Federal conformity

- Where states conform to the Internal Revenue Code (IRC), the state tax calculation begins with federal taxable income as the starting point, or the state will conform to the *definitions* contained in the IRC.
- Some state conformity issues will depend on which line of the federal return, Line 28 or Line 30 (i.e., federal taxable income before NOL and special deductions or federal taxable income after NOL and special deductions).
- When discussing state disconnects, taxpayers should be made aware of conformity issues and the types of federal conformity.
  - **Rolling** conformity states automatically adopt provisions of the IRC as enacted (i.e., on a continual basis). The rolling conformity approach is generally less burdensome for both the states and taxpayers as it provides the simplicity of a "single" starting point and a resultant reduction of compliance costs.
    - There are 21 states have rolling conformity — Alabama, Alaska, Colorado, Connecticut, Delaware, District of Columbia, Illinois, Kansas, Louisiana, Maryland, Massachusetts, Missouri, Montana, Nebraska, New Mexico, New York, North Dakota, Oklahoma, Rhode Island, Tennessee and Utah.
  - **Fixed** date conformity follows the IRC as of a certain, fixed date.
    - There are 21 states have fixed date conformity — Arizona, Florida, Georgia, Hawaii, Idaho, Indiana, Iowa, Kentucky, Maine, Michigan, Minnesota, New Hampshire, North Carolina, Ohio, Oregon, South Carolina, Texas, Vermont, Virginia, West Virginia and Wisconsin.
  - **Selective** conformity adopts only certain IRC provisions, certain provisions as of a specific date, or has certain material changes to key provisions.
    - There are five states have selective conformity — Arkansas, California, Mississippi, New Jersey and Pennsylvania.