

**2025**

# State & Local Tax Overview



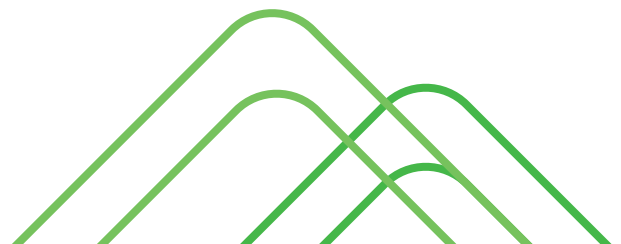
## **2025 State & Local Tax Changes: Essential Planning for Your Business**

Staying current on all of your state and local tax compliance obligations is a full-time job, especially if you operate in multiple jurisdictions, but any oversight could be extremely costly. Business owners must navigate both the federal tax code and state and local tax code to avoid penalties from authorities at either level, and some state tax codes can be quite complex. Certain states have strict requirements and some offer savings opportunities to business owners who plan accordingly and leverage every opportunity available to them.

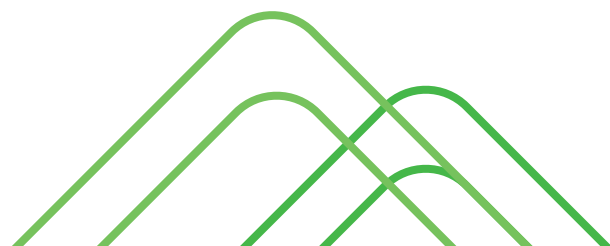
There were many updates to various taxes at the state and local level throughout 2024, many of which have an effective date of January 1, 2025. These changes include corporate and personal income tax, personal property tax, sales and use taxes, and more.

### **Local Expertise, Across the Country**

Our State & Local Tax Practice has the business credentials and tax expertise to offer guidance in jurisdictions across the country. Our team of specialized professionals monitors and understands tax compliance across the United States and are well-equipped to assist in planning for these specific opportunities. We offer customized strategic planning for your business to maximize tax savings to reinvest in your business for optimal performance and growth.

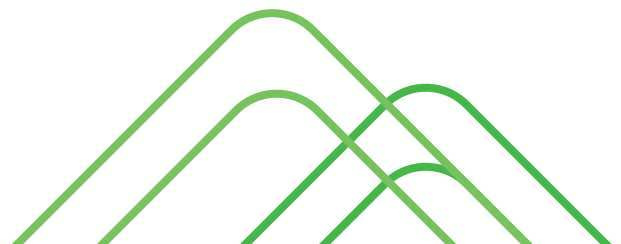


STATE	TAX	UPDATE
Alabama	Corporate Income Tax	For tax years beginning on or after Jan. 1, 2024, an electing entity must submit the Alabama Form PTE-E on or before the due date for filing the applicable income tax return, including extension granted following the close of that tax year for which the entity elects to be taxed at the entity-level.
Alaska	Local Sales Tax	Starting January 1, 2025, the Alaska Remote Sellers Tax Commission has eliminated the 200-transaction threshold for sales tax compliance. Businesses making sales to Alaska will now establish their economic nexus based solely on reaching \$100,000 in sales volume.
Arizona	Privilege Tax	Pursuant to Senate Bill 1131, residential property owners are no longer required to collect local privilege taxes on income earned from stays of 30 days or more.
Arkansas	Corporate Income and Sales Tax	House Bill 1001 reduces the top corporate income tax rate from 4.8% to 4.3%, and reduces the top marginal individual income tax rate from 4.4% to 3.9%. This is the fourth rate reduction in less than two years.
California	Miscellaneous Taxes	Senate Bill 1059 prohibits a city or county from establishing additional excise or sales taxes levied on sales of cannabis, this effectively eliminates double taxation on cannabis sales.  Effective January 1, 2025, California's Emergency Telephone Users Surcharges are increased from \$0.30 to \$0.41.
Colorado	Corporate and Personal Income Tax	Senate Bill 24-228 temporarily lowers the income tax rate to 4.25% for tax years 2024 through 2034. The previous tax rate was 4.4%.
Connecticut	Corporate and Personal Income Tax	Effective January 1, 2025, Connecticut will extend its net operating loss carryforward period from 20 to 30 years under House Bill 5524.  Additionally, Connecticut will continue reducing its capital stock tax rate, lowering it from 0.31% to 0.26% starting January 1, 2025.
Delaware	Corporate Income Tax	House Bill 168 imposes a rental lodging occupancy tax on short term rentals. Effective January 1, 2025, short term rentals are subject to a 4.5% tax.

