



# TWIST-Q | Summary of developments— Second quarter 2025



This checklist includes developments for the second calendar quarter of 2025 that have occurred prior to the date of publication. Please note that certain items may be dated earlier as these items were first made publicly available during the second quarter of 2025. Additionally, there may be developments that occur or legislation that will be enacted after we release this checklist. Please stay tuned to [TWIST weekly](#) for additional updates.

Rate Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
The 10 percent corporate income surtax is extended for an additional three years to tax years beginning before January 1, 2029. All other provisions of the surtax remain unchanged. House Bill 7287 (enacted June 23, 2025).	CT				
The \$2.5 million cap on combined reporting, which is the amount of additional tax that can be imposed on a unitary group above what would have been imposed had each group member filed separately prior to the application of the surtax and available of credits, is removed for tax years beginning on or after January 1, 2025. House Bill 7287 (enacted June 23, 2025).	CT				

Rate Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
An exemption to the 50 percent cap on net operating loss (NOL) usage has been eliminated. Under prior law, a taxpayer that elected on its 2025 return to forfeit 50 percent of its outstanding pre-2015 NOLs was permitted to deduct pre-2015 NOLs without regard for the cap. A combined group that made this election is permitted to reclaim the NOLs it waived on its 2015 return. House Bill 7287 (enacted June 23, 2025).	CT				
Automatic annual rate reductions will apply to the personal income, corporate income, and/or financial institution privilege taxes in any year when certain revenue requirements are met. Reductions will initially apply to the personal income tax until all personal rates are reduced to 4 percent. Afterwards, reductions will apply to the corporate income and financial institution privilege taxes until the maximum corporate income rate reaches 4 percent and the maximum privilege tax rate reaches 2.6 percent for banks and 2.62 percent for trust companies and loan associations. Senate Bill 269 (enacted April 10, 2025).	KS				
The top corporate income tax rate of 7.25 percent was not extended, and will revert back to 6.5 percent for tax years beginning on or after January 1, 2027. Assembly Bill 3009C (signed May 9, 2025).	NY				
Metropolitan Commuter Transportation District rates and brackets have been restructured, with separate rate structures applying in each of two designated "zones". Assembly Bill 3009C (signed May 9, 2025).	NY				

Rate Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
The receipts portion of the Philadelphia Business Income and Receipts Tax will be reduced from 1.415 mills to 1.410 mills in 2025, and be phased out entirely starting in 2038, and the net profits rate is being reduced from 5.81 percent to 5.71 in 2025, and eventually to 2.8 percent by 2038. The city is also eliminating an existing exclusion covering the first \$100,000 of taxable receipts received by a taxpayer for tax years after 2024. Bill No. 25019900. (signed June 13, 2025).	PA				
The City of Philadelphia will annually reduce the tax rate applicable to its Wages and Net Profits Tax. In 2025 these rates will be reduced from 3.44 percent to 3.43 percent (for nonresident taxpayers) and 2.25 percent to 2.24 percent (for resident taxpayers). By 2029, the rates will fall to 2.20 percent and 3.39 percent, respectively. Bill No. 25019500 (signed June 13, 2025).	PA				
The income and franchise corporate tax rates are lowered from 4.55 percent to 4.5 percent for taxable years beginning on or after January 1, 2025. House Bill 106 (signed March 26, 2025).	UT				
IRC Conformity	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
For tax years beginning on or after January 1, 2025, Hawaii adopts the Internal Revenue Code as amended as of December 31, 2024. Senate Bill 1464 (signed May 29, 2025).	HI				
South Carolina has adopted the Internal Revenue Code as amended through December 31, 2024, and provides that provisions extended by Congress during 2025 are also extended for South Carolina corporate income tax purposes. Senate Bill 507 (signed May 22, 2025).	SC				

