

State Tax Services

Chapter Outline

Importance of State and Local Taxes

Historical Perspective

Legal Perspective

- Supremacy
- Commerce
- Due Process
- Uniformity and Equal Protection
- Privileges and Immunities

State Tax Structure

- Constitution
- Legislative
- Administrative
- Judicial
- Multistate

Illustrative Research Examples

RIA State and Local Service

- Special Features
 - StateNet*
 - All State Tax Guide*
 - State Newsletters and Journals*
 - Create-a-Chart*
 - Compare It*
- Keyword Search
 - Multiple Sources Search*
- Citation Search
- Contents Search

CCH NetWork State Service

- State Tax Tab
 - News Services*
 - State Tax Reporters*
 - Multistate Publications*
 - Practice Aids*
 - Topical Indexes*
- Citation Search

LexisNexis Academic

- Search
- Sources

Learning Objectives

- Apply the tax research process to state and local issues.
- Know the major features of state tax services.
- Understand the similarities and differences in Federal and state tax research.
- Use the search methodologies that are available for each of the state tax services.
- Know which tax services are most appropriate for different research objectives.

Chapter Outline (continued)

Westlaw State Services

- Find and KeyCite
- Directory
- Tax Tab

BNA State Services

Other Resources

Periodicals and Internet Sites

- Journals
- Newsletters
- Internet Sites

THE STATE AND LOCAL tax environment is becoming increasingly complex and challenging to navigate, due to the states' ever-increasing expansion of their taxing systems. Taxpayers are therefore finding it more difficult to stay abreast of and comply with these evolving state requirements. Thus, state and local tax planning and compliance has become big business for accounting and tax law firms. In today's market, practitioners who service their clients successfully recommend tax solutions that are not only consistent with the client's overall financial goals, but also help the client minimize their state and local tax burdens. Consequently, the tax professional must stay current in this area of tax law, even though this specialized area can represent an additional burden on the practitioner's already tightly scheduled time.

There are numerous reasons for emphasizing state and local tax planning. For many businesses this is an untapped planning opportunity in which practitioners can offer an expertise. This is especially important as many of the most productive Federal tax planning opportunities for businesses have been limited by tax law changes, and exhausted by prior consulting work. While the amount of any one tax paid to individual states may be small, total state and local tax obligations can be almost 50 percent of a business's tax bill. Coordinated state tax planning can substantially reduce this percentage, especially where the taxpayer operates in a variety of state and local taxing jurisdictions and has some flexibility as to where its property and labor force are located.

The power to tax is an inherent authority that all states possess. Generally, local governments must be specifically authorized to impose taxes by state statutory or constitutional provisions. These authorizing provisions, in turn, regulate the rates and operation of local government taxes. Courts in some states, however, have ruled that the power to impose taxes can be implied from broad "home rule" provisions. These rules grant partial autonomy to local government authorities under general state constitutional provisions.

This chapter explores state and local taxation and the resources available for state tax research. Since state and local taxing systems are separate from the Federal tax domain, an overview of state and local taxation is presented before delving into the tax products available to practitioners. Research projects then are then used to demonstrate the major tax services.

IMPORTANCE OF STATE AND LOCAL TAXES

State and local taxes are playing an ever-increasing role in the tax planning of business and individuals alike. While Federal tax rates have remained constant in the past several years, some state and local taxes and rates have been increasing. Often, greater revenues are needed to meet the demands of constituents, so states often must raise the tax burdens of citizens. Tax increases for state and local governments can be especially critical when the economy is in a downturn. During these times, the demands for social programs such as welfare and Medicaid build, while the tax bases for states are reduced due to the slow economy. Since most states constitutionally cannot operate at a deficit, the state and local tax obligations

become more of a burden for the taxpaying businesses and individuals. Exhibit 9-1 illustrates the increase in the state taxes over time. In 1970, the tax collected by states was \$48 billion, whereas by 2006 the amount rose to over \$706 billion. This is more than a 1,370 percent increase in collections in thirty-six years!

Businesses take the level of state and local taxation into consideration when deciding where to locate a new plant or headquarters. This analysis includes not only business taxes but also the individual taxes of the personnel relocating to the new location. Exhibit 9-2 ranks states based on the individuals' per capita state

Exhibit 9-1: State Tax Collections

Year	Collections (\$B)	Year	Collections (\$B)
1970	48.0	1990	307.1
1975	80.1	1995	393.2
1980	136.9	2000	551.9
1985	214.9	2006	706.3

Sources: U.S. Bureau of the Census.

Exhibit 9-2: State and Local Individual Income Tax Collections per Capita 2005

Rank	State	Dollar Amount	Rank	State	Dollar Amount
	United States	\$2,190	26	Virginia	\$2,104
1	Vermont	\$3,600	27	Ohio	\$2,094
2	Hawaii	\$3,478	28	Nevada	\$2,075
3	Wyoming	\$3,418	29	Illinois	\$2,069
4	Connecticut	\$3,300	30	Idaho	\$2,054
5	Delaware	\$3,229	31	Indiana	\$2,049
6	Minnesota	\$3,094	32	Kansas	\$2,040
7	Massachusetts	\$2,815	33	Montana	\$2,004
8	Alaska	\$2,799	34	Iowa	\$1,939
9	California	\$2,724	35	Oklahoma	\$1,933
10	New Jersey	\$2,631	36	Louisiana	\$1,910
11	New York	\$2,607	37	Florida	\$1,905
12	Rhode Island	\$2,443	38	Utah	\$1,897
13	Wisconsin	\$2,430	39	Mississippi	\$1,860
14	Maryland	\$2,410	40	Arizona	\$1,854
15	West Virginia	\$2,367	41	Oregon	\$1,791
16	Washington	\$2,360	42	Georgia	\$1,728
17	Arkansas	\$2,358	43	South Carolina	\$1,720
18	Michigan	\$2,324	44	Alabama	\$1,711
19	Maine	\$2,323	45	Tennessee	\$1,678
20	New Mexico	\$2,319	46	Missouri	\$1,645
21	North Dakota	\$2,203	47	Colorado	\$1,640
22	Pennsylvania	\$2,193	48	New Hampshire	\$1,544
23	Kentucky	\$2,178	49	Texas	\$1,434
24	Nebraska	\$2,158	50	South Dakota	\$1,430
25	North Carolina	\$2,147			

Sources: State Government Tax Collections: 2005, U.S. Bureau of the Census, available at <http://ftp2.census.gov/govs/statetax/05staxss.xls>

Exhibit 9-3: State and Local Corporate Income Tax Collections per Capita 2005

State	Collections Per Capita	Rank	State	Collections Per Capita	Rank
U.S. Total	\$145	–	Rhode Island	\$106	26
Alaska	\$888	1	Montana	\$105	27
New Hampshire	\$365	2	Maine	\$103	28
New York	\$362	3	Florida	\$100	29
Delaware	\$296	4	Oregon	\$100	30
New Jersey	\$256	5	Arkansas	\$100	31
West Virginia	\$255	6	Idaho	\$ 98	32
California	\$240	7	Hawaii	\$ 97	33
Massachusetts	\$207	8	Mississippi	\$ 97	34
Michigan	\$189	9	Kansas	\$ 90	35
Minnesota	\$182	10	Alabama	\$ 87	36
Illinois	\$171	11	Virginia	\$ 80	37
Connecticut	\$164	12	Louisiana	\$ 78	38
North Carolina	\$147	13	Georgia	\$ 78	39
Maryland	\$144	14	Utah	\$ 76	40
Wisconsin	\$142	15	Colorado	\$ 68	41
Pennsylvania	\$137	16	South Dakota	\$ 63	42
Tennessee	\$135	17	Iowa	\$ 63	43
Indiana	\$132	18	South Carolina	\$ 58	44
New Mexico	\$126	19	Oklahoma	\$ 48	45
North Dakota	\$120	20	Missouri	\$ 41	46
Arizona	\$118	21	Nevada	\$ 0	–
Ohio	\$117	22	Texas	\$ 0	–
Kentucky	\$115	23	Washington	\$ 0	–
Nebraska	\$113	24	Wyoming	\$ 0	–
Vermont	\$111	25	District of Columbia	\$342	

Sources: U.S. Department of Commerce, Bureau of the Census.

and local tax burdens and Exhibit 9-3 shows rankings for state corporate income taxes per capita. The national average for personal state taxes, as a percentage of income, is 11 percent, and the average for Federal and state taxes is about 33 percent (see Exhibit 9-4). However, the state tax burden varies across states, with Vermont having the highest percentage (14.1%), Alaska having the lowest (6.6%) and Indiana, South Carolina, and Utah about in the middle (10.7%).

Many state constitutions constrain the types of taxes that may be imposed within the state and/or set upper limits on tax rates. Therefore, states may be forced to resort to alternative methods for generating revenues, such as trying to increase compliance and imposing substantial penalties. As failure to comply with state and local tax laws becomes more costly, businesses and individuals are requesting additional research from their tax professionals to help manage this significant tax burden.

Exhibit 9-4: Tax Burdens by State and Level of Tax

State and Local Tax Burdens					
2007			2007		
Combined State and Local Tax Burdens by Rank			Adding Federal Taxes to State/Local Changes Rankings		
State	State and Local Tax Burden	Rank	State	State, Local, and Federal Tax Burden	Rank
Total	11.0%			32.7%	
Vermont	14.1%	1	Vermont	35.1%	5
Maine	14.0%	2	Maine	33.9%	10
New York	13.8%	3	New York	37.1%	2
Rhode Island	12.7%	4	Rhode Island	35.1%	6
Ohio	12.4%	5	Ohio	32.4%	18
Hawaii	12.4%	6	Hawaii	33.0%	16
Wisconsin	12.3%	7	Wisconsin	33.3%	13
Connecticut	12.2%	8	Connecticut	38.3%	1
Nebraska	11.9%	9	Nebraska	31.8%	22
New Jersey	11.6%	10	New Jersey	35.6%	3
Minnesota	11.5%	11	Minnesota	33.9%	11
California	11.5%	12	California	34.3%	8
Arkansas	11.3%	13	Arkansas	30.7%	32
Michigan	11.2%	14	Michigan	31.9%	21
Kansas	11.2%	15	Kansas	31.0%	27
Washington	11.1%	16	Washington	34.0%	9
Louisiana	11.0%	17	Louisiana	29.1%	44
Iowa	11.0%	18	Iowa	30.6%	33
North Carolina	11.0%	19	North Carolina	31.3%	24
Kentucky	10.9%	20	Kentucky	30.4%	34
West Virginia	10.9%	21	West Virginia	29.8%	40
Illinois	10.8%	22	Illinois	33.2%	14
Maryland	10.8%	23	Maryland	33.1%	15
Pennsylvania	10.8%	24	Pennsylvania	31.9%	20
Indiana	10.7%	25	Indiana	30.8%	30
South Carolina	10.7%	26	South Carolina	30.3%	35
Utah	10.7%	27	Utah	30.3%	36
Massachusetts	10.6%	28	Massachusetts	34.4%	7
Mississippi	10.5%	29	Mississippi	28.1%	47
Colorado	10.4%	30	Colorado	31.8%	23
Arizona	10.3%	31	Arizona	31.3%	25
Georgia	10.3%	32	Georgia	30.9%	28
Virginia	10.2%	33	Virginia	32.9%	17
Missouri	10.1%	34	Missouri	30.2%	38
Idaho	10.1%	35	Idaho	29.6%	42
Nevada	10.1%	36	Nevada	35.2%	4
Oregon	10.0%	37	Oregon	30.7%	31
Florida	10.0%	38	Florida	33.6%	12
North Dakota	9.9%	39	North Dakota	30.2%	37
New Mexico	9.8%	40	New Mexico	28.8%	45
Montana	9.7%	41	Montana	29.8%	39
Wyoming	9.5%	42	Wyoming	32.1%	19
Texas	9.3%	43	Texas	29.8%	41
South Dakota	9.0%	44	South Dakota	29.3%	43
Oklahoma	9.0%	45	Oklahoma	27.8%	50
Alabama	8.8%	46	Alabama	28.0%	49
Delaware	8.8%	47	Delaware	31.2%	26
Tennessee	8.5%	48	Tennessee	28.8%	46
New Hampshire	8.0%	49	New Hampshire	30.8%	29
Alaska	6.6%	50	Alaska	28.1%	48
District of Columbia	12.5%	-	District of Columbia	36.4%	-

Source: Tax Foundation calculations based on data from the Bureau of Economic Analysis.

HISTORICAL PERSPECTIVE

Since the time of the early American colonies, payments were made by citizens to their local governing units. Whether these payments were voluntary or required, the purpose of the collections was the same, that is, to support community needs. These early taxing systems were based on the characteristics of the local economy. Accordingly, in the southern states, where cotton was the main commodity, taxes were based on imports/exports, whereas taxes in the northern states were based on an economy of farmland products. By the end of the eighteenth century, property taxes were becoming popular, and by the mid-nineteenth century, property taxes were the cornerstone of the state and local tax systems. In 1890, state tax collections reached the \$100 million mark.

States relying on property taxes then needed to supplement these revenue sources with other kinds of taxes. State income taxes were introduced in Wisconsin, in 1911, and gradually spread to most other states and several municipalities. State sales taxes made an appearance in the early twentieth century, with the first city sales tax imposed by New York in the 1930s. The growth of tax base diversification helped to stabilize state and local governments' revenue yields over time.

