TWIST-Q | Summary of developments – Second quarter 2024

This checklist includes developments for the second calendar quarter of 2024 that have occurred prior to the date of publication. Please note that certain items may be dated earlier as these items were first made publicly available during the second quarter of 2024. Additionally, there may be developments that occur or legislation that will be enacted after we release this checklist. Please stay tuned to our TWIST weekly podcast series for additional updates.

Rate Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
The highest corporate rate applied to net income exceeding $11,000 has been reduced from 4.8 percent to 4.3 percent effective for tax years beginning on or after January 1, 2024. Senate Bill 1 (signed June 19, 2024).	AR				
The corporate income tax rate for income tax year 2024 is temporarily reduced from 4.40 percent to 4.25 percent. Senate Bill 24-228 (signed May 14, 2024).	CO				
The corporate income tax rate for the 2024 tax year is reduced from 5.75 percent to 5.39 percent after the enactment of legislation that will permanently match the corporate income tax rate to the individual income tax rate in effect for the corresponding year. Future individual income tax rate reductions will be phased in through 2028 if revenue targets are met. House Bill 1023 (signed April 18, 2024).	GA				

IRC Conformity	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
Effective retroactively to January 1, 2024, Florida adopts the Internal Revenue Code as in effect on January 1, 2024. House Bill 7073 (signed May 7, 2024).	FL				
For tax years beginning on or after January 1, 2023, Georgia adopts the Internal Revenue Code as amended through January 1, 2024. House Bill 1162 (signed April 22, 2024).	GA				
Effective for taxable years beginning on or after January 1, 2024, Kentucky adopts the Internal Revenue Code as in effect on December 31, 2023. House Bill 8 (enacted April 8, 2024).	KY				
"Code" means the Internal Revenue Code as of December 31, 2023 (previously, December 31, 2022), applicable to tax years beginning on or after January 1, 2023, and to any prior tax year as specifically provided by the Code. Senate Paper 850 (signed April 12, 2024).	ME				
Oregon has rolling conformity to the Internal Revenue Code for provisions that affect federal taxable income. For other purposes, Oregon adopts the Code as amended and in effect on December 31, 2023. House Bill 4034 (signed April 4, 2024).	OR				
"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2023. House Bill 4594 (signed May 20, 2024).	SC				
Effective retroactively to tax years beginning on or after January 1, 2023, Vermont adopts the Internal Revenue Code as amended though December 31, 2023. House Bill 546 (signed June 3, 2024).	VT				

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 on or after January 1, 2024 and before January 1, 2027, NOLs are suspended. The suspension will not apply to any taxpayer with net income of less than $1 million. The 20-year carryforward period for NOLs is extended for up to three years if losses are not used due to the NOL suspension. Senate Bill 167 (pending signature)	CA				
Operating losses incurred in income years commencing on or after January 1, 2025 may be carried forward for 30 income years. A 20-year carryforward period applies to losses incurred in income years commencing before January 1, 2025. House Bill 5524 (signed June 6, 2024).	CT				
If enactment of combined reporting resulted in an aggregate decrease in the amount of NOLs or tax credits a combined group's members may realize in Connecticut and a valuation allowance was reported as a result, the combined group will be entitled to a new deduction. This deduction is available for a 30-year period, beginning with the combined group's first income year that begins in 2026. House Bill 5524 (signed June 6, 2024).	CT				
A $500,000 limit applies to the use of NOL carryovers for tax years ending on or after December 31, 2024 and prior to December 31, 2027. Tax years when NOLs cannot be used due to the limitation are not counted for purposes of determining the 20-year carryforward period. House Bill 4951 (June 7, 2024).	IL				

Tax Base	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
For ten years beginning with the combined group's first taxable year beginning on or after January 1, 2026, a combined group is entitled to a deduction to mitigate the financial statement effects of combined reporting. Originally, groups could start taking the deduction for tax years beginning on or after January 1, 2024. House Bill 8 (enacted April 10, 2024).	KY				
Effective for tax years beginning after December 31, 2023, the NOL deduction is limited to 70 percent of a corporation's taxable income. Previously, the 70 percent limitation on the use of NOLs applied beginning with the 2023 tax year. House Bill 3769 (signed May 5, 2024).	MN				
For tax years beginning on or after January 1, 2025, businesses may deduct research or experimental expenditures as defined under 26 CFR Section 1.174-2 rather than amortizing the expenses over a five- or fifteen-year period. If the taxpayer does not fully deduct the research or experimental expenditures in the taxable year in which the expenditures are paid or incurred, the taxpayer may elect to amortize the expenditures over a five-year irrevocable term. Legislative Bill 1023 (signed April 25, 2024).	NE				

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, 2025, Nebraska allows "full expensing" for qualified property and qualified improvement property, as defined with reference to the IRC. "Full expensing" means a method for taxpayers to recover their costs for investing in depreciable business assets by immediately deducting 60 percent of the full cost of such expenditures in the tax year in which the property is placed in service. If a taxpayer elects not to fully expense the costs in the tax year in which the property is placed in service, the taxpayer may elect to depreciate the costs over a five-year irrevocable term. Legislative Bill 1023 (signed April 25. 2024).	NE				
For combined filers, the NOL carryforward period has been increased from 5 years to 20 years effective for tax years beginning on or after January 1, 2025. House Bill 7225 (signed June 17, 2024).	RI				
Banking organizations electing to use single sales factor apportionment must add back to net income all business expense transactions between the taxpayer banking organization and the members of the taxpayer's unitary business. Certain exceptions to the addback requirement apply. House Bill 7927 (pending signature).	RI				
Fees paid to an affiliate for the use of certain trade secrets and other intangible property, including an inventory control software system, were subject to addback under the state's related party expense addback rules. Policy Document 24-18 (Va. Dep't of Tax. March 13, 2024).	VA				

