



# TWIST-Q

## Summary of developments First quarter 2026

### Checklist of State Tax Developments for Quarter 1 of 2026

This checklist includes developments for Quarter 1 of 2026 that have occurred prior to the date of publication. Please note that certain Quarter 1 items may be dated earlier as these items were first made publicly available during the fourth quarter of 2025. Additionally, there may be developments that occur or legislation that will be enacted after we release this checklist.

We hope you find the checklist helpful in determining the impact of state and local tax developments on your company. Please stay tuned to **TWIST** each week for other state and local corporate income and franchise tax that occur after this publication is released.

Rate Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
For taxable years beginning on or after January 1, 2026, Utah reduced its corporate income tax rate from 4.5% to 4.45%. Senate Bill 60 (signed March 23, 2026).	UT				

IRC Conformity	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
The Department of Revenue confirmed that the state does not incorporate changes made by One Big Beautiful Bill ("OB3") as a result of a fixed conformity date. TIP No. 25C01-01 (Fla. Dep't of Rev. December 1, 2025).	FL				
Effective for taxable years beginning on or after January 1, 2025, Georgia updated its conformity to IRC as enacted on or before January 1, 2026. See Tax Base below for additional details. House Bill 1199 (signed March 20, 2026).	GA				

IRC Conformity	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
Idaho has adopted the IRC as amended and in effect on January 1, 2026. See Tax Base below for additional details. House Bill 559 (signed February 10, 2026).	ID				
Indiana has updated its fixed date of conformity to the IRC as amended and in effect on January 1, 2026. See Tax Base below for additional details. Senate Bill 243 (signed March 5, 2026).	IN				
Virginia replaced the Commonwealth's rolling conformity with a fixed date conformity tied to the IRC as it existed on December 31, 2025. See Tax Base below for additional details. House Bill 29 (signed February 20, 2026) and Tax Bulletin 26-1 (Va. Dep't of Tax. February 20, 2026).	VA				
West Virginia updated its static conformity date to the IRC, as amended and in effect on December 31, 2025, including the incorporation of all amendments to the IRC enacted after December 31, 2024, but prior to January 1, 2026. The bill effectively incorporates the provisions of OB3, including the provisions affecting tax year 2025. Senate Bill 393 (signed February 24, 2026).	WV				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
After the District enacted legislation to decouple from IRC sections 163(j) (interest expense disallowance), 168(k) (bonus depreciation), 168(n) (bonus depreciation for qualified production property), and 174A (full expensing of domestic Research & Experimental expenditures), the U.S. President signed House Joint Resolution 142 repealing that legislation. However, the District's attorney general opined that the language in the Joint Resolution was insufficient to apply retroactively, and thus it is the District's position that the decoupling legislation remains in effect for tax year 2025. Opinion of the Attorney General: Impact of House Joint Resolutions 142 on the District's Tax Laws (February 24, 2026).	DC				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
Effective for taxable years beginning on or after January 1, 2025, Georgia decouples from Section 174A (domestic research and experimentation expenses) and Section 179(e) (definition of qualified real property). House Bill 1199 (signed March 20, 2026).	GA				
Idaho continues to require a modification for bonus depreciation under Section 168(k) and requires an addback modification for IRC section 168(n) (qualified production property). Idaho also decouples from the transitional rule under IRC section 174A, and thus requires that taxpayers continue to expense specified research or experimental expenditures incurred in tax years 2022 to 2024 under the IRC provisions in effect immediately prior to the passage of OB3. House Bill 559 (signed February 10, 2026).	ID				
For 2025 tax years, Indiana generally conforms to the IRC in effect on January 1, 2023. Effective January 1, 2025, Indiana updated its conformity to the IRC solely to incorporate the following provision of the IRC as in effect on July 4, 2025: IRC section 168(e)(3)(B) (iv) [federal definition of what constitutes "5-year property" for depreciation]. For corporate tax purposes, Indiana now conforms to the current federal definition of "5-year property" for purposes of bonus depreciation, which OB3 altered to exclude certain solar or wind energy assets. This legislation did not otherwise change the general IRC conformity date of January 1, 2023 for 2025 tax years. Senate Bill 212 (signed January 29, 2026).	IN				