In 1945, states were collecting almost \$6 billion per year, and by 2000 this amount had risen to over \$550 billion (see Exhibit 9-1). Some state and local governments' financial burdens have also escalated due to cutbacks in Federal aid. These cuts come at a time when citizens are demanding more public services. The combination of these effects has caused the state and local tax burdens to increase substantially over the past fifty years.



SPOTLIGHT ON TAXATION

Tax Freedom Day

Every year the Tax Foundation determines "Tax Freedom Day," the hypothetical day when taxpayers have earned enough money to pay all of their taxes and now can "work for themselves." In 2007, the National Tax Freedom Day was April 30. There has been a steady increase in the number of days until Tax Freedom Day since 2003. The latest Tax Freedom Day was in 2000 (May 5) when the economy was booming and the dot-com bubble had not yet popped. The earliest Tax Freedom Day since the introduction of Federal income taxes was in the 1930s, when it was in mid-February.

The Tax Foundation determines a Tax Freedom Day for each state as well. In 2007, the earliest dates were for Oklahoma & Alabama (April 12) and Alaska & Mississippi (April 13). The latest state dates were for Connecticut (May 20), New York (May 16), New Jersey (May 10), and Vermont (May 9). For details, go to <http://www.taxfoundation.org/taxfreedomday>

LEGAL PERSPECTIVE

Federal and state constitutional provisions play an integral role in state tax planning. The constitutional validity of state tax laws still is challenged in the courts today, whereas the Federal taxes are rarely questioned on their constitutionality any more. State and local tax challenges address not only whether the taxes fall within

the purview of the state constitution, but also whether the laws are federally constitutional. The Federal clauses most frequently providing the basis for state taxation disputes are Supremacy, Commerce, Due Process, Equal Protection, and Privileges and Immunities.

Supremacy

The Supremacy provision in the Federal constitution confers superiority to Federal laws over state laws. That is, Federal laws are “the supreme law of the land” and trump state laws. If a state’s constitutional provisions or laws are in conflict with a Federal law, the state provisions are invalid. The **Supremacy Clause** generally is applied to tax conflicts involving the Federal commerce clause, discussed later.

Another important application of the Supremacy Clause concerns the taxation by the states of Federal government operations. If states were permitted to tax the Federal government, Federal supremacy would be impinged. Thus, the Supremacy Clause in the Constitution immunizes the Federal government from taxation by the states.

Commerce

The Federal Constitution **Commerce Clause** states that Congress shall have the power to regulate commerce with foreign nations, among states, and with Native American tribes. This clause contains the most significant Federal limitation on a state’s capacity to impose taxes. It grants powers to Congress and places constraints on the states’ ability to tax interstate trade.

The commerce clause has a long history of Supreme Court actions. The interpretation of the clause as it now stands is based on the case *Complete Auto Transit Inc. v. Brady*, 430 US 274 (1977). The case involved a tax being imposed on companies for the privilege of conducting interstate transportation businesses. Corporations involved in intra- and interstate commerce were all subject to the tax. In unanimously deciding that the tax was valid, the Supreme Court established the four criteria now regarded as controlling as to whether a state may tax interstate commerce without the tax becoming an unreasonable burden. A tax may be imposed if:

- The activity includes a substantial connection (nexus) with the taxing state
- The tax burden is fairly apportioned
- The tax does not discriminate against interstate commerce
- The tax fairly relates to the services provided by the state

Thus, businesses involved in interstate commerce should be subject to a tax burden related to their fair share of the state’s costs of providing benefits to the taxpayer.

Due Process

The Supreme Court also has applied the Federal **Due Process Clause**, found in the Fourteenth Amendment, to limit the territorial scope of a state’s taxing authority in interstate commerce cases. States have lost cases in two key situations.

- States seek to tax out-of-state businesses whose connections with the state are not sufficient to satisfy the Due Process Clause.
- The tax imposed does not fairly reflect the taxpayer’s activities in the state.

To be successful in applying a tax, states must prove that the business has more than a de minimis existence within the state, and that the taxing base for the inter-

state enterprise includes only amounts fairly apportioned to its activities within the state. The *Complete Auto Transit* interpretation of the commerce clause also contains these two criteria for successful taxation of interstate commerce. However, the level of a business's existence within the state required to meet the Due Process clause is different from that required by the Commerce Clause.

A landmark case in determining the states' ability to have jurisdiction over out-of-state businesses under the Due Process and Commerce Clauses is *Quill Corp. v. North Dakota*, 504 US 298 (1992). In this case, North Dakota wanted Quill Corporation to collect use tax for North Dakota on its mail order sales within the state. The U.S. Supreme Court held that Quill's mail order business, with its substantial contacts in North Dakota, met the nexus requirement inherent in the Due Process Clause. The Due Process Clause does not require a physical presence by the out-of-state entity for a state to have taxing jurisdiction. Thus, an economic presence rising above a de minimis level is sufficient to tax under the Due Process Clause. However, this same level of customer contact might not be sufficient to create the substantial nexus within a state as required by the Commerce Clause. Since Quill did not have a Commerce-Clause substantial nexus within North Dakota, it could not be required to collect use tax. Thus, this case established that the business presence requirements for the Due Process and Commerce Clauses are not identical.

The Due Process Clause is directed toward the fairness of governmental activities. This "fairness" test is satisfied when an out-of-state entity "purposefully avails itself of the benefits of an economic market in the foreign State." The Commerce Clause, on the other hand, is concerned with the effects of state regulations on the interstate economy. Accordingly, the Commerce Clause requires more than the existence of customers to rise to the level of a nexus within the state, but a physical presence such as an office is not necessary. For example, direct marketing through retail outlets or personnel can create a Commerce-Clause nexus for an out-of-state business. The courts also consistently have ruled that out-of-state entities cannot skirt a state's taxing jurisdiction by contracting with in-state persons to conduct company business that would otherwise create a nexus if the out-of-state company had used its own employees.

In the same year as the *Quill* case, the Supreme Court addressed a related nexus issue in *Wisconsin Department of Revenue v. William Wrigley, Jr., Co.*, 505 US 214 (1992). Wisconsin considered Wrigley's business activities (selling chewing gum) within the state to be sufficient for the imposition of the state franchise tax. Wrigley argued that the business was protected from Wisconsin taxation under the Interstate Income Law.

The Interstate Income Law (Public Law 86-272; 15 USC §§381–384) prevents the income taxation of interstate commerce if a company's only business within the state is the solicitation of orders for sales of tangible personal property. In the *Wrigley* case, the Supreme Court clarified that the definition of "solicitation of orders" goes beyond merely making requests for sales—it includes the entire process associated with requesting orders by out-of-state businesses. Activities that are ancillary to obtaining orders are considered part of the solicitation. Further, activities that are beyond solicitation of orders, but are trivial, are considered de minimis and do not violate the solicitation of orders protection. Having an office located in a state, even if solely for the solicitation of orders, is not de minimis, and can subject a business to state taxation.

Finally, the Due Process Clause does not guarantee that the benefits received by an interstate enterprise will have any direct relationship to the amount of taxes paid to that state. To be fairly related to the services provided by a state, the last

test from *Complete Auto Transit*, the tax need only be assessed in proportion to the business's activities within the state. As articulated in *Commonwealth Edison Co. v. Montana*, 453 U.S. 609 (1981), "(A) tax ... is a means of distributing the burden of the cost of government. The only benefit to which the taxpayer is constitutionally entitled is derived from his enjoyment of the privileges of living in an organized society, established and safeguarded by the devotion of taxes to public purposes."



SPOTLIGHT ON TAXATION

Streamlined Sales Tax Project

Requiring out-of-state and Internet businesses to collect sales taxes on remote sales might impose an overwhelming burden that could severely restrict interstate commerce. There are over 7,500 different taxing jurisdictions in the United States. Texas alone has over a thousand, when considering its local and special taxing districts. In hopes of someday having businesses collect sales/use taxes, the Streamlined Sales Tax Governing Board, Inc. was created. The mission of its Streamlined Sales Tax Project is to develop measures to implement a radically simplified sales/use tax system. The Project's proposals include tax law simplifications, more efficient administration, and an embracing of emerging technologies to substantially reduce the burden of tax collection. Almost all states that impose sales taxes are involved with the project in some manner. To keep up-to-date on the progress of the Streamlined Sales Tax Project, visit the Governing Board's web site at <http://www.streamlinedsaletax.org>

Uniformity and Equal Protection

The Federal and most state constitutions include an **Equal Protection** and/or a **Uniformity Clause**. These two concepts are closely related for tax purposes, and state courts often treat them as being interchangeable. These rules require that similarly situated taxpayers or property be treated, for tax purposes, in a similar manner. Although the Fourteenth Amendment Equal Protection Clause does not reference taxation specifically, it has been relied upon to determine whether tax provisions treat different taxpayers equally.

The Supreme Court has construed the Equal Protection Clause as barring states from creating arbitrary classifications for taxation, and in particular, for non-resident or out-of-state businesses.¹ Yet, when the only Federal question is equal protection, the Supreme Court gives states a wide latitude in delineating classifications in taxing systems. The state legislature is considered to be in a superior position for designing its taxing system on an equitable and uniform basis. As long as the legislature can justify treating classes of taxpayers differently, the courts typically do not second-guess the wisdom of state legislatures. Accordingly, the Supreme Court's approach to applying this Fourteenth Amendment clause insulates state taxes from most challenges under the Federal Equal Protection Clause.

¹*Metropolitan Life Insurance Co. v. Ward*, 470 U.S. 869 (1985); *WHYY, Inc. v. Glassboro*, 393 U.S. 117 (1968); *Atlantic Refining Co. v. Virginia*, 302 U.S. 22 (1937); *Hanover Fire Ins. Co. v. Harding*, 272 U.S. 494 (1926), *Southern R. Co. v. Greene*, 216 U.S. 400 (1910); *Atlantic Refining Co. v. Commonwealth of Virginia*, 302 U.S. 22 (1937).

Privileges and Immunities

Finally, the Federal constitution grants the citizens of each state all privileges and immunities of citizens in every other state. This means that a nonresident business has the right to engage in commerce within the state, without being subject to different or greater taxes than resident businesses. The main application of this clause has been to invalidate laws that imposed higher tax burdens on out-of-state businesses. Note that the **Privileges and Immunities Clause** applies only to “citizens” of states. Since a corporation is considered a “person” but not a “citizen” under the law, this clause largely protects individuals, while corporations, for the most part, are covered by the Equal Protection Clause instead.

STATE TAX STRUCTURE

The states have modeled their income tax structures on the Federal tax system. All of the states have adopted constitutions and typically use three branches of government: legislative, executive, and judicial. Tax statutes are enacted by the state legislatures. These statutes are signed by the state governor, just as Federal tax laws are signed by the President. Regulatory agencies similar to the IRS issue pronouncements on tax matters and administer the tax law. Finally, state courts hear cases regarding tax matters.

Constitution

While each state’s taxing system is unique, they are all constrained by the U.S. Constitution and Federal laws. As discussed in the prior section, many clauses of the U.S. Constitution are applied to state taxation, yet only two clauses explicitly restrict state’s taxation: the Import/Export Clause and the very specific Duty of Tonnage Clause. Both of these prohibit states from charging taxes on imports or exports without the consent of Congress. As import/export taxes have become less important at the Federal level, so have these clauses.

Although the Federal laws may appear to dominate state tax issues, it is actually each state’s own constitution that is considered the fundamental taxing law, because a constitution places the most relevant restrictions on the state’s authority to assess taxes. Generally, state constitutions limit the rates and types of taxes that can be imposed, and they require that tax laws show uniformity, equal protection, and have a public purpose. Since elected legislative bodies enact taxes, there is an eminent presumption of validity for a state’s taxing laws. It is the ultimate role of the courts to ensure that the legislature acts within the restraints of Federal and state constitutions.

Requiring that tax revenues be generated only for a **public purpose** is a lofty sounding limitation on a state’s ability to tax. However, the definition of “public purpose” is rarely included in constitutions, so the courts have rendered (sometimes vague and broad) interpretations in their decisions for specific taxes. Since the legislature represents a state’s citizens, Federal and state courts generally accept the legislative interpretation of the concept.

Legislative

State legislatures are responsible for enacting laws regarding state revenue sources and consequently pass bills amending and augmenting their state’s taxing code. While Federal revenue bills constitutionally must start in the House of Representatives, this is not a requirement in all state legislatures. In fact, the jurisdic-

tions of the legislative houses vary from state to state, and there tends to be a significant overlap in their functions. One state, Nebraska, avoids this duplication by having only one legislative body. Once the tax bills are passed by the legislatures and signed by the Governor, they are incorporated into the state's statutory structure.

State tax codes can provide research challenges for tax practitioners. Each state organizes its tax code based on different criteria and has a different numbering system for its tax law. This means that the practitioner who knows that corporate tax laws are found in the 300 sections of the Federal *Internal Revenue Code* (IRC) must conduct a new search for the state corporate income tax laws, if they even exist!

States place varying reliance on the IRC. Some states piggyback most of their individual and business income taxes on the IRC, whereas other states have adopted substantial differences. A current trend in state tax law is selectively to enact changes made by Congress, especially when the Federal changes reduce the state's tax base in a manner the state can ill afford; for instance, some states have refused to adopt the §199 domestic production activities deduction, simply because they cannot afford the resulting loss of revenue. Therefore, the practitioner must be diligent in finding possible differences in state and Federal law when providing tax planning or advice to clients.

