

## NAVIGATING 2026

Jurisdiction: U.S.  
Tax Type: SALT  
Issue: Tax legislation changes  
Date: January 20, 2026

### SYNOPSIS:

With the passage of the One Big Beautiful Bill (PL 119-21 or OBBBA) businesses now have clarity on many of the uncertainties faced during 2025. Most importantly the flat 21% corporate income tax that was enacted under the TCJA, along with bonus depreciation, and the qualified business income (QBI) deduction were made permanent. States have been working to determine which provisions of the OBBBA will be incorporated into their own tax codes, if any.

States such as California, Colorado, Illinois, Maryland, Michigan, and Virginia have decoupled from key provisions of the OBBBA. Whereas Alabama, which is a rolling conformity state, has issued guidance for companies to retroactively deduct R&D expenses. As states look to fill budget shortfalls, we expect to see an increase in compliance enforcement and legislation meant to increase state and local tax revenues.

### Key Changes and Considerations for 2026

#### 1. Narrowing of Protections of P.L. 86-272:

- P.L. 86-272 is a federal law that restricts states from imposing income tax on out-of-state businesses whose only in-state activity is soliciting orders for tangible personal property. California, New York, New Jersey, Minnesota, Massachusetts, and Oregon have looked to narrow the protections of P.L. 86-272 during 2025. We anticipate other states will attempt to do the same throughout 2026

#### 2. Localities Implementing / Increasing Sales Tax Rates:

- Many cities and districts are looking to raise revenue by increasing or instituting local sales tax rates. States are following Colorado and Minnesota's lead and are utilizing retail delivery fees in addition to sales taxes to raise revenue. Seven states introduced or passed retail delivery fee legislation in 2025, and we anticipate more will look to add similar charges throughout 2026.

### INSIGHT:

Taxpayers should stay vigilant and consider nexus studies and voluntary disclosure agreements to navigate the complexities of multistate tax obligations to effectively remedy SALT compliance deficiencies and stay ahead of enforcement actions. This will aid in compliance and optimize tax strategies as states reconcile with the OBBBA.

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