

This Week in State Tax (TWIST)

November 10, 2025



Multistate: Recent actions on state conformity to OB3

Several states have recently taken action or provided guidance with respect to their conformity to the provisions of the One Big Beautiful Bill Act (OB3).

District of Columbia: D.C. City Council Chairman Phil Mendelson recently proposed a resolution, which was unanimously approved by the Council, to sever the District's conformity to many of the provisions of OB3. Recall, D.C. law conforms to the provisions of the Internal Revenue Code (IRC) on a rolling basis, so any changes made to the IRC automatically become law in the District unless the Council acts to not conform. The Chairman introduced an emergency resolution to decouple from the OB3 provisions to avoid a negative revenue impact to the City, allow the Council more time to review which federal tax changes should be adopted, and give the Office of Tax and Revenue more time to develop forms and guidance on the tax changes in OB3. Following approval of the resolution, the Council also unanimously approved the "D.C. Income and Franchise Tax Conformity and Revision Emergency Amendment Act of 2025" (Bill B26-0457), which is a temporary 90-day measure under which the District would decouple from most OB3 provisions, including IRC § 168(k) (bonus depreciation), IRC § 168(n) (bonus depreciation for qualified production property), IRC § 174A (full expensing of domestic Research & Experimental expenditures), and the amendments to IRC § 163(j) (interest expense disallowance). From an individual tax perspective, D.C. would decouple from no tax on overtime or tip income, the increased standard deduction, and personal interest on car loans. Concurrently, the Council unanimously approved the "D.C. Income and Franchise Tax Conformity and Revision Temporary Amendment Act of 2025" (Bill B26-0458), which would make changes in Bill B26-0457 permanent following approval by the D.C. Mayor and a subsequent review period by Congress. Both Bills, B26-0457 and B26-0458, are with Mayor Bowser for approval. Please contact [David Meyer](#) with questions on [Council Chairman Mendelson's Request](#), [Bill B26-0457](#), or [Bill B26-0458](#).

Iowa: The Iowa Department of Revenue has issued guidance on the interaction between the Iowa corporate code and certain OB3 changes. Recall, Iowa is a rolling conformity state and thus generally conforms to the changes under OB3. For tax years 2019 and after, however, Iowa modified its conformity to the IRC and enacted a law providing a subtraction modification for "global intangible low-taxed income" (GILTI) to the extent it was included in Iowa taxable income. OB3, effective January 1, 2026, changed the computation of GILTI and renamed the income as "Net CFC Tested Income" (NCTI). The new guidance from the Department indicates that because references to GILTI in the IRC were changed to NCTI, Iowa's subtraction modification which specifically references "global intangible low-taxed income" will not extend to NCTI. Thus, to the extent that NCTI is included in federal taxable income, it will also be included in Iowa taxable income, absent any subsequent state law

Learn about us:



kpmg.com

The following information is not intended to be "written advice concerning one or more federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

© 2025 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS011027-1AG

This Week in State Tax (TWIST)

November 10, 2025



change. The guidance further indicates that Iowa will conform to the OB3 changes affecting Foreign-Derived Intangible Income (FDII), renamed as “Foreign-Derived Deduction Eligible Income” (FDDEI), because state law incorporates the deductions allowed under IRC section 250 which include both FDII and FDDEI. Finally, the departmental guidance notes that corporate taxpayers included on a consolidated federal return may be required to file separate Iowa returns or file an Iowa consolidated return that includes only those members that are subject to Iowa corporate income tax, which may require a re-computation of NCTI and FDDEI for Iowa purposes. Please contact [Dale Busacker](#) with questions on the [Iowa Department of Revenue's GILTI/NCTI and FDII/FDDEI Guidance](#).

Illinois: During its recent veto session, Illinois lawmakers passed Senate Bill 1911, which now awaits Governor Pritzker’s signature. The bill would decouple the state from IRC § 168(n) (bonus depreciation for qualified production property), while also updating state law language to conform with the OB3 provision replacing GILTI with NCTI. Recall, Illinois enacted a measure allowing a corporation to deduct only 50 percent of its GILTI (now NCTI). The new law also removes the sunset date on the state’s elective pass-through entity tax adopted previously to create a workaround for owners of certain pass-through entities to the federal state and local tax deduction limit; it was set to expire on January 1, 2026. Please contact [Brad Wilhelmson](#) with questions on the [Amended Senate Bill 1911](#) and other matters in the Land of Lincoln.

Minnesota: Minnesota begins its state tax corporation tax calculations with the Internal Revenue Code, as amended through May 1, 2023, meaning it does not conform to the changes in OB3 under current law. The Minnesota Department of Revenue has published draft versions of their 2025 Corporate Franchise tax forms (not for filing), reflecting how OB3 changes affecting tax year 2025 will affect Minnesota corporate tax returns. Notably, the Department directs taxpayers to use Schedule M4NC (Federal Adjustments) to calculate nonconformity adjustments related to federal tax changes. Please contact [Dale Busacker](#) with questions on Minnesota’s [2025 Corporation Franchise Tax Forms](#) and other corporate matters in the Gopher State.

Pending Updates: In other OB3 related news, Indiana Governor Mike Braun has signed a proclamation calling for a special legislative session to, among other things, address OB3. In Delaware, [H.B. 255](#) is working its way through the General Assembly and includes a number of decoupling provisions related to OB3. We will continue to monitor these developments and provide updates in TWIST as they become available.

Learn about us:



kpmg.com

The following information is not intended to be “written advice concerning one or more federal tax matters” subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

© 2025 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS011027-1AG