Net Income Tax (CNIT) return if they have $500,000 in gross receipts sourced to Pennsylvania, even if the business has no physical presence in the state. Previously, Pennsylvania was one of the few states to limit its corporate tax to businesses which established physical presence.[43]

Tennessee

Tennessee's "Hall Tax," which applies to investment income but not to wage income, will continue to phase out, with the rate dropping from 2 to 1 percent for 2020.[44] Starting in 2021, Tennessee will be among the states with no individual income tax.

In addition, Senate Bill 2119, signed into law in May 2018, decouples from the net interest limitation under IRC section 163(j), effective in January.[45]

41 "House Bill 166, Creates FY 2020-2021 operating budget," The Ohio Legislature, 133rd General Assembly, July 18, 2019, https://www.legislature.ohio.gov/legislation/legislation-documents?id=GA133-HB-166.

42 "Corporate Activity Tax," Oregon Department of Revenue, May 16, 2019, https://www.oregon.gov/DOR/programs/businesses/Pages/corporate-activity-tax.aspx.

43 "State Tax Matters," Deloitte, Oct. 4, 2019, https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-statetaxmatters-191004.pdf.

44 "Due Dates and Tax Rates," Tennessee Department of Revenue, https://www.tn.gov/revenue/taxes/hall-income-tax/due-date-and-tax-rates.html.

45 "Twist-Q – 2018 Summary of Developments," 21.

Utah

Just this month, the Utah legislature adopted a comprehensive tax reform package that the governor has said he will sign. While the law will not be formally enacted until mid-February, the income tax rate changes will be retroactive to January 1, 2020.[46] The state's flat individual and corporate income tax rates will both be reduced from 4.95 to 4.66 percent, and in April, the sales tax base will broaden to select new goods and services.[47]

Vermont

In June 2019, House Bill 541 was enacted, which phases in an increase to Vermont's estate tax exemption. For 2020, the exemption will increase to $4.25 million, up from $2.75 million in 2019.[48]

Virginia

House Bill 2540 and Senate Bill 1715, signed into law in March 2019, modify the classification of feminine hygiene products and diapers such that they will be taxed at a reduced state sales tax rate of 1.5 percent instead of the general state sales tax rate of 4.3 percent. (The 1 percent local option sales tax rate will also apply, bringing the total tax rate on such products to 2.5 percent.) Until now, only unprepared foods have been subject to the preferential state sales tax rate.[49]

Washington

Substitute House Bill 2167, signed into law in May 2019, imposes an additional 1.2 percent business and occupation (B&O) tax on financial institutions that are members of a consolidated group having at least $1 billion in annual net income.[50]

In addition, Senate Bill 5581, signed into law in March 2019, modifies the state's economic nexus statute to drop the 200 transactions threshold. Moving forward, remote sellers will only be required to collect the state's sales tax if they have over $100,000 in sales into Washington, instead of the lesser of $100,000 in sales or 200 transactions.[51]

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46 Benjamin Wood, "What's Next for Utah's Tax Reform Bill and What Does it Mean for You?" *The Salt Lake Tribune*, Dec. 14, 2019, https://www.sltrib.com/news/politics/2019/12/13/whats-next-utahs-tax/.

47 Jared Walczak, Utah Passes Tax Reform Bill in Special Session," Tax Foundation, Dec. 12, 2019, https://taxfoundation.org/utah-sales-tax-reform/.

48 "State Death Tax Chart."

49 "2019 Legislative Summary," Virginia Department of Taxation, May 2019, 16, https://www.tax.virginia.gov/sites/default/files/inline-files/2019-legislative-summary.pdf.

50 "State Tax Matters," Deloitte, Oct. 25, 2019, https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-statetaxmatters-191025.pdf, 6-7.

51 "Final Bill Report: SSB 5581," Washington State Legislature, http://lawfilesext.leg.wa.gov/biennium/2019-20/Pdf/Bill%20Reports/Senate/5581-S%20SBR%20FBR%2019.pdf.

Wisconsin

2019 Wisconsin Act 10, enacted in July 2019, will take effect on January 1st. This new law requires marketplace facilitators to collect sales taxes on behalf of marketplace sellers when the marketplace facilitators meet the state's economic nexus threshold of over $100,000 in sales or 200 transactions into Wisconsin.[52]

Conclusion

This year was a significant one for state tax policy, and the wide range of changes taking effect January 1, 2020, reflects the scope and intensity of that activity. With states continuing to grapple with the taxation of international income, collections obligations for remote sellers and marketplace facilitators, and potential new tax regimes for marijuana, vapor products, and sports betting (no tax changes for the latter taking effect yet on January 1), to name only a few, the coming year is unlikely to be any quieter.

52 Gail Cole, "When Exactly Do Marketplace Facilitators Need to Collect Wisconsin Sales Tax?" Avalara, Oct. 15, 2019, https://www.avalara.com/us/en/blog/2019/10/when-do-marketplaces-need-to-collect-wisconsin-sales-tax.html.