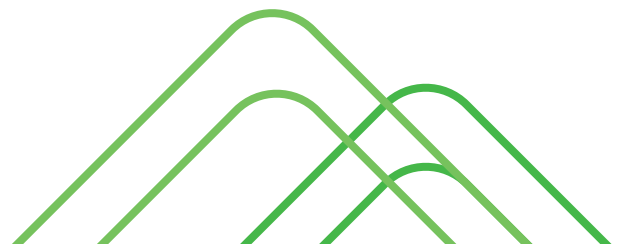




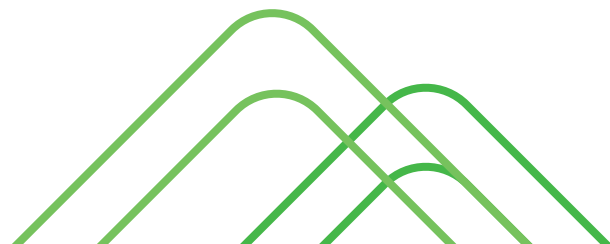
STATE	TAX	UPDATE
Georgia	Corporate Income and Sales Tax	House Bill 1023 lowers the corporate income tax rate to 5.39%, from 5.75%. House Bill 581 creates an additional 1% sales tax option for local governments.
Hawaii	Income Tax	House Bill 2404 increases the standard deduction and adjusts income tax brackets. This change will reduce income tax withholding with gradual deductions through 2031.
Idaho	Corporate Income and Sales Tax	House Bill 521 lowers both corporate and individual income tax rates to 5.695%.
Illinois	Corporate Income and Sales Tax	House Bill 4951 establishes a \$500,000 annual cap on the net operating loss deduction (NLD) for corporations (excluding S corporations) for each tax year beginning on or after December 31, 2024, and before December 31, 2027. House Bill 4951 also imposes sales and use tax on the retail lease of tangible personal property. Previously, lessors paid sales tax at the time of purchase, and lessors did not charge sales tax to the lessee. This shifts the sales tax payment responsibility to the lessee.
Indiana	Sales Tax	Senate Bill 228 updates the economic nexus threshold requirement, eliminating the 200 transactions threshold. For out of state sellers, the previous economic thresholds were either \$100,00 in sales or 200 transactions. Effective July 1, 2024, the 200 transactions threshold is removed.
Iowa	Personal Income Tax	For tax year 2024, a flat tax rate of 3.65% was enacted. The rate will be further reduced to 3.5% effective January 1, 2025.
Kansas	Corporate Income and Property Tax	Senate Bill 1 reduces state taxes by \$1.2 billion over three years. The law establishes a two bracket system starting in tax year 2024 as opposed to the current three bracket system and increases the individual personal exemption from \$2,250 to \$9,160 and eliminates state tax on Social Security benefits. The residential property exemption from statewide school finance levy, increased from \$42,000 to \$75,000.



