





State of the states: Income taxes

June 13, 2023

With you today



Sherri York

Partner, RSM US LLP
Sherri.York@rsmus.com
Charlotte, NC



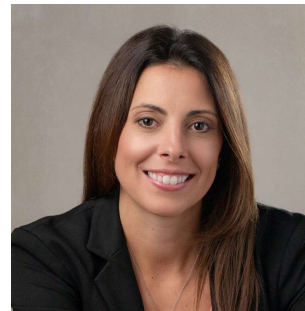
Ce'Anna Buzzell

Senior Manager, RSM US LLP
Ceanna.Buzzell@rsmus.com
Denver, CO



Amol Jain

Senior Manager, RSM US LLP
Amol.Jain@rsmus.com
McLean, VA

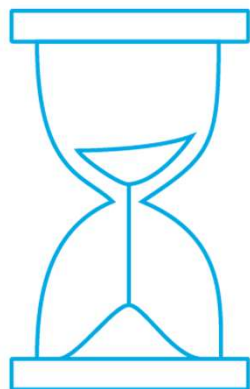


Amanda Pucciarelli

Principal, RSM US LLP
Amanda.Pucciarelli@rsmus.com
Edison, NJ



Agenda



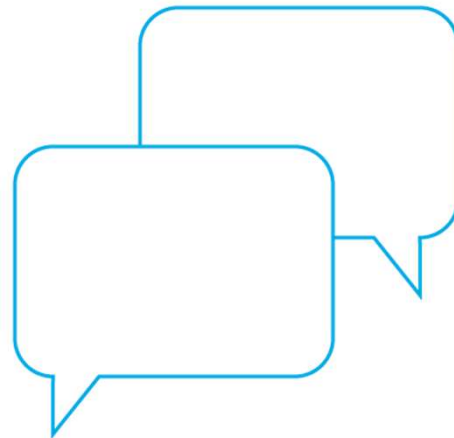
- Nexus considerations and commonly overlooked areas
- Apportionment: Sales sourcing
- Pass-through entity elections: Opportunities and risks
- Hot issues in federal conformity



Learning objectives

By the end of this presentation, participants will be able to:

- Identify the impact of recent personal and corporate tax changes in context with the economic environment
- Evaluate a growing emphasis on gross receipts or other tax regimes
- Adapt tax planning strategies for a post-nexus world

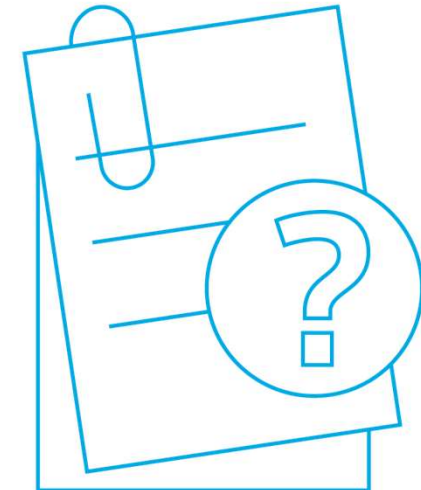


Nexus considerations and commonly overlooked areas



Commonly overlooked items and nexus considerations:

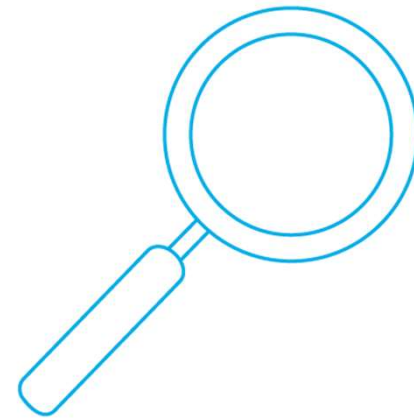
- Gross receipts and franchise taxes
- State audits of P.L. 86-272
- Cities/localities
- Disregarded entities
- Professional employment organizations
- Inbound activity
- Resident pass-through owners