IRC Conformity	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
Virginia has paused the state's rolling conformity to the Internal Revenue Code. Virginia will not conform to any federal amendment that increases or decreases state revenue by any amount passed between January 1, 2025 and January 1, 2027. The limitation does not apply to federal tax extenders. Virginia will resume its use of rolling conformity on January 1, 2027. House Bill 1600 (signed May 2, 2025).	VA				
For tax years beginning on or after January 1, 2025, Vermont adopts Internal Revenue Code as amended through December 31, 2024. House Bill 493 (signed May 21, 2025).	VT				
Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
Alabama has decoupled from the federal capitalization and amortization of research expenditures provided in IRC 174. Under the new law, an Alabama taxpayer may immediately deduct "research and experimental expenditures" without regard to the amortization method that took effect for federal purposes in tax year 2022, or may elect to use pre-TCJA methods. This provision is retroactive to all tax years beginning on or after January 1, 2024. House Bill 163 (signed May 31, 2025).	AL				
Illinois has expanded the corporate income tax base to include 50 percent of global intangible low-taxed income that was included for federal purposes under IRC 951A (before the related IRC 250 deduction). This change will apply to tax years ending on or after December 31, 2025. House Bill 2755 (signed June 1, 2025).	IL				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
Illinois now requires that any federal reduction of a unitary group’s deductible interest expenses caused by the IRC 163(j) limitation be applied to expense deductions claimed by group members included in the Illinois combined report before applying the reduction to group members excluded from the Illinois combined report. Additionally, there will no longer be an exemption to the related party addback statute for payments to entities that are subject to tax in a foreign country or state. Agreements with arm’s-length rates and terms are exempted from the addback provision only if the recipient will pay the interest received to another unrelated person (i.e., as a conduit) or if the taxpayer establishes by clear and convincing evidence that the resulting adjustment would be unreasonable. This change will apply to tax years ending on or after December 31, 2025. House Bill 2755 (signed June 1, 2025).	IL				
The Comptroller of Public Accounts ruled that at least a portion of a “printing as a service” (PaaS) business line was properly classified as sales of a service, meaning that the taxpayer could not include the service-related PaaS expenses in its cost of goods sold (COGS) deduction or its service-related PaaS receipts in the rate determination. Because the taxpayer had not provided sufficient documentation to carve out any portion of its PaaS expenses or receipts as related to the sale of tangible personal property, the taxpayer was required to use the 30 percent of total revenue deduction (the most favorable deduction after removing PaaS expenses from COGS) and the standard tax rate when computing franchise tax due. Tex. Comptroller of Pub. Accounts, No. 202412006H (issued November 26, 2024).	TX				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
Texas has enacted legislation which allows rebate payments made by a registered securities market facilitator to a broker or dealer, as a part of a securities transaction, to be excluded from total revenue for Texas Franchise purposes. The legislation applies only to reports originally due on or after January 1, 2026. Senate Bill 1058 (signed May 13, 2025).	TX				
Nexus and P.L. 86-272	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
A New York state trial court upheld the New York Department of Taxation and Finance (DTF) “internet activities” regulation, which aligns with the Multistate Tax Commission’s (MTC) updated interpretation of Public Law 86-272. The MTC interpretation identifies certain internet activities as exceeding “solicitation”, and treats those activities as occurring in the state where the customer is located, thus disqualifying a business from P.L. 86-272 immunity if customers located in New York utilize those activities. The court found the rule a valid interpretation of P.L. 86-272, but ruled against retroactive application to periods before December 2023. <i>American Catalog Mailers Ass’n. v. Dep’t. of Tax. and Fin.</i> , No. 903320-24 (Albany Cnty. Sup. Ct. April 25, 2025).	NY				
The Oregon Tax Court recently ruled that a national broadcaster had economic nexus in Oregon through its affiliate stations, despite lacking physical presence in Oregon and executing contracts outside the state. The Tax Court found economic nexus because the taxpayer’s programming was continuously present in Oregon, a portion of ad revenue was attributable to Oregon viewers, and affiliates used the taxpayer’s intangible property (i.e., branding and programming) in Oregon. <i>NBCUniversal Enterprise, Inc. v. Dep’t of Revenue</i> , No. TC-MD 170037R (Or. Tax Ct. Mar. 25, 2025).	OR				

Apportionment Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
Arkansas has updated its definition of “apportionable income” to be consistent with the latest recommendations of the Multistate Tax Commission. This change appears to limit the effects of the recent Arkansas Supreme Court decision in <i>Hudson v. Murphy Oil.</i> , where an Arkansas taxpayer was permitted to allocate the entirety of an expense that was outside the regular course of its trade or business entirely to Arkansas, its commercial domicile. Such a method would likely be disallowed under the new definition of apportionable income. Act 719 (signed April 18, 2025).	AR				
Arkansas now computes the sales factor using only receipts from transactions and activity in the regular course of business, effective for tax years beginning on or after January 1, 2026. Act 719 (signed April 18, 2025).	AR				
Arkansas has adopted market-based sourcing for sales of services and other sales of other than tangible personal property, effective for tax years beginning on or after January 1, 2026. If a taxpayer that is principally engaged in various specified communications services, then it may elect to continue using income-producing activity sourcing through tax years beginning before December 31, 2035. Act 719 (signed April 18, 2025).	AR				
Banking, financial, and savings and loan activities are no longer “qualified business activities” that entitle a taxpayer to use of the three-factor apportionment method. Accordingly, any taxpayer that generates a majority of its gross receipts from such activities will be required to use the default (single sales factor) apportionment method for years beginning on or after January 1, 2025. Senate Bill 132 (signed June 27, 2025).	CA				