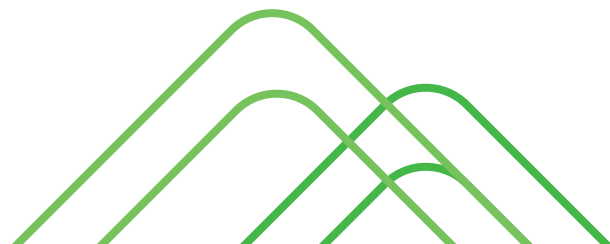
STATE	TAX	UPDATE
Kentucky	Sales Tax	Effective July 15, 2024, approved data centers can purchase equipment, installation and repair services exempt from sales tax. This exemption includes fiber optic cabling and network equipment, computer software, and other tangible personal property essential for operating the data center.
Louisiana	Corporate Income, Personal Income and Sales Tax	House Bill 10 reduces the corporate income tax rate from 7.5% to 5.5%. The personal income tax rate has also been reduced to a flat 3%. House Bill 10 also temporarily increases the state sales tax rate from 4.45% to 5%. The new rate will remain in effect until 2030. House Bill 8 expands the sales tax to include digital products like apps, streaming services, software, e-books, and digital music.
Maine	Sales Tax	Maine has updated its sales tax code to impose sales and use tax on the retail lease of tangible personal property. Previously lessors paid sales tax at the time of purchase, and lessors did not charge sales tax to the lessee. This shifts the sales tax payment responsibility to the lessee.
Massachusetts	Corporate Income Tax	Starting January 1, 2025, Massachusetts will implement mandatory single sales factor apportionment for corporate income tax purposes, replacing the previous three-factor formula that included property, payroll, and double-weighted sales factors.
Michigan	Corporate Income Tax	House Bills 5100 and 5101, which are enrolled bills awaiting the governor's signature, provide a new income tax credit for qualifying research and development expenses. This deduction is limited to R&D performed in Michigan.
Minnesota	Sales Tax	Effective July 1, 2024, the state imposes a retail delivery fee of \$0.50 on retail deliveries of taxable tangible personal property. The fee is limited to sales transaction which exceed \$100.



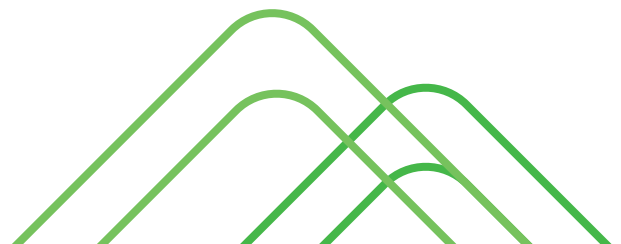
STATE	TAX	UPDATE
Mississippi	Personal Income Tax	House Bill 531, passed in 2022, reduces the income tax rate in Mississippi from 4.7% to 4.4%. In 2026, the rate will be reduced to 4%.
Missouri	Corporate and Personal Income Tax	Missouri's top income tax rate has been reduced from 4.8% to 4.7%.
Montana	Corporate Income Tax	Senate Bill 124 changes Montana's corporate income tax apportionment formula from a three-factor formula consisting of payroll, property, and double-weighted receipts, to a single-receipts factor apportionment formula.
Nebraska	Corporate and Personal Income Tax	Legislative Bill 1023 allows employers to claim a tax credit of 50% of the relocation expenses paid for qualifying employees, up to \$5,000 per employee. The bill also allows 60% of the cost of eligible machinery and equipment purchases to be deducted in the first year. Effective January 1, 2025, the top individual income tax rate will be reduced from 5.84% to 5.2%.
Nevada	Employment Tax	Nevada will increase its unemployment insurance taxable wage base, effective January 1, 2025, from \$40,600 in 2024 to \$41,800 after January 1, 2025.
New Hampshire		House Bill 2 eliminates tax on interest and dividends income, effective January 1, 2025.
New Jersey	Miscellaneous Taxes	Effective January 1, 2025, the Petroleum Products Gross Receipt Tax increases from \$0.318 to \$0.344 per gallon and the Motor Fuels Tax increases from \$0.449 to \$0.519 per gallon.
New Mexico	Corporate and Personal Income Tax	House Bill 252 creates a flat 5.9% corporate income tax rate, which is effective January 1, 2025. The bill eliminates the current subtraction for subpart F income and limits the water's edge exclusion to foreign corporations. New Mexico's personal income tax brackets were also restructured to lower income tax for certain taxpayers.



