



Mid-Year SALT Update

Covering State Income and Sales Tax

July 16, 2025

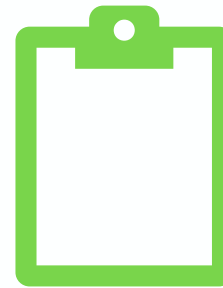
Qualifying for CPE



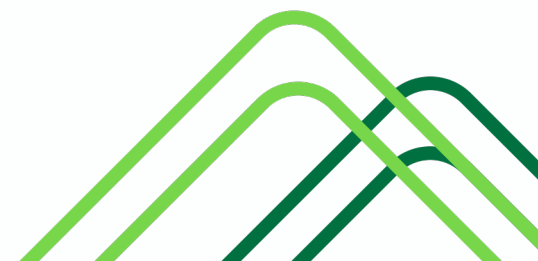
Remain in session
for **50 minutes**



Respond to 3 **polling**
questions

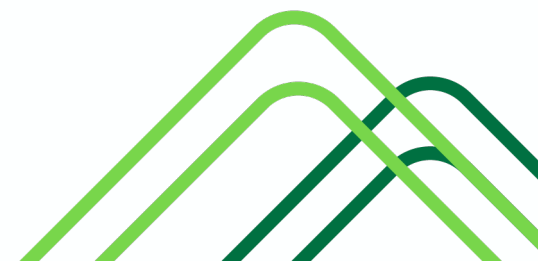


Complete post-
session **survey**



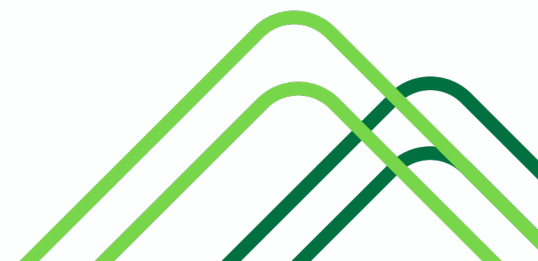
Receiving CPE Credit

- Credit processed within 90 days after the session
 - UHY Colleagues: Credit and certificate available in LCvista
 - External Colleagues: Credit w/ certificate sent from “UHY CPE”
- Credit questions should be directed to CPE@uhy-us.com
- Recordings/materials available 24 hours after the session
 - UHY Colleagues: UHY University
 - External Colleagues: UHY’s event page



Agenda

- Brief Overview of UHY's SALT Practice
- Nexus in 2025- What Has Changed?
 - Wayfair
 - Remote Sellers
 - Trailing Nexus
- Sales Tax Update
 - Tariff Considerations
 - State Legislative Changes
 - Audit Activity
- State Income Tax Update
 - One Big Beautiful Bill
 - PTET Considerations



SALT Experience

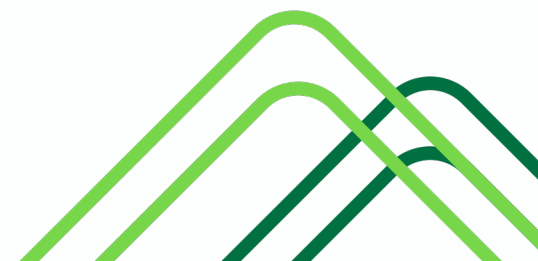


My experience

- 25 years in state and local tax
 - Started at UHY in October 2023
 - 15 years of Big 4 experience
 - 8 years as a state auditor

UHY's National SALT Practice

- Subject matter experts in state income tax, sales and use tax, property tax, and employment tax
- Focus on tax planning, compliance, and tax controversy



Presenters



Leo Varner

National Leader
SALT



Daryl Fisher

Manager
Indirect Tax



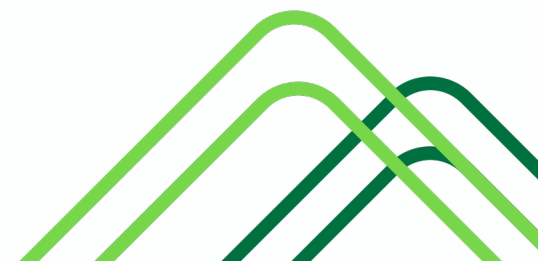
Katie Massey

Senior Manager
Indirect Tax



John Salvia

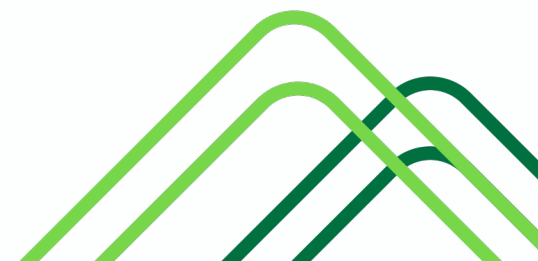
Senior Manager
State Income Tax



SALT Outlook.....2025 and Beyond

How is the state landscape changing?

