TWIST-Q

Summary of developments
Second quarter 2026

Checklist of State Tax Developments for Quarter 2 2026

This checklist includes developments for Quarter 2 2026 that have occurred prior to the date of publication. Please note that certain Quarter 2 items may be dated earlier as these items were first made publicly available during the first quarter of 2026. Additionally, there may be developments that occur or legislation that will be enacted after we release this checklist.

We hope you find the checklist helpful in determining the impact of state and local tax developments on your company. Please stay tuned to TWIST each week for other state and local corporate income and franchise tax that occur after this publication is released.

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Rate Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
For taxable years beginning on or after January 1, 2027, Arkansas reduced its top corporate income tax rate from 4.3 percent to 4.1 percent. Senate Bill 1 (signed May 6, 2026).	AR				
For taxable years beginning on or after January 1, 2026, Georgia reduced its corporate tax rate to 4.99 percent. This change accelerates reductions that were previously scheduled to phase-in over no less than ten years. The bill calls for further phased reductions of the tax rate to 3.99 percent over no less than eight years. House Bill 463 (signed May 11, 2026).	GA				

IRC Conformity	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
Applicable to taxable years beginning from or after December 31, 2024, through December 31, 2025, Arizona continues to conform to the IRC as amended and in effect on January 1, 2025, and now includes those provisions of PL 119-21 (i.e., OB3) that are 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 conforms 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. House Bill 4168 (signed June 13, 2026).	AZ				
Effective for taxable years beginning on or after January 1, 2026, Florida updated its conformity to the IRC as amended and in effect on January 1, 2026. House Bill 7031 (signed June 11, 2026).	FL				
Effective for taxable years beginning after December 31, 2025, Hawaii updated its conformity to the IRC as amended as of December 31, 2025. House Bill 2329 (signed May 26, 2026).	HI				
Effective for taxable years beginning on or after January 1, 2026, Kentucky updated its conformity to the IRC in effect on December 31, 2025. House Bill 757 (veto overridden April 14, 2026).	KY				
Effective 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 lost or gained revenue based on a rolling 3 year average. House Bill 5470 (signed June 12, 2026).	MA				