STATE	TAX	UPDATE
New York	Personal Income Tax and Miscellaneous Tax	<p>The limit on itemized deductions for individuals with an adjusted gross income (AGI) exceeding \$10 million has been extended through 2029. Taxpayers in New York with an AGI over \$10 million are restricted to claiming only 25% of the Federal charitable contribution deduction allowed.</p> <p>Effective June 1, 2024, the tax rate for the sale or transfer of cannabis from the distributor to the retailer is 9%.</p>
North Carolina	Personal Income Tax	Pursuant to House Bill 259, passed in 2023, the 2025 individual tax rate will be reduced from 4.75% to 4.50%.
North Dakota		
Ohio	Commercial Activity Tax	Effective January 1, 2025, the Ohio CAT exclusion has been increased from \$3 million to \$6 million. The first \$6 million of business gross receipts will no longer be subject to the Commercial Activity Tax.
Pennsylvania	Corporate Income Tax	Pennsylvania's corporate income tax will decrease from 8.49% to 7.99%. For tax year 2025, there is also a new formula to calculate net losses.
Rhode Island	Personal Income Tax	House Bill 7225 increased the allowable modification of taxable retirement income from certain pension plans and annuities from \$20,000 to \$50,000.
South Carolina	Personal Income Tax	Through budget reconciliation, the top personal income tax rate was reduced from 6.4% to 6.2% for tax year 2024. The rate will be further reduced by 0.1% per year for the next 2 years, provided state revenue triggers are met.
Tennessee	Corporate Income Tax, Sales Tax and Miscellaneous Tax	<p>Senate Bill 2103/House Bill 1893 eliminated the property measure of the franchise tax (also known as the "minimum measure") for tax years ending on or after January 1, 2024. Going forward, the franchise tax will be based on a taxpayer's net worth.</p> <p>Senate Bill 2307 imposes fuels tax on hydrogen gas at \$0.21 per gallon. Hydrogen gas is no longer subject to sales and use tax.</p>