- Many states are focused on lowering both corporate and income taxes
- States have increased the use of business activity teams and review of other tax filings to identify new businesses operating in the state
- Expanding the state tax base through revenue agency rules and interpretations

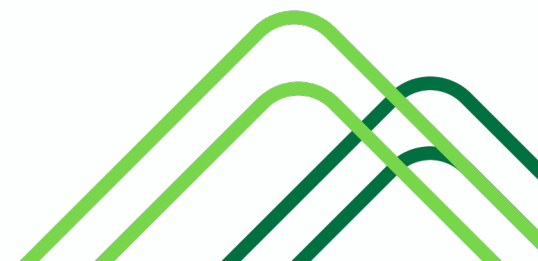


Nexus in 2025 What's Changed?

Nexus in 2025- What Has Changed?

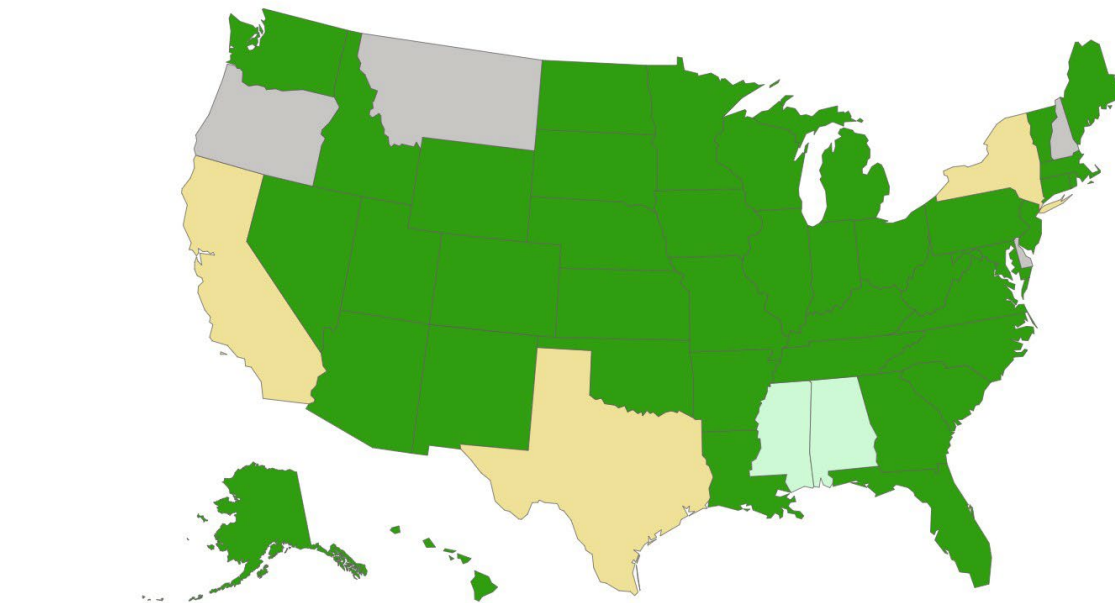
Wayfair...We're still talking about this?

- The State of South Dakota v. Wayfair, Inc., challenged the physical presence requirement of Quill Corp. v. North Dakota, which prohibited requiring out-of-state retailers to collect sales taxes on behalf of a state without some minimum physical connection with that state.
- In the U.S. Supreme Court's 5-4 decision, the Court ruled in favor of South Dakota's law requiring certain internet sellers with no physical presence in the state to collect South Dakota sales tax.
- States can now require businesses to collect and pay sales tax even if they don't have a physical presence in the state when sales and/or transactional thresholds have been met.



Nexus in 2025- What Has Changed?

ECONOMIC NEXUS FOR SALES TAX



Gross Sales Threshold ● \$100,000 ● \$250,000 ● \$500,000

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

Nexus in 2025- What Has Changed?

Wayfair...We're still talking about this?

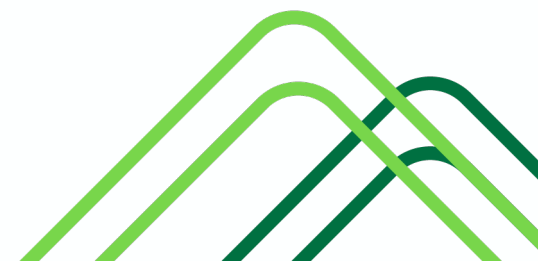
- In recent years, states with a sales tax have been revisiting their initial post-Wayfair laws on nexus thresholds.
- Indiana, North Carolina, and Wisconsin have recently decided to eliminate their transaction threshold, leaving only a threshold based on revenue.
- States can use different measures to determine whether the revenue threshold has been met.
- Gross revenue, Gross receipts, or Taxable sales.
- Ex. Wisconsin does not require remote sellers to register if their sales are nontaxable (i.e., resale)
- Businesses impacted with large retail or eCommerce sales, such as businesses selling SaaS, cloud and digital goods or digital services.



Nexus in 2025- What Has Changed?

Wayfair...We're still talking about this?

