



# This Week in State Tax (TWIST)

February 23, 2026



## Multistate: OB3 developments in Arizona, Idaho, Oregon, and West Virginia

As spring compliance season approaches, Arizona, Idaho, Oregon, and West Virginia recently took significant legislative steps related to their conformity with the Internal Revenue Code (IRC) and the provisions of the One Big Beautiful Bill Act (OB3).

**Arizona:** Governor Hobbs has for the second time this year vetoed a measure, [HB 2785](#) in this instance, that would update Arizona's static conformity date to January 1, 2026, including adoption of those provisions on OB3 that were made retroactive to tax year 2025. The Governor stated in her [veto message](#) that she wants the legislature to consider bills she has proposed that would incorporate many of the individual income tax provisions of OB3 (including the enhanced deduction for seniors and deductions for tip and overtime income) but not the business provisions. Contact [Alexander Townsend](#) or [Ashley De Rada](#) with questions about ongoing conformity developments in Arizona.

**Idaho:** Governor Little has signed legislation to update the state's conformity to incorporate most of the provisions of OB3, by amending its reference to the IRC to mean the IRC as amended and in effect on January 1, 2026. While the state as a general matter broadly adopts the various provisions of the IRC, it continues to require a modification for bonus depreciation under Section 168(k) as well as IRC section 168(n) (qualified production property). In addition, amounts of research and experimentation expenses deducted or amortized under IRC section 174 and 174A are not eligible for a state research credit. For more information on [House Bill 559](#), please contact [Chris Hoge](#).

**Oregon:** The Oregon Senate has approved [SB 1507](#) that would decouple Oregon from the federal bonus depreciation allowance under IRC section 168(k) and require that assets placed in service in tax years beginning on or after January 1, 2026 be depreciated as allowed under IRC section 168(k) as it existed on December 1, 2017. Recall that Oregon is a rolling conformity state in which changes to the IRC become effective unless the legislature passes measures to provide otherwise. SB 1507 would also decouple from the deduction for certain personal automobile loan interest and the qualified small-business stock exclusion for Oregon personal income tax purposes. The bill has been transmitted to the state House of Representatives for consideration. For more information on Senate Bill 1507, please contact [Nisha Mathew](#).

**West Virginia:** The West Virginia Senate recently approved a bill that would update the state's date of conformity to the IRC. Recall that West Virginia is a static conformity state and is currently tied to the IRC, as amended and in effect on December 31, 2024. If approved by the West Virginia House and Governor Morrisey, the bill would update West Virginia's IRC conformity date to December 31, 2025, including the incorporation of

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all amendments to the IRC enacted after December 31, 2024, but prior to January 1, 2026. As such, if enacted, West Virginia would effectively conform to all OB3 changes made to the IRC unless state law provides otherwise. For more information on [Senate Bill 393](#), please contact [James Kaczorowski](#).

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