

This Week in State Tax (TWIST)

January 20, 2026



Multistate: States provide additional guidance on conformity to OB3

Several states rang in the New Year by issuing updates on their conformity to the One Big, Beautiful Bill Act (OB3).

Idaho: In his January 12 State of the State and budget address, Idaho Governor Brad Little announced his intention to prioritize OB3 conformity during the coming legislative session. Idaho currently conforms to the IRC as amended on January 1, 2025 (i.e., before the adoption of OB3). Contact [Chris Hoge](#) for updates on [Idaho's legislative session](#).

Maryland: The Maryland Comptroller recently issued a Tax Alert following a report issued by the Maryland Bureau of Revenue Estimates (BRE) on the impact of OB3 on state revenue. Under Maryland law, conformity to federal amendments is delayed one year if the amendment has an estimated annual revenue impact of \$5 million or more. The BRE concluded that three OB3 provisions met this threshold – the full expensing of domestic research and experimental expenditures under IRC § 174A, the modification of the limitation on business interest under IRC § 163(j), and the special depreciation allowance for qualified production property under IRC § 168(n). The tax alert confirms that Maryland will decouple from these provisions for tax years beginning in 2025 and provides instructions on accounting for this decoupling on 2025 Maryland returns. With the decoupling from IRC § 174A, all domestic research and experimental expenses for 2025 and prior years will be capitalized and amortized over 60 months under the rules of the 2017 Tax Cuts and Jobs Act. Maryland will not allow amended returns for small businesses under the retroactive provisions of IRC § 174A. Contact [Diana Smith](#) for more information on [Tax Alert: Maryland Impacts of the One Big, Beautiful Bill Act](#).

North Carolina: The North Carolina Department of Revenue issued a notice addressing the practical implications of North Carolina's static conformity. The Tar Heel State conforms to the Internal Revenue Code as enacted on January 1, 2023. The notice reminds taxpayers that OB3 changes will not be taken into account when computing North Carolina income unless the North Carolina General Assembly acts to update the state conformity statute. The General Assembly will not convene until April 15 – the day North Carolina taxes are due, and the notice reminds taxpayers wishing to delay filing a return until the legislature makes a determination on conformity must file an extension prior to that date. Contact [Emily Burns](#) for more information about [Impact of Federal Law on North Carolina Individual and Corporate Income Tax Returns for Tax Year 2025](#).

South Carolina: The South Carolina Department of Revenue issued guidance regarding the state's static

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conformity date. South Carolina Information Letter 26-4 reminds Palmetto State taxpayers that South Carolina conforms to the Internal Revenue Code as amended through December 31, 2024. As that date does not include the OB3 changes, taxpayers will need to make conformity adjustments on their South Carolina income tax returns to the extent their federal income is affected by OB3 changes. Contact [Jeana Parker](#) for more information on [SC Information Letter #26-4, South Carolina Internal Revenue Code Conformity Update](#).

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