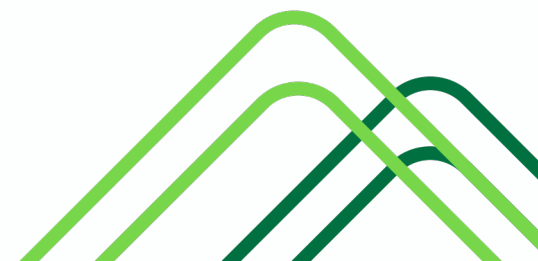
- *Maintaining Compliance Post-Wayfair*
 - **Identify relevant jurisdictions**
 - Where are you selling?
 - **Assess nexus**
 - Transactional volume
 - Dollar threshold
 - Gross/Taxable/Nontaxable Sales
 - **Analyze taxability**
 - If goods and services are not subject to tax, you may only have a registration requirement.
 - **Develop a compliance strategy**
 - When do you need to register?
 - Michigan requires businesses to register for sales tax as of January 1 following the year the threshold is exceeded.
 - **Consider other potential tax impacts**
 - State Income Tax



Nexus in 2025- What Has Changed?

Remote Sellers

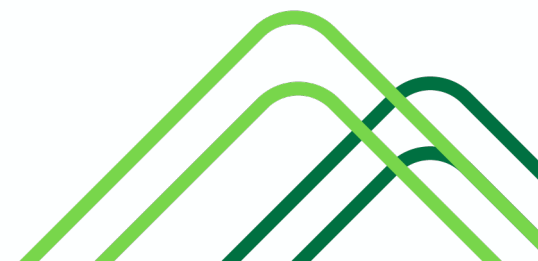
- Remote Sellers are under increased scrutiny across the country, including the Midwest.
- Digital services, cloud and streaming are being taxed more aggressively.
 - States need to capture more revenue and are looking to expand their tax base beyond traditional goods and services.
- Each state defines “use” and “taxable service” differently- so businesses must evaluate risk by jurisdiction.
- Some states are using AI to identify unregistered sellers who meet/exceed economic nexus thresholds.
 - Most states probably do not advertise that they employ this method.
 - Likely still in development phases.



Nexus in 2025- What Has Changed?

Trailing Nexus

- Even after ceasing business activity in a state, companies may still have a filing obligation.
- Remote sellers think they can deregister once they drop below the nexus threshold.
 - Many states assert that nexus continues even after the threshold is no longer met.
 - Registration, filing and collection responsibilities can continue through the end of the calendar year as well as the following year.
 - 23 states have published guidance as it relates to trailing nexus requirements.
- Before you deregister, confirm with the state and request formal approval in writing, or you may risk noncompliance or exposure during audit.



Polling Question #1

What is the economic nexus threshold for most states?

- A. \$300,000
- B. \$50,000
- C. \$100,000
- D. \$1,000,000

Sales Tax Update

The Intersection of Tariffs & Sales Tax

- 24 Streamlined Sales Tax States say tariffs on most imported goods are **taxable**
- Tariff costs passed from an importer to a customer are considered part of the importer's sales price
- Mirrors guidance issued by CA, IL, & WA
- No change in treatment if separately stated
- Only deviation: if the importer is also the end user of the product
 - i.e., US business bringing in a piece of manufacturing equipment that it intends to use for production, not taxable



Maryland Data & Information Technology Services: Taxability Changes

- Effective July 1, 2025 – New 3% tax rate
- Expanded definition of taxable services to include:
 - Data services
 - Information technology services
 - System software publishing services
 - Application software publishing services
- Exemptions available for cyber security businesses, qualified companies located in Maryland's Discovery District
- Multiple Points of Use Certificates



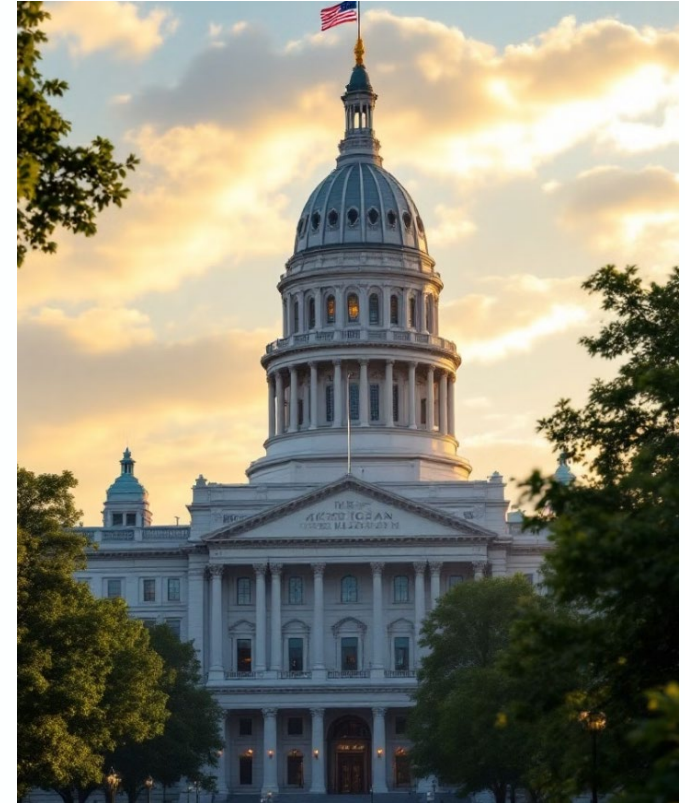
Florida: From Tax Holidays to Permanent Sales Tax Exemptions