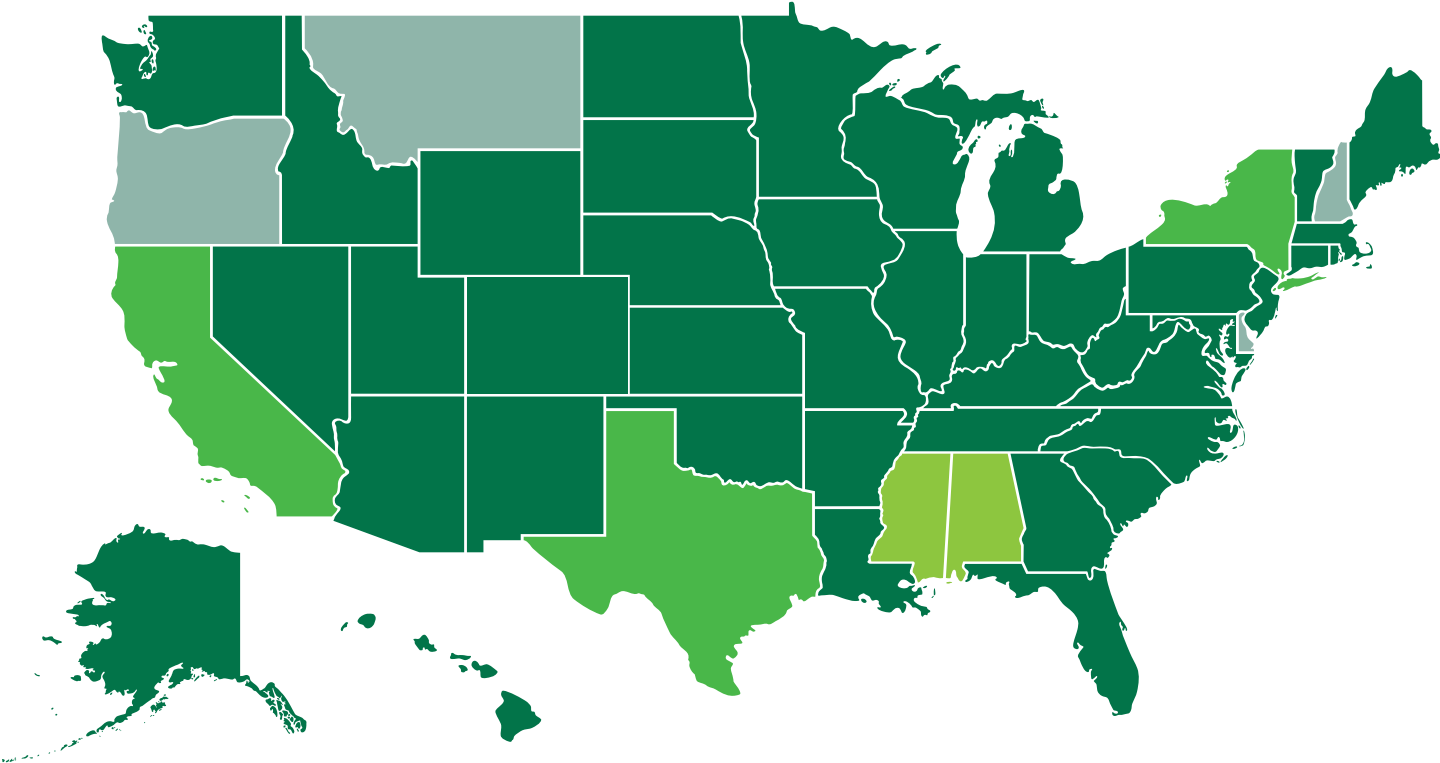


STATE	TAX	UPDATE
Texas	Corporate Income Tax	Effective January 1, 2024, the margins tax “No Tax Due” threshold is increased from \$1.23 million to \$2.47 million. The No Tax Due report requirement is also discontinued for entities below the no tax due threshold.
Utah	Corporate and Personal Income Tax	Senate Bill 69 lowers the income tax rate to 4.55%, from a previous rate of 4.65%.
Vermont	Miscellaneous Taxes	House Bill 887 increases the Meals & Rooms Tax from 9% to 12%. This tax is applicable to short term rental transactions.  Effective January 1, 2025 Vermont will institute an annual \$89 electric vehicle infrastructure fee for owners of battery electric vehicles. Owners of hybrid vehicles will pay \$44.50.
Virginia		
Washington	Personal Property Tax	Pursuant to Revenue Code 84.36.680, a business personal property tax exemption is created for qualifying renewable energy facilities.
West Virginia	Personal Income Tax	Senate Bill 2033 reduces the personal income tax rate by 2%.
Wisconsin	Miscellaneous Taxes	Effective January 1, 2025, an electrical vehicle charging tax is established. Electricity delivered into electric vehicles will be taxed at a rate of \$0.03 per kilowatt-hour.
Wyoming	Sales Tax	Effective established an electric vehicle charging tax to begin January 1, 2025. Electricity delivered into an electric vehicle will be taxed at a rate of \$0.03 per kilowatt-hour.





# Economic Nexus For Sales Tax



**GROSS SALES THRESHOLD**

- \$100,000
- \$500,000
- \$250,000

STATE	TRANSACTION THRESHOLD
AR	200
KY	200
LA	200
MD	200
ME	200
MI	200
MN	200
NC	200
NE	200
NJ	200
NV	200
OH	200
RI	200
UT	200
VA	200
WI	200
WV	200
WY	200



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