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State and Local Tax Implications of the American Recovery and Reinvestment Tax Act of 2009

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While many accounting firms and law firms have commented on the tax provisions signed into law on February 17, 2009 as part of the American Recovery and Reinvestment Tax Act of 2009 ("ARRTA"), few have given due consideration to the state and local tax implications.

Jones Day's ARRTA white paper charts the key business provisions and includes summaries of federal as well as state and local tax implications of various provisions dealing with debt workouts, cancellation of indebtedness income, loss carrybacks, energy incentives, government finance incentives, bonus depreciation, expanded Section 179 expensing, gain exclusions on small business stock, expanded credits and various other provisions. A copy of the white paper is available at: http://www.jonesday.com/pubs/pubs_detail.aspx?pubID=S5942.

Companies seeking tax benefits from ARRTA should consider whether those benefits extend to state and local income taxes, particularly in high tax jurisdictions like New York and California and in states like Ohio and Texas, whose tax structures differ markedly from the federal income tax.

Several state and local income tax laws currently depart from existing federal tax provisions on bonus depreciation, Section 179 expenses, loss carrybacks, credits, and incentives. More states are considering whether to conform or decouple from the new federal legislation. Taxpayers are well advised to consider the state and local tax implications of their economic recovery plans, particularly as states increasingly look to sources other than net income tax to fund depleted budgets.

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