



# This Week in State Tax (TWIST)

May 18, 2026



## Multistate: And the beat goes on: More states respond to OB3 changes

As state legislative sessions begin to wind down, more states have issued guidance on conformity to the Internal Revenue Code (IRC) in the wake of One Big Beautiful Bill Act (P.L. 119-21) (OB3).

**Hawaii:** Both chambers of the Hawaii Legislature recently passed [HB 2329](#), which would update the state's conformity to the IRC. The bill would update the fixed date of conformity to the IRC as amended as of December 31, 2025. Additionally, the bill would decouple from IRC section 174A (full expensing of domestic research and experimental expenses) and IRC section 168(n) (bonus depreciation for qualified production property). As it relates to domestic research and experimental expenses, Hawaii would instead conform to IRC section 174 as those provisions existed on December 31, 2024 (*i.e.*, the TCJA version). HB 2329 is currently pending signature from Governor Green, and if signed, would be effective for tax years beginning after December 31, 2025. Please contact [Julie Quick](#) and [Reid Okimoto](#) with questions about HB 2329.

**Arizona:** Governor Hobbs has once again vetoed a bill which would update the state's conformity to the IRC for tax year 2025. Earlier this year, Governor Hobbs also vetoed two similar bills put forth by the Arizona Legislature. [Please see our [TWIST of Jan. 26, 2026](#) and our [TWIST of Feb. 23, 2026](#) for additional details.] Like the previous bills vetoed by the Governor, the most recent conformity bill would have updated the state's fixed date of conformity to January 1, 2026 with specific language to incorporate provisions that became retroactively effective in 2025, thus conforming the state to all the provisions of OB3. Please contact [Alexander Townsend](#) and [Ashley De Rada](#) with questions about [HB 4152](#), and ongoing conformity developments in Arizona.

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