State Conformity to Federal Tax Reform *(as of October 22, 2018)*

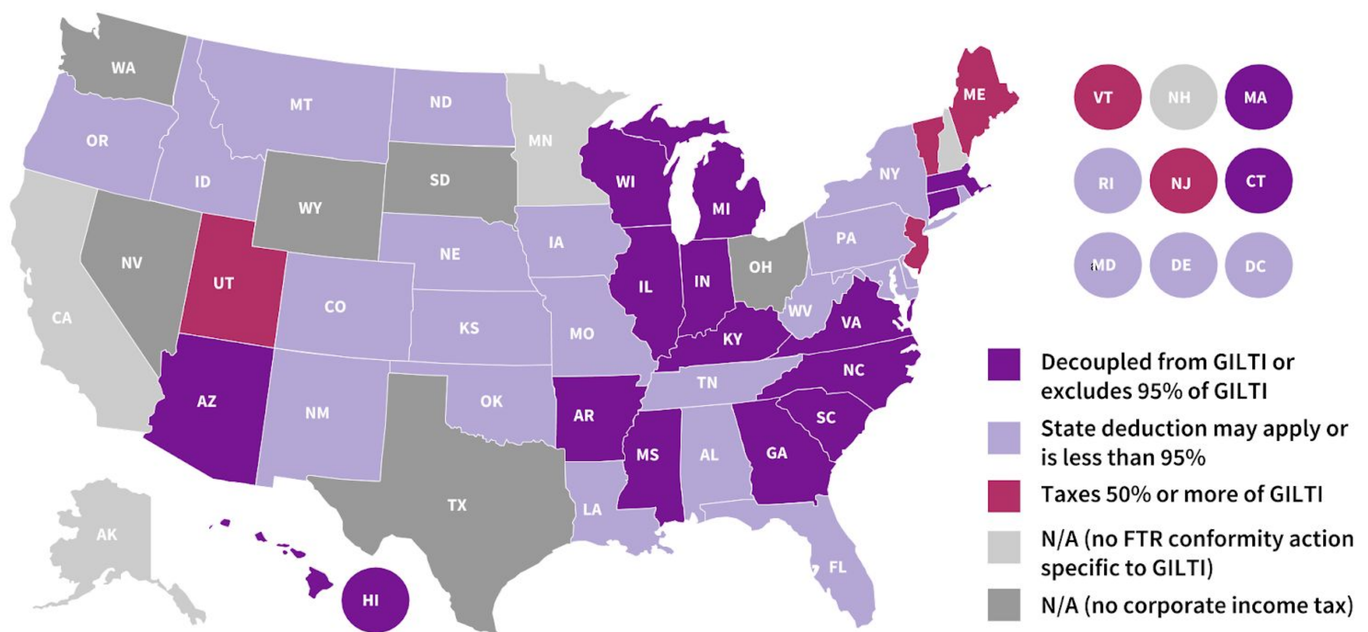
Global Intangible Low-Taxed Income

The Tax Cuts and Jobs Act (TCJA) moved business taxes from a "worldwide" system to a "quasi-territorial" system. The new system is closer to the global norm, under which businesses are taxed only on domestic income. In other words, under the TCJA, businesses are taxed principally on the income they earn in the U.S. The new system does include some elements of taxation of foreign income (hence it is quasi-territorial rather than truly territorial), including Global Intangible Low-Taxed Income (GILTI).

Under the prior federal tax system, states generally did not include foreign income in their own tax bases, for both policy reasons and Constitutional limitations. States should continue to respect these policy and Constitutional rationales and avoid taxation of foreign income by excluding GILTI from the state business tax base.

In 2018, many states focused on the transition tax on repatriated income and did not address GILTI. Nevertheless, **15 states either decoupled from GILTI or exclude 95 percent of GILTI from the state tax base** (dark purple on the map below). In another 22 states, the state has a deduction that may apply to GILTI, or the deduction for GILTI is less than 95 percent (light purple on the map below). Only four states tax 50 percent or more of GILTI (Maine, New Jersey, Vermont, and Utah—red on the map below).

State Action on TCJA's GILTI Provisions



Note on **Massachusetts:** H. 4930 has been sent to the governor; we are awaiting action.

About Us: The STAR (State Taxes After Reform) Partnership was formed to help the business community navigate the state legislative, executive, and regulatory reaction to federal tax reform. Please visit our website for more information about the STAR Partnership and our work (www.star-partners.org).