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SENATE BILL NO. 757

Offered January 22, 2016

A *BILL to amend and reenact §§ 58.1-320 and 58.1-322 of the Code of Virginia, relating to the individual income tax.*

Patron—Obenshain

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-320 and 58.1-322 of the Code of Virginia are amended and reenacted as follows:

§ 58.1-320. Imposition of tax.

A tax is hereby annually imposed on the Virginia taxable income for each taxable year of every individual as follows:

Two percent on income not exceeding \$3,000 *through December 31, 2016*;

Three percent on income in excess of \$3,000, but not in excess of \$5,000 *through December 31, 2016*;

Five percent on income in excess of \$5,000, but not in excess of \$12,000 for taxable years beginning before January 1, 1987;

Five percent on income in excess of \$5,000 but not in excess of \$14,000 for taxable years beginning January 1, 1987, through December 31, 1987;

Five percent on income in excess of \$5,000 but not in excess of \$15,000 for taxable years beginning January 1, 1988, through December 31, 1988;

Five percent on income in excess of \$5,000 but not in excess of \$16,000 for taxable years beginning January 1, 1989, through December 31, 1989;

Five percent on income in excess of \$5,000 but not in excess of \$17,000 for taxable years beginning January 1, 1990, *through December 31, 2016*;

Five and three-quarters percent on income in excess of \$12,000 for taxable years beginning before January 1, 1987;

Five and three-quarters percent on income in excess of \$14,000 for taxable years beginning January 1, 1987, through December 31, 1987;

Five and three-quarters percent on income in excess of \$15,000 for taxable years beginning January 1, 1988, through December 31, 1988;

Five and three-quarters percent on income in excess of \$16,000 for taxable years beginning January 1, 1989, through December 31, 1989; ~~and~~

Five and three-quarters percent on income in excess of \$17,000 for taxable years beginning on and after January 1, 1990, *through December 31, 2016*; *and*

Five and three-quarters percent on all income for taxable years beginning on and after January 1, 2017.

§ 58.1-322. Virginia taxable income of residents.

A. The Virginia taxable income of a resident individual means his federal adjusted gross income for the taxable year, which excludes combat pay for certain members of the Armed Forces of the United States as provided in § 112 of the Internal Revenue Code, as amended, and with the modifications specified in this section.

B. To the extent excluded from federal adjusted gross income, there shall be added:

1. Interest, less related expenses to the extent not deducted in determining federal income, on obligations of any state other than Virginia, or of a political subdivision of any such other state unless created by compact or agreement to which Virginia is a party;

2. Interest or dividends, less related expenses to the extent not deducted in determining federal taxable income, on obligations or securities of any authority, commission or instrumentality of the United States, which the laws of the United States exempt from federal income tax but not from state income taxes;

3. Unrelated business taxable income as defined by § 512 of the Internal Revenue Code;

4. The amount of a lump sum distribution from a qualified retirement plan, less the minimum distribution allowance and any amount excludable for federal income tax purposes that is excluded from federal adjusted gross income solely by virtue of an individual's election to use the averaging provisions under § 402 of the Internal Revenue Code;

5 through 8. [Repealed.]

9. The amount required to be included in income for the purpose of computing the partial tax on an

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59 accumulation distribution pursuant to § 667 of the Internal Revenue Code; and

60 10. For taxable years beginning on and after January 1, 2014, any loss for the taxable year that was
61 deducted as a capital loss for federal income tax purposes by an account holder attributable to such
62 person's first-time home buyer savings account established pursuant to Chapter 32 (§ 55-555 et seq.) of
63 Title 55. For purposes of this subdivision, "account holder" and "first-time home buyer savings account"
64 mean the same as those terms are defined in § 55-555.

65 C. To the extent included in federal adjusted gross income, there shall be subtracted:

66 1. Income derived from obligations, or on the sale or exchange of obligations, of the United States
67 and on obligations or securities of any authority, commission or instrumentality of the United States to
68 the extent exempt from state income taxes under the laws of the United States including, but not limited
69 to, stocks, bonds, treasury bills, and treasury notes, but not including interest on refunds of federal taxes,
70 interest on equipment purchase contracts, or interest on other normal business transactions.

71 2. Income derived from obligations, or on the sale or exchange of obligations of this Commonwealth
72 or of any political subdivision or instrumentality of the Commonwealth.

73 3. [Repealed.]