- Effective July 1, 2025
- New Permanent Exemptions:
 - Batteries
 - Smoke detectors & Carbon monoxide alarms
 - Fire extinguishers & portable generators
 - Portable gas or diesel fuel cans (5 gallons or less)
 - Life jackets & bicycle helmets
 - Sunscreen & Insect repellent
- Tax Holidays
 - Permanently scheduled for August each year. Will include:
 - Clothing and footwear: \$100 or less
 - Backpacks, Wallets, & Handbags: \$100 or less
 - Personal computers: \$1,500 or less
 - Pens, pencils, crayons, binders, construction paper, scissors, glue, paste



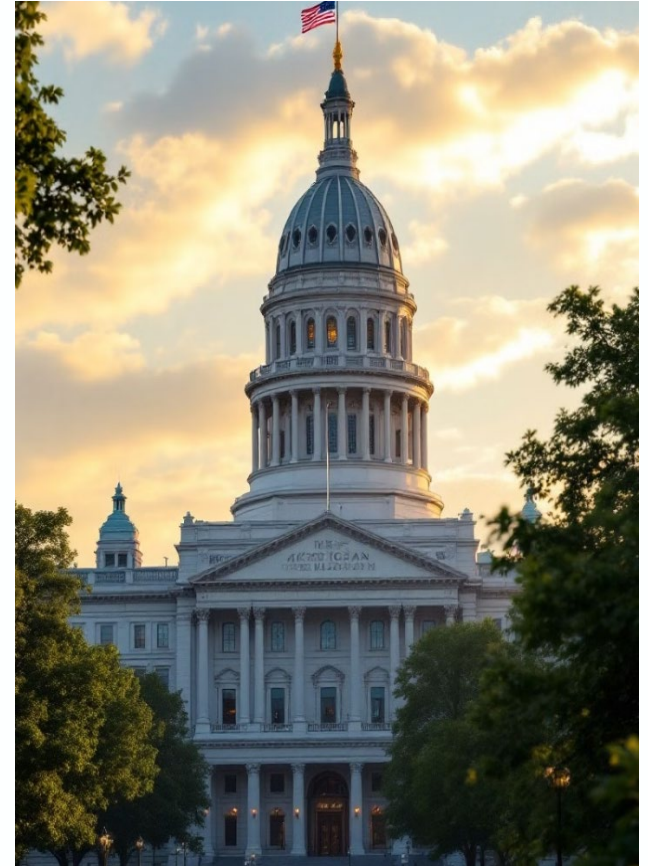
Additional State Tax Updates: Illinois

- Alabama
 - Beginning September 1, 2025,
 - Lower state sales tax on food from 3% to 2%
 - Exemptions for baby formula, maternity clothing, diapers, and feminine hygiene products
- California
 - Cannabis excise tax rate increases from 15% to 19 %
- Kansas
 - New sales tax exemption for data centers
 - State tax on unprepared food drops from 2% to 0%
- Maryland
 - Effective July 1, 2025
 - Increases from 9% to 12% on cannabis and cannabis products
 - Exempts sales between registered cannabis nursery and licensed cannabis business
 - Defined criteria for a “cannabinoid beverage”



Additional State Tax Updates: Illinois

- Illinois FY 2026 Budget, House Bill 2755
 - Taxes increased to balance FY 2026 budget
 - Hotel Occupancy Tax imposed on short-term rentals
 - Interstate and Intrastate Telecommunications tax rate increased from 7% to 8.65%
 - Motor fuel taxes increase: gas tax increased from 47cents per gallon from 48.3 cents per gallon. Diesel fuel tax increases from 54.5 cents per gallon to 55.8 cents per gallon
 - Rebate reduced for electric vehicles (\$4,000 to \$2,000)
 - Sports wagering tax with escalating scale- 25 cents per wager for the first 20 million wagers placed with licensed sportsbooks, increase to 50 cents
 - **Illinois Amnesty Program**
 - Amnesty period is October 1, 2025 through November 17, 2025
 - For tax liabilities for the period of July 1, 2019 through July 1, 2024
 - Potential waiver of penalty and interest for amnesty period



Michigan

New Research and Development Credit

- Credit of up to \$2 million dollars for large business and \$250,000 for small business
 - Determined by employee count (250)

Large Businesses

- 3% of R&D Expenses up to the base amount, plus
- 10% of R&D Expenses above the base amount,
- Limited to \$2,000,000 per taxpayer.

