



# This Week in State Tax (TWIST)

March 2, 2026



## Multistate: Actions regarding conformity to OB3 continue

**District of Columbia:** President Trump last week signed [House Joint Resolution 142](#) approved earlier by Congress that would repeal D.C. City Council legislation that would sever the District income tax from a number of provisions included in the One Big Beautiful Bill Act (P.L. 119-21) (OB3). [For details on the Council's actions [\[Bill B26-0457](#) and [Bill B26-0458](#)], see our [TWIST of November 10, 2025](#)]. The disapproval resolution has caused considerable uncertainty as tax year 2025 D.C. tax forms and guidance had been developed based on decoupling from OB3 and about 200,000 individual tax returns have been received already. In addition, the City Council had questioned whether the disapproval resolution was passed within the 30-day window accorded Congress to disapprove.

D.C. Attorney General Brian Schwab has now weighed in with the issuance of an official [Opinion](#) addressed to the City Finance Officer. The Attorney General stated that the congressional joint resolution did not affect application of the two OB3 decoupling measures approved for tax year 2025. Despite the joint resolution, in the view of the Attorney General, District law still decouples from the following OB3 provisions for tax year 2025: IRC section 168(k) (bonus depreciation), IRC section 168(n) (bonus depreciation for qualified production property), IRC section 174A (full expensing of domestic Research & Experimental expenditures), and the amendments to IRC section 163(j) (interest expense disallowance). The Attorney General reasoned that the joint resolution did not specifically state that retroactive decoupling changes were repealed as required by applicable federal and D.C. law. Instead, the resolution only expressed disapproval of the legislation. The opinion noted that U.S. Supreme Court case law creates a presumption that Congressional action should not be applied to retroactively alter substantive liabilities (such as tax liabilities) unless Congress specifically so provides. Here, Congress provided no indication that the repeal of the OB3 decoupling bills should affect taxpayer liabilities in tax year 2025.

With respect to the timing of the disapproval resolution, the Attorney General stated that Congress is provided 30 days to review D.C. legislation, but because the joint resolution was not enacted into law within the 30-day period, he found additional support for the position that D.C. remains decoupled from OB3 provisions for tax year 2025. In the Attorney General's view, the OB3 decoupling bills remain in effect in the District for tax year 2025 unless Congress takes subsequent action to retroactively conform the District to OB3 for tax year 2025.

In one other twist to the saga, the Chief Financial Officer released a revenue estimate excluding the revenue from decoupling, due to the uncertainty regarding the outcome of the conformity legislation. This will constrain the resources available to finance the Mayor's FY 2027 budget proposal. Stay tuned to TWIST for further updates or contact [Tom Dexter-Rice](#) with questions regarding the conformity activity in the District of Columbia.

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**New Mexico:** [Senate Bill 151](#), which has been passed by the legislature and awaits signature by Governor Grisham, would decouple New Mexico law from IRC section 168(k) (bonus depreciation), section 168(n) (depreciation of production property), and interest expense limitation changes in IRC section 163(j). It also eliminates the subtraction modification for global intangible low taxed income. The bill also would allow taxpayers to include the factors of controlled foreign corporations (CFC) in the New Mexico apportionment calculation to the extent the income of the CFC is included in net income. For more information on [Senate Bill 151](#), please contact [Nick Palmos](#).

**Virginia:** The 2026 Virginia legislature passed and Governor Spanberger approved amendments to the 2025 Appropriations Act that will replace the Commonwealth's rolling conformity with a fixed date conformity tied to the IRC as of December 31, 2025. Recall that in 2025, Virginia paused its rolling conformity for tax years 2025 and 2026 in light of the passage of OB3 and its potential revenue impact. The updated legislation would effectively conform Virginia to the provisions of OB3 unless the legislature specifically decouples from them. The 2026 legislation did decouple from IRC section 168(n) (production property), IRC section 174/174A (research and experimentation expenses), and IRC section 179 (depreciation of certain assets). In a [Tax Bulletin](#), the Virginia Department of Taxation provided additional guidance on reporting these conformity adjustments. As it relates to the IRC section 163(j) interest expense deduction, Virginia generally conforms to the OB3 amendments. However, the 2026 enactment 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. For tax years beginning on and after January 1, 2024, Virginia allowed an additional deduction of 50 percent of limited interest, and previously allowed additional deductions of 20-30 percent, depending on the tax year. For more information on [Tax Bulletin 26-1](#) and [House Bill 29](#), please contact [Diana Smith](#).

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