74 4. Benefits received under Title II of the Social Security Act and other benefits subject to federal
75 income taxation solely pursuant to § 86 of the Internal Revenue Code.

76 4a. Through December 31, 2000, the same amount used in computing the federal credit allowed
77 under § 22 of the Internal Revenue Code by a retiree under age 65 who qualified for such retirement on
78 the basis of permanent and total disability and who is a qualified individual as defined in § 22(b)(2) of
79 the Internal Revenue Code; however, any person who claims a deduction under subdivision D 5 may not
80 also claim a subtraction under this subdivision.

81 4b. For taxable years beginning on or after January 1, 2001, up to \$20,000 of disability income, as
82 defined in § 22(c)(2)(B)(iii) of the Internal Revenue Code; however, any person who claims a deduction
83 under subdivision D 5 may not also claim a subtraction under this subdivision.

84 5. The amount of any refund or credit for overpayment of income taxes imposed by the
85 Commonwealth or any other taxing jurisdiction.

86 6. The amount of wages or salaries eligible for the federal Targeted Jobs Credit which was not
87 deducted for federal purposes on account of the provisions of § 280C(a) of the Internal Revenue Code.

88 7, 8. [Repealed.]

89 9. [Expired.]

90 10. Any amount included therein less than \$600 from a prize awarded by the Virginia Lottery.

91 11. The wages or salaries received by any person for active and inactive service in the National
92 Guard of the Commonwealth of Virginia, not to exceed the amount of income derived from 39 calendar
93 days of such service or \$3,000, whichever amount is less; however, only those persons in the ranks of
94 O3 and below shall be entitled to the deductions specified herein.

95 12. Amounts received by an individual, not to exceed \$1,000 in any taxable year, as a reward for
96 information provided to a law-enforcement official or agency, or to a nonprofit corporation created
97 exclusively to assist such law-enforcement official or agency, in the apprehension and conviction of
98 perpetrators of crimes. This provision shall not apply to the following: an individual who is an employee
99 of, or under contract with, a law-enforcement agency, a victim or the perpetrator of the crime for which
100 the reward was paid, or any person who is compensated for the investigation of crimes or accidents.

101 13. [Repealed.]

102 14. [Expired.]

103 15, 16. [Repealed.]

104 17. For taxable years beginning on and after January 1, 1995, the amount of "qualified research
105 expenses" or "basic research expenses" eligible for deduction for federal purposes, but which were not
106 deducted, on account of the provisions of § 280C(c) of the Internal Revenue Code and which shall be
107 available to partners, shareholders of S corporations, and members of limited liability companies to the
108 extent and in the same manner as other deductions may pass through to such partners, shareholders, and
109 members.

110 18. [Repealed.]

111 19. For taxable years beginning on and after January 1, 1996, any income received during the taxable
112 year derived from a qualified pension, profit-sharing, or stock bonus plan as described by § 401 of the
113 Internal Revenue Code, an individual retirement account or annuity established under § 408 of the
114 Internal Revenue Code, a deferred compensation plan as defined by § 457 of the Internal Revenue
115 Code, or any federal government retirement program, the contributions to which were deductible from
116 the taxpayer's federal adjusted gross income, but only to the extent the contributions to such plan or
117 program were subject to taxation under the income tax in another state.

118 20. For taxable years beginning on and after January 1, 1997, any income attributable to a
119 distribution of benefits or a refund from a prepaid tuition contract or savings trust account with the
120 Virginia College Savings Plan, created pursuant to Chapter 4.9 (§ 23-38.75 et seq.) of Title 23. The

121 subtraction for any income attributable to a refund shall be limited to income attributable to a refund in
122 the event of a beneficiary's death, disability, or receipt of a scholarship.

123 21. For taxable years beginning on or after January 1, 1998, all military pay and allowances, to the
124 extent included in federal adjusted gross income and not otherwise subtracted, deducted or exempted
125 under this section, earned by military personnel while serving by order of the President of the United
126 States with the consent of Congress in a combat zone or qualified hazardous duty area which is treated
127 as a combat zone for federal tax purposes pursuant to § 112 of the Internal Revenue Code.

