Let’s look at how states have responded to the new IRC Section 965

The Tax Cuts and Jobs Act (TCJA) amended IRC Section 965 imposing an immediate one-time tax at a reduced rate on all U.S. shareholders on accumulated earnings of foreign corporations that are controlled foreign corporations (CFCs) or which have 10 percent U.S. shareholders via a one-time deemed repatriation of those earnings.

The Act imposes a one-time deemed repatriation tax on untaxed earnings of foreign corporations accumulated prior to 2018. The earnings held as "cash or cash equivalents" (referred to as the "cash position") are taxed at a rate of 15.5 percent, and all other earnings are taxed at a rate of 8 percent. The earnings are included in the income of a U.S. shareholder on the last day of the last taxable year of the foreign corporation that began before January 1, 2018. A U.S. shareholder may elect to pay its net tax liability on the one-time deemed repatriation in instalments over eight years.

The burning question now is how will states react to this amendment which has far fetching consequences for US out bound multinationals. Important considerations include states general conformity to new Section 965, whether the instalment payment provision will also apply etc. It has been more than a quarter now since the new Section 965 was enacted into law and states have gradually started providing guidance on how this deemed repatriation toll charge will be taxed by them. Tabulated below are the guidance released by some states as of date:

State	Tax Implications
California	California issued a preliminary report on March 20, 2018. California does not conform to IRC Section 965, which means that California will not impose tax on deemed repatriation basis. For detailed guidance refer link below: https://www.ftb.ca.gov/law/legis/Federal-Tax-Changes/CAPreliminaryReport3Provisions-Revise.pdf
Connecticut	The Connecticut DOR has issued guidance on IRC Section 965 on April 6,2018. Connecticut conforms to the IRC Section 965. However, the benefit of foreign dividends received deduction present in the state statute will be available to offset the deemed dividend inclusion. For detailed guidance refer link below: http://www.ct.gov/drs/lib/drs/publications/ocg/ocg-4-multipletaxes.pdf
Georgia	Georgia Senate Bill 328 was signed into law on March 26, 2018. Georgia conforms to IRC Section 965. However, the benefit of foreign dividends received deduction present in the state statute will be available to offset the deemed dividend inclusion. For detailed guidance refer link below: http://www.legis.ga.gov/Legislation/en-US/display/20172018/SB/328

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Idaho	On February 9, 2018, Idaho Governor signed into law HB 355. The Idaho Code conforms to IRC Section 965. However, the legislation explicitly disallows the deduction under IRC Section 965(c). Since Idaho law currently has an 85 percent dividend-received deduction that applies for water's-edge taxpayers to amounts included in income by reference to Subpart F income; this deduction should apply to the foreign earnings deemed repatriated under IRC Section 965 as well. Accordingly, under current law, only 15 percent of the foreign earnings deemed repatriated will be included in state taxable income for water's-edge taxpayers. For detailed guidance refer link below: https://tax.idaho.gov/i-1006.cfm#sub17
Illinois	The Illinois DOR issued an Informational Bulletin (FY-2018-23) in the month of March 2018, which provides some guidance on the foreign income repatriation transition tax. Illinois conforms to IRC Section 965. This income must be included when determining Illinois base income. However, taxpayers may include a portion of the IRC Section 965 net income in their foreign dividends received subtraction adjustment based on the taxpayer's ownership percentage in the foreign corporation. Illinois permits 100% deduction of dividends from a corporation that is owned 80% or more by the taxpayer. For detailed guidance refer link below: http://www.revenue.state.il.us/Publications/Bulletins/2018/
Minnesota	HF 2942 was introduced in the House on February 22, 2018. As per this bill, foreign earnings deemed repatriated under IRC Section 965 shall be included in the Minnesota state tax base; however, Minnesota's current law provides for a dividend-received deduction that would likely apply to the foreign earnings deemed repatriated. For detailed guidance refer link below: https://www.revisor.mn.gov/bills/text.php?number=HF2942&version=0&session=ls90&session_year=2018&session_number=0&format=pdf
New Jersey	The New Jersey Division of Taxation issued a notice on March 16,2018 addressing the state's treatment of amounts deemed repatriated under IRC Section 965. The notice conforms that for New Jersey Corporation Business Tax purposes, the deemed repatriation dividends will be excluded from entire net income, as provided under N.J.S.A. 54:10A-4(k)(5). This provision allows a 100 percent exclusion for dividends received from 80 percent or more owned subsidiaries. A 50 percent exclusion applies if the dividends are received from 50 percent or more owned subsidiaries. If a corporation does not meet the ownership thresholds, the deemed repatriation dividends will be included in entire net income. For detailed guidance refer link below: http://www.state.nj.us/treasury/taxation/section965.shtml

Oregon	SB 1529 has been signed by Governor on April 10,2018 and will become effective on June 2, 2018. SB 1529 requires that the gross amount of the IRC 965 inclusion be included in Oregon taxable income. SB 1529 allows an Oregon dividend received deduction against the Oregon repatriation addition. SB 1529 creates a tax year 2017 tax credit equal to the lesser of two amounts: The Oregon tax attributable to the IRC 965 inclusion for tax year 2017; or The total Oregon tax attributable and imposed on the ORS 317.716 listed jurisdiction additions as filed or as adjusted for tax years 2014, 2015, and 2016. For detailed guidance refer link below: http://www.oregon.gov/DOR/programs/businesses/Pages/corp-topics.aspx
Tennessee	The Tennessee DOR issued Notice #18-05 in the month of April,2018, which addresses the state treatment of income repatriated to the U.S. under IRC Section 965. Tennessee does not conform to IRC Section 965 which means that Tennessee will not impose tax on deemed repatriation basis. For detailed guidance refer link below: https://www.tn.gov/content/dam/tn/revenue/documents/notices/fae/18-05fe.pdf