Apportionment Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
A transaction or activity, to the extent that it generates income or loss not included in "net income" is excluded from the apportionment formula. "Not included in net income" means income from transactions and activities that is not included in net income subject to apportionment for any reason, including, but not limited to, exclusion, deduction, exemption, elimination, or nonrecognition. This change applies to taxable years beginning before, on, or after the effective date of the bill. Senate Bill 167 (pending signature)	CA				
Apportionment Changes and Developments	**State**	**Potential impact on current tax?**	**Potential impact on deferred taxes?**	**Potential impact on ASC 740–10?**	**Other/ Comments**
Effective for tax years ending on and after December 31, 2024; for financial organizations, interest, dividends, net gains and other income from investment assets and activities and trading assets and activities will be included in the Illinois numerator by multiplying all income from such assets and activities by a fraction. The numerator of the fraction is the total receipts included in the Illinois numerator under the statutory sourcing rules for various types of income of a financial organization and the denominator is all receipts, other than interest, dividends, net gains (but not less than zero), and other income from investment assets and activities and trading assets and activities. House Bill 4951 (signed June 7, 2024).	IL				

Apportionment Changes and Developments	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
A taxpayer was entitled to use market-based sourcing for tax years prior to the adoption of statutory market-based sourcing because market-based sourcing better reflected the economic reality of its business. *Solix Inc. v. Director, Division of Taxation* (N.J. Tax Ct. April 11, 2024).	NJ				
Effective for tax years beginning on or after January 1, 2025, a banking institution may elect to apportion income using a single receipts factor formula. Once made, the election is effective for all subsequent tax years; however, after five years a taxpayer may apply to the tax administrator to revoke the election. House Bill 7927 (pending signature).	RI				
A taxpayer's income-producing activity was providing access to a worldwide credit card network, which facilitated credit card transactions between merchants and cardholders throughout the country, including South Carolina. That income-producing activity occurred in South Carolina when a transaction was initiated in the state, as the taxpayer's authorization, clearing, settlement, and assessment platforms were all used to process these transactions. As such, fees from transactions initiated in South Carolina were attributed to the state. *Mastercard International Inc. v. South Carolina Dep't of Revenue.* (S.C. Admin. Law Ct. June 3, 2024).	SC				
Filing Methods	**State**	**Potential impact on current tax?**	**Potential impact on deferred taxes?**	**Potential impact on ASC 740–10?**	**Other/ Comments**
Effective for tax years beginning on and after January 1, 2026, the current "three out of six test" for inclusion in the unitary combined group is repealed. House Bill 24-1134 (signed May 14, 2024).	CO				

Franchise Tax	State	Potential impact on current tax?	Potential impact on deferred taxes?	Potential impact on ASC 740–10?	Other/ Comments
The Illinois franchise tax imposed on paid-in capital includes an exemption for the first $5,000 of franchise tax liability. The exemption level is increased to $10,000 of liability on or after January 1, 2025. House Bill 4951 (signed June 7, 2024).	IL				
The property measure of the franchise tax has been repealed for tax years ending on or after January 1, 2024. Taxpayers who paid on the property measure are eligible for a refund equal to the amount of franchise tax paid based on the property measure minus the amount of franchise tax that would have been paid based on the net worth measure for the same tax year. Refunds are available for tax years ending on or after March 31, 2020, for which a return was filed on or after January 1, 2021. House Bill 1983/Senate Bill 2103 (signed May 10, 2024).	TN				
Credits	**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, 2024 and before January 1, 2027, a business (including all taxpayers that are members of a combined report) may claim a total of only $5 million in credits (including the carryover of any business credit). The carryover periods are extended by the number of years that a credit is disallowed by reason of this limitation. Senate Bill 167 (pending signature).	CA				
The carry forward period for certain unused statutory income tax credits is reduced from ten to five years for credits generated after January 1, 2025. House Bill 1181 (signed May 6, 2024).	GA				

Administrative Developments	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, 2025, corporate taxpayers have an additional 30 days after the federal extended due date to file their state corporate income tax return. House Bill 1181 (signed March 6, 2024).	GA				
As part of its tax return for the taxable year beginning after December 31, 2023, but before January 1, 2026, each banking institution that is part of a unitary business must file a report for the combined group containing the combined net income of the combined group. For each tax year, the report must include, at a minimum: (i) The difference in tax owed as a result of filing a combined report compared to the tax owed under the current filing requirements; (ii) Volume of sales in the state and worldwide; and (iii) Taxable income in the state and worldwide. Certain foreign banks and banks with significant foreign activity would be excluded from the reports. A banking institution that files a false report or fails to file a report may be assessed a penalty not to exceed $10,000. House Bill 7927 (pending signature).	RI				

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