Small Businesses

- 3% of R&D Expenses up to the base amount, plus
- 15% of R&D Expenses above the base amount,
- Limited to \$250,000 per taxpayer.



Michigan

New Research and Development Credit

The activities defined under QRE must meet the requirements of IRC section 41 and must pass the IRS four-part test. The expenditures for activities conducted at a Michigan facility that qualify for the credit include:

- Employee wages for conducting research activities
- Employee wages for the direct supervision or support of an employee performing research activities
- Supplies used or consumed while performing research activities
- Portion of third-party research



Michigan

New Research and Development Credit

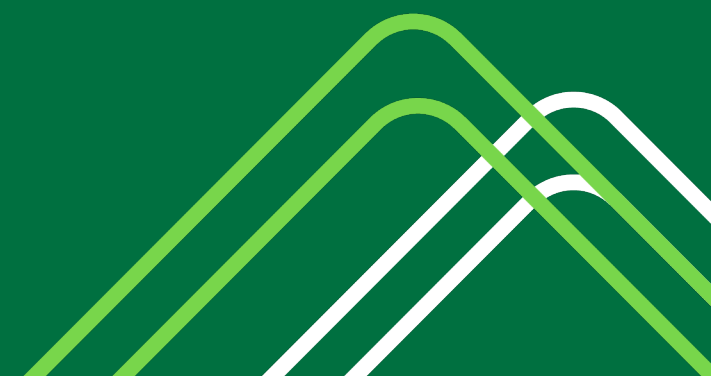
There is a total of \$100 million per year available, and credits will be prorated if the value of all Michigan claims exceeds \$100 million. The Michigan definition of QRE follows the federal tax code and must comply with Internal Revenue Code Section 41 - Credit for Increasing Research Activities. The credit only applies to QRE activities conducted **within the state of Michigan.**



Polling Question #2

What is the maximum research and development credit available to large businesses in Michigan?

- A. \$100,000
- B. \$2,000,000
- C. \$375,000
- D. \$800,000



Louisiana

Sales and Use Tax Law Update

Governor Jeff Landry signed a law to amend the state's sales and use tax laws, effective 6/20/25.

The law includes:

1) Digital Products & Services- Expanded Taxability

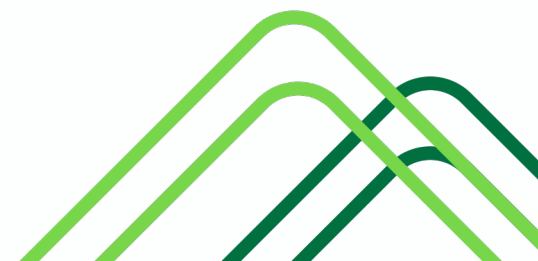
- Broadening the definition of digital products and services (e.g., Streaming media, cloud-based software)
- Impacts SaaS providers, firms using digital delivery.

2) New Exemptions Introduced

- Select exemptions enacted (details being refined)

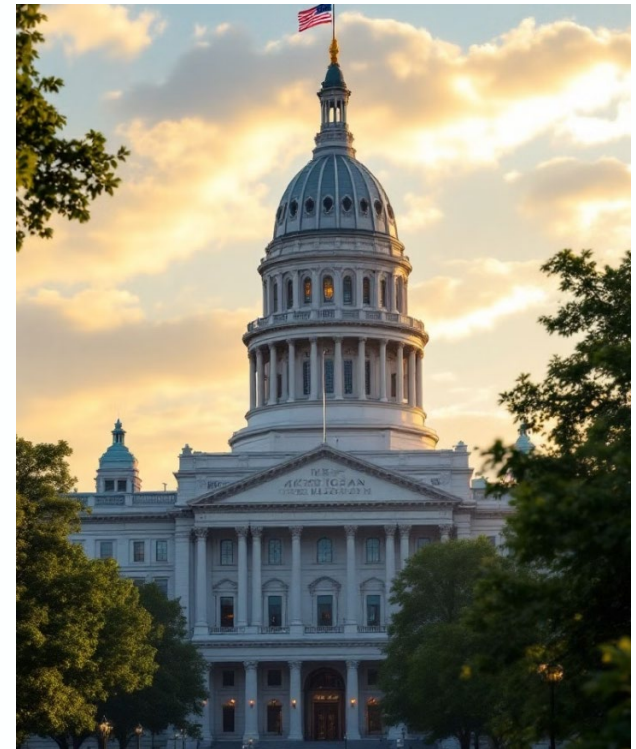
3) Boat Registration Sales Tax Cap

- Capping state and local sales tax for boat registrations at \$20,000.
- Designed to boost marine and boating industries.