IRC Conformity	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
Effective for taxable years beginning on or after January 1, 2025, Maine updated its conformity to the IRC as amended as of December 31, 2025. Legislative Document 2212 (signed April 10, 2026).	ME				
Minnesota updated its conformity to the IRC as amended through May 1, 2026. Changes to the IRC are effective retroactive to the date in which they took effect federally. House File 2438 (signed May 27, 2026).	MN				
Effective for taxable years beginning on and after January 1, 2025, Vermont updates its conformity to the IRC in effect on December 31, 2025. House Bill 933 (signed June 18, 2026).	VT				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
Applicable to taxable years beginning from and after December 31, 2025, Arizona has decoupled from IRC section 168(n) (bonus depreciation for qualified production property). House Bill 4168 (signed June 13, 2026).	AZ				
Connecticut has decoupled from IRC section 168(n) (bonus depreciation for qualified production property) for taxable years beginning on or after January 1, 2026. Senate Bill 1 (signed May 26, 2026).	CT				
Connecticut has decoupled from IRC section 174A (full expensing of domestic research and experimental (R&E) expenses), including the IRC section 174A transitional rules (the small business election and the election to accelerate tax years 2022 through 2024 domestic R&E expenses), for taxable years beginning prior January 1, 2026. In those years, a taxpayer must capitalize and amortize under IRC section 174 as it existed prior to OB3. Senate Bill 1 (signed May 26, 2026).	CT				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
For tax years beginning on and after January 1, 2027, Colorado removes the deduction for wages disallowed by Internal Revenue Code (IRC) section 280C (relating to wages used to determine certain employment credits) and requires an addition for certain capital gains from opportunity zones outside Colorado excluded from federal taxable income by IRC section 1400Z. House Bill 26-1289 (signed June 3, 2026).	CO				
Effective for taxable years beginning on or after January 1, 2026, Florida has decoupled from the OB3 version of IRC section 163(j). Instead, Florida conforms to IRC section 163(j) (business interest expense limitation) as it existed on January 1, 2025. House Bill 7031 (signed June 11, 2026).	FL				
Effective for taxable years beginning on or after January 1, 2026, Florida has decoupled from the OB3 version of IRC section 168(k). Instead, Florida conforms to IRC section 168(k) as it existed on January 1, 2025. House Bill 7031 (signed June 11, 2026).	FL				
Effective for taxable years beginning on or after January 1, 2026, Florida has decoupled from IRC section 168(n). House Bill 7031 (signed June 11, 2026).	FL				
Effective for taxable years beginning on or after January 1, 2026, Florida has decoupled from the OB3 version of IRC section 174(a). Instead, Florida conforms to IRC section 174(a) as it existed on January 1, 2025. Florida has also decoupled entirely from IRC section 174A. House Bill 7031 (signed June 11, 2026).	FL				
For taxable years beginning after December 31, 2025, Hawaii has decoupled from IRC section 168(n). House Bill 2329 (signed May 26, 2026).	HI				
For taxable years beginning after December 31, 2025, Hawaii has decoupled from IRC section 174A. Instead, a taxpayer must capitalize and amortize R&E expenses under IRC section 174 as it existed prior to OB3. Senate Bill 1 (signed May 26, 2026).	HI				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
Iowa removed a specific reference to Global Intangible Low-Taxed Income (GILTI) from its tax code, ensuring that the subtraction modification from federal taxable income applies to IRC 951A under OB3. Senate File 2492 (signed May 15, 2026).	IA				
Kansas removed a specific reference to GILTI from its tax code, ensuring that the subtraction modification from federal taxable income applies to IRC 951A under OB3. Senate Bill 300 (signed April 27, 2026).	KS				
For taxable years beginning on or after January 1, 2026, Kentucky requires a taxpayer to apply IRC section 163(j) as in effect on December 31, 2024, prior to OB3. House Bill 757 (veto overridden April 14, 2026).	KY				
For taxable years beginning on or after January 1, 2026, Kentucky requires a taxpayer to capitalize and amortize R&E expenses under IRC section 174 as it existed prior to OB3. House Bill 757 (veto overridden April 14, 2026).	KY				
For tax years 2025 and 2026, Massachusetts has disallowed 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. House Bill 5470 (signed June 12, 2026).	MA				
For tax years 2025 and 2026, Massachusetts has disallowed the deduction permitted under IRC section 168(n). House Bill 5470 (signed June 12, 2026).	MA				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
For tax years 2025 and 2026, Massachusetts has disallowed 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 to IRC section 179 as existing prior to the passage of OB3. House Bill 5470 (signed June 12, 2026).	MA				
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. Massachusetts further provides that any R&E expenditures paid or incurred may be deducted as permitted under IRC section 174 as in effect on July 3, 2025 (i.e., prior to passage of OB3). House Bill 5470 (signed June 12, 2026).	MA				
Effective for taxable years beginning after December 31, 2025, manufacturing entities may only claim 20 percent of the additional depreciation allowance provided in IRC section 168(k). Previously, manufacturing entities did not have to addback bonus depreciation. Senate Bill 284 (signed April 8, 2026).	MD				
Maryland has permanently decoupled from IRC section 168(n) for taxable years beginning after December 31, 2025. Senate Bill 284 (signed April 8, 2026).	MD				
For taxable years beginning on or after January 1, 2025, Maine has decoupled from IRC section 168(k) (bonus depreciation of certain assets) for all assets. Previously, Maine permitted bonus depreciation for property for which a Maine capital investment credit was claimed. Legislative Document 2188 (signed April 13, 2026).	ME				
Effective for taxable years beginning on or after January 1, 2025, Maine has decoupled from IRC section 168(n). Legislative Document 2212 (signed April 10, 2026).	ME				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
