



This Week in State Tax (TWIST)

June 22, 2026



Multistate – Three more states enact legislation to address OB3 conformity

As state legislative sessions wind down, three additional states have enacted bills responding to the federal tax changes in the One Big Beautiful Bill Act (P.L. 119-21) (OB3).

Arizona: In an omnibus tax reform bill recently signed by Governor Hobbs, Arizona made several changes affecting its conformity to the Internal Revenue Code (IRC). Under the bill, applicable to taxable years beginning from or after December 31, 2024 through December 31, 2025, Arizona will continue to conform to the IRC as amended and in effect on January 1, 2025, and it will also conform to the OB3 provisions that were retroactively effective during taxable years beginning from and after December 31, 2024 through December 31, 2025. For taxable years beginning from and after December 31, 2025, Arizona will conform to the IRC as amended and in effect on January 1, 2026, specifically adopting all provisions that became effective during 2025 and any related retroactive effective dates. The bill does, however, decouple from IRC section 168(n) (bonus depreciation for qualified production property) for taxable years beginning from and after December 31, 2025. Please contact [Alex Townsend](#) and [Ashley De Rada](#) with questions about [House Bill 4168](#).

Florida: Florida Governor DeSantis recently signed a bill updating Florida's fixed conformity date for taxable years beginning on or after January 1, 2026, to the IRC as amended and in effect on January 1, 2026. The bill also requires that Florida adopt IRC sections 163(j) (business interest expense limitation), 168(k) (bonus depreciation), and 174(a) as they existed on January 1, 2025. Finally, Florida has decoupled entirely from IRC sections 168(n) and 174A (full expensing of domestic research and experimental (R&E) expenses). These decoupling provisions are effective for taxable years beginning on or after January 1, 2026. Please contact [Greg Aughenbaugh](#) and [Danielle Fynn](#) with questions about [House Bill 7031](#).

Massachusetts: In a supplemental appropriations bill recently signed by Governor Healey, Massachusetts adopted several new provisions relating to conformity to the IRC. Massachusetts, a rolling conformity state, now requires that, for taxable years beginning on or after January 1, 2026, any individual amendment to the IRC which would affect the determination of Massachusetts gross income in the year the amendment is enacted or any year prior shall not apply unless the commissioner of revenue determines within 90 days of the enactment that the estimated impact to tax revenue is less than \$20 million in reduced or increased revenue based on a rolling 3 year average. Massachusetts has also decoupled from several OB3 provisions. For tax years 2025 and 2026, the state disallows the deduction permitted under IRC section 163(j) to the extent that the definition of "adjusted taxable income" is modified under the provisions of OB3, effectively conforming the state to the provisions of section 163(j) as such provisions existed prior to the passage of OB3. Additionally, Massachusetts disallows the deduction permitted under IRC section 168(n) (qualified production property). Massachusetts will

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 22, 2026



also disallow the deduction under IRC section 179 (election to expense certain depreciable business assets) to the extent that it was increased under the provisions of OB3, effectively conforming IRC section 179 as it existed prior to the passage of OB3. The decoupling from IRC sections 163(j), 168(n), and 179 are effective for tax years 2025 and 2026. Finally, applicable to tax years beginning on or after January 1, 2022 and before January 1, 2026, Massachusetts has decoupled from IRC section 174A, including the IRC section 174A transitional rules (elective accelerated expensing of previously unamortized amounts). Instead, Massachusetts taxpayers must continue to capitalize and amortize R&E expenditures under the provision of section 174 as such provisions existed on July 3, 2025 (*i.e.* prior to passage of OB3). Barring further legislative changes, Massachusetts will conform to IRC section 174A for expenses incurred in tax years beginning on or after January 1, 2026.

The recently enacted appropriations bill also contained language expanding the state's Pass-Through Entity Tax (PTET) to incorporate the income subject to its "millionaire surtax". Effective for tax years beginning on or after January 1, 2026, the new Chapter 63E allows eligible pass-through entities to elect to pay tax at the entity level on the entity's qualified income taxable in Massachusetts that exceeds the surtax threshold at a rate of 4 percent. Qualified owners of electing entities receive a refundable credit equal to 90 percent of their share of the entity-level tax actually paid, thereby largely offsetting the surtax at the individual level. Please contact [James Carregal](#) and [Laura Venegas](#) with questions about [House Bill 5470](#).

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.