Apportionment Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
Illinois is changing from a Joyce apportionment method to a Finnigan approach. Under the new provision, a unitary group will be required to include the sales of each of its members (without regard to whether the member has individual Illinois nexus) when computing its sales factor. House Bill 2755 (signed June 1, 2025).	IL				
Kansas will move to a single sales factor apportionment formula based on receipts starting in tax year 2027. Any taxpayer that previously made an irrevocable election to use a two-factor apportionment formula is eligible to revoke that election and adopt the new method starting in 2027. Publicly traded companies will be eligible for a deferred tax impact deduction based on the effects of the change on their deferred tax position. House Bill 2231 (signed April 24, 2025).	KS				
Kansas has adopted market-based sourcing for sales of services and other sales of other than tangible personal property, effective tax year 2027. However, any communications service provider may continue to source its sales under the previously existing "income producing activity/cost of performance" rule. House Bill 2231 (signed April 24, 2025).	KS				
A Massachusetts appellate court upheld the taxation of a nonresident on gains from selling stock in a company he founded while residing in Massachusetts. The court ruled that nonresident gains from stock sales could be Massachusetts-sourced if "related to the taxpayer's compensation for services." The taxpayer's expectation of future stock value and payout from his work provided evidence that the gain was derived from employment. Welch v. Comm'r of Revenue, No. 24-P-109, (Mass. App. Ct. Apr. 3, 2025).	MA				



Apportionment Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
The Massachusetts Appellate Tax Board ruled that a shoe company qualified as a manufacturer required to use single sales factor apportionment. The Board stated that the creation of blueprints or other design sheets is an “essential and integral part of a total manufacturing process,” and because there was no evidence to dispute that the taxpayer derived a substantial part of its income from the sale of footwear that it helped manufacture, it was engaged in manufacturing in substantial part. <i>Skechers USA, Inc. v. Comm’r of Revenue</i> , No. C344671 (Mass. App. Tax Bd. May 5, 2025).	MA				
Filing Methods	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
New York now requires partnerships to report any federal adjustments for the reviewed year to the state within 90 days; and partners are required to pay any additional tax due within 180 days after the final federal determination or the filing of an administrative adjustment request—unless the partners elect to have the payment made at the partnership level. These provisions are effective immediately, but adjustments with a final determination date or administrative adjustment request occurring before May 9, 2025 must be reported to the state within one year of that date. No interest will accrue on these adjustments. Assembly Bill 3009C (signed May 9, 2025).	NY				

Credits	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
Louisiana repealed the inventory tax credit for C-corporations effective July 1, 2026. A parallel constitutional amendment that would have encouraged localities to eliminate or reduce inventory taxes was defeated by voters. As a result, with no further legislative changes, local governments will not have the ability to eliminate or reduce the inventory tax, and C-corporations will not be able to claim the inventory tax credit against their income or franchise taxes beginning on July 1, 2026. Act 5 (signed June 19, 2024).	LA				
The Massachusetts Department of Revenue (Department) issued a Technical Information Release to assist financial institutions seeking to file amended returns to claim the state research credit in light of a recent court decision. The Department intends to promulgate a regulation that permits a financial institution affected by the decision to elect into an “alternative simplified method” on the resulting amended returns. Mass. Tech. Info. Release 25-3 (issued May 9, 2025).	MA				
A South Carolina appellate court ruled that the statutory \$5 million limit on the South Carolina investment credit is an annual limitation and not a lifetime cap. Duke Energy Corp. v. S.C. Dep’t of Revenue, No. 2020-001542 (S.C. Ct. App. Mar. 26, 2025).	SC				

Credits	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
Texas has extended and modified the franchise tax credit for certain research and development (R&D) expenses. The rate at which such expenses are credited is increased to a new general rate of 8.722 percent of the difference between the amount of qualified research expenses incurred in the current period and 50 percent of the average amount of qualified research expenses from the three most recent tax periods. Additionally, certain taxable entities that do not owe any franchise tax for the period can claim and receive a refund in the amount of the credit it would have received had it owed tax. Finally, the definition of a "qualified research expense" is now tied specifically to the portion of the amount reported on line 48 of federal Form 6765 for the tax year in question attributable to research conducted in Texas. The new version of the R&D credit will be effective starting January 1, 2026. House Bill 2206 (pending signature).	TX				

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us:



[kpmg.com](https://www.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. Printed in the U.S.A. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization. USCS031677-1A