Effective for 2025 tax years, Indiana has decoupled from IRC section 168(n) (bonus depreciation for qualified production property) and will continue to allow a full deduction for both foreign and domestic research and experimental expenditures, effectively decoupling from IRC section 174A. Senate Bill 243 (signed March 5, 2026).	IN				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
<p>Maryland guidance provides that, because the state decoupled from IRC section 174A for tax year 2025, taxpayers must make an addition modification for the difference between the amount of domestic R&amp;E deducted under IRC section 174A and the amount allowable under prior law. Maryland requires domestic R&amp;E paid or incurred in 2025 or earlier years to be capitalized and amortized over five years. Taxpayers that make the federal small business election permitted under IRC section 174A may not amend prior Maryland returns to claim a full deduction for domestic R&amp;E in the year incurred. Instead, such taxpayers must continue to capitalize and amortize those amounts related to 2025 and prior years. The guidance also outlines the manner in which taxpayers should report the related domestic R&amp;E adjustments on their Maryland returns. Tax Alert: Maryland Impacts of the One Big, Beautiful Bill Act (Md. Comptroller January 6, 2026).</p>	MD				
<p>Because Maryland decoupled from IRC section 163(j)(8)(A)(v) for tax year 2025, taxpayers recompute adjusted taxable income (ATI) to include a deduction for depreciation, amortization, or depletion amounts for purposes of computing the business interest limitation under IRC section 163(j). Tax Alert: Maryland Impacts of the One Big, Beautiful Bill Act (Md. Comptroller January 6, 2026).</p>	MD				
<p>Because Maryland decoupled from IRC section 168(n) for tax year 2025, taxpayers must add back any amount deducted under section 168(n) and must depreciate the asset under Maryland depreciation rules. Tax Alert: Maryland Impacts of the One Big, Beautiful Bill Act (Md. Comptroller January 6, 2026).</p>	MD				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
Effective for tax years beginning on or after January 1, 2027, New Mexico has decoupled from IRC section 168(k) (bonus depreciation), IRC section 168(n) (bonus depreciations for qualified production property), and the OB3 changes to add back depreciation/amortization to adjusted taxable income in IRC 163(j). Senate Bill 151 (signed March 11, 2026).	NM				
Effective for tax years beginning on or after January 1, 2027, New Mexico eliminated the subtraction modification for global intangible low-taxed income (GILTI) included in taxable income. Senate Bill 151 (signed March 11, 2026).	NM				
For assets placed in service in tax years beginning on or after January 1, 2026, Oregon requires taxpayers to add to federal taxable income the difference between the deduction allowed federally under IRC section 168(k) in the current year and the deduction allowable under IRC section 168(k) as in effect on December 1, 2017. The amount added back can then be deducted in the tax year for which the amounts would have been allowed as a deduction under IRC section 168(k) as in effect on December 1, 2017. Senate Bill 1507 (pending signature).	OR				
Oregon has updated its statutory references to GILTI to “net controlled foreign corporation tested income” (NCTI), as per OB3. Thus, Oregon’s dividends received deduction would apply to NCTI amounts included in taxable income. Senate Bill 1510 (pending signature).	OR				
The Rhode Island Division of Taxation promulgated emergency regulations to reflect the changes made to the Rhode Island tax code in the FY 2026 state budget and the Division’s OB3 related guidance. Rhode Island emergency regulations require an addback for tax years beginning on or before January 1, 2025, for amounts that would be subject to federal income tax but for OB3. The emergency regulations went into effect on December 15, 2025, and will remain in effect for 120 days unless extended or replaced. Rhode Island Emergency Regulations (adopted December 15, 2025, effective through June 13, 2026).	RI				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
Virginia decoupled from IRC section 168(n) (bonus depreciation for qualified production property), IRC section 174/174A (research and experimentation expenses), and the amendment made by OB3 to IRC section 179 (depreciation of certain assets) allowing for an increased dollar limitation for expensing certain depreciable assets. House Bill 29 (signed February 20, 2026) and Tax Bulletin 26-1 (Va. Dep't of Tax. February 20, 2026).	VA				
Although Virginia generally will conform to IRC section 163(j) as modified by OB3, Virginia reduced the Virginia-specific subtraction modification for federally disallowed business interest from 50 percent to 20 percent for tax years beginning on or after January 1, 2025. House Bill 29 (signed February 20, 2026) and Tax Bulletin 26-1 (Va. Dep't of Tax. February 20, 2026).	VA				

