LBMC

STATE & LOCAL TAX INSIGHTS

Stay ahead of shifting state and local tax developments with LBMC's SALT newsletter. Each edition delivers timely updates, legislative highlights and actionable insights to help businesses navigate evolving compliance requirements and uncover potential tax savings. Whether you operate in one state or across multiple jurisdictions, our state and local tax specialists keep you informed on the trends and policy changes that impact your business.

GROSS RECEIPTS

Ohio CAT Receipts Reduced by Chargebacks

Ohio held that pharmaceutical manufacturers must calculate Commercial Activity Tax (CAT) on net receipts after chargebacks, not on wholesale acquisition cost. Chargebacks were deemed price adjustments rather than separate transactions.

California — San Francisco Market Sourcing Rules

San Francisco issued final rules addressing market-based sourcing for local tax purposes. Receipts from services are generally sourced to San Francisco according to the location where the customer receives the benefit of the service, as evidenced by the taxpayer's records.

INCOME / FRANCHISE

California — Out-of-State Seller Owes $800 LLC Tax

The California Office of Tax Appeals concluded that an out-of-state seller storing inventory in California through a third-party fulfillment provider was "doing business" in the state and thus liable for the $800 annual LLC tax, despite having sales and inventory levels below the statutory thresholds.

Wisconsin Ruling Regarding Software Income Sourced In-State

The Wisconsin Tax Appeals Commission held that license fees from a Wisconsin software company's use of InterSystems' Caché database software were Wisconsin receipts for apportionment purposes, because the Wisconsin licensee — not the remote end users — was treated as the "purchaser or licensee" using the software in the state.

SALES TAX

Tennessee Taxes Healthcare Software Subscription

Tennessee ruled that a healthcare subscription package was a taxable sale of software, as the software was the true object of the transaction and the related hardware had minimal standalone value.

Minnesota Updates Digital Product Guidance

Minnesota clarified that virtual currency sales are not taxable, non-fungible tokens (NFTs) are taxable if the underlying product is taxable, and webinars are taxable unless strict interaction requirements are met. The guidance also explains sourcing rules, digital product categories, and applicable exemptions.

Maine Now Taxes Streaming Services

Maine expanded its sales tax to include subscriptions for digital audiovisual and audio streaming services, effective January 1, 2026. The law covers electronically transferred content provided for nonpermanent use.

New York Bundled Software Subscription Taxable

New York held that facility management subscriptions were taxable because they included prewritten software bundled with services for a single charge. The software was deemed integral, not incidental, to the offering.

Maine Adopts New Rule Regarding Sales Tax on Leases and Rentals of Tangible Personal Property

Effective January 1, 2025, Maine will impose sales tax on each lease or rental payment for tangible personal property (including products transferred electronically), rather than taxing the full purchase price upfront.

South Dakota Clarifies Use Tax Triggered by Storage

South Dakota clarified that use tax on previously untaxed, out-of-state purchases is triggered once those materials are stored in South Dakota, not only when they are actually used in a project.

Illinois Clarifies Bone Growth Stimulators Are Not Taxed at Reduced Rate

Illinois ruled that bone growth stimulation devices do not qualify for the reduced sales tax rate applicable to medical appliances.

AMNESTY

New Hampshire Announces Tax Amnesty Program

New Hampshire launched a one-time tax amnesty program running from December 1, 2025, to February 15, 2026, offering penalty waivers and reduced interest on eligible unpaid taxes due on or before June 30, 2025.

Learn More About LBMC's SALT Practice

Whether you're looking to better understand how LBMC's State and Local Tax (SALT) services can support your business or explore potential tax-saving opportunities, our team is here to help. Connect directly with one of our SALT experts.

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