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# US STATE & LOCAL UPDATE

April 16, 2021 to April 30, 2021

This update brings to you the key updates in various states on income tax and sales and use tax matters during the period April 16, 2021 to April 30, 2021

## ► STATE INCOME TAX

### 1. General updates

<u>State</u>	<u>Update</u>
<p><b>Arkansas</b></p>	<p>A corporate income tax assessment against the operator of various bank locations in Arkansas was sustained because the taxpayer failed to prove entitlement to the total amount of the claimed net operating loss (NOL) deduction by a preponderance of the evidence. The taxpayer, the surviving organization resulting from a merger, filed a corporate income tax return indicating that it was entitled to a NOL carryover, which resulted from the pre-merger business activities of the acquired corporation in Arkansas. However, Arkansas law limits the taxpayer's available NOL deduction to the income earned by the assets of the acquired corporation in the post-merger period that is apportionable to Arkansas.</p> <p><a href="https://www.ark.org/dfa-act896/index.php/api/document/download/21-070.pdf">https://www.ark.org/dfa-act896/index.php/api/document/download/21-070.pdf</a></p>
<p><b>Arizona</b></p>	<p>L. 2021, S1752, effective 90 days after adjournment of the legislative session, amends Arizona's Internal Revenue Code (IRC) conformity date. For taxable years, from and after December 31, 2020, the "Internal Revenue Code" means "the United States Internal Revenue Code of 1986, as amended, in effect on March 11, 2021, including those provisions that became effective during 2020 with the specific adoption of all retroactive effective dates, but excluding any changes to the code enacted after March 11, 2021." For the 2020 tax year, the IRC conformity provision is amended to include "provisions of the Families First Coronavirus Response Act (P.L. 116-127), the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136), the Paycheck Protection Program Flexibility Act of 2020 (P.L. 116-142), the Consolidated Appropriations Act, 2021 (P.L. 116-260) and the American Rescue Plan Act of 2021 (P.L. 117-2) that are retroactively effective during taxable years beginning from and after December 31, 2019 through December 31, 2020." Conformity provisions for the 2019 and 2018 tax years are amended to include provisions of the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136) and the Consolidated Appropriations Act, 2021 (P.L. 116-260) which are retroactively applicable to those years. Prior year conformity provisions have been updated to include the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136) provisions that are retroactively effective for those years.</p> <p><a href="https://www.azleg.gov/legtext/55leg/1R/laws/0232.pdf">https://www.azleg.gov/legtext/55leg/1R/laws/0232.pdf</a></p>
<p><b>California</b></p>	<p>Governor Gavin Newsom signed a bill (AB 80) conforming the state corporate and individual income tax treatment of Paycheck Protection Program (PPP) loans and Economic Injury Disaster Loan (EIDL) advance grants under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Consolidated Appropriations Act, 2021 (CAA) to federal tax law (with some modifications). Under AB 80, taxpayers may exclude forgiven PPP loans or EIDL advance grants from their gross income when computing California corporate and individual income tax for tax years beginning on or after January 1, 2019. Taxpayers that are not "ineligible entities" may also deduct business expenses paid with the proceeds of forgiven PPP loans or EIDL advance grants.</p> <p><a href="https://www.gov.ca.gov/2021/04/29/governor-newsom-signs-bill-giving-small-business-a-6-2-billion-tax-cut/">https://www.gov.ca.gov/2021/04/29/governor-newsom-signs-bill-giving-small-business-a-6-2-billion-tax-cut/</a></p>

<b>D.C</b>	The D.C. Office of Tax and Revenue has issued guidance regarding the District's treatment of Paycheck Protection Program (PPP) loans. The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act provided that any amount of cancelled indebtedness that would otherwise be includable in the federal gross income of the borrower for federal income tax purposes is excluded from federal gross income. Under D.C. Code Ann. §47-1803.02(a)(2)(GG), district gross income does not include PPP loans that are awarded and subsequently forgiven. The federal Consolidated Appropriations Act of 2021 (CAA 2021), provided that PPP loan recipients may deduct expenses paid for using PPP loan amounts, even if the PPP loans are later forgiven <a href="https://otr.cfo.dc.gov/release/otr-tax-notice-2021-04-district-treatment-paycheck-protection-program-ppp-loans">https://otr.cfo.dc.gov/release/otr-tax-notice-2021-04-district-treatment-paycheck-protection-program-ppp-loans</a>
<b>Idaho</b>	L. 2021, H317, effective 04/15/2021 and applicable retroactively to 01/01/2021, permits S corporations and partnerships to elect to pay Idaho income taxes at the pass-through entity (PTE) level in any taxable year; PTEs making this choice are referred to as an "affected business entity." "Member" is defined as a shareholder of an S corporation; a partner in a general partnership, a limited partnership, or a limited liability partnership; or a member of a limited liability company that is treated as a partnership or an S corporation for federal income tax purposes. A separate election must be made for each tax year and filed with a tax return, which is due April 15 <a href="https://legislature.idaho.gov/wp-content/uploads/sessioninfo/2021/legislation/H0317.pdf">https://legislature.idaho.gov/wp-content/uploads/sessioninfo/2021/legislation/H0317.pdf</a>
<b>Michigan</b>	The Michigan Department of Treasury is reminding taxpayers who accepted federal Paycheck Protection Program (PPP) loans will not be taxed by Michigan on loans forgiven through that program. As outlined in a notice issued by the state Treasury Department, the state of Michigan will fully conform to the federal tax treatment for forgiven PPP loans when calculating the state's individual and corporate income taxes <a href="https://www.michigan.gov/treasury/0,4679,7-121-1755_1963-557677--,00.html">https://www.michigan.gov/treasury/0,4679,7-121-1755_1963-557677--,00.html</a>
<b>Mississippi</b>	L. 2021, H1446, effective 03/27/2020 , allows for an income tax deduction for otherwise deductible expenses if the payment for the expenses is deductible for federal income tax purposes and made with the grant or loan program of the federal Paycheck Protection Program (PPP) as authorized under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act; the federal Consolidated Appropriations Act of 2021 (CAA, 2021); the COVID-19 Economic Injury Disaster Loan Program; the 2020 COVID-19 Mississippi Business Assistance Act; and/or the Rental Assistance Grant Program. Previously, eligible expenses for which grants were received were not allowed to be itemized as deductions. <a href="https://legiscan.com/MS/text/HB1446/2021">https://legiscan.com/MS/text/HB1446/2021</a>
<b>Pennsylvania</b>	L. 2021, H766 (Act 10), effective for taxable years beginning after 12/31/2020, modifies the corporate net income tax (CNIT) return filing deadline from 30 days after the due date of the federal return to the 15th day of the month following the due date of the federal return. <a href="https://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2021&amp;sInd=0&amp;body=H&amp;type=B&amp;bn=766">https://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2021&amp;sInd=0&amp;body=H&amp;type=B&amp;bn=766</a>

► **STATE SALES AND USE TAX**

<u>State</u>	<u>Update</u>
<b>North Dakota</b>	L. 2021, S2137, applicable retroactively to purchases made after 12/31/2020, creates a sales and use tax exemption for gross receipts from sales of enterprise information technology equipment and computer software used in a qualified data center. To qualify for the exemption, the equipment or software must be incorporated into or physically located within the qualified data center. Purchases of upgraded or replacement equipment and software for use in a qualified data center also are exempt <a href="https://www.legis.nd.gov/assembly/67-2021/documents/21-0455-03000.pdf">https://www.legis.nd.gov/assembly/67-2021/documents/21-0455-03000.pdf</a>



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