Income tax is not the only tax that states utilize, and income taxes may not be the most important revenue generator for the state. In fact, there are several states that do not assess any income taxes. Rather, states rely on a multitude of other taxes, including sales/use, real and personal property, excise on products, severance on natural resources, gaming/gambling, estate/inheritance, and gift taxes. Many states are enacting taxes that are assessed on assets or transactions of service industries, communication and computer operations, and financial enterprises. The mix of taxes varies greatly from state to state. Exhibit 9-5 summarizes the major taxes imposed by each state.

Administrative

Once tax statutes are enacted, they must be interpreted and enforced. These duties fall to administrative agencies created by either statute or constitutional provisions. In most states, the Department of Revenue (Department of Taxation, State Tax Commission, etc.) is the main administrative agency for this purpose. Other smaller agencies administer the more specialized taxes such as employment, tobacco, or fuel taxes. California is an exception in that it has two revenue agencies, the Franchise Tax Board (income and franchise taxes) and the State Board of Equalization (most other taxes).

It has been said that whoever has authority to interpret the law is really the lawmaker, and it is the state revenue agencies that play this role for the state tax laws. These agencies publish regulations, rulings, and various other authoritative pronouncements as aids in interpreting and applying the law to a specific situation. As in the Federal system, it is the courts' duty to ensure that the administrative agencies do not overstep their authority.

Most state revenue agencies issue rulings for specific taxpayers, similar in nature to Private Letter Rulings (PLRs) issued by the IRS. As with PLRs, the letters are for the exclusive use of the taxpayer requesting the guidance and usually cannot be relied upon by other taxpayers as authority. These private rulings, however, may provide taxpayers with hints as to the revenue agency's position on a particular issue and, therefore, are useful to the practitioner.

Exhibit 9-5: Selected Taxes Imposed by Each State

State	Income		Franchise ¹	General Sales	Tangible Property	Estate & Inheritance	Gift	Severance
	Ind.	Corp.						
Alabama	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Alaska	No	Yes	No	No	Yes	Yes	No	Yes
Arizona	Yes	Yes	No	Yes	Yes	Yes	No	Yes
Arkansas	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
California	Yes	Yes	No	Yes	Yes	Yes	No	Yes
Colorado	Yes	Yes	No	Yes	Yes	Yes	No	Yes
Connecticut	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Delaware	Yes	Yes	Yes	No	No	Yes	No	No
District of Columbia	Yes	Yes	No	Yes	Yes	Yes	No	No
Florida	No	Yes	Yes	Yes	Yes	Yes	No	Yes
Georgia	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Hawaii	Yes	Yes	Yes ²	Yes	No	Yes	No	No
Idaho	Yes	Yes	No	Yes	Yes	Yes	No	Yes
Illinois	Yes	Yes	Yes	Yes	No	Yes	No	No
Indiana	Yes	Yes	No	Yes	Yes	Yes	No	Yes
Iowa	Yes	Yes	No	Yes	No	Yes	No	No
Kansas	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Kentucky	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Louisiana	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Maine	Yes	Yes	No	Yes	Yes	Yes	No	No
Maryland	Yes	Yes	No	Yes	Yes ³	Yes	No	No
Massachusetts	Yes	Yes	No	Yes	Yes	Yes	No	No
Michigan	Yes	Yes	No	Yes	Yes	Yes	No	Yes
Minnesota	Yes	Yes	No	Yes	Yes	Yes	No	Yes
Mississippi	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Missouri	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Montana	Yes	Yes	No	No	Yes	Yes	No	Yes
Nebraska	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Nevada	No	No	No	Yes	Yes	Yes	No	No
New Hampshire	Yes ⁴	Yes	No	No ⁵	No	Yes	No	No
New Jersey	Yes	Yes	No	Yes	Yes	Yes	No	No
New Mexico	Yes	Yes	No	Yes	Yes	Yes	No	Yes
New York	Yes	Yes	Yes	Yes	No	Yes	No	No
North Carolina	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
North Dakota	Yes	Yes	No	Yes	Yes	Yes	No	Yes
Ohio	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Oklahoma	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes

*continued*¹Franchise taxes based on net income are listed here as an income tax and not a franchise tax.²On financial institutions only.³Only on property connected with business.⁴Tax on interest and dividends only.⁵Sales tax on meals, rooms, rentals, and telecommunications only.

Exhibit 9-5: Selected Taxes Imposed by Each State (Continued)

State	Income		Franchise ¹	General Sales	Tangible Property	Estate & Inheritance	Gift	Severance
	Ind.	Corp.						
Oregon	Yes	Yes	No	No	Yes	Yes	No	No
Pennsylvania	Yes	Yes	Yes	Yes	No	Yes	No	No
Rhode Island	Yes	Yes	Yes	Yes	Yes	Yes	No	No
South Carolina	Yes	Yes	Yes	Yes	Yes	Yes	No	No
South Dakota	Yes	No	No	Yes	No	Yes	No	Yes
Tennessee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Texas	No	Yes ⁷	Yes	Yes	Yes	Yes	No	Yes
Utah	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Vermont	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Virginia	Yes	Yes	No	Yes	Yes	Yes	No	No
Washington	No	No	No	Yes	Yes	Yes	No	No
West Virginia	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Wisconsin	Yes	Yes	No	Yes	Yes	Yes	No	Yes
Wyoming	No	No	No	Yes	Yes	Yes	No	Yes

⁶Part of franchise tax.

Federal regulations and rulings may be pertinent to state tax issues. For states that piggyback income, estate, or other taxes on Federal statutes, guidance in interpreting the law will come from the Federal pronouncements. As previously stated, the degree to which states follow Federal law varies greatly.

Judicial

State judicial systems are, for the most part, patterned on the Federal system. Most states use three levels of courts: supreme courts, appeals (appellate) courts, and trial courts. However, some states have only one appeals level court, whereas others have four levels by adding a county or district trial court with limited jurisdiction. The functions of the levels of state courts are similar to the Federal functions. The trial courts establish the facts and apply the law to these facts. The appeals courts review the trial court's application of the law to the set of facts. They generally rely on the trial court's account of the facts. The state's Supreme Court usually holds powers corresponding to the Federal Supreme Court; it is the final interpretation of an extant law of the state, but its precedents apply only to the state in which it is located. For those states that use only two levels of courts, the functions of the appeals and supreme courts are conjoined.

While most states do use a three-tier judicial system, it may not be inherently obvious from the court names what their precedential values are. A "superior court" is likely to be a trial court or can be an appellate court, but it probably is not the highest court of the state. Most of the intermediate courts have the words "appeals" or "appellate" in their names. However, the highest court of a state can also be called the "Court of Appeals." In New York, for example, the Supreme Court is its trial court and its highest court is called the Court of Appeals. The most diversity among states is with the trial courts. There are county, municipal, circuit, district, and superior trial courts, just to name a few. Each state has organized its trial courts to meet the needs of its citizens and judicial system.

Whereas the Federal judicial system includes a court specifically for tax cases, the Tax Court, most states do not have an equivalent. Rather, there may be admin-

istrative (quasi-judicial) tribunals authorized to expedite settlements of tax disputes. The decisions of these tribunals generally are available to the public, but they tend to have little precedential value. The findings generally apply only to the taxpayer bringing the dispute. As with other such documents, they can shed light on the state's position on a particular issue.

None of the tax services cull the tax cases from state court reporters and accumulate them into a state tax court service, like the CCH USTC or the RIA AFTR reporters. The tax cases are intermixed in the state reporters with all the other types of cases that state courts hear. Fortunately, the ability to search electronically eliminates any inconvenience that not having dedicated reporters might cause.

Multistate

Companies conducting business in more than one state are subject to multistate taxation. The income of the company must be apportioned among the states in which it conducts business. To create a greater uniformity and consistency in the measurement of business income, the **Uniform Division of Income for Tax Purposes Act (UDITPA)** was drafted by the **National Conference of Commissioners on Uniform State Laws** in 1957. This exercise received a mixed reception among the states.

Then, in 1967, the **Multistate Tax Commission (MTC)**² was created through an organization of state governments called the **Multistate Tax Compact**. The MTC adopted the UDITPA as part of its Articles and issued regulations interpreting the UDITPA in 1971 and 1973. It continues to issue apportionment rules. Special industries that have been addressed include construction, interstate trucking, airlines, television and radio broadcasters, publishers, and financial institutions. The MTC has strongly encouraged states to adopt the uniform tax laws and abide by its regulations. It has been successful in this endeavor as forty-seven states (as of 2007) are members or participants in MTC. The states not associated with MTC are Delaware, Nevada, and Virginia.

The purposes of MTC are to:

- Facilitate determination of state and local tax liabilities through equitable apportionment and settlement of apportionment disputes.
- Promote uniformity and compatibility across the state taxing systems.
- Improve taxpayer convenience and compliance in filing returns and other phases of tax administration.
- Avoid double taxation.

The MTC believes that greater uniformity in multistate taxation will ensure that interstate commerce is more fairly taxed, lessen compliance costs for taxpayers and revenue agencies, and reduce the potential for congressional intervention in state fiscal authority.

Participating states may take advantage of the **Joint Audit Program**, which allows the MTC to perform a comprehensive audit of a business's taxes for several states simultaneously. This can save the states and the taxpayer time and compliance costs. Over the past five years the Joint Audit Program has completed over 1,600 audits.

Another program offered by MTC is the **National Nexus Program**. The central function of this program is to facilitate information sharing among partici-

²<http://www.mtc.gov>

participating states and, accordingly, to increase state tax compliance by multistate businesses. For taxpayers, the MTC provides the **Multistate Alternative Dispute Resolution Program**. This unique program affords taxpayers the opportunity to resolve common tax issues with several states at once. Further, the MTC assists taxpayers with negotiations and drafting settlement agreements to be submitted to participating states.



SPOTLIGHT ON TAXATION

Quotation

The thing generally raised on city land is taxes.

—Charles Dudley Warner

ILLUSTRATIVE RESEARCH EXAMPLES

Sample research projects will be used to demonstrate effective state tax research methods. It is important that *you* attempt this research project using the various tax services available to you. The procedural knowledge necessary to perform state tax research effectively can be acquired only through hands-on practice. The remainder of this chapter is designed to guide you through the basic tax services—it is *not* a substitute for your actually performing the research yourself.

Research Project 9–1 Vincent Lopez is opening a new bowling establishment in Virginia. Vincent would like to know the sales tax implications for this business. Specifically, on which assets purchased for his business must Vincent collect sales taxes, and which will be exempt? Is bowling considered to be rendering a service, or is it the renting of tangible personal property, or a combination of both?

Research Project 9–2 Desiree Ward is considering starting an outdoor gear manufacturing plant. She is trying to decide which state would be best for tax purposes—South Dakota, Montana, or Wyoming. Her main concern is with regard to personal and corporate income taxes, state sales tax rates, franchise taxes, and property taxes on inventory.

These two projects are very common types of state research projects. The first requires locating specific tax information for a single state. The second involves a comparison among multiple states on a number of taxes. While each can be researched using the same services, the method for searching the services will be quite different for each project.

RIA STATE AND LOCAL SERVICE

Research Institute of America's **RIA Checkpoint State & Local Tax (SALT)** service is a comprehensive analysis of state and local taxes for all fifty states and the District of Columbia (D.C.). The service is designed to let the researcher designate the states, type of taxes, and documents to be searched. Any or all of the states' taxes and documents may be searched simultaneously. Essentially all of the taxes imposed by states and most enacted by localities are covered in this service. For a complete list of the taxes and documents included in the RIA SALT service, see Exhibit 9-6. A practitioner would be hard pressed to find another service that affords better access to state and local tax materials.