Effective for taxable years beginning on or after January 1, 2025 and before January 1, 2030, Maine decouples from IRC section 174A by requiring an addition modification equal to the IRC section 174A deduction (including amounts claimed under the IRC section 174A transitional rules to accelerate domestic R&E expenses from tax years 2022 through 2024) multiplied by phased percentages (100% in 2025; 70% in 2026, except 100% for transitional amounts; then 50% in 2027, 30% in 2028, and 10% in 2029), with a corresponding amortization deduction: pre-2026 R&E is recovered under TCJA IRC section 174 rules, while post-2025 domestic R&E is deducted ratably beginning in the year after the addback through 2030. Legislative Document 2212 (signed April 10, 2026).	ME				
Maine has decoupled from the federal gain exclusion related to amounts invested in a qualified opportunity zone. Legislative Document 2212 (signed April 10, 2026).	ME				
Maine has changed specific references to GILTI to refer to "net controlled foreign corporation tested income" (NCTI), ensuring that the Maine subtraction modification for IRC section 951A applies to NCTI. Legislative Document 2212 (signed April 10, 2026).	ME				
Minnesota has decoupled from IRC section 174A, including 174A transitional rules. Taxpayers will be required to addback 80 percent of their federal deductions, 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. House File 2438 (signed May 27, 2026).	MN				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
For tax years beginning after December 31, 2025, Minnesota will allow a subtraction equal to the previously existing qualified business asset investment (QBAI) deduction. This subtraction is not allowed to exceed the amount of net controlled foreign corporation tested income (NCTI). House File 2438 (signed May 27, 2026).	MN				
For tax years beginning after January 1, 2025, New York has decoupled from IRC section 168(n) and requires a re-computation under IRC section 167 in effect prior to OB3. Assembly Bill 10009 and Senate Bill 10009 (signed May 28, 2026).	NY				
For tax years beginning on or after January 1, 2025, New York decouples from the IRC Section 174A transitional rule to accelerate domestic R&E paid or incurred prior to January 1, 2025. For domestic and foreign domestic R&E paid or incurred on or after January 1, 2025, a taxpayer must capitalize and amortize such expenses over a 60 month period, as if the taxpayer made the election to amortize under IRC section 174A(c). All unamortized domestic and foreign R&E expenses paid or incurred prior to January 1, 2025 continue to be amortized under the TCJA version of IRC section 174 as it existed prior to OB3. Assembly Bill 10009 and Senate Bill 10009 (signed May 28, 2026).	NY				
For taxable years beginning on or after December 31, 2024, New York City decouples from the addition of depreciation, amortization, or depletion to adjusted taxable income for purposes of computing the IRC section 163(j) limitation. Assembly Bill 10009 and Senate Bill 10009 (signed May 28, 2026).	NYC				
For taxable years beginning on or after December 31, 2024, New York City has decoupled from IRC section 168(n). Assembly Bill 10009 and Senate Bill 10009 (signed May 28, 2026).	NYC				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
For taxable years beginning after December 31, 2024, New York City requires a taxpayer to capitalize and amortize domestic research and experimental expenses over a five-year period beginning with the midpoint of the tax year in which the expenditures are paid or incurred. Assembly Bill 10009 and Senate Bill 10009 (signed May 28, 2026).	NYC				
New York City has decoupled from IRC section 179 (election to expense certain depreciable business assets) for taxable years beginning on or after December 31, 2024. Assembly Bill 10009 and Senate Bill 10009 (signed May 28, 2026).	NYC				
New York City has changed specific references GILTI to refer to NCTI, ensuring that factor representation applies to NCTI. Assembly Bill 10009 and Senate Bill 10009 (signed May 28, 2026).	NYC				
For assets placed into service in taxable years beginning on or after January 1, 2026, Oregon has decoupled from IRC section 168(k) and instead applies IRC section 168(k) as it existed on December 1, 2017. Senate Bill 1507 (signed April 9, 2026).	OR				
Oregon has changed specific references to GILTI to refer to NCTI, ensuring that the Oregon subtraction modification for IRC section 951A applies to NCTI. Senate Bill 1510 (signed March 31, 2026).	OR				
For tax years beginning on or after January 1, 2026, taxpayers will be required to capitalize and amortize domestic research and experimental expenditures under IRC section 174 as it existed immediately prior to OB3, rather than using the new IRC section 174A. House Bill 7127 (signed June 12, 2026).	RI				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
For tax years beginning on or after January 1, 2026, taxpayers appear to be required to apply the IRC section 163(j) limitation without regard to depreciation, amortization or depletion (i.e., applying the limitation as it existed prior to OB3). House Bill 7127 (signed June 12, 2026).	RI				
Effective for taxable years beginning on and after January 1, 2025, Vermont has decoupled from IRC section 168(n) and continues to decouple from IRC section 168(k). House Bill 933 (signed June 18, 2026).	VT				
Effective for taxable years beginning on and after January 1, 2025, for a taxpayer that does not qualify as an eligible taxpayer, Vermont requires an addback for the deduction taken under IRC section 174A and the transitional rule to accelerate domestic R&E paid or incurred prior to January 1, 2025. Instead, Vermont requires taxpayers to deduct domestic R&E under IRC section 174 in effect on December 31, 2024 (i.e. prior to OB3). Note that Vermont has special rules related to IRC section 174A for an eligible taxpayer, which is defined as any taxpayer that meets the gross receipts test of IRC section 448(c) (limitation on use of cash method of accounting). House Bill 933 (signed June 18, 2026).	VT				
Effective for taxable years beginning on and after January 1, 2025, Vermont requires an addback to Vermont net income for the amount deducted under IRC section 250 (related to FDII/FDDEI and GILTI/NCTI) to the extent deducted from net income. House Bill 933 (signed June 18, 2026).	VT				

