

**REACTIONS OF OTHER STATES TO  
THE JOB CREATION AND WORKER ASSISTANCE ACT OF 2002**

**Virginia Department of Taxation  
08/26/02**

## REACTIONS OF OTHER STATES TO THE JOB CREATION AND WORKER ASSISTANCE ACT OF 2002

- ◆ On March 9, 2002, the federal Job Creation and Worker Assistance Act of 2002 (JCWAA) was enacted. The JCWAA contained a bonus depreciation provision that will have a large impact on the majority of the income taxes imposed on business by the states. Because of the potential impact, many states have adjusted their income taxes to avoid the fiscal impact.
- ◆ Forty-five states and the District of Columbia have income taxes and fall into three categories: full conformity, fixed date conformity, and no federal conformity.
- ◆ **Full Conformity**: Of the 21 states and the District of Columbia with full or rolling conformity as of January 1, 2002, 9 states, including Virginia, plus the District of Columbia have taken action to either deconform from federal tax law or to disallow the bonus depreciation.
  - Of the remaining 12 states with full or rolling conformity, one state has depreciation provisions that would not be affected by the JCWAA. The remaining 11 states have either chosen to accept the impact of the JCWAA or their legislature has not yet convened in 2002 to consider an alternative.
  - The chart on the following page gives a state-by-state breakdown of the states with full or rolling conformity as of January 1, 2002, and shows any adjustments that have been made to account for the JCWAA provisions and any comment relative to such adjustment.
- ◆ **Fixed Date Federal Conformity & No Federal Conformity**: Charts detailing the remaining states with either fixed date federal conformity or no federal conformity follow on the pages subsequent to the chart on states with full conformity.

## STATES WITH ROLLING FEDERAL CONFORMITY AS OF 1/1/02

STATE	ADJUSTMENT MADE FOR JCWAA	COMMENT
Alabama	None	AL has confirmed that they will conform to JCWAA
Alaska	None	No actions are pending
Colorado	None	No actions are pending
Connecticut	Disallowance of Bonus Depreciation	Legislation enacted
Delaware	None	DE has confirmed that they will conform to JCWAA
District of Columbia	Disallowance of Bonus Depreciation	Legislation enacted
Illinois	Disallowance of Bonus Depreciation	Legislation enacted
Kansas	None	Deconforming legislation defeated
Louisiana	None	No actions are pending
Maryland	Selective deconformity from certain provisions of the JCWAA and EGTRRA including the bonus depreciation	Comptroller has the authority to allow other provisions of the JCWAA to take effect provided the fiscal impact of the provision is determined to be less than \$5 million annually.
Massachusetts	Disallowance of Bonus Depreciation	Legislation enacted
Missouri	Disallowance of Bonus Depreciation	Legislation enacted
Montana	None	No actions are pending
Nebraska	Disallowance of Bonus Depreciation	Taxpayer must add back 85% of bonus depreciation
New Mexico	None	No actions are pending
New York	None	NY depreciation was already fixed to 12/31/80 federal depreciation rules
North Dakota	None	No actions are pending
Ohio	Disallowance of Bonus Depreciation	Taxpayer must add back 5/6 <sup>th</sup> of bonus depreciation
Oklahoma	Disallowance of Bonus Depreciation	Taxpayer must add back 80% of bonus depreciation
Oregon	None	Dept. of Revenue is warning taxpayers that the legislature may fix conformity when it convenes later this year
Utah	None	Deconforming legislation defeated
Virginia	Fixed Date Conformity 12/31/01	Legislation enacted

## STATES WITH FIXED DATE FEDERAL CONFORMITY PRIOR TO JCWAA

- ◆ Of the 19 states with fixed date conformity prior to the enactment of the JCWAA, 2 states have advanced the date of conformity to conform to all of the provisions of the JCWAA.
- ◆ Five states have enacted provisions to (or have legislation pending to) advance the date of conformity to conform to the provisions of the JCWAA, except for the bonus depreciation provisions and, in one case, the new NOL provisions in the JCWAA.
- ◆ Eight states have advanced the date of conformity ahead by one year, but not ahead far enough to encompass the JCWAA. These states typically advance their date of conformity ahead by one year during each annual legislative session. Therefore, these states will not have to consider making a specific adjustment for any of the JCWAA provisions until their 2003 legislative session. In the mean time, these states have instructed taxpayers to make adjustment identical to the adjustment required by Virginia. However, one state of these eight states has already adopted a provision to disallow the 5 year NOL carryback.
- ◆ One state has adopted the bonus depreciation provisions for 2001 and 2003 with 2002 pending on a reserve fund balance. Another state is currently in its legislative session and considering its options. The remaining 2 states have either chosen not to advance their date of conformity or their legislature has not yet convened in 2002 to consider an adjustment.
- ◆ The following chart gives a state by state breakdown of the states with fixed date conformity prior to the enactment of the JCWAA along with any adjustments that have been made to account for the JCWAA provisions, the current status of their fixed date conformity, and any comment relative to such adjustment.