Exhibit 9-6: RIA Search States Tax Type & Document Selection Screen

Checkpoint History | Options | My Folders | Help | Sign Off x

Home Research Newsstand Tools Practice Development

Search | Table of Contents

Search
Practice Area:
State & Local

Search States
State & Local Taxes
Tax/doc type/keyword
Search Other State Products
Search Multiple Sources

Search by Tax Type/Document Type/Keyword
Searching: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming

Select Tax Types:

<input type="checkbox"/> All Tax Types	<input type="checkbox"/> Fuels & Minerals Taxes	<input type="checkbox"/> Motor Vehicles Tax	<input type="checkbox"/> NYC Unincorporated Business Tax
<input type="checkbox"/> Business and Occupation Tax	<input type="checkbox"/> General Administrative Provisions	<input type="checkbox"/> NYC Commercial Rent Tax	<input type="checkbox"/> Personal Income Tax
<input type="checkbox"/> Charts and Calendars	<input type="checkbox"/> Initial Taxes	<input type="checkbox"/> NYC General Corporation Tax	<input type="checkbox"/> Property Tax
<input type="checkbox"/> Cigarette, Alcohol & Miscellaneous Taxes	<input type="checkbox"/> Insurance Companies Taxes	<input type="checkbox"/> NYC General Provisions Taxes	<input type="checkbox"/> Public Utilities Tax
<input type="checkbox"/> Commercial Activity Tax	<input type="checkbox"/> Intangibles Tax	<input type="checkbox"/> NYC Other Special Taxes	<input type="checkbox"/> Recordation Tax
<input type="checkbox"/> Corporate Income Tax	<input type="checkbox"/> Limited Liability Companies	<input type="checkbox"/> NYC Personal Income Tax	<input checked="" type="checkbox"/> Sales & Use Taxes
<input type="checkbox"/> Corporate Licenses	<input type="checkbox"/> Limited Liability Partnerships	<input type="checkbox"/> NYC Property Taxes	<input type="checkbox"/> Special Local Taxes
<input type="checkbox"/> Corporate Reports	<input type="checkbox"/> Loans Tax	<input type="checkbox"/> NYC Public Utilities Tax	<input type="checkbox"/> Stamp Tax
<input type="checkbox"/> Estate & Gift Taxes	<input type="checkbox"/> Mortgage Tax	<input type="checkbox"/> NYC Sales and Use Tax	<input type="checkbox"/> Stock Transfer Tax
<input type="checkbox"/> Financial Institutions Taxes			
<input type="checkbox"/> Franchise Tax			

Select Document Types:

<input type="checkbox"/> All Document Types	<input checked="" type="checkbox"/> Regulations	<input type="checkbox"/> Legislative Highlights
<input checked="" type="checkbox"/> Statutes	<input checked="" type="checkbox"/> Annotations	<input checked="" type="checkbox"/> Rates
<input checked="" type="checkbox"/> Explanations	<input type="checkbox"/> Federal Cases	<input checked="" type="checkbox"/> Rulings
<input type="checkbox"/> Forms Instructions	<input type="checkbox"/> State Cases	<input type="checkbox"/> Attorney General Opinions
<input type="checkbox"/> Official Material	<input type="checkbox"/> State & Local Weekly Newsletter	
<input checked="" type="checkbox"/> List of Approved Laws		

Enter Keywords: [Thesaurus/Query Tool](#)

© 2007 Thomson/RIA. All rights reserved.

As with the Federal Checkpoint materials, editorial explanations and annotations are an integral part of this service. The explanations are particularly useful when investigating a state's taxes with which you are unfamiliar, such as the Ohio commercial activity tax (CAT) or the business and occupation (gross revenue) tax of Washington State. The explanations contain links to all the supporting materials, making retrieval a seamless process. The annotations for court and agency decisions also are linked to their primary sources.

Special Features

RIA SALT has many features that were especially developed for this service. These options enhance the effectiveness and efficiency of researching state and local tax issues.

StateNet StateNet is a database consisting of all proposed and current enacted legislation in full text. For proposed legislation, the current status of bills can be tracked through StateNet. This is extremely valuable when a proposed change in the state tax law could have a major impact on the practitioner's clients. Status reports for legislative bills, executive orders, and ballot measures are furnished for each state. Within the Current Calendars heading is the Effective Date Calendar database, which lists each state's legislative enactment conventions. For example, California's effective date

for newly enacted legislation is the following January 1 or as provided in the Act, whereas South Carolina is twenty days after the Governor's approval, or as specified in the Act. Lastly, current legislative calendars are reproduced in StateNet.

All State Tax Guide The **All State Tax Guide** is a concise state-by-state analysis of all major taxes, with citations to state materials. The Guide covers interstate law, income allocation and apportionment, uniform acts, and the MTC. It offers numerous tables, charts, and checklists for a variety of tax data, as well as calendars for important reporting dates and monthly listings of recently approved state and local tax laws. The list of official state contacts makes it easy to find an address or phone number for taxing authorities. Also included is the *State & Local Taxes Weekly* newsletter.

State Newsletters and Journals The latest news on state tax developments is available through the *State & Local Taxes Weekly* newsletter. This newsletter offers practice-oriented analysis from national experts and breaking news, organized by state, making it easy to identify what is of interest to the practitioner. Also included with the SALT service is the *Journal of Multistate Taxation and Incentives*. The full-length articles in this journal generally report on multistate tax issues with an emphasis on practical planning opportunities, whereas the short technical comments focus on emerging tax issues for particular states.

Create-a-Chart The **Create-a-Chart** feature facilitates the building of multistate charts that can cut across a variety of taxes and/or states. These convenient summary charts can be exported to a word processing or spreadsheet document. The product supports linking information on the charts to controlling authority and/or RIA's explanation paragraphs. These links are maintained when the chart is exported. The practitioner can designate the type of tax (income, etc.), a chart type (tax rates, starting point for computing taxable income, etc.), and which states to include in the comparison. Over 100 chart types are offered in Create-a-Chart.

Compare It The RIA feature, **Compare It**, enables the researcher to compare the tax treatment of an item in one state to the treatment in another state or with the Federal treatment. This makes it easy to compare the tax treatment of an item in multiple states, and it eliminates the need to return to the list of documents when performing multiple state searches as would be necessary with Research Project 9-2. In Exhibit 9-7, for example, first locate the RIA sales tax explanations for Wyoming, click on Compare It, and then you can easily find the Montana and South Dakota sales tax explanations by merely clicking on the state names. Compare It is available only for explanatory materials, and not for state statutes or regulations.

As with the Federal databases, the SALT databases can be entered using the three search methods: keyword search, citation, and contents. The multistate search option is different, though. As a variant of a keyword search, it is demonstrated under the Keyword Search heading.

Keyword Search

The opening screen for RIA Checkpoint (see Exhibit 6-1, Chapter 6) allows the researcher to choose a practice area. Upon selecting "State & Local," Checkpoint offers a list of the states. All the states or any number of separate states may be designated for the search. At this juncture, one cannot enter keywords. Checkpoint requires that a type of tax and document be specified before a keyword search may occur. Exhibit 9-6 displays the choices for taxes and documents. The offerings ap-

Exhibit 9-7: RIA State & Local Document Screen and Compare It

The screenshot shows the RIA State & Local Document Screen and Compare It interface. The top navigation bar includes 'Home', 'Research', 'Newsstand', 'Tools', and 'Practica Development'. The main content area displays the text for '31,270. Commercial and business property.-- Wyoming (RIA)'. The text includes a definition of property used for industrial purposes, a list of activities, and a reference to the Wyoming Constitution and Statutes. The interface also includes a 'Compare It' button and a 'Table of Contents' link.

31,270. Commercial and business property.--

Property used for industrial purposes: Property used for industrial purposes is established as a separate class of property by the Wyoming Constitution. [[Wyo. Constitution Art. 15 §11.](#)] Property used for industrial purposes includes properties used or held for use for:

- manufacturing, milling, converting, producing, processing or fabricating materials;
- the extraction or processing of minerals; and
- the mechanical, chemical or electronic transformation of property into new products. [[Wyo. Stat. §39-11-101\(a\)\(xiv\).](#)]

Effective January 1, 2008, property used for industrial purposes does not include property owned by telecommunications companies and cable or satellite television companies (see § 31,640). [[Wyo. Stat. §39-11-101\(a\)\(xiv\).](#)]

For a listing of specific manufacturing and mining activities that qualify property for status as industrial property, see [Wyo. Rules Dept. Rev. Chapter 12-53.](#)

Inventories: Merchants' and manufacturers' **inventories** are exempt. [[Wyo. Stat. §39-11-105\(a\)\(xii\).](#)] For details, see § 31,830.

© 2007 Thomson/RIA. All rights reserved.

pearing on this screen are customized to the state(s) selected in the previous screen. Accordingly, this full list of taxes would not be offered for every state. Again, any or all of the taxes and document databases may be marked for the search.

With respect to Research Project 9-1, Virginia was selected in the list of states, sales tax was checked for the taxes, and several document types were marked in the document type section (see Exhibit 9-6). The search results link to explanations, regulations, and rulings pertaining to the sales taxes on bowling establishments in Virginia. By reading these documents, Research Project 9-1 can be fully analyzed. Rather than designating taxes and documents, the Search Other State Products option is available (see Exhibit 9-6). This accesses secondary sources such as RIA newsletters and journals in addition to StateNet and Federal cases on state topics. These databases may be searched using keywords or citations, depending on the nature of the database.

Multiple Sources Search As can be seen in Exhibit 9-8, one of the search choices offered is Search Multiple Sources. A comparison of Exhibits 9-6 and 9-8 reveals that the document categories are not similar for these two keyword search functions. In fact, the Search Multiple Sources is designed for entering keywords (1) selecting document sources (2), and then searching (3). This closely resembles the Federal Practice Area keyword search format (see Exhibit 6-1, Chapter 6), and the same thesaurus and query tool functions are available.

Along with primary sources, editorial materials, current newsletters, and journals, the Multiple Sources offers the Miscellaneous Multistate Materials database. This database consists of materials from the Multistate Tax Compact, the Multistate Tax Commission, and the Federation of Tax Administrators. It also contains numerous multistate agreements and acts, formulas for apportionment and allocation of income, and Federal laws on state taxation.

Since the Search Multiple Sources option lacks a tax type indicator, the type of state tax being investigated must be included as a keyword, to narrow the results to the particular tax of interest. As can be seen in Exhibit 9-8, for Research Project 9-1, the terms *bowling* and *sales tax* were entered as keywords, and Virginia was selected from the State and Local Taxes list. The documents identified using Search States were also located by Search Multiple Sources.

Citation Search

Unlike the Federal Practice Area, the SALT materials do not allow state citation searches directly on the opening screen. Rather, only Federal cases on state tax issues may be searched without selecting a state. The Federal cases may be searched by name of the plaintiff or defendant, citation, or keyword. Since customized templates for the different court reporters are not furnished, the researcher must know the proper format for the citation.

Exhibit 9-8: RIA Search Multiple Sources Screen

Checkpoint History | Options | My Folders | Help | Sign Off

Home Research Newsstand Tools Practice Development

Search | Table of Contents

Search
Practice Area:
State & Local

Search States
Search Other State Products
Search Multiple Sources ←

1 Enter Keywords:
bowling sales tax

3 Thesaurus/Query Tool
Search Clear All

2 Choose Sources from: All State & Local Save

Editorial Materials
+ Tax Alerts (RIA)
 News/Current Awareness
+ List of Approved Laws (RIA)
+ WG&L Journals
 Legislative Highlights (RIA)
 State & Local Taxes Weekly Newsletter (RIA)
+ StateNet (RIA)
 State & Local Taxes
Tip: For more focused results, select a Search States template from the left toolbar.
+ Ohio (RIA)
+ Oklahoma (RIA)
+ Oregon (RIA)
+ Pennsylvania (RIA)
+ Rhode Island (RIA)
+ South Carolina (RIA)
+ South Dakota (RIA)
+ Tennessee (RIA)
+ Texas (RIA)
+ Utah (RIA)
+ Vermont (RIA)
+ Virginia (RIA)
+ Washington (RIA)
+ West Virginia (RIA)
+ Wisconsin (RIA)
+ Wyoming (RIA)

Primary Source Materials
+ Federal Cases on State Tax Issues (RIA)
→ Miscellaneous Multistate Materials (RIA)
+ Archive Materials

State statutes, regulations, rulings, and cases may be located by citation, but a state must be chosen before these options appear. The citation templates are customized based on the state selected (see Exhibit 9-9), and only one state's citations may be searched at a time. If more than one state is chosen in Search States, the Find by Citation option is not offered.

State Searches also supports a keyword search for courts and rulings using date restrictions. These two searches, Cases by Court/Date and Rulings by Date, also require a state to be selected before the options are accessible, because the listing of courts and ruling types are also customized by state. While these are technically keyword search options, the taxpayer's name may be entered as the keyword, thus functioning similar to a citation search. The ability to restrict the search by date is particularly useful when updating a previously searched tax issue.

Contents Search

The RIA SALT service supports Table of Contents (TOC) and Index searches. These methods allow the researcher to treat the tax service as if it were in a printed book. Thus, as in a book, the TOC and Index can be browsed for the topic of interest. In many cases, this methodology for searching is more efficient than the keyword search. By narrowing the search through focusing on the contents of

Exhibit 9-9: RIA Find by Citation Search Screen

The screenshot displays the RIA Find by Citation Search Screen. The interface includes a navigation menu on the left and a main search area. The navigation menu has the following items:

- Search**
 - Practice Area: State & Local
 - Search States**
 - State & Local Taxes
 - New York
 - Search
 - Tox/Doc Type
 - Cases by Court/Date
 - Rulings by Date
 - Find by Citation
 - Cases
 - Statutes
 - Rulings
 - Regulations
 - Go To
 - New York Indexes
 - Search Other State Products
 - Search Multiple Sources

The main search area is titled "Find New York statutes by Citation" and contains the following text and input fields:

Please enter citation number and then click on the Search button.

- New York Tax Law: §
- New York City Administrative Code: §
- New York Abandoned Properties Law: §
- New York Agriculture and Markets Law: §
- New York Alcoholic Beverage Control Law: §
- New York Business Corporation Law: §
- New York Penal Law: §
- New York Civil Practice Law and Rules: §
- New York Cooperative Corporations Law: §
- New York County Law: §
- New York Education Law: §
- New York Energy Law: §
- New York Estates, Powers and Trust Law: §
- New York Executive Law: §
- New York General Business Law: §
- New York General Municipal Law: §
- New York Highway Law: §
- New York Insurance Law: §
- New York Limited Liability Company Law: §
- New York Private Housing Finance Law: §
- New York Public Authorities Law: §

databases, fewer extraneous documents are retrieved when a keyword search is performed. The limitation with this type of search is that only those databases containing tables of contents or indexes are searchable.