P.L. 86-272	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
An appellate court upheld the Department of Taxation's "internet activities rule," which adopts the Multistate Tax Commission's updated statement on P.L. 86-272. The regulation limits its scope to activities conducted "in New York State," and thus, preserves immunity when all in-state activities are limited to solicitation or are ancillary or de minimis; it denies immunity only when a taxpayer's in-state activities—regardless of how conducted—exceed those bounds. The court rejected the argument that the regulation was incompatible with the original meaning of P.L. 86-272 (i.e., how the law would have been understood when it was adopted in 1959). *American Catalog Mailers Ass'n v. N.Y. Dep't of Tax. and Fin.* (N.Y. App. Div. May 7, 2026).	NY				

Apportionment and Allocation	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
The Arkansas Supreme Court held that, under the state's pre-2026 provisions for classifying income, gain from the sale of the taxpayer's intangible assets did not satisfy the statutory definition of "business income" and therefore constituted nonbusiness income allocable to the taxpayer's commercial domicile in Oklahoma. The decision turned on the court's interpretation of the functional test. The court held that the phrase "acquisition, management, and disposition" operated as a unified sequence, and concluded that while the assets were used in regular operations, a complete liquidation terminating a business line was not a recurring part of the taxpayer's regular trade or business. The taxpayer's business was operating restaurants, not buying and selling entire enterprises. *Hudson v. U.S. Beef Corp.* (Ark. Apr. 16, 2026).	AR				

Credits	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
Maryland has extended a number of economic development incentives that had been set to expire, including the Research and Development Credit (through 2030), the Job Creation Tax Credit (through 2031), and the Employer Security Clearance Costs Tax Credit (through 2032). Senate Bill 388 (signed May 12, 2026).	MD				
Data centers beginning operations on or after August 1, 2026, will no longer be eligible for income tax credits for capital investment and employment under the Dirigo Business Incentives Program. Legislative Document 713 (signed Apr. 23, 2026).	ME				

