



ONE FIRM
WORLDWIDE®

STATE AND
LOCAL TAX

Jones Day Tax Practice: State and Local Tax

The Trends

The state and local tax landscape is rapidly evolving as jurisdictions respond to economic shifts, competition to attract and retain businesses, compliance challenges, and other emerging factors. Key trends include:

- **Apportionment.** States continue to adopt combined reporting, single sales factor apportionment, and alternative apportionment to address potential income shifting by multistate and multinational businesses. Some states—including Maryland, Tennessee, and Vermont—have considered worldwide combined reporting. The growth in services and cloud-delivery of services is driving states to customer-based sourcing, often through reinterpretation of traditional apportionment laws. Tax counsel play a vital role, including advising on compliance, evaluating the impact of changes in proposed acquisitions, and representing businesses in audits, appeals, and litigation.
- **Federal Partnership Audits.** As IRS enforcement activity increases under the Bipartisan Budget Act partnership audit regime, businesses must navigate inconsistent state rules for reporting federal partnership audit results. Tax counsel help interpret state conformity, manage state reporting deadlines, and advise on the multistate consequences of federal adjustments, especially for partners.
- **Digital Taxation.** Amid the growth of the digital economy, states are broadening their sales tax bases to include digital goods and services, including advertising. These expansions are occurring both through new legislation and reinterpretation of older statutes. Counsel can assess the taxability of digital products and services, help structure transactions to mitigate risk, and defend taxpayers in disputes.
- **Enforcement.** States are intensifying audits, including sales tax, apportionment, transfer pricing, and withholding. Additionally, private actors are using state whistleblower and qui tam laws to assert novel tax theories that expose businesses to treble damages and penalties. Our team conducts audit readiness assessments, manages audit responses, and represents clients in administrative appeals and litigation. We also skillfully challenge unsupported theories advanced by third parties.
- **Unclaimed Property.** Tax departments are frequently drawn into unclaimed property audits that require different resources and approaches than traditional tax audits. Increasingly, unclaimed property audits are conducted by private contingency fee firms. Also, private actors use whistleblower and qui tam laws in this context. We represent clients nationwide in audits and related litigation to achieve fair, efficient resolutions. Unclaimed property exposure has gained focus in transactional due diligence, and we assist purchasers and sellers addressing these concerns.

How We Can Help

Jones Day's dedicated and experienced state and local tax team provides comprehensive support in multistate consulting, planning, policy, and controversy. We have represented clients in nearly every state and across all major tax types and unclaimed property.

- **Tax Consulting.** Our team advises clients on the taxability of products, services, and transactions to ensure compliance and mitigate risk. We also review purchase agreements in acquisitions to identify tax exposures and propose solutions.
- **Strategic Tax Planning.** We develop tailored strategies aligned with client goals. We analyze nexus, apportionment, sourcing, and other considerations to identify tax-saving opportunities, and deliver actionable recommendations.
- **Tax Policy.** We monitor statutory and regulatory amendments and help shape policy by presenting the business case for or against proposed changes, as well as trends across states. Our team engages with government affairs professionals and has assisted clients before organizations such as the Multistate Tax Commission, National Conference of State Legislators, and National Association of Unclaimed Property Administrators.
- **Tax Controversy.** Our team supports clients through all phases of tax disputes—from audits to litigation and judicial appeals. Early engagement allows us to identify issues, preserve privileges, and craft proactive strategies. We prioritize resolution at the administrative level to minimize cost, leveraging our long-standing relationships with state tax officials. For appropriate matters, our tax litigators partner with our trial and appellate lawyers to achieve successful results.

Who Will Be Impacted?

A broad range of businesses may be impacted: multinational and multistate corporations; pass-through entities; businesses offering digital products or services; companies involved in mergers, acquisitions, or internal reorganizations; and entities engaged in intercompany transactions. Proactive monitoring and early engagement with counsel are key to ensuring compliance, minimizing exposure, and identifying strategic opportunities.

Key Contacts

For further information regarding our Tax Practice, please contact your principal Firm representative or one of the lawyers listed below.



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