The Checkpoint TOC option is available from all screens. Therefore, the researcher does not need to be in the State and Local Practice Area to begin a TOC search. The methodology that is effective in a Federal TOC search also would be appropriate for the SALT search. Besides the editorial materials, StateNet, and newsletters, each state has a listing in the TOC.

One of the most useful subheadings listed for each state is the Index. By drilling down through the Index, the same documents previously identified for Research Project 9-1 can be found. Starting with Sales/Use in the Virginia Index, *bowling alleys* is one of the terms listed. Since the listing under Sales/Use is quite long and the keyword search is not permitted, using the “Ctrl-F” command to bring up the “Find” box and entering “bowling” quickly displays the entries desired. These drill-down techniques are efficient in locating pertinent documents; however, the drawback is that each subheading must be examined separately. Access to each state’s index is also furnished when it is the only state selected for the Search States option.

Research Project 9-2 requires the comparison of various taxes in three states. By using the drill-down method in RIA SALT, Montana, South Dakota, and Wyoming can be selected. Performing a keyword search with terms such as *corporation “income tax” rates*, the rates for each state (or no rates) are easily identified. Applying this same method for the other taxes of interest brings up all the essential information necessary to resolve Research Project 9-2.

CCH NETWORK STATE SERVICE

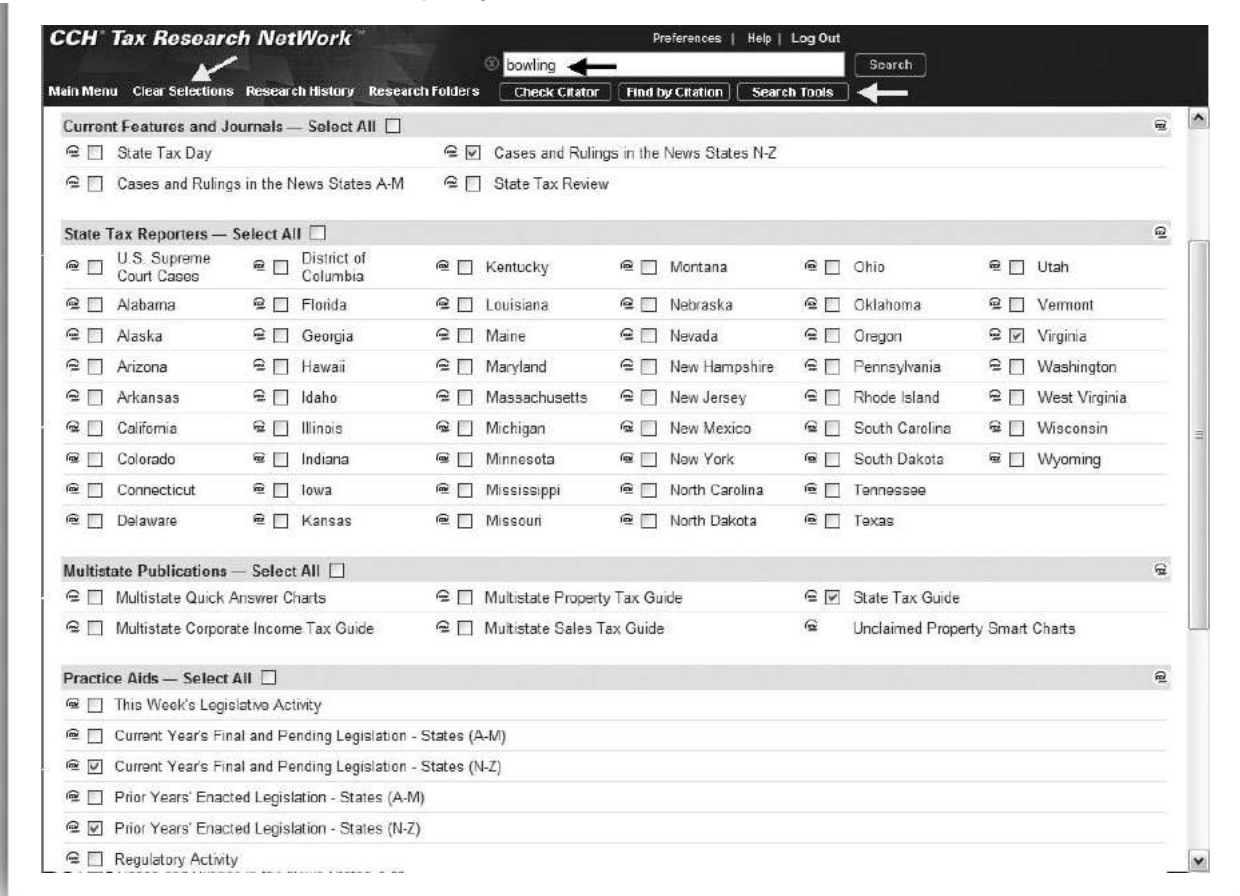
Like RIA Checkpoint, Commerce Clearing House’s Tax Research NetWork includes a complete state tax service. Unlike RIA, CCH features Sales/Property Tax and State Business Income Tax as practice area Tabs available from its opening window (see Exhibit 6-11, Chapter 6). The State Tax Tab provides access to the databases in these two tabs and all of the other state materials offered by CCH. This makes the initial screen of the State Tab quite lengthy. Due to this length, the very useful search option, Topical Indexes, located at the bottom of the screen, may be overlooked by researchers. Since all of the state materials are retrievable through the State Tax Tab, the focus in this section is solely on the State Tax Tab.

State Tax Tab

News Services The State Tax Tab begins with the Current Features and Journals (News) heading to stress the importance of keeping up-to-date on current state tax issues (see Exhibit 9-10). The state news database also is accessible from any of the state tabs. CCH’s daily news update is *State Tax Day*. The prior twelve months of issues may be searched by keyword or by TOC by clicking on the title. The TOC is organized by state and, within a state, by type of taxes the state imposes. News items that are not related to a specific state are found under the All States heading.

State Tax Review is a weekly newsletter that covers current changes in laws, new administrative rulings, and pertinent court decisions in every state. It also contains articles from experts on the CCH State Tax Advisory Board and contributing

Exhibit 9-10: CCH NetWork State Tax Opening Screen



editors. CCH has a series of Tax Alert newsletters and Cases and Rulings in the News by States. The latter are cases and rulings that have been promulgated in the past few months.

State Tax Reporters The backbone of the CCH state tax service is the **State Tax Reporters**. This service combines detailed explanations, primary source materials, and practical compliance guidance. All of the major taxes imposed by states and localities are covered by the service. Although the CCH explanations are organized by tax type, with links to related primary sources, state material is retrieved by selecting the state(s) of interest. RIA requires the researcher to identify the type of documents to be searched, but CCH assumes all materials are of interest. The list of document types searched can be reduced in the Search Tools feature. A list of what is being searched is summarized in the Search Tools window. (Search Tools is in the top Tool Bar; see Exhibit 9-10.) The State Tax Reporters may be searched using keywords, TOC, or a combination of the two.

Keyword Search: Searching the State Tax Reporters for a solution to Research Project 9-1 begins by selecting Virginia on the opening State Tax Tab Screen as shown in Exhibit 9-10. Always click Clear Selections (in the top Tool Bar; see Exhibit 9-10) before starting a new search to make sure only the

databases of interest are included. In case there are any current cases, rulings, or final or pending legislation with regard to bowling, these databases also are selected (see Exhibit 9-10). CCH automatically applies a thesaurus to the keywords entered, unless it is turned off in Search Tools. In this search, there are no synonyms for the word *bowling*. Search Tools is also where the type of keyword search may be changed to all terms, any terms, near, exact phrase, or Boolean if preferred.

Exhibit 9-11 is one of the Virginia documents retrieved by a CCH search. The buttons supplied above the annotation have links to the Statutes, Regulations, Explanations, Cases and Rulings, and Related Topics—State. This last button is the state version of the Federal Smart Relate feature and functions similar to the Compare It in RIA Checkpoint. Clicking on the button displays a list of related topics for each of the other states.

Content Search: Rather than checking the box before a state in the State Tax Reporters, clicking on the title displays a list of the three databases available for the state: State Tax Reporters, Smart Charts and Tools, and Topical Index. The contents of the State Tax Reporters and the Topical Index are organized by types of taxes and also contain other germane topics. This makes it possible for the user to pick a state and tax type, and then perform a keyword search. Using

Exhibit 9-11: CCH Document Search Results

The screenshot shows the CCH Tax Research Network interface. At the top, there is a search bar with the word "bowling" entered and a "Search" button. Below the search bar are navigation tabs: "Main Menu", "Clear Selections", "Research History", "Research Folders", "Check Citator", "Find by Citation", and "Search Tools".

Below the navigation tabs are several utility buttons: "Document List (# of 1)", "Nearby Documents", "Research Folder", "Store Document", and "Save Link". Each utility button has sub-buttons for "Previous", "Next", "List", and "1st Term".

The main content area displays the search results for "CCH-EXP, VA-TAXRPTR ¶60-230, Admissions, Entertainment, and Dues.--". Below the title, there are five buttons: "Statutes", "Regulations", "CCH Explanations", "Cases and Rulings", and "Related Topics—State". An arrow points to the "Related Topics—State" button.

The "Admissions, Entertainment, and Dues" section contains an "Annotations" link. The text of the annotation reads: "Generally, fees for admission or participation are not taxable, while charges that include entitlement to food or other tangible personal property are taxable. Equipment purchased for the operation of **bowling** alleys, country clubs, ski resorts, and other such places of amusement is taxable, but equipment purchased for resale is exempt."

Below the annotation are two sub-sections:

- Admissions**: "Generally, ticket sales, admission fees, or voluntary contributions for participation or admission to places of amusement, entertainment, exhibition, or games are exempt from sales and use tax. However, charges for admission, such as "cover charges" or "minimum charges" that include the entitlement to food, drinks, or other tangible personal property, are taxable. (23.VAC.10-210-30)"
- Major league baseball stadiums**: "Any county in which a major league baseball stadium with a seating capacity of at least 40,000 is located may levy a tax and a surcharge on admissions charged at any event at the stadium. The tax on admissions may not exceed 10% and the surcharge may not exceed 2% of the admission charge. The provisions of the law expired on January 1, 2005, because the Virginia Baseball Stadium Authority had not executed a lease with a major league baseball team. However, legislation passed in 2005 extended the sunset date to January 1, 2008. (Sec. 58.1-3318, Code)"

this method in the State Tax Reporters, checking Virginia, Sales and Use taxes, and entering the term *bowling* results in the same document list as a keyword search from the opening screen. The Topic Index may be searched in the same manner as the State Tax Reporters or using the drill-down method until bowling is found.

Multistate Publications CCH offers several multistate databases including corporate income tax, property tax, and sales tax guides. Each is designed to be an all-in-one guide emphasizing multistate planning yet delivering state-by-state details for every topic. Cost-effective planning ideas are presented, and the “at-a-glance” charts are effective in finding quick answers to each state’s treatment of key taxes.

Included with the specialized multistate databases is the State Tax Guide. This is similar to the Master Tax Guide, as it is intended for finding quick answers to everyday questions on taxes levied in every state. Thus, its treatment of tax issues is very concise—state tax statutes and pronouncements are summarized rather than reproduced. Each state has a page (Taxes by State heading) listing its major taxes, tax base and rates, and due dates. There also are charts (Charts heading) for most taxes that provide each state’s imposition and rates. This publication can be an extremely efficient tool when all that is needed is a short answer to a simple question or a comparison among a few states on a particular tax.

The information needed for Research Project 9-2 includes the rates for various taxes imposed by Montana, South Dakota, and Wyoming. Accordingly, the Quick Answer Charts in the Multistate Quick Answer Charts database or Charts in the State Tax Guide provides the data desired. These charts list each state that levies the tax of interest, the rates imposed, and/or the tax base to which the tax is applied. A chart can quickly be developed for the client of Research Project 9-2.

Practice Aids The latest in state legislation actions is found in the Practice Aids section of the State Tax Tab. This Week’s Legislative Activity, Regulatory Activity, Current Year’s Final and Pending Legislation, and Prior Year’s Enacted Legislation are located in the Practice Aids. In addition, the Tax Law by State contains primary tax law for each state. The Constitution for each state, its revised (consolidated) statutes, city and/or county ordinances, and uncodified (unconsolidated) statutes are obtainable through Tax Law by State.

Topical Indexes As previously mentioned, the last feature on the State Tax Tab is the Topical Indexes to the Multistate tax guides. Each state also has its own index, but these are accessed through the State Tax Reporter TOC for the state. The major advantage of using an index is that the definition of the term is considered, not just its occurrence in the document.

Citation Search

State citation searches are conducted in the same manner as a Federal citation search. Once in the State Tax Tab, the Find by Citation function presents templates that are appropriate for state citation searches. Templates are supplied for State Tax Day, Standard Federal Income Tax Reporter, United States Supreme Court, Final and Pending legislation, and for every state’s possible primary law sources. If a state is selected in the State Tax Reporters section, only the templates for that state will appear, as can be seen in Exhibit 9-12.



SPOTLIGHT ON TAXATION

Disposable Income

The Bureau of Economic Analysis computes per capita personal income. For 2005, the top five states by disposable income are located in the Northeast, and the lowest five states are in the Southeast and West. Louisiana's entrance into the bottom five is due to the hurricanes that brought severe destruction to the state.

