

# **The Laboratories of Democracy at Work:**

## **Recent State Tax Legislation Major Trends**



MULTISTATE TAX COMMISSION

**Brian Hamer    Jonathan White**

**Uniformity Committee meeting**

**April 21, 2026**

**Knoxville, Tennessee**



**STATE TAX CODES ARE ALWAYS CHANGING.**

**AND SOMETIMES TAX RULES ARE NUANCED, LEADING TO  
DIFFERENT POSSIBLE CHARACTERIZATIONS.**

**READERS THEREFORE SHOULD NOT RELY ON THE  
FOLLOWING MATERIALS WHEN PERFORMING  
LEGAL OR OFFICIAL TASKS.**

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## MARKET BASED SOURCING FOR SERVICES

Bills have been introduced during the past two sessions in **5** states to join the **39** states that have been using market-based sourcing to source receipts from the sale of services:

**Alaska**-enrolled/vetoed/introduced by Governor

**Arizona**-introduced

**Arkansas**-enacted

**Kansas**-enacted

**Virginia**-introduced

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## THE SHIFT FROM JOYCE TO FINNIGAN COMBINED REPORTING

**New Jersey, Washington, D.C., and Illinois** recently joined the following **17** combined reporting states that previously had adopted Finnigan:

Arizona  
California  
Colorado  
Connecticut  
Indiana  
Kansas  
Maine  
Massachusetts  
Michigan

Minnesota  
Montana  
New Mexico  
New York  
Rhode Island  
Vermont  
Wisconsin  
Utah

# SOCIAL MEDIA, ADVERTISING & DIGITAL SERVICES TAXES

Categories:

Social media

Advertising

Existing Tax types

**Minnesota** – social media; recently proposed

**Utah** – advertising; enacted this year

**Maryland** – first in the nation; being litigated

**Chicago** – amusement tax expanded to social media

**Washington** – sales tax base expanded to certain advertising

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## **SALES TAX BASE MODS**

**Washington** – added advertising to the tax base

**Minnesota** – proposed expansion to legal and accounting services

**Utah** – clarified that its tax base includes streaming

**Louisiana** – Streamlined definitions

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## **ROLLING CONFORMITY STATES DECOUPLING FROM NEW FEDERAL EXPENSING RULES**

24 or so\* states (including D.C.) automatically conform to federal CIT changes. In 15 of those states, laws have been enacted or bills introduced decoupling from at least some of OB3's expensing provisions:

**Colorado**-introduced

**Delaware**-enacted

**District of Columbia**\*\*

**Georgia**-enacted

**Illinois**-enacted

**Indiana**-enacted

**Maine**-enacted

**Maryland**-introduced

**Michigan**-enacted

**New Mexico**-enacted

**New York**-introduced

**Oregon**-enacted

**Pennsylvania**-enacted

**Rhode Island**-enacted

**Virginia**-enacted

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# STATIC CONFORMITY STATES DECOUPLING FROM NEW FEDERAL EXPENSING RULES

**Idaho, Indiana, and Kentucky** have enacted conformity bills that exclude certain OB3 expensing provisions.

Conformity bills have been introduced in **Hawaii, Florida, and Minnesota** that exclude at least some OB3 expensing provisions.

(Many states are decoupled from bonus depreciation because of past legislation.)

## INCOME TAX UPS AND DOWNS SINCE 2022

### Triggered phaseouts:

**Kentucky**                      **Mississippi**

**Oklahoma**

### Reductions:

**Georgia**                      **Missouri**

**Louisiana**                      **Indiana**

Increases, surcharges, & more:

**Washington** – new income tax

**Maryland** – proposed 7% rate

**California** – ballot initiative for one-time net worth tax

**Maine** – 2% surcharge

**Massachusetts** – 4% surcharge

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## **TAXING NET CFC TESTED INCOME (NCTI)**

**28 states** (including D.C.) are taxing at least some portion of NCTI, either as a result of rolling conformity with the Internal Revenue Code or enactment of conforming legislation\*

**New Mexico** recently became the first state to enact legislation taxing 100% of NCTI with full factor representation.

\*The tax code of some of these states may enable sophisticated multinational enterprises to avoid tax through careful tax planning.

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# **DEDUCTING FOREIGN-DERIVED DEDUCTION-ELIGIBLE INCOME (FDDEI)**

**19 states either have not conformed to OB3 or have  
decoupled from the deduction**

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# MANDATORY WORLDWIDE COMBINED REPORTING

Reacting to international tax shifting, legislators in six states have filed bills to adopt worldwide reporting, an approach that has been upheld by the U.S. Supreme Court:

Hawaii

Maine

Minnesota

New Hampshire

New York

Oregon

# MOBILE WORKFORCE WITHHOLDING THRESHOLD BILLS

**Alabama** – adopted; 30 days

**Louisiana** – adopted; increased from 25 to 30 days

**Oklahoma** – 15 days

**Arkansas** – 15 days

**Minnesota** – 30 days

**Maryland** – threshold for residency from 6 months to 3 months

**Federal:**

**119th Congress** – S. 1443

**118th Congress** – H.R. 10026

## OTHER TRENDS

PTE taxes and workarounds

**Maine:** new PTE tax

Repeal of transaction thresholds  
for economic nexus:

2026: **Kentucky**

2025: **Illinois Utah**

2024: **Indiana North Carolina  
Wyoming**

2023: **Louisiana South Dakota**

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