Credits	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
Nebraska narrowed the definition of a foreign adversary company to limit the impact on domestic U.S. companies having a subsidiary or affiliate operating in one of the identified countries. Foreign adversarial companies under the revised definition still remain ineligible to receive benefits under many Nebraska incentive programs. A company that is not a foreign adversarial company can use the benefits of the Nebraska incentive programs only against the income taxes of the members of the same group of companies that are not foreign adversarial companies. The tax liability attributable to members of the unitary group that are foreign adversarial companies must be determined using the apportionment formula used to calculate the tax due. Legislative Bill 1096 (signed Apr. 16, 2026).	NE				

Net Operating Losses	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
Illinois will phase in an expanded NOL deduction limitation, replacing the current flat $500,000 cap with the greater of $500,000 or a specified percentage of net income. The percentage cap increases over time: 15% for tax years ending on or after December 31, 2027 and before December 31, 2028; 30% for 2028; 50% for 2029; 65% for 2030; and 80% for tax years ending on or after December 31, 2031. Senate Bill 3019 (signed June 16, 2026).	IL				
A taxpayer may not recompute apportionment factors or NOLs from closed years on a timely amended return for an open year. Once the limitations period expires, loss-year attributes are fixed and must be used as originally reported unless a statute expressly allows adjustment. *Columbia Assoc's, Inc. v. N.M. Tax'n & Revenue Dep't.* (N.M. Admin. Hear. Off. Feb. 27, 2026).	NM				

Filing Methods	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
For corporate income tax for years beginning on or after January 1, 2027, Colorado repealed its exclusion of 80/20 companies from the combined group. This effectively means all taxpayers will default to a worldwide reporting method (i.e., including overseas members of the combined group on the group's return) unless the taxpayer makes the water's edge election, which must be made on a timely filed original return for an income tax year. The water's edge election is binding for that year and the following nine income tax years. House Bill 26-1289 (signed June 3, 2026).	CO				

Filing Methods	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
Kentucky has delayed the effective date of the deduction allowed to publicly traded companies for an increase in its deferred tax liability as a result of the Kentucky shift to unitary combined reporting to the first tax year beginning on or after January 1, 2028. It had been set to take effect for tax year 2026. House Bill 757 (veto overridden April 14, 2026).	KY				
For years following the 2015 tax reform legislation, a combined group is only eligible for the reduced tax rate available for "qualified emerging technology companies" (QETCs) if all members of the group qualify as QETCs. New York previously applied this same rule to years prior to the 2015 tax reform legislation. *Matter of Fidelity Nat'l Info. Servs. Inc.* (N.Y. DTA May 7, 2026).	NY				

Tax Administration	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
New Hampshire will slow its reduction in the amount of credit carryforwards may be carried forward as an overpayment. Currently, a taxpayer can carryover no more than 500 percent of the tax liability shown on its return (with the remainder refunded). The maximum will be reduced to 450 percent for taxable years ending on or after December 31, 2029 (previously was 250 percent), and will be gradually reduced in subsequent years until it reaches 150 percent for taxable years ending on or after December 31, 2041. Senate Bill 652 (signed May 28, 2026).	NH				
New York will not impose interest or penalties for returns with timely filed extensions and amended returns filed for taxable years beginning on or after January 1, 2025, and before January 1, 2026, if the return solely reports the modifications required by the recent legislation to decouple from certain OB3 provisions. Assembly Bill 10009 and Senate Bill 10009 (signed May 28, 2026).	NY				

Tax Administration	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
New York City will not impose interest or penalties for returns with timely filed extensions and amended returns filed for taxable years beginning on or after January 1, 2025, and before January 1, 2026, if the return solely reports the modifications required by the recent legislation to decouple from certain OB3 provisions. Assembly Bill 10009 and Senate Bill 10009 (signed May 28, 2026).	NYC				

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