Ranking	State	Per Capita Income
1	Connecticut	\$39,974
2	New Jersey	37,817
3	Massachusetts	37,711
4	Maryland	35,986
5	New Hampshire	34,399
46	New Mexico	25,045
47	West Virginia	24,761
48	Arkansas	24,264
49	Mississippi	23,246
50	Louisiana	22,813
Average	United States	35,509

U.S. Bureau of Economic Analysis, <http://www.bea.gov>.

LEXISNEXIS ACADEMIC

The state tax data included in the LexisNexis Academic service is offered through both of the searching engines, Search and Sources. The libraries presented in each are, to some extent, singular. Accordingly, the Search and Sources Tabs each are visited to make a thorough search of the documents available in Lexis Nexis Academic.

Search

As with Federal tax research, state tax libraries are located at the Legal button on the Search Tab. Exhibit 9-13 illustrates that the two primary state tax sources are cases (Federal & State Cases) and statutes (Federal & State Codes). The pull-down menu for the cases is visible for the Select Sources. Notice that a particular state may be selected to search. Cases can be searched for by using keywords, plaintiff and/defendant names, citation (examples of proper format are supplied in Citation Help), judge's name, and counsel or firm name. Date restrictions also are possible. The entry boxes for these search options cannot be seen in Exhibit 9-13 as they are behind the pull-down menu. Any cases retrieved may be run through the Shepard's Citator to determine their precedential value.

The state code searching is more limited in the number of databases offered. All state constitutions, statutory provisions, court rules, and so on are in a single library. Date restrictions are not permitted.

Sources

When Sources, Taxation Law is selected as the Area of Law in Step 1 and United States is the Country Filter in Step 2, the sources can be filtered further by select-

Exhibit 9-12: CCH Find by Citation

CCH Tax Research Network Preferences | Help | Log Out

Main Menu Clear Selections Research History Research Folders Check Citorator Find by Citation Search Tools

Find by Citation

Type the citation number in the appropriate box and click on Search.

Search Enter a complete citation:

State Tax

New York

Search

Search CCH ¶

Search N.Y. Tax Law §

Search N.Y. Real Property Tax Law §

Search N.Y. Cons. Laws, Ch. §

Search Reg. § (N.Y. State)

Search TSB-M- Example: 99(3)C

Search TSB-A- Example: 99(51)S

Search ALJ and TAT: DTA No.

Search Important Notice: N- -

Search Guidance:

Search N.Y. 2d

Search N.Y. 3d

Search N.Y.

ing a region or specific state from the pull-down menu shown in Exhibit 9-14. The categories of sources (Step 3) are customized to the region or state chosen. The sources offered are more expansive than in the Search Tab. Besides the state cases and regulations available through the Search Tab, Sources may contain state revenue decisions, newsletters, journals, IRS pronouncements, and even Kleinrock materials and newspaper articles. The selection of sources varies greatly by state or region. However, state constitutions are not one of the sources included in these sources. Therefore, the Search Tab would need to be accessed for any research on constitutional questions.

WESTLAW STATE SERVICES

Westlaw contains an extensive library of databases for state tax research. Exhibit 9-15 shows only part of the list of these databases. Note that the list includes the Bureau of National Affairs (BNA) Tax Management Portfolios devoted exclusively to state taxes, and the RIA state series. Besides furnishing access to all state tax statutes, regulations, court cases, and administrative pronouncements, Westlaw enhances the tax practitioner's ability to stay ahead of the curve on new state legislation by providing

Exhibit 9-13: LexisNexis Academic Legal Search

LexisNexis® Academic

Start | Sign Out | Contact Us | Help

Search Sources

General | News | Legal | Business | People

Federal & State Cases

Enter Search Terms Terms and Connectors Natural Language

Enter a question, a sentence, or a few descriptive terms. Use quotation marks for an exact phrase. Do not use wildcard characters such as ! or *.

Required Terms (Optional) Specify terms that must be found in retrieved documents:

Select Sources Federal & State Cases, Combined

Case Name

Citation Number

Specify Date

Judge's Last Name

Counsel or Firm Name

AK Federal & State Cases, Combined
AL Federal & State Cases, Combined
AR Federal & State Cases, Combined
AZ Federal & State Cases, Combined
CA Federal & State Cases, Combined
CO Federal & State Cases, Combined
CT Federal & State Cases, Combined
DC Federal & State Cases, Combined
DE Federal & State Cases, Combined
FL Federal & State Cases, Combined
GA Federal & State Cases, Combined
GU Federal & State Cases, Combined
HI Federal & State Cases, Combined
IA Federal & State Cases, Combined
ID Federal & State Cases, Combined
IL Federal & State Cases, Combined
IN Federal & State Cases, Combined
KS Federal & State Cases, Combined
KY Federal & State Cases, Combined
LA Federal & State Cases, Combined
MA Federal & State Cases, Combined
MD Federal & State Cases, Combined
ME Federal & State Cases, Combined
MI Federal & State Cases, Combined
MN Federal & State Cases, Combined
MO Federal & State Cases, Combined
MS Federal & State Cases, Combined
MT Federal & State Cases, Combined
NC Federal & State Cases, Combined
ND Federal & State Cases, Combined

Terms and Conditions

Use of this service is subject to [Terms and Conditions](#).

Legal Searches

- > Law Reviews
- > **Federal & State Cases**
- > Shepard's® Citations
- > Federal & State Codes
- > Tax Law
- > Canadian Court Cases
- > Canadian Legislation
- > European Union, Commonwealth & Foreign Nations
- > Patents

Related Links

How do I...?

- > Find case law by party names or legal citation?
- > Find all Supreme Court cases on a particular legal topic, such as the 1st Amendment's freedom of speech?
- > Find federal cases that refer to a specific U.S. Code citation?
- > View additional Federal and State Cases search form topics?

View Tutorials

Clear Form

LexisNexis® About Lexis Copyright © reserved.

databases to track current, pending, and proposed state bills. Newsletters such as the BNA Daily Tax Report and the RIA State and Local Taxes Weekly also help keep the practitioner up-to-date.

Find and KeyCite

The Find a State Tax Document, on the opening Tax Tab screen (see Exhibit 7-11, Chapter 7), allows the researcher to enter the citation for state primary sources. Since the templates for entering citations are based on the state chosen, searching for a specific state document is easy if the general citation is known.

Another method for entering state law citations is to use **KeyCite**. The citation, however, must be in a format recognized by Westlaw. If the researcher does not know the format, the Publication List can be referenced. Unlike Find by Citation, the KeyCite publication list is not linked to templates for entering the citations.

Directory

There are two ways to access the state databases in the Directory. The first method is through the Topical Materials by Area of Practice and selecting Taxation. The

Exhibit 9-14: LexisNexis Academic Browse Sources

LexisNexis® Academic

Start | Sign Out | Contact Us | Help

Search Sources

Browse Sources | Find Sources

Browse Sources

1 By Publication Type News & Business Topics Industry Area of Law

2 Filter by: Country: United States | Northeast | All Publication Types | All sources

Trail: Area of Law > Taxation Law

3 Select a category to view sources

[Up a level]

- Combined Federal & State Tax Journals
- Combined State Tax Publications
- CT Department of Revenue Rulings
- CT Tax Cases & Department of Revenue Services Administrative Material
- DE Tax Cases and Department of Finance Decisions, Rules, & Regulations
- Inside New York Taxes
- Kleinrock New York Tax Bulletin
- MA Appellate Tax Board Decisions and Department of Revenue Rulings
- MA Tax Cases, Department of Revenue Rulings, & Appellate Tax Decisions
- Massachusetts Appellate Tax Board Decisions
- Massachusetts Department of Revenue Directives
- Massachusetts Department of Revenue Letter Rulings
- Massachusetts Department of Revenue Technical Information Releases
- New York Tax Highlights
- The New York Times - Taxation Law Stories
- New York University Tax Law Review

1-32 of 32 Sources

State Tax Materials is one of the files in the list. It contains the complete list of state tax databases found in Exhibit 9-15.

The second Directory heading leading to state tax materials is the U.S. State Materials. Since a taxation subheading is not displayed as one of the library options, a comprehensive search of state tax materials is not possible. By selecting the Other U.S. States subheading, however, access to tax materials is available through each state because Tax Materials is one of the legal topics offered for each state. Thus, each state's tax databases must be searched separately. To search across states, the researcher would select from libraries such as Case Law or Statutes & Legislative Services. Drilling down through these libraries, the researcher arrives at databases covering taxation.

Tax Tab

The Tax Tab lists several headings for state taxation (see Exhibit 7-11, Chapter 7). Expanding the More ... headings presents an extended list of the state tax materials and databases (Statutes, Regulations, Cases, and Administrative Decisions) by individual state. Whether selected on the Tax Tab opening screen or after expanding the list, the databases may be searched using either natural language (all terms searched) or terms and connectors. Field filters are available, as is a thesaurus.

Exhibit 9-15: Westlaw State Databases

The screenshot displays the Westlaw website's 'Westlaw Directory' page. At the top, there are navigation links: FIND&PRINT, KEYCITE, DIRECTORY, KEYSEARCH, COURT DOCS, SITE MAP, HELP, and SIGN OFF. Below this, there are tabs for 'Tax', 'Westlaw', 'Business & News', and 'Add/Remove Tabs'. The main content area is titled 'Westlaw Directory' and contains a search section on the left and a list of databases on the right. The search section includes a search box, a 'Go' button, and dropdown menus for 'Recent Databases' and 'Favorite Databases'. The list of databases includes: State Cases - Multistate (MTX-CS), State Headnotes - Multistate (MTX-HN), Multistate Taxation - Combined Tax Materials (MTAX-ALL), Multistate Tax Statutes Annotated (MTX-ST), Multistate Tax Bill Tracking - Summaries & Status (MTX-BILLTRK), Multistate Tax Bill Text (MTX-BILLTXT), Administrative Decisions - Multistate (MTX-ADMIN), BNA Daily Tax Report (BNA-DTR), BNA Daily Tax Report - RealTime (BNADTR-REALTIME), Bills - Allstates - Summaries & Full Text Combined (ST-BILLS), Bill Tracking - All States - Summaries & Status (ST-BILLTRK), Bill Text - All Fifty States - Full Text (ST-BILLTXT), Bill Text Archives (BILLTXT-OLD), BNA Tax Management State Tax Portfolios (TM-STATEPORT), BNA TM State Portfolios: Doing Business in States Other Than the State of Incorporation (Alabama through Michigan) (TMSTPORT-1770), BNA TM State Portfolios: Doing Business in States Other Than the State of Incorporation (Minnesota through Wyoming) (TMSTPORT-1780), Federal Limitations on State and Local Taxation 2d (FLSALT), State Bill Track Archives (ST-BILLTRK-OLD), State Bills Archives (ST-BILLS-OLD), Statutes Annotated - Allstates (ST-ANN-ALL), Legislative Service - Allstates (LEGIS-ALL), Hellerstein & Hellerstein: State Taxation (WGL-STATE), RIA All State Tax Guide (RIA-STG), RIA State & Local Taxes (RIA-STATE), RIA - State and Local Taxes Weekly (RIA-SLTW), and Cases - Individual States.

One can search some of the state tax databases by TOC. The State Tax Portfolios are listed in the TOC pull-down menu (see Exhibit 7-11, Chapter 7). Further, RIA products and some of the treatises have TOCs that can be browsed.

Practitioners performing state research frequently will want to create state and/or federal circuit case tab(s) for easy access to these databases. Unfortunately, there are not state tabs dedicated solely to taxation.

BNA STATE SERVICES

The BNA complements its U.S. Tax Management Portfolios with a State Tax Series. As with the other BNA Portfolios, the state series is topic-driven and features analysis, insights, and guidance from leading state and local tax authorities on a variety of state issues. Some of the Portfolios offer an overview of a tax topic, while others focus on complex income, sales and use, or property tax issues. For topics such as credits and incentives or income taxation, it may take several Portfolios to cover all of the states. The state taxes and a sampling of the types of issues covered by the more than sixty State Portfolios are presented in Exhibit 9-16.

Exhibit 9-16: BNA State Portfolio List**BNA State Portfolio Topics****Taxes and Issues Covered**

Corporate Income & Franchise Taxes
 Gross Receipts Taxes
 Personal Income Taxes
 Property Taxes
 Sales and Use Taxes
 Excise Taxes
 Special Industry Taxes
 State Environmental Taxes
 State Taxation of Electronic Commerce
 State Taxation for Specific Industries
 State Taxation for Specific States
 State Environmental Taxes
 State Taxation of Compensation and Benefits
 Limitations on States' Authorities to Taxes

Issues Covered

Procedures and Administration
 Managing State Tax Audits
 State Tax Appeal Systems
 State Tax Audit and Collection Procedures
 Definition of a Unitary Business
 State Formulary Apportionment
 Choice of Entity
 State Taxation of Pass-Through Entities
 Consolidated Returns and Combined Reporting
 Mergers and Acquisitions
 Business Credits and Incentives
 State Tax Aspects of Bankruptcy
 Doing Business Across State Lines
 Unclaimed Property

Source: <http://www.bna.com>.

The State Portfolios have the same format as the U. S. series. Each State Portfolio begins with a Portfolio Description, which gives a brief overview of the topic and the order in which the materials are presented. The Portfolios contain the three usual BNA sections: (A) Detailed Analysis, (B) Working Papers, and (C) Bibliography and References. The Portfolio sections are updated in response to state tax changes, and, when necessary, the complete Portfolio is rewritten. BNA has been adding new Portfolios to cover emerging issues and to round out the State Portfolios offerings.