Additional State Tax Updates

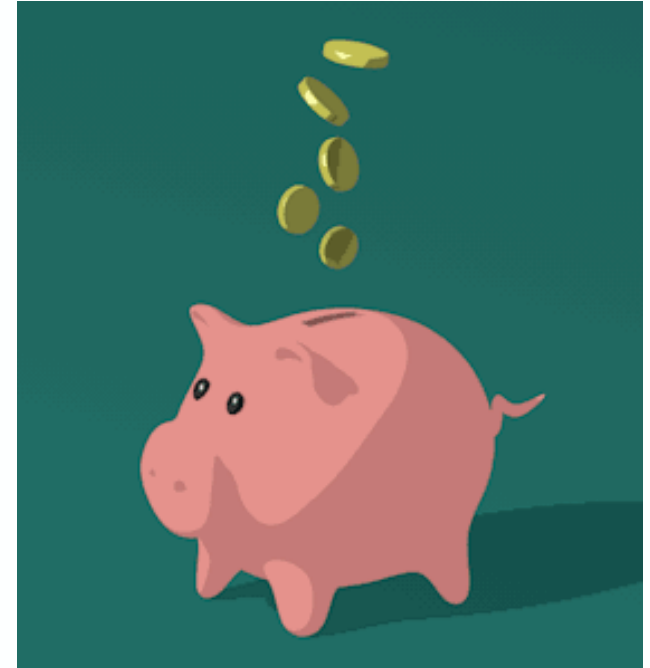
- Alabama
 - Beginning September 1, 2025,
 - Lower state sales tax on food from 3% to 2%
 - Exemptions for baby formula, maternity clothing, diapers, and feminine hygiene products
- California
 - Cannabis excise tax rate increases from 15% to 19 %
- Kansas
 - New sales tax exemption for data centers
 - State tax on unprepared food drops from 2% to 0%
- Maryland
 - Effective July 1, 2025
 - Increases from 9% to 12% on cannabis and cannabis products
 - Defined criteria for a “cannabinoid beverage”



SALT Opportunities

Finding Hidden Treasure in Overpaid Taxes

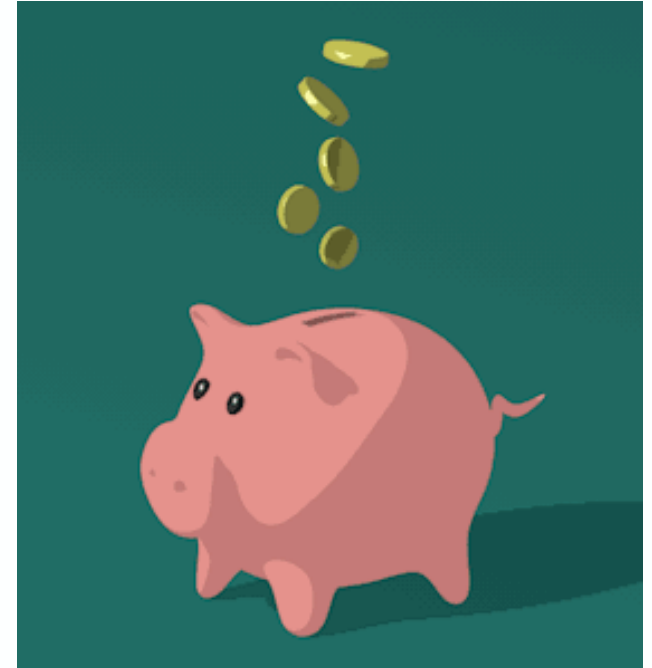
- Reverse audits are a review of a taxpayers purchasing records to identify, substantiate and recover overpayments of sales/use tax.
- Main contributors of overpayment we see with our clients include:
 - *Understaffing/time and resource constraints*
 - *Inadequate understanding of the jurisdictions tax laws*
 - *Misclassification of purchases (Ex. Software; qualify as industrial processing vs. admin)*
 - *Outdated tax matrices*
 - *Overly conservative interpretation of the tax law.*



SALT Opportunities

Finding Hidden Treasure in Overpaid Taxes

- Successes include clients in the following industries:
 - **Manufacturing/Distribution**
 - \$45k refund for purchases qualifying for MI Industrial Processing Exemption.
 - **Cannabis**
 - \$300k refund for purchases qualifying for MI Agricultural Production Exemption.



Polling Question #3

Has your company ever performed a review of your purchases to identify overpaid sales and use tax?