Apportionment Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
Taxpayer was entitled to use three-factor apportionment method, rather than the default single sales factor (SSF) apportionment method. The taxpayer's business was an "agricultural business" because more than 50 percent of the taxpayer's gross receipts were from "agricultural business activity." The court rejected the FTB's product-based regulatory approach, finding it inconsistent with the statute. <i>Smithfield Packaged Meats Corp. v. Cal. Franchise Tax. Bd.</i> (Cal Super. Ct. February 26, 2026)	CA				

Apportionment Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
<p>Taxpayer was entitled to use alternative apportionment method because California’s default single sales factor apportionment method failed to fairly represent the taxpayer’s business activity because it ignored substantial operational activity occurring almost entirely outside the state. Nearly all of the taxpayer’s hog production, harvesting, and processing facilities—and the employees operating them—were located outside California and were the primary drivers of the taxpayer’s income. These out-of-state facilities were necessary to conduct the taxpayer’s business activities. <i>Smithfield Packaged Meats Corp. v. Cal. Franchise Tax. Bd.</i> (Cal Super. Ct. February 26, 2026).</p>	CA				
<p>A taxpayer’s sales of electricity wholesale delivered to a buyer at a location in Michigan were Michigan-sourced sales for apportionment purposes – even though some of that electricity was ultimately shipped out of Michigan. Because the electricity was required to be delivered to the purchaser at Michigan locations where title transferred, and the taxpayer was compensated for the electricity delivered, the transaction was a “sale” sourced to Michigan. Although the applicable statute requires that any FOB points or other conditions of sale must be disregarded in determining the ultimate destination for sourcing sales, there were no such FOB points or conditions in this case. <i>CMS Energy Corp. v. Dep’t of Treasury</i> (Mich. Ct. App. Feb. 17, 2026).</p>	MI				
<p>Effective for tax years beginning on or after January 1, 2027, New Mexico now requires taxpayers to include the factors of controlled foreign corporations (CFCs) in its New Mexico apportionment calculation to the extent the income of the CFC is included in net income. Senate Bill 151 (signed March 11, 2026).</p>	NM				

Administrative Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
Michigan guidance provides limited relief from penalties and interest related to underpayment of quarterly estimated corporate tax payments made from July 2025 through January 2026 for tax year 2025. Waivers are available only to taxpayers that receive a notice of underpayment and must be requested in writing in accordance with the notice instructions. Michigan's Notice on Relief for 2025 CIT Estimated Payments in Light of OB3 (Mich. Dep't of Rev. January 28, 2026).	MI				
The Minnesota Department of Revenue released guidance that if a taxpayer amends their 2022 or 2023 federal return solely due to OB3, and the Minnesota tax liability remains unchanged due to the state's lack of conformity to OB3, the taxpayer must send a letter to the Department describing the federal changes including other presentational information. Minnesota's 2022 and 2023 Nonconformity Guidance (Minn. Dep't of Rev. February 5, 2026).	MN				

Credits	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740-10?	Other/ Comments
Research and experimentation expenses deducted or amortized under IRC section 174 and 174A for federal purposes and also used to compute the Idaho state research credit may not be deducted in computing Idaho taxable income. House Bill 559 (signed February 10, 2026).	ID				
Effective for taxable years beginning on or after January 1, 2026, the definition of "advanced energy product" was amended for purchases of both the Advanced Energy Equipment Income Tax Credit and the Advanced Energy Equipment Corporate Income Tax Credit. The definition now includes solar energy components, wind energy components, battery components, critical materials (if converted or purified), and inverters that are an end product (suitable to convert direct current energy). House Bill 154 (signed March 3, 2026).	NM				

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