



# This Week in State Tax (TWIST)

June 1, 2026



## Multistate: State tax bills address OB3 matters

Additional states have adopted tax bills addressing conformity to the One Big Beautiful Bill Act (P.L. 119-21) (OB3).

**Connecticut:** Connecticut's budget bill, which was signed into law on May 26, decouples from the special transition rules found in IRC section 174A and from IRC section 174A (full expensing of domestic research and experimental expenses) for tax years ending prior to January 1, 2026. Instead, a taxpayer must deduct research or experimental expenses for tax years starting on or after January 1, 2022 and before January 1, 2026 using the rules found in IRC section 174, as in effect on July 3, 2025 before enactment of OB3. The bill also decouples from IRC section 168(n) (bonus depreciation for qualified production property) for income tax years starting on or after January 1, 2026. Please contact [Michael Rylant](#) with questions about [Public Act 26-68](#).

**Hawaii:** Governor Green signed Hawaii's IRC conformity bill on May 26. See KPMG's [May 18<sup>th</sup> TWIST](#) for more information on the OB3 provisions of this bill.

**Minnesota:** Minnesota's tax bill updates the state's conformity date to May 1, 2026, capturing any provisions of OB3 not specifically subject to decoupling. Changes to the IRC are effective retroactively in Minnesota to the date which a provision became effective federally. Corporate taxpayers will be required to addback 80 percent of their federal deductions under IRC section 174A (full expensing of domestic research and experimental expenses), which will then be amortized over the subsequent four years. Minnesota will also require an 80 percent addback for taxpayers that retroactively claim a R&E deduction under the OB3 small business transitional election. As it relates to the transitional rule to accelerate domestic R&E expenses from tax years 2022-2024 on 2025 and 2026 tax returns, an addback is required for the full amount deducted. In contrast to the rules for corporate taxpayers, S corporations, limited liability companies, and other pass-through entities are eligible to fully deduct 174A costs.

Minnesota will also deviate from the computation of net CFC tested income (NCTI, previously global intangible low-taxed income or GILTI) under OB3. Minnesota generally allows a deduction of 50 percent of GILTI/NCTI as a dividend. For tax years beginning after December 31, 2025, the bill provides a subtraction equal to the qualified business asset investment (QBAI) deduction previously allowed for GILTI. This subtraction is not allowed to exceed the amount of NCTI. The bill also decouples from the look-through rules for related CFCs.

For pass-through entities, the bill also extends the elective pass-through entity tax until December 31, 2027.

Learn about us:



[kpmg.com](https://www.kpmg.com)

INTERNAL USE ONLY

© 2026 KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS039001

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.



# This Week in State Tax (TWIST)

June 1, 2026



Please contact [Dale Busacker](#) with questions about [House File 2438](#).

**New York:** New York's budget, which was signed into law by Governor Hochul on May 28, includes a number of provisions for purposes of both the New York State and New York City corporate and personal income tax. The bills included decoupling from provisions of OB3, a new pied-a-terre surcharge imposed on non-primary residences, and other state and city tax measures. Further detail on [A. 10009](#) and [S. 9009](#) will be forthcoming in KPMG's June 8 TWIST. Please contact [Aaron Balken](#) and [Alec Schwartz](#) with questions.

---

Learn about us:



[kpmg.com](https://www.kpmg.com)

INTERNAL USE ONLY

© 2026 KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS039001

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.