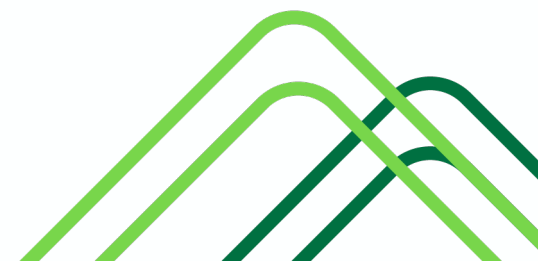
- A. Yes
- B. No

State Income Tax Update

PTET Considerations

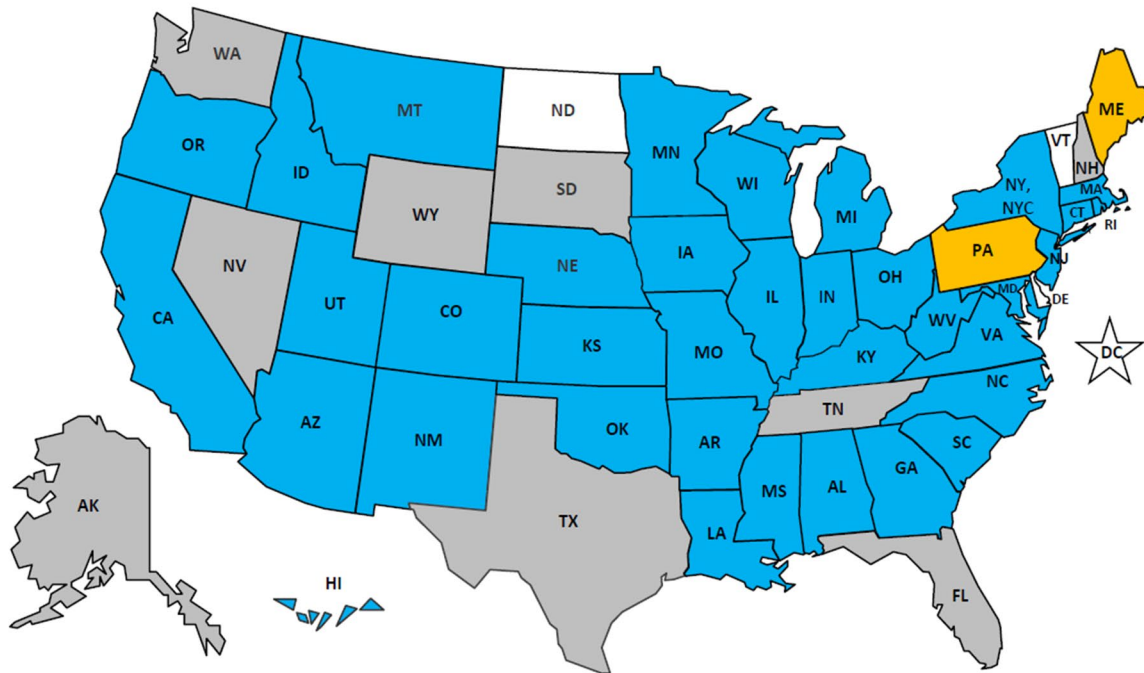
Will the Changes in the One Big Beautiful Bill Affect PTET?

- SALT Cap increased from \$10,000 to \$40,000
- The OBBB has no provisions to limit SALT tax workarounds line PTET
- States with PTET expiring on January 1, 2026:
 - California
 - Colorado
 - Illinois
 - Minnesota
 - Oregon
 - Utah
 - Virginia
- States without PTET
 - Delaware
 - Maine – LD19, HP124 referred to Taxation and held over
 - North Dakota
 - Pennsylvania – SB396 referred to Appropriations
 - Vermont



States with Enacted of Proposed PTE Tax

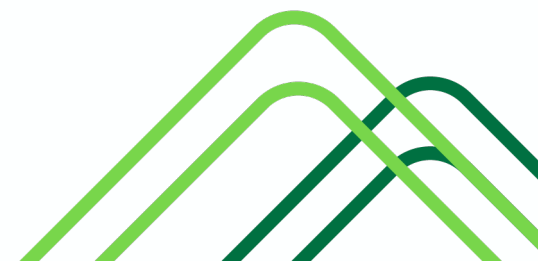
As of May 9, 2025



- 36 states (& 1 locality) that enacted a PTE tax since TCJA SALT deduction limitation, effective for 2024 (or earlier) unless noted:
[AL](#), [AR](#), [AZ](#), [CA](#)², [CO](#)³, [CT](#)¹, [HI](#), [GA](#), [IA](#)³, [ID](#), [IL](#)², [IN](#), [KS](#), [KY](#) (& [KY](#)), [LA](#), [MA](#)³, [MI](#)³, [MD](#), [MN](#)³, [MO](#), [MS](#), [MT](#), [NC](#), [NE](#), [NJ](#), [NM](#), [NY](#), [OH](#), [OK](#), [OR](#)², [RI](#), [SC](#), [UT](#)², [VA](#)⁴, [WJ](#), [WV](#), and [NYC](#)
¹ Mandatory 2018-2023, elective starting 2024
² State PTET expires on Dec. 31, 2025 (CA, IL, OR, UT)
³ State PTET expires when the federal cap expires or is otherwise not in effect (CO, IA, MA, MI, MN)
⁴ State PTET expires Dec. 31, 2026.
- 2 states with active proposed PTE tax bills:
 ME - [LD 191](#), [HP 124](#) in Comte. on Taxation
 PA - [SB 396](#) referred to Finance
- 9 states with no owner-level personal income tax on PTE income:
 AK, FL, NH, NV, SD, TN, TX, WA, WY
- 4 states with an owner-level personal income tax on PTE income that have not yet enacted or & do not have an active proposed bill on PTE taxes: DC, DE, ND, and VT