STATE	ADJUSTMENT MADE FOR JCWAA	COMMENT
Arizona	Disallowed the bonus depreciation	Date fixed at 3/9/02. Bonus depreciation add-back required
Florida	Advanced date to conform to JCWAA	Legislation passed.
Georgia	None	Fixed Date advanced to 1/1/02. Dept. of Revenue is requiring identical adjustments to VA. Georgia will not have to consider JCWAA until their '03 legislative session.

## STATES WITH FIXED DATE FEDERAL CONFORMITY PRIOR TO JCWAA (cont.)

STATE	ADJUSTMENT MADE FOR JCWAA	COMMENT
Hawaii	None	Fixed Date advanced to 12/31/01. Dept. of Revenue is requiring identical adjustments to VA. Hawaii will not have to consider JCWAA until their '03 legislative session.
Idaho	None	Fixed Date advanced to 1/1/02. Dept. of Revenue is requiring identical adjustments to VA. Idaho will not have to consider JCWAA until their '03 legislative session.
Indiana	None	Fixed Date advanced to 1/1/02. Dept. of Revenue is requiring identical adjustments to VA. Indiana will not have to consider JCWAA until their '03 legislative session.
Iowa	None	Fixed Date advanced to 1/31/02. Dept. of Revenue is requiring identical adjustments to VA. Iowa will not have to consider JCWAA until their '03 legislative session. Iowa adopted the Victims Relief Act.
Kentucky	None	Fixed Date advanced to 12/31/01. Dept. of Revenue is requiring identical adjustments to VA. Kentucky will not have to consider JCWAA until their '03 legislative session.
Maine	Possible disallowance of the bonus depreciation in 2002 only	Bonus depreciation allowed in 2001 and 2003. Possible add-back in 2002 depending on amount remaining in a special reserve fund
Minnesota	Disallowance of bonus depreciation	Date Fixed at 3/15/02. Taxpayer must add back 80% of bonus depreciation
Mississippi	Disallowance of the NOL provisions	Fixed Date advanced to 12/31/01. Dept. of Revenue is requiring adjustments identical to VA for depreciation. Mississippi will not have to consider the bonus depreciation until their '03 legislative session.
New Hampshire	None	Date fixed at 12/31/00. No actions are pending

## STATES WITH FIXED DATE FEDERAL CONFORMITY PRIOR TO JCWAA (cont.)

STATE	ADJUSTMENT MADE FOR JCWAA	COMMENT
North Carolina	None	Date fixed at 1/1/01. Legislature is currently in session and considering the various options.
Rhode Island	Disallowance of Bonus Depreciation & NOL provisions	Legislation enacted to advance date to conform to all provisions of the JCWAA other than the Bonus Depreciation & NOL provisions
South Carolina	None	Fixed Date advanced to 12/31/01. Dept. of Revenue is requiring identical adjustments to VA. South Carolina will not have to consider JCWAA until their '03 legislative session.
Texas	None	Fixed Date of 1/1/96
Vermont	Disallowance of Bonus Depreciation	Legislation enacted
West Virginia	Advanced date to conform to JCWAA	Adopted legislation with Fixed Date Conformity of 3/15/02
Wisconsin	Disallowance of Bonus Depreciation	Date currently fixed at 12/31/99. Legislation is pending to advance the date of conformity and disallow the bonus depreciation.

## STATES WITHOUT FEDERAL CONFORMITY

- ◆ The following chart shows the five states that do not utilize any overall federal conformity and shows any adjustments that have been made to account for the JCWAA provisions and any comment relative to such adjustment.
- ◆ Of the five states, three have income taxes that will not be affected by the JCWAA, and therefore, no adjustment is necessary.
- ◆ The two states that would have been affected by the bonus depreciation provision have enacted legislation to disallow such depreciation.

STATE	ADJUSTMENT MADE FOR JCWAA	COMMENT
Arkansas	Not necessary	Depreciation fixed to federal depreciation as of 1/1/99
California	Not necessary	CA has a separate system for depreciation
Michigan	Not necessary	
New Jersey	Disallowance of bonus depreciation	Previously, NJ had rolling conformity with federal depreciation provisions
Pennsylvania	Disallowance of bonus depreciation	PA follows GAAP rules for depreciation for all entities other than C corporations. Legislation has been enacted to disallow the bonus depreciation for C corporations.

## STATES WITHOUT AN INCOME TAX

Nevada  
 South Dakota  
 Tennessee  
 Washington  
 Wyoming