

5 KEY TAKEAWAYS

OBBBA: State and Local Tax Issues and Impacts – Analysis and Practical Guidance

Chicago SALT Partner [David Hughes](#) recently presented a joint webinar with [DHJJ](#), a Chicago-based full-service accounting firm, on “**OBBBA: State and Local Tax (SALT) Issues and Impacts – Analysis and Practical Guidance.**”

Read his 5 Key Takeaways from the presentation:

1

The One Big Beautiful Bill Act (OBBBA) and Its Impact on Federal Tax Law

The OBBBA, signed into law on July 4, 2025, is significant legislation aimed at preventing the expiration of provisions from the earlier Tax Cuts and Jobs Act (TCJA). It introduces major changes such as making bonus depreciation permanent (IRC § 168(k)), allowing immediate expensing of domestic R&D and factories (IRC § 174, § 168(n)), and modifying rules for interest expense deductions (IRC § 163(j)).

2

State Conformity, Decoupling, and Legislative Response

States use the federal Internal Revenue Code (IRC) as a starting point for their own tax codes, but they differ in how they conform. Some use “rolling conformity,” updating automatically with federal changes, while others use “static conformity,” requiring legislative action to adopt updates. States may choose to “decouple” from certain provisions, which can increase complexity and administrative burden. OBBBA has prompted many states to review and potentially revise their tax conformity post-enactment, with some establishing study groups or updating their laws to align with federal changes.

3

Notable Federal Provisions Affecting State and Local Tax

OBBBA includes several important provisions with direct state and local tax impacts, such as the permanent extension and increase of the SALT deduction cap (from \$10,000 to \$40,000), changes to the treatment of pass-through entity taxes (PTETs) that help circumvent the SALT cap, and the restoration of immediate R&D expensing. These changes require states to reconsider their treatment of these deductions and how they align with federal law.

4

Tariffs and Their State Tax Implications

The presentation addresses the nature of tariffs as quasi-taxes on imports and discusses whether tariff costs should be included in the sales tax base at the state level. State guidance varies, with some including tariff costs when passed to consumers, while others do not if the purchaser is the importer. The ultimate treatment has compliance and planning implications for businesses operating across state lines.

5

Ongoing Uncertainties and Compliance Challenges

Major changes introduced by OBBBA create uncertainties for states, taxpayers, and practitioners. Key questions include how quickly states will adapt to new federal provisions, whether previously decoupled states will recouple, and the broader impact on state revenue, compliance burdens, and economic behavior. Legislative efforts are ongoing in several states, and the full impact of OBBBA on state and local tax systems will depend on future guidance and state-level actions.