When unfamiliar with a state topic, the overview Portfolios furnish a thorough but easy-to-comprehend introduction to the topic. Those Portfolios focusing on a specific technical state topic may assume a certain level of practitioner sophistication and therefore are more difficult for the state research novice. As with the U.S. portfolios, the state statutes, regulations, rulings, and court case opinions are integrated into the analysis with citations footnoted or included in the text. The critical documents cited are reproduced in the working papers section. Other useful aids furnished in the State Portfolios include the following.

- Interactive state forms
- Reproductions of model acts
- Sample sales and use certificates
- Tables, charts, and lists
- State tax administrations' addresses and telephone numbers
- Keyword indexes, state-by-state indexes

Although BNA does not offer a full state tax service like RIA, CCH, or Westlaw, the State Portfolios and its news reports can compete with any provided by other services. If the practitioner can find a Portfolio that covers the state tax issue of

interest, BNA has performed the key research, and all that needs to be done is to apply the results to the facts of the client's situation.

OTHER RESOURCES

Warren, Gorham & Lamont (WG&L/RIA) publishes the *State Taxation* treatise by Jerome R. Hellerstein and Walter Hellerstein. This two-volume treatise, currently in its third edition, is possibly the most comprehensive single work on state and local taxation. The authors have undertaken the ambitious task of assembling a comprehensive review of all state and many local tax laws plus the court decisions interpreting those laws. Because few published works address state taxation in such a thorough manner, *State Taxation* has been cited by many state courts and even the U.S. Supreme Court as the authority on state taxation. Westlaw and RIA offer this treatise as part of their SALT services and it is also available in print.

The *Multistate Corporate Tax Guide* is another useful treatise. The two volumes (or CD ROM) concentrate on key corporate tax issues in sales and use taxation and income-based taxes for all states and some localities such as New York City and D.C. The treatise provides quick access to each state's position statements on tax issues through numerous charts. Much of the analysis is based on data collected through questionnaires completed by the top state officials who interpret and apply the state laws. To assure timeliness and relevancy of the information, the treatise is updated mid-year with a supplement.

PERIODICALS AND INTERNET SITES

State tax journals and newsletters contain a variety of articles and news briefs that are designed to keep readers current with regard to developments in general areas of state and local taxation and tax issues specific to a given state. These articles may contain, for example, an in-depth review of a recently decided court case, a broad analysis of state tax factors that should be considered in tax planning, or a call for reform of a statute by a neutral (or biased) observer. The articles can suggest new approaches to tax problems, give guidance for solving complex problems, or just explain a new law in a readable form.

Journals

Two important state taxation journals are the *Journal of Multistate Taxation and Incentives* (WG&L/RIA), with ten issues per year, and *Journal of State Taxation* (CCH), published bimonthly. Both of these journals focus on practical solutions to state and local taxation, as well as creative planning strategies for multistate business operations and individuals with multistate tax liabilities. These journals keep the subscriber informed on critical areas of state and local taxation nationwide and provide expert assessments of important cases and their potential impacts. Generally there are reviews of current state legislative issues to keep the reader up-to-date on state proposed, pending, or enacted legislation. Articles may cover legal, accounting, and business aspects of multistate entities. Both journals also focus on incentives offered by states to encourage business growth and expansion.

Newsletters

Tax Analysts publishes two influential state tax periodicals, *State Tax Notes* and *State Tax Today*. Like the Tax Analysts flagship, *Tax Notes* (see Chapter 7), *State*

Tax Notes is an authoritative source for news and commentary on state and local taxation. This weekly publication provides the latest news from all fifty states and D.C. plus in-depth analysis from leading experts in state taxation. Summaries of all judicial, administrative, and legislative developments are also included in *State Tax Notes*.

The purpose of *State Tax Today* is to furnish the most current state tax news on a daily basis. It covers every state, D.C., and U.S. territories. There are links to full-text state documents and U.S. Supreme Court, State Supreme Court, and appellate court decisions. Beside news briefs, *State Tax Today* has in-depth analytical articles, commentaries, and special reports.

Many of the other tax publishers provide state newsletters. For example, the *Tax Management Weekly State Tax Report* is the BNA analog to the Tax Analysts *State Tax Notes*. It gives a state-by-state analysis of state code and regulations, state administrative, judicial court decisions, and state administrative pronouncements as does *State Tax Notes*. Other state newsletters and reports published by BNA include:

- State Tax Legislation Monitor
- State Insights & Commentary
- State Tax Regulation Monitor
- Weekly State Tax Report
- Multistate Tax Report (print only)
- E-mail Highlights notification of the week's state tax highlights

The CCH newsletter is called *State Tax Day*, and RIA's is *State & Local Taxes Weekly*. Both are offered through the publishers' Internet tax services.

Internet Sites

As described in Chapter 7, the *Tax and Accounting Sites Directory* web site (<http://www.taxsites.com>) contains links to numerous tax resources on the web. The state and local listing has links to each state's taxing agency, legal information, organizations, and government sites. In addition, links to general locators, sales/use tax, news topics, organizations, tax rates and data, state tax guides, and e-commerce tax are included in the state and local screen.

SUMMARY

With so much of a business's tax bill being composed of nonfederal taxes, planning for state and local taxation has become more important to taxpayers and therefore to tax researchers. The research service industry has responded to this escalating need, creating a greater variety of more sophisticated tax research products that are designed

to improve the practitioner's efficiency and effectiveness in state and local research. As SALT consulting becomes more of a mainstay for practitioners, tax services will provide more options for research. Consequently, state and local tax research tools likely will be among the fastest changing components of the major tax services.

TAX TUTOR

Reinforce the tax research information covered in this chapter by completing the online tutorials located at the *Federal Tax Research* web site: <http://academic.cengage.com/taxation/raabe>

KEY WORDS

By the time you complete this chapter, you should be comfortable discussing each of the following terms. If you need additional review of any of these items, return to the appropriate material in the chapter or consult the glossary to this text.

All State Tax Guide	National Conference of Commissioners on
Commerce Clause	Uniform State Laws
Compare It	National Nexus Program
Create-a-Chart	Privileges and Immunities Clause
Due Process Clause	Public Purpose
Equal Protection	RIA Checkpoint State & Local Tax (SALT)
Joint Audit Program	State Tax Reporters
KeyCite	<i>State Taxation</i>
Multistate Alternative Dispute Resolution Program	StateNet
<i>Multistate Corporate Tax Guide</i>	Supremacy Clause
Multistate Tax Commission (MTC)	Uniform Division of Income for Tax Purposes
Multistate Tax Compact	Act (UDITPA)
	Uniformity Clause

DISCUSSION QUESTIONS

1. Why are taxpayers emphasizing state and local tax planning?
2. Why have state and local taxes been increasing over recent years?
3. Approximately what percentage of the national tax burden is made up of state and local taxes?
4. On what were the early taxing systems based in the southern states? The northern states?
5. What state was the first to introduce an income tax? In what year? What was the first city to have a sales tax? In what year?
6. What is Tax Freedom Day? What organization computes Tax Freedom Day?
7. Describe the different constitutionality challenges with regard to Federal and state taxes.
8. Discuss the supremacy provision in the Federal Constitution.
9. Which clause in the Federal Constitution contains the most significant limitation on state taxing authority?

10. What are the four criteria for imposition of state taxation set forth in *Complete Auto Transit Inc.*?
11. List two situations where the Due Process Clause has limited the scope of a state's taxing authority.
12. What is the importance of the *Quill* and *Wrigley* cases?
13. What do the Equal Protection and the Uniformity Clauses of most state constitutions require?
14. Why are corporations not covered by the Privileges and Immunities Clause?
15. What are the two clauses of the U.S. Constitution that specifically restrict state taxation?
16. What is the definition and purpose of "public purpose" for state tax law?
17. Explain how the passage of a state tax bill is similar to the passage of a Federal law.
18. When would Federal rulings be pertinent to state tax issues?
19. What is UDITPA and what is its significance with regard to the Multistate Tax Compact?
20. What is the Joint Audit Program that the MTC offers?
21. What is included in the RIA Checkpoint StateNet?
22. What is the function of the Compare It feature in RIA?
23. Compare the Multiple Sources search with the State and Local Taxes initial search option in RIA.
24. Discuss the citation search capabilities in the RIA state and local tax practice area.
25. When the keyword search option is not offered, such as with the RIA State Index, what is another method of performing this type of search?
26. What are the differences between the CCH news sources *State Tax Day* and *State Tax Review*?
27. In the CCH Network State Tax service, how can a researcher reduce the list of documents searched? How is this different from the RIA method?
28. What is the CCH equivalent to the RIA Compare It function?
29. Describe the differences in locating the TOC for a data set in RIA and CCH.
30. What is the function of the State Tax Guide offered by CCH?
31. Explain whether one can search the same libraries with the LexisNexis Academic Search engine and its Sources engine.
32. What tax service may be offered as one of the state databases in the LexisNexis Academic service?

33. Describe the two methods that work through the Westlaw Directory to search state tax documents.
34. Are the BNA State Portfolios organized by state? If yes, is there a portfolio on each state? If no, what is the organization?
35. What are the different sections in a BNA State Portfolio? How similar are these to the sections provided in the U.S. Income series?
36. Comment on the coverage and usefulness of the treatise *State Taxation*.
37. How does the *Multistate Corporate Tax Guide* gather its data?
38. Name two state taxation journals and indicate who publishes each.
39. Compare the state tax newsletters published by Tax Analysts and BNA.
40. Why does this chapter not provide a listing of state and local tax web sites?

EXERCISES

41. Locate the web site for the MTC.
 - a. Define the three levels of membership in the MTC.
 - b. Provide a brief summary of one of the latest articles in the *Multistate Tax Commission Review*. (Hint: Publications are found in Resources.)
 - c. What is the Nexus Program? When was it founded?
 - d. How does a taxpayer initiate joint audits?
 - e. The MTC provides a link to the Federation of Tax Administrators (FTA). What is the title and date of the most recent FTA Meeting?
42. Use the RIA Checkpoint State & Local Practice area to locate the 1990 *Alamo Rent-a-Car, Inc. v. Sarasota-Manatee Airport Authority* case, using the Federal Cases in the State Taxes option.
 - a. What is the citation for the case, and what court heard this case?
 - b. What clauses of the U.S. Constitution is Alamo alleging were violated?
 - c. Must the plaintiff and defendant names in the case be entered to find the case? Explain your response.
 - d. Read this case. Perform a keyword search to locate the case without using the plaintiff or defendant names. If necessary, use the Search Within Results feature. What keywords did you use for the general search and (if necessary) for your follow-up search?
43. Use the RIA Checkpoint State & Local Practice Area to answer the following questions.
 - a. Select the state in which the university you are attending is located and go to the next screen. What corporate items are provided in the tax type list? Is there a tax on intangibles, mortgages, or stock transfers?
 - b. Select Washington as the state of interest and go to the next screen. What is the first tax type listed? What corporate items are provided in the tax type list? What is the database title for individual income taxes?

- c. Select the state in which the university you are attending is located. What is the rate of tax per pack of cigarettes? Compare your state's rate to that of Washington State.
 - d. In what order are the Tax Types listed? In what order are the Document Types listed?
44. Use the RIA Checkpoint State & Local Practice Area to answer the following questions.
 - a. For the state of your choice, compare the listing of documents available under the option Select Document Types in the Search States (SALT) with the list for the same state in the TOC.
 - b. Using the Index in the TOC for the state of Illinois, what are the listings for the letter "H" under the "stamp" heading?
 - c. In the Vermont TOC, what annotation is addressing the constitutionality of land gain taxes found in Recordation?
 - d. In the Miscellaneous Multistate Materials TOC, what are the U.S. statute titles listed for Federal Laws on State Taxation?
45. Use the CCH NetWork State Tax to answer the following questions regarding the state in which the university you are attending is located.
 - a. What is the title of the most recent article in State Tax Day related to this state?
 - b. What is the most recent court case for this state?
 - c. In the State Tax Reporters, perform a keyword search using the term "escheat." What does this term mean and to what does it apply? In what paragraph did you find the answer?
 - d. Using the Topical Index for Multistate Property Tax Guide, perform a keyword search for "dining car." Under what headings are there entries for this term?
46. Use the CCH NetWork State Tax to answer the following questions.
 - a. Does Hawaii allow estates a personal exemption? If yes, what is the amount, and what is the state statute allowing such amount?
 - b. Use the tab Related Topics—States while in the document found in part a of this question. Which states seem to give standard deductions or personal exemptions to estates?
 - c. Select all states to determine which states provide a personal exemption for estates. Use the keywords *estate* "personal exemption" in your search. Was this method as effective as the method used in part b of this question? Explain your response.
 - d. Turn on the Thesaurus (use Search Tools). Select a state and perform a keyword search using the term *Devise*. What synonyms are also searched?
47. Use the CCH NetWork State Tax to perform a TOC search and answer the following questions.
 - a. Did Alaska ever have a personal income tax? If yes, what was the last year Alaska collected the tax?
 - b. Use the Multistate Quick Answer Charts to determine the diesel fuel tax for the state in which your university is located. Which state has the highest gasoline tax?
 - c. Which state had the most tax legislation enacted since the beginning of the year?
 - d. Using the State Tax Guide Topical Index, determine which states have *Jai Alai* taxes.

