

# Tax Foundation Guide to OBBBA State Tax Conformity

For Congress, work on the One Big Beautiful Bill Act (OBBBA) is done. But in state capitols, the work has not yet begun. Many of the tax changes in the federal reconciliation act flow through to state tax codes—automatically in some states, and subject to an update in states' Internal Revenue Code (IRC) conformity date in others.

Most states use the IRC as the basis of their own individual and corporate income tax codes, so changes to the federal tax code can adjust state tax codes as well. But all states decouple from certain IRC provisions and modify others, and states vary on how current their alignment with the IRC is. While some states automatically conform to the current version of the federal code, others conform to it as it existed at some earlier date and thus may not bring in the new provisions for quite some time, if ever.

Provisions that at least potentially flow through to states include personal tax changes like the new deductions for qualified tips, overtime premium pay, and automobile loan interest; the higher standard deduction; the permanently higher alternative minimum tax (AMT) threshold; the higher estate tax threshold; and the \$1,000 charitable deduction for non-itemizers. For business taxpayers, provisions with relevance to state tax codes include new first-year expensing provisions under § 168(k), § 174, § 179, and the new § 168(n); the conversion of the global intangible low-taxed income (GILTI) regime to the net CFC-tested income (NCTI) regime; and the reinstatement of EBITDA (earnings before interest, taxes, depreciation, and amortization) for calculation of the net interest deduction limit. Additionally, while not a matter of IRC conformity, the new federal law obligates future changes to most states' Medicaid provider taxes.

For the Tax Foundation's full analysis of state tax impacts of the OBBBA, showing the provisions to which each state conforms, with revenue estimates, see: <http://taxfoundation.org/state-impact>



These changes confront lawmakers with choices. They must decide whether to maintain or adopt conformity with a post-OBBBA version of the IRC, and, if so, whether to modify or selectively decouple from some of the new provisions. The benefits of general conformity are considerable for taxpayers and tax administrators alike—a point in favor of maintaining currentness. That, however, does not resolve the question of whether to diverge from certain new federal policies.

Our new analysis provides estimates of the costs of conformity to each provision by state, where possible, along with an analysis of the purpose and effects of each policy. Some changes reduce tax collections with scant economic benefit while providing poorly targeted relief, and might well be discarded by lawmakers. Others represent pro-growth improvements to the tax code, and many lawmakers might find that their costs—often quite modest—are well worth absorbing.

None of these decisions, however, should be made in the absence of good information. Our new publication is intended to help lawmakers and those in the broader policy community navigate these issues and determine the best course for their respective states.

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Details: <http://taxfoundation.org/state-impact>  
See reverse for additional info

