

State Conformity to Federal Tax Reform *(as of January 2, 2020)*

Interest Expense Limitations

Eight states have affirmatively decoupled from the federal interest expense limitation, as recommended by the STAR Partnership. The STAR Partnership recommends that states decouple from the TCJA’s interest expense limitation provisions (163(j)), and eight states followed this recommendation. The federal provision provides no material benefit to states and would be extremely complex to impose, administer, and comply with at the state level.

The eight states which decoupled from 163(j) are shown in purple below. The majority of states which have conformed and adopted 163(j) limitations are “static conformity” states, meaning that when they adopted a new federal conformity date following the enactment of the TCJA they copied the federal interest expense limit. The remaining states either do not have a corporate income tax (light purple below) or have taken no affirmative action on the interest expense limitation (teal below) in the wake of the TCJA.

Which states decoupled from the TCJA’s **interest expense limitation** provisions?