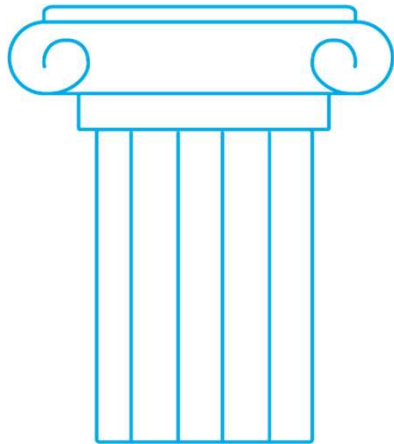
Apportionment: Sales sourcing

Where is the focus right now when it comes to state apportionment?

- Single-sales factor apportionment
- Movement on sourcing issues; less focus on legislation, more focus on controversy
- Sales of services and intangibles
- Sales of tangible personal property
- Gain on sales of businesses sourcing



Pass-through entity elections: Opportunities and risks



The importance of diligence before jumping in:

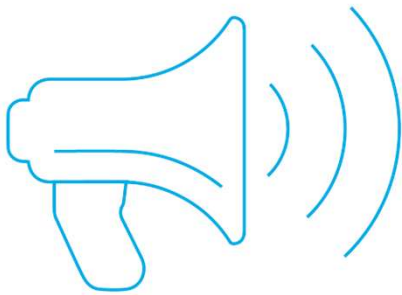
- States that require non-resident withholding in addition to tax
- Eligibility of partners and forming new legal entities
- Effectuating elections and timing of federal deduction, payments, and elections
- Mechanics for tiered LLCs or corporate partners



Hot issues in federal conformity

Recent states approaches to significant federal changes

- Catch-up deductions for section 163(k)
- Section 174 and state decoupling
- NOL limitations
- Federal to state basis differences
- Federal consolidated regulations and application to separate states and/or different states
- Looking back at TCJA/CARES before SOL runs up



THANK YOU FOR
YOUR TIME AND
ATTENTION



RSM US LLP

+1 800 274 3978

rsmus.com

RSM Canada LLP

+1 855 420 8473

rsmcanada.com

This document contains general information, may be based on authorities that are subject to change, and is not a substitute for professional advice or services. This document does not constitute audit, tax, consulting, business, financial, investment, insurance, legal or other professional advice, and you should consult a qualified professional advisor before taking any action based on the information herein. Information has been obtained from a variety of sources believed to be reliable though not independently verified. RSM US LLP, its affiliates and related entities are not responsible for any loss resulting from or relating to reliance on this document by any person. Internal Revenue Service rules require us to inform you that this communication may be deemed a solicitation to provide tax services. This communication is being sent to individuals who have subscribed to receive it or who we believe would have an interest in the topics discussed. Past performance does not indicate future performance. The sole purpose of this document is to inform, and it is not intended to be an offer or solicitation to purchase or sell any security, or investment or service. Investments mentioned in this document may not be suitable for investors. Before making any investment, each investor should carefully consider the risks associated with the investment and make a determination based on the investor's own particular circumstances, that the investment is consistent with the investor's investment objectives.

Tax and accounting services are provided by RSM US LLP, a registered CPA firm. Investment advisory, aggregated reporting, financial planning, retirement plan advisory and other wealth management services are provided by RSM US Wealth Management LLC, an investment advisor registered with the U.S. Securities and Exchange Commission (SEC) and wholly owned subsidiary of RSM US LLP.

RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent audit, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party. Visit rsmus.com/about-us for more information regarding RSM US LLP and RSM International.

RSM, the RSM logo and *the power of being understood* are registered trademarks of RSM International Association.

© 2023 RSM US LLP. All Rights Reserved.

A decorative horizontal bar at the bottom of the page, divided into three segments of equal width. The segments are colored grey, green, and blue from left to right.