



TWIST-Q | Summary of developments— Third quarter 2025



This checklist includes developments for the third 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 third quarter of 2025. Additionally, there may be developments that occur or legislation that will be enacted after we release this checklist. Any developments marked with an asterisk (*) occurred or were enacted after the prior quarterly checklist was released but prior to the beginning of the current quarter and are considered events from the prior quarter.

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, 2024, Maine adopts the Internal Revenue Code as of December 31, 2024. Legislative Document 48 (signed July 1, 2025).	ME				
For tax years beginning on or before January 1, 2025, Rhode Island taxpayers will be required to add to their taxable income “any amount of income, deduction or allowance” that would be subject to federal income tax but for the One Big Beautiful Bill Act (OB3) or any similar Congressional enactment. House Bill 5076A (effective without signature June 29, 2025).	*RI				

Tax Base	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, if a taxpayer chooses to deduct the unamortized amounts of domestic research and experimental (R&E) expenses fully or ratably under the OB3 provisions, the amounts deducted must be added back to the Alabama taxable income to the extent they were previously deducted on an Alabama tax return, as Alabama allowed taxpayers to elect to fully deduct R&E expenses incurred on or after January 1, 2024. Notice on Research and Experimental Expenditures (September 11, 2025).	AL				
The District of Columbia has changed the timing of the combined reporting deduction. The deduction will now be available for the first seven tax years beginning after December 31, 2029. It was previously available for the first seven tax years beginning with the 15th year of a group's combined filing. Other aspects of the deduction remain unchanged. D.C. Bill 26-0340 (signed September 3, 2025).	DC				
Because conforming to the OB3 amendments to IRC Sections 174 and 174A (R&E expense deduction), Section 168(n) (Bonus depreciation for qualified production property), and Section 163(j) (Business interest deduction limitation) will each individually impact Maryland revenue by greater than \$5 million, Maryland will decouple from these provisions beginning with tax year 2025 and any prior tax year. However, Maryland will conform to the OB3 amendments to IRC Sections 174 and 174A, 168(n), and 163(j) beginning tax year 2026 unless the state legislature enacts decoupling provisions. Maryland will immediately conform to the amendments to Sections 179 Expensing, GILTI, and FDII. 60 Day Report on One Big Beautiful Bill, Md. Bureau of Revenue Estimates (September 5, 2025).	MD				

Tax Base	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, Rhode Island will decouple from the OB3 changes to IRC sections 174 and 174A. Thus, state corporate taxpayers must amortize domestic R&E expenses, even when fully expensed at the federal level. Certain small business taxpayers that elect to accelerate domestic R&E expenses incurred in tax years 2022 through 2024 on an amended return, must also file a respective Rhode Island amended return showing an addback of the federal deduction. Rhode Island also decouples from the federal election to accelerate expensing for unamortized amounts, incurred in tax years 2022 through 2024, in 2025 or ratably over a taxpayer's 2025 and 2026 tax years. R.I. Adv. Notice 2025-18 (September 12, 2025).	RI				
New guidance from the state Comptroller clarifies that any arrangement that qualifies as a sales-type lease under Financial Accounting Standard 13 will be treated as a "sale" for purposes of determining both the character of the taxpayer's primary business and its cost of goods sold. A sales-type lease under FAS 13 generally means a lease that meets certain criteria, including that the collectability of the minimum lease payments must be reasonably predictable and no important uncertainties can surround the amount of reimbursable costs yet to be incurred by the lessor. STAR Document 202507015M (released July 31, 2025).	TX				

Apportionment Changes and Developments	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, 2026, amended regulations establish a presumption that the benefit of a service is in the state if the services involve real property located in the state, tangible personal property located in the state, intangible property used in the state, or individuals physically present in the state. The service provider must maintain books and records in the normal course of business to substantiate the sourcing. Should the benefit of the service not be capable of substantiation by the company's books and records, then methods for reasonable approximation have also been provided. Cal. Code. Regs. 25136-2 (effective October 1, 2025).	CA				
For tax years beginning on or after January 1, 2026, amended regulations provide that notwithstanding the general sourcing rules for sales of services, professional service providers that sell services to over 250 customers must use customer billing addresses to source the receipts, except when more than 5 percent of the providers receipts are derived from a single customer. Cal. Code. Regs. 25136-2 (effective October 1, 2025).	CA				
For tax years beginning on or after January 1, 2026, amended regulations provide that sales of asset management services are sourced to where the benefit of the asset management services is received at the domiciles of the investors. The location of the receipt of the benefit of the service are assigned to California in proportion to the average value of interest in the assets belonging to investors and owners domiciled in California. If the taxpayer does not know the average value of interest in the assets held by the asset's investors or beneficial owners domiciled in this state, the receipts are sourced to California to the extent the average value of interest in the assets held by the asset's investors or beneficial owners domiciled in this state is reasonably estimated to be in California. Cal. Code. Regs. 25136-2 (effective October 1, 2025).	CA				

Credits	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
The Next New Jersey Manufacturing Program offers transferable tax credits for certain qualifying costs for eligible projects equal to the lesser of 0.1 percent of the total capital investment per new full-time job; 25 percent of the total capital investment; or \$150 million. A qualifying business facility must be located in New Jersey and used primarily for the production or assembly of goods; production of clean energy components; or on-site product research and development. Qualifying costs include, among other things, site preparation, construction or repair of buildings and structures, and capital leases of furnishings and equipment. A project must satisfy wage and other standards and must involve a minimum capital investment of \$10 million and the creation of at least 20 new full-time New Jersey jobs. A business that previously received a similar tax credit for the same project is ineligible. The program will run through 2029. Assembly Bill 5687 (signed August 13, 2025).	NJ				

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