48. Using the LexisNexis Academic, Sources option, select New York as the Filter and Taxation as the Area of Law to answer the following questions.
 - a. Perform a keyword search for “*use tax*” (as a single term) with the *New York Times* as the source. What is the title of an article published in the last three years that addresses a use tax issue?
 - b. At what date does the Kleinrock New York Tax Bulletin coverage begin in this service? How frequently does this bulletin get published?
 - c. What are the title and author of the most recent article in the *New York University Tax Law Review* with these three separate keyword terms: *property*, *tax*, and *abatement*? Did you use a natural language or terms and connector search?
49. Use LexisNexis Academic, Search option, Legal to answer the following questions.
 - a. Locate the *International Business Machines v. State Board of Equalization*. What is its citation, what court heard it, and when was it decided?
 - b. Explain whether the *International Business Machines v. State Board of Equalization* case is one upon which a practitioner should rely.
 - c. Apply the Shepard’s Citator to the *International Business Machines v. State Board of Equalization* case. How many citing decisions are there for this case? How many headnotes?
50. Use LexisNexis Academic to answer the following questions.
 - a. Select Sources, By Area of Taxation—Taxation, Filter by—West. Which states does LexisNexis Academic consider to be western states?
 - b. Using the same data set in part a of this question, what treatises and analytical materials are provided for the western states?
 - c. Select Search, Legal. In what year was the Missouri constitution adopted?
51. Use Westlaw to answer the following questions regarding the *Village Bank and Trust Co.* (471 A.2d 1187) case.
 - a. What year was the case decided and by what court?
 - b. Clicking on the KeyCite Notes located in the West Headnotes provides access to three cases. What are the three cases and what KeyCite “flags” are associated with each?
 - c. Using KeyCite, is the list of citing cases presented the same as that found in part b of this question? What KeyCite “flag” is associated with the *Village Bank* case?
 - d. What are the cases listed in the Table of Authorities for the *Village Bank* case? How much reliance does it place on these cases?
52. Use the Westlaw Tax Tab to answer the following questions.
 - a. What is the title of Chapter 22 in Hellerstein on State Taxation? (Hint: TOC is available on the search screen)
 - b. Use the TOC for RIA State Tax Guide to determine what state violated the Commerce Clause by allowing an exemption from tax for products made from a native plant. (Hint: RIA State Tax Guide is found in the More heading.)
 - c. Use the Multistate Taxation—Combined Primary Materials to determine in which states morticians are subject to collecting sales taxes on their products and services.
53. Use the Westlaw Tax Tab to answer the following questions.
 - a. Through Directory, U.S. State materials, select a state. What topics are covered in the Tax Materials for the state?

- b. Determine whether boarding a pet with a veterinarian is subject to sales tax in Wisconsin.
 - c. For the search performed in part b of this question, what is the first article suggested in ResultsPlus that appears in the American Jurisprudence 2d edition?
 - d. Select Directory, Topical Practice Areas, Taxation, State Tax Materials Complete List. Under the Key Number Service, what number is assigned to state taxation?
54. Use the service of your choice (RIA, CCH, LexisNexis, or Westlaw) to answer the following questions.
- a. Locate *Complete Auto Transit, Inc. v. Brady*. What is the type of tax that was being examined in the case? Provide two parallel citations for the case and the name of the justice delivering the opinion.
 - b. Locate *Quill Corp. v. North Dakota*. What was the disposition of the case by the Supreme Court? Provide two parallel citations for the case and the name of the justice delivering the opinion. Name any judges that filed dissenting opinions.
 - c. Locate *Wisconsin Department of Revenue v. Wrigley*. What tax years are reviewed by the case? Provide two parallel citations for the case. Who were the attorneys for the respondent and petitioner? Were there any dissenting opinions?
 - d. Locate *Commonwealth Edition Co. v. Montana*. What is the type of tax that was being questioned in the case? Provide two parallel citations for the case. What two Federal clauses were addressed in the case?
55. Use the BNA Tax Management Portfolios, State Series to examine the following questions.
- a. Is there a portfolio for each state? Which state has the most portfolios?
 - b. Generally, what are the Portfolio Series numbers for the portfolios that address state business entities and transaction issues?
 - c. What are the title and number of the Portfolio that addresses the court imposed limitations due to nexus issues?
 - d. Which portfolios were written by a team of professionals with no affiliation mentioned, rather than by authors identified by name and affiliation?
56. Use the BNA Tax Management Portfolios, State Series for the following questions.
- a. What is the title of State Portfolio 1550? How many worksheets are included in this Portfolio?
 - b. Which Portfolio explains the QSSS election for S corporations?
 - c. How many parties are usually involved in a drop shipment transaction? In which Portfolio did you find your answer?
57. Locate state tax newsletters to answer the following questions.
- a. What is the title of the most recent article in *Tax Analyst State Tax Today* discussing royalty trusts?
 - b. What is the most recent article in *BNA Tax Management Weekly State Tax Reporter* discussing the streamlining of sales taxes?
 - c. What is the title of the most recent article in *CCH State Tax Day* on gasoline taxes?

- d. What is the title of the most recent article in *CCH State Tax Review* that discusses sales tax obligations of telephone carriers? How many years of *CCH State Tax Review* are maintained in the Archives?
 - e. What is the title of the most recent article in *RIA State & Local Taxes Weekly* newsletter on state renewable energy technology tax credits? How many years of *RIA State & Local Taxes Weekly* are archived?
58. Find an article in the *Journal of Multistate Taxation and Incentives* on the following topics. Provide the authors, title of the article, and date published.
- a. The ad valorem property taxes on a baseball stadium.
 - b. Most recent economic incentives provided to the film industry.
 - c. Credits and exemptions used by Mississippi to promote development of broadband technology.
 - d. The most recent article on the dividends-received deduction.
59. Use the *Journal of State Taxation* to answer the following questions.
- a. What is the title of the most recent article on web-related activities and potential nexus problems?
 - b. What are the volume and number of the most current issue? What is the lead article?
 - c. Who is the current editor of the journal? Is there anyone on the advisory board that is from the university you attend? If yes, list the name(s).
 - d. Who is the author of the article titled “Throwback of Foreign Sales”? What are the year, volume, and issue number in which the article appears?
60. Use Internet sites to answer the following questions.
- a. Provide the links to three News & Topics sites provided by Tax Sites for states (<http://www.taxsites.com>).
 - b. Visit three national associations that are concerned with state tax issues. Provide their URLs.
 - c. Visit the web site of your state’s agency responsible for taxation (Department of Revenue for many states). Provide the URL for this agency. For California, provide both agencies’ URLs.
 - d. Select an adjacent state and give a summary of one of its taxes. (You could use Alaska and Hawaii as a pair.)

RESEARCH CASES

61. Tom and Verna are going to combine their fishing businesses to become more profitable. Tom currently lives in Mississippi and Verna lives in Louisiana. They would prefer to set up the business as an S corporation, but only if it will not be subject to state taxation. Since Verna and Tom live within twenty miles of each other, they don’t have a preference as to the state of incorporation. Does it make a tax difference which state they choose?
62. NewCity, California, charged Rick a real estate transfer tax when his property was relinquished to the Federal Housing Administration (FHA) in its capacity as his loan guarantor. The amount charged was the same as the amount Rick was required to pay the county. Can Rick be required to pay this tax, or should the FHA pay it?

63. TimberCut Corporation transferred all the rights to timber growing on its land located in Spokane County, Washington, to its wholly owned subsidiary, PineCo. The Department of Revenue has imposed a real estate excise tax on TimberCut because PineCo transferred \$1 million cash to TimberCut. Is TimberCut's transfer a sale of timber land subject to the taxes imposed?
64. WaterWorks Corporation has decided to sell off one of its amusement parks located in Texas. Several businesses have been identified as possible buyers. It is unlikely that one of these businesses will purchase all of the assets of the amusement park, but WaterWorks is confident that it can sell all of the assets to various parties within a six-month period. Is this sale subject to Texas sales tax?
65. A tribal nation in Kansas is considering building a gas station to accommodate travelers through their reservation. Before undergoing the considerable expense for construction, the tribal members want to know whether the fuel sold will be subject to state fuel taxes. This will make a difference in the profitability of the project. Is gasoline sold on a federally recognized reservation subject to the fuel tax imposed by Kansas?
66. A town in Vermont wants to charge property tax on a lot and building used by a not-for-profit organization as its administrative office. To be exempt from property taxes, the property must have the following characteristics.
- Be dedicated to public use
 - Have its primary use directly benefit a class of persons who are part of the public
 - Be owned and operated on a not-for-profit basis
- Does administrative use of the building meet the definition for the exemption?
67. Iowa imposes a tax on the operation of slot machines. The rate is graduated, based on slot machine revenues. Can Iowa charge a higher maximum rate to racetrack owners than it does to riverboat owners, without violating the equal protection clause of the U.S. Constitution?
68. The Pluto Corporation has been mining ore in Oklahoma for many years. A new mine just developed is producing ore containing uranium. Pluto would like to know the rate of the severance tax on mined uranium, and upon what base the tax is assessed.
69. The Peppermint Partnership operates a successful candy business. It is considering taking the partnership public and becoming a master limited partnership. If it does so, will it be subject to the corporate franchise tax in New York, where its headquarters and operating plant are located?
70. Rodney has been in the South Carolina National Guard for the past twenty years. This is his last year as an active member. Since Rodney turns sixty-five in August of this year, he will begin collecting Social Security benefits and Guard retirement pay. His employer laid him off in January, and Rodney qualified for unemployment compensation. Rodney received severance pay of \$50,000 when terminated by his employer. Which of these amounts are taxable to Rodney in South Carolina?

71. Poplar Inc.'s corporate headquarters, plants, and warehouses are located in Vermont. Until this year, all of Poplar's sales have been made in Vermont. Poplar's first out-of-state sale of \$1 million (cost of sales, \$300,000) is shipped by a common carrier trucking firm from its warehouse to the purchaser's dock in Indiana. The truck stops for gasoline in New York and Ohio, and its driver spends a night in Ohio. To which states must Poplar apportion income from the sale? How much income is taxed in each such state?
72. A religious organization is considering spreading its message into Illinois by opening several churches. As part of its ceremonies, wine is consumed by its members. The church would like to know the consequences for the alcoholic beverage tax if it ferments its own wine. What if, instead of making the wine, the church purchases it from an importing distributor?
73. The Ohio Government Employees Credit Union (Union) was created by merging the Ohio Teachers Bank, the Ohio Transit Credit Association, and the Federal Government Workers Credit Bank. The stock issued by the merged entity is held by those having deposits in Union. Union believes that it is not subject to the Ohio franchise tax (an income tax), because immunity is implied under the Supremacy Clause of the U.S. Constitution. Union believes it is closely connected with the government and thus should be exempt from taxation. Is Union correct in its conclusion that it is not subject to the Ohio franchise tax?
74. Travis Smith and Carmela Jones operate a successful law firm in Portland, Oregon. They are considering opening another office across the Columbia River, in Vancouver, Washington. Travis and Carmela would like to know if they then would be subject to any business or personal taxes in Washington. If they are subject to any taxes, can they use those taxes as a credit or a deduction on their Oregon income tax returns, as taxes paid to another state?
75. Jie Wang wants to open a new funeral parlor in Colorado. She would like to know the sales/use tax implications for this business. Are morticians considered to be rendering services, are they selling tangible personal property, or a combination of both? Specifically, Jie needs to know whether she should contract funeral services as one lump sum, or would it be more beneficial to itemize the charges for caskets, urns, and so on separately from the services offered?
76. Brock and David are equal shareholders of an S corporation that manufactures electric razors. They are interested in opening a plant in the south. They want to know whether Florida or Alabama would be the best state to move to, considering only tax consequences. The main concern is with regard to income taxes (corporate and personal), franchise taxes, and intangible asset property taxes. Brock and David expect the S corporation to generate \$400,000 annual taxable income.
77. Melkry, an Ohio corporation, provides tugboat services on the Great Lakes to vessels weighing at least 800 tons. Each of Melkry's tugboats weighs approximately 100 tons. Michigan has assessed use tax on repair materials, fuel, and capital assets purchased by Melkry for its operations. Is Melkry subject to the use tax?

78. EmiLu Corporation is a private delivery company that hires independent contractors with their own trucks to deliver car parts to various auto repair shops in Pennsylvania. EmiLu contracts with the manufacturers of the car parts to make the deliveries, and then it hires the drivers in Pennsylvania to deliver the parts. EmiLu has no property, employees, or customers in Pennsylvania. EmiLu is incorporated in Delaware, where all the car part manufacturing customers are located. Is EmiLu subject to the corporate franchise tax in Pennsylvania?
79. Earl and Kathy live on the Big Island of Hawaii in the town of Captain Cook. Because the altitude is high, they have coffee plants growing on their property. Most of their neighbors grow coffee on their property as well. Earl and Kathy collect the coffee from their property and that of their neighbors, and then they dry the coffee in a special building they have constructed on their land. Does this activity affect their qualification for the home exemption for Hawaii property taxes?
80. Chuck Taylor owns a fish processing plant in Alaska. Some of the processing chemicals and fish remains could be considered hazardous wastes. What possible state and local taxes does Chuck need to be concerned about when disposing of these materials?