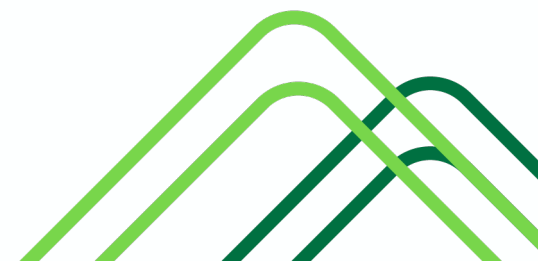
State Conformity Issues

- 100% Bonus Depreciation Made Permanent
 - States with existing adjustments for bonus depreciation: AZ, AR, CA, GA, HI, ID, IL, IN, KY, LA, ME, MD, MA, MI, MN, MS, NH, NJ, NY, NC, OK, PA, RI, SC, VT, VA and WI
- Increased 179 Expensing Limits-\$2,500,000/\$4,000,000
 - States with existing adjustments for 179: AZ, AR, CA, HI, IN, KY, MD, NH and NJ
- 100% Depreciation Election for Real Property Used for Producing Tangible Personal Property
 - Will states treat this provision the same as bonus?



Retroactive Illinois Tax Changes

- Include 50% of a business's Global Intangible Low-Taxed Income (GILTI) into the Illinois Tax Base
- Convert from *Joyce* to *Finnigan* for combined reporting
- Eliminate exemptions to the addback for I.R.C. 163(j) deductions

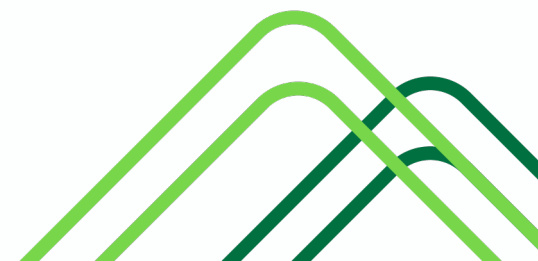


SALT Outlook.....2025 and Beyond

Shifting the tax burden

The followings state have lowered their corporate income tax rate:

- Arkansas- 4.8% to 4.3%
- Colorado- 4.4% to 4.25% (temporary through 2034)
- Connecticut- capital stock tax rate from .31% to .26%
- Georgia- 5.75% to 5.39%
- Idaho- 5.695% to 5.3%
- Louisiana- 7.5% to 5.5%
- Missouri- top income tax rate reduced from 4.8% to 4.7%
- Pennsylvania- 8.49% to 7.99%
- Utah- 4.65% to 4.55%

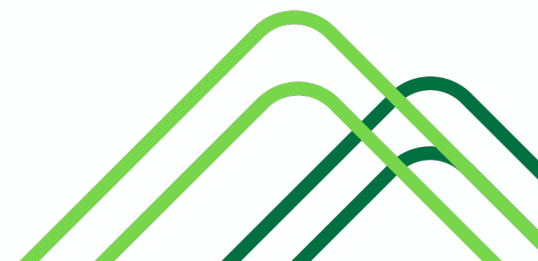


Polling Question #4

The One Big Beautiful Bill raised the SALT cap to \$40,000 for married filing jointly taxpayers?

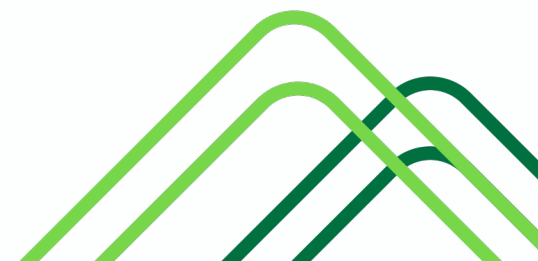
- A. True
- B. False

Questions????



Receiving CPE Credit

- Credit processed within 90 days after the session
 - UHY Colleagues: Credit and certificate available in LCvista
 - External Colleagues: Credit w/ certificate sent from “UHY CPE”
- Credit questions should be directed to CPE@uhy-us.com
- Recordings/materials available 24 hours after the session
 - UHY Colleagues: UHY University
 - External Colleagues: UHY’s event page





uhy-us.com

Audit | Tax | Advisory | Consulting

"UHY" is the brand name under which UHY LLP and UHY Advisors, Inc. provide professional services. The two firms operate as separate legal entities in an alternative practice structure. UHY LLP is a licensed independent CPA firm that performs attest services. UHY Advisors, Inc. provides tax and business consulting services through wholly owned subsidiary entities. UHY Advisors, Inc. and UHY LLP are U.S. members of Urbach Hacker Young International Limited (UHY International), a UK company, and form part of the international UHY network of legally independent accounting and consulting firms. Any services described herein are provided by UHY Advisors and/or UHY LLP (as the case may be) and not by UHY International or any other member firm of UHYI. Neither UHY International nor any member of UHY International has any liability for services provided by other members.

©2024 UHY. All rights reserved.