| State             | Conformity |      | Personal Deductions |    |      |        |       |       | Business Expensing Provisions |               |       |       | Other Provisions |         |
|-------------------|------------|------|---------------------|----|------|--------|-------|-------|-------------------------------|---------------|-------|-------|------------------|---------|
|                   | PIT        | CIT  | Tips                | OT | Auto | Senior | Prop. | Char. | § 168(k)                      | § 168(n)      | § 174 | § 179 | Int'l            | Other   |
| Alabama           | Roll       | Roll |                     |    |      |        | ✓     |       | ✓                             | ✓             | 100%  | ✓     |                  |         |
| Alaska            | n.a.       | Roll |                     |    |      |        |       |       | ✓                             | ✓             | ✓     | ✓     | NCTI             |         |
| Arizona           | St-C       | St-C |                     |    |      |        | ✓     |       |                               | ✓             | ✓     | ✓     |                  |         |
| Arkansas          | Sel        | Sel  |                     |    |      |        |       |       |                               |               | ✓     |       |                  |         |
| California        | St-L       | St-L |                     |    |      |        |       |       |                               |               | ✓     |       |                  |         |
| Colorado          | Roll       | Roll | ✓                   |    | ✓    | ✓      | ✓     | ✓     | ✓                             | ✓             | ✓     | ✓     | NCTI             | AMT     |
| Connecticut       | Roll       | Roll |                     |    |      |        |       |       |                               | ✓             | ✓     |       | NCTI             | AMT+Est |
| Delaware          | Roll       | Roll |                     |    |      |        | ✓     |       | ✓                             | ✓             | ✓     | ✓     | NCTI             |         |
| Dist. of Columbia | Roll       | Roll |                     |    |      |        |       |       |                               | ✓             | ✓     |       | NCTI             |         |
| Florida           | n.a.       | St-L |                     |    |      |        |       |       | ✓                             | ✓             | ✓     | ✓     |                  |         |
| Georgia           | St-C       | St-C |                     |    |      |        | ✓     |       |                               |               | 100%  | ✓     |                  |         |
| Hawaii            | St-C       | St-C |                     |    |      |        |       |       |                               | ✓             | ✓     |       |                  |         |
| Idaho             | St-C       | St-C | ✓                   | ✓  | ✓    | ✓      | ✓     | ✓     |                               | ✓             | ✓     | ✓     | GILTI            |         |
| Illinois          | Roll       | Roll |                     |    |      |        |       |       |                               | ✓             | ✓     | ✓     |                  |         |
| Indiana           | St-L       | St-L |                     |    |      |        |       |       |                               | ✓             | 100%  |       |                  |         |
| Iowa              | Roll       | Roll | ✓                   | ✓  | ✓    |        | ✓     | ✓     | ✓                             | ✓             | ✓     | ✓     |                  |         |
| Kansas            | Roll       | Roll |                     |    |      |        |       |       | ✓                             | ✓             | ✓     | ✓     |                  |         |
| Kentucky          | St-C       | St-C |                     |    |      |        |       |       |                               |               | ✓     |       |                  |         |
| Louisiana         | Roll       | Roll |                     |    |      |        |       |       | 100%                          | ✓             | 100%  | ✓     |                  |         |
| Maine             | St-L       | St-L |                     |    |      |        |       |       |                               | ✓             | ✓     | ✓     | GILTI            |         |
| Maryland          | Roll       | Roll |                     |    |      |        | ✓     |       |                               | ✓             | ✓     |       | NCTI             |         |
| Massachusetts     | St-L       | Roll |                     |    |      |        |       |       |                               | ✓             | ✓     | ✓     | NCTI             |         |
| Michigan          | Roll       | Roll |                     |    |      |        |       |       |                               | ✓             | ✓     | ✓     |                  |         |
| Minnesota         | St-L       | St-L |                     |    |      |        |       |       |                               | ✓             | ✓     | ✓     | GILTI            |         |
| Mississippi       | Sel        | Roll |                     |    |      |        | ✓     |       | 100%                          | ✓             | 100%  | ✓     |                  |         |
| Missouri          | Roll       | Roll |                     |    |      |        | ✓     |       | ✓                             | ✓             | ✓     | ✓     |                  |         |
| Montana           | Roll       | Roll | ✓                   | ✓  | ✓    |        | ✓     | ✓     | ✓                             | ✓             | ✓     | ✓     | NCTI             |         |
| Nebraska          | Roll       | Roll |                     |    |      |        | ✓     |       | ✓                             | ✓             | 100%  | ✓     | NCTI             |         |
| Nevada            | n.a.       | n.a. |                     |    |      |        |       |       |                               | No Income Tax |       |       |                  |         |
| New Hampshire     | n.a.       | St-L |                     |    |      |        |       |       |                               | ✓             | ✓     |       | GILTI            |         |
| New Jersey        | Sel        | Roll |                     |    |      |        |       |       |                               | ✓             | 100%  |       | NCTI             |         |
| New Mexico        | Roll       | Roll |                     |    |      |        | ✓     |       | ✓                             | ✓             | ✓     | ✓     |                  |         |
| New York          | Roll       | Roll |                     |    |      |        |       |       |                               | ✓             | ✓     | ✓     | NCTI             |         |
| North Carolina    | St-L       | St-L |                     |    |      |        |       |       |                               | ✓             | ✓     |       |                  |         |
| North Dakota      | Roll       | Roll | ✓                   | ✓  | ✓    | ✓      | ✓     | ✓     | ✓                             | ✓             | ✓     | ✓     | NCTI             |         |
| Ohio              | St-C       | St-C |                     |    |      |        |       |       |                               | No CIT        |       | ✓     |                  |         |
| Oklahoma          | Roll       | Roll |                     |    |      |        | ✓     |       | 100%                          | ✓             | ✓     | ✓     |                  |         |
| Oregon            | Roll       | Roll | ✓                   | ✓  | ✓    |        | ✓     | ✓     | ✓                             | ✓             | ✓     | ✓     | NCTI             |         |
| Pennsylvania      | Sel        | Roll |                     |    |      |        |       |       |                               | ✓             | ✓     |       |                  |         |
| Rhode Island      | Roll       | Roll |                     |    |      |        |       |       |                               | ✓             | ✓     | ✓     | NCTI             |         |
| South Carolina    | St-C       | St-C | ✓                   | ✓  | ✓    | ✓      | ✓     | ✓     |                               | ✓             | ✓     | ✓     |                  |         |
| South Dakota      | n.a.       | n.a. |                     |    |      |        |       |       |                               | No Income Tax |       |       |                  |         |
| Tennessee         | n.a.       | Roll |                     |    |      |        |       |       | ✓                             | ✓             | 100%  | ✓     | NCTI             |         |
| Texas             | n.a.       | n.a. |                     |    |      |        |       |       |                               | No Income Tax |       |       |                  |         |
| Utah              | Roll       | Roll |                     |    |      |        | ✓     |       | ✓                             | ✓             | ✓     | ✓     | NCTI             |         |
| Vermont           | St-C       | St-C |                     |    |      |        |       |       |                               | ✓             | ✓     | ✓     |                  |         |
| Virginia          | St-C       | St-C |                     |    |      |        |       |       |                               | ✓             | ✓     | ✓     |                  |         |
| Washington        | n.a.       | n.a. |                     |    |      |        |       |       |                               | No Income Tax |       |       |                  |         |
| West Virginia     | St-C       | St-C |                     |    |      |        |       |       | ✓                             | ✓             | ✓     | ✓     | GILTI            |         |
| Wisconsin         | St-L       | St-L |                     |    |      |        |       |       |                               | ✓             | 100%  | ✓     |                  |         |
| Wyoming           | n.a.       | n.a. |                     |    |      |        |       |       |                               | No Income Tax |       |       |                  |         |

Notes: Roll = Rolling; St-C = Static – Current; St-L: Static – Lagged; Sel = Selective; Senior: enhanced senior deduction; Prop. = property tax deduction; Char. = non-itemizer charitable deduction. 100% indicates pre-existing full deductions. For details, see <http://taxfoundation.org/state-impact>