



This Week in State Tax (TWIST)

March 9, 2026



Multistate: More states tell taxpayers what to do with OB3

See below for recent state legislation and guidance on conforming to or decoupling from the One Big Beautiful Bill Act (P.L. 119-21) (OB3).

Indiana: Indiana: Both chambers of the Indiana General Assembly have passed, and Governor Braun has signed a bill to update the state's fixed date of conformity to the Internal Revenue Code (IRC) to the IRC as amended and in effect on January 1, 2026. However, under the bill, Indiana would decouple from IRC section 168(n) (bonus depreciation for qualified production property). Indiana will also continue to allow a full deduction for both foreign and domestic research and experimental expenditures, and it had earlier decoupled from bonus depreciation under IRC section 168(k). The bill is effective January 1, 2026; it contains provisions indicating that amendments in OB3 that were effective for tax year 2025 at the federal level are also effective for tax year 2025 for state purposes. The individual tax provisions allowing a deduction for certain tip income, overtime pay, and automobile loan interest are adopted for tax year 2026 only. Please contact [Gianluca Pitetti](#) and [Ryan Dahlkamp](#) with questions on [Senate Bill 243](#).

Michigan: Following Michigan's FY 2026 budget decoupling from several OB3 provisions, the Michigan Department of Revenue released guidance on required corporate income tax adjustments. [For more detail on [Public Act 24](#), see our [TWIST of October 13, 2025](#)]. Under the guidance, corporate taxpayers must calculate their Michigan IRC §163(j) limitation without depreciation, amortization, or floor plan financing interest on trailers or campers. Differences from the federal deduction are reported as additions or subtractions, requiring tracking of Michigan unused interest carryforwards. Further, as it relates to IRC 168(n), the guidance provides that taxpayers must recompute federal taxable income using the amount of depreciation deduction that would otherwise been available if IRC 168(n) as adopted in OB3 was not in effect. Finally, with respect to IRC §174/174A, taxpayers must compute Michigan taxable income as if domestic R&E expenditures are amortized over five years. Taxpayers that elected to accelerate unamortized R&E expenses for TY 2022–2024 must add back the excess federal deduction and continue to deduct the expenses over the succeeding tax years. Please contact [Dan De Jong](#) and [Arthur Orzame](#) with questions on [Decoupling Michigan Income Taxes from Certain Internal Revenue Code Provisions](#).

Minnesota: The Minnesota Department of Revenue issued guidance confirming that taxpayers will need to make adjustments to income on their Minnesota return as Minnesota does not adopt the federal changes under OB3. Recall, Minnesota conforms to the IRC, as amended through May 1, 2023. Minnesota has released the 2025 Schedule M4NC, Federal Adjustments to allow taxpayers to make the appropriate adjustments. For more information on [2025 Federal Nonconformity for Income Tax](#), please contact [Dale Busacker](#).

West Virginia: West Virginia Governor Morrisey recently signed a bill updating the state's conformity date to

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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. Thus, West Virginia effectively conforms to the changes made to the IRC by OB3. The bill is effective for tax years beginning on January 1, 2026, but are retroactive to prior tax years to the extent allowable under federal income tax law. For more information on [Senate Bill 393](#), please contact [James Kaczorowski](#).

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