128 22. For taxable years beginning on or after January 1, 2000, but before January 1, 2015, the gain
129 derived from the sale or exchange of real property or the sale or exchange of an easement to real
130 property which results in the real property or the easement thereto being devoted to open-space use, as
131 that term is defined in § 58.1-3230, for a period of time not less than 30 years. To the extent a
132 subtraction is taken in accordance with this subdivision, no tax credit under this chapter for donating
133 land for its preservation shall be allowed for three years following the year in which the subtraction is
134 taken.

135 23. Effective for all taxable years beginning on or after January 1, 2000, \$15,000 of military basic
136 pay for military service personnel on extended active duty for periods in excess of 90 days; however,
137 the subtraction amount shall be reduced dollar-for-dollar by the amount which the taxpayer's military
138 basic pay exceeds \$15,000 and shall be reduced to zero if such military basic pay amount is equal to or
139 exceeds \$30,000.

140 24. Effective for all taxable years beginning on and after January 1, 2000, the first \$15,000 of salary
141 for each federal and state employee whose total annual salary from all employment for the taxable year
142 is \$15,000 or less.

143 25. Unemployment benefits taxable pursuant to § 85 of the Internal Revenue Code.

144 26. For taxable years beginning on and after January 1, 2001, any amount received as military
145 retirement income by an individual awarded the Congressional Medal of Honor.

146 27. Effective for all taxable years beginning on and after January 1, 1999, income received as a
147 result of (i) the "Master Settlement Agreement," as defined in § 3.2-3100; and (ii) the National Tobacco
148 Grower Settlement Trust dated July 19, 1999, by (a) tobacco farmers; (b) any person holding a tobacco
149 marketing quota, or tobacco farm acreage allotment, under the Agricultural Adjustment Act of 1938; or
150 (c) any person having the right to grow tobacco pursuant to such a quota or allotment, but only to the
151 extent that such income has not been subtracted pursuant to subdivision C 18 of § 58.1-402.

152 28. For taxable years beginning on and after January 1, 2000, items of income attributable to,
153 derived from or in any way related to (i) assets stolen from, hidden from or otherwise lost by an
154 individual who was a victim or target of Nazi persecution or (ii) damages, reparations, or other
155 consideration received by a victim or target of Nazi persecution to compensate such individual for
156 performing labor against his will under the threat of death, during World War II and its prelude and
157 direct aftermath. This subtraction shall not apply to assets acquired with such items of income or with
158 the proceeds from the sale of assets stolen from, hidden from or otherwise lost to, during World War II
159 and its prelude and direct aftermath, a victim or target of Nazi persecution. The provisions of this
160 subdivision shall only apply to an individual who was the first recipient of such items of income and
161 who was a victim or target of Nazi persecution, or a spouse, widow, widower, or child or stepchild of
162 such victim.

163 "Victim or target of Nazi persecution" means any individual persecuted or targeted for persecution by
164 the Nazi regime who had assets stolen from, hidden from or otherwise lost as a result of any act or
165 omission in any way relating to (i) the Holocaust; (ii) World War II and its prelude and direct
166 aftermath; (iii) transactions with or actions of the Nazi regime; (iv) treatment of refugees fleeing Nazi
167 persecution; or (v) the holding of such assets by entities or persons in the Swiss Confederation during
168 World War II and its prelude and aftermath. A victim or target of Nazi persecution shall also include
169 any individual forced into labor against his will, under the threat of death, during World War II and its
170 prelude and direct aftermath. As used in this subdivision, "Nazi regime" means the country of Nazi
171 Germany, areas occupied by Nazi Germany, those European countries allied with Nazi Germany, or any
172 other neutral European country or area in Europe under the influence or threat of Nazi invasion.

173 29, 30. [Repealed.]

174 31. Effective for all taxable years beginning on or after January 1, 2001, the military death gratuity
175 payment made after September 11, 2001, to the survivor of deceased military personnel killed in the line
176 of duty, pursuant to Chapter 75 of Title 10 of the United States Code; however, the subtraction amount
177 shall be reduced dollar-for-dollar by the amount that the survivor may exclude from his federal gross
178 income in accordance with § 134 of the Internal Revenue Code.

179 32. Effective for all taxable years beginning on or after January 1, 2007, the death benefit payments
180 from an annuity contract that are received by a beneficiary of such contract provided that (i) the death
181 benefit payment is made pursuant to an annuity contract with an insurance company and (ii) the death

benefit payment is paid solely by lump sum. The subtraction under this subdivision shall be allowed only for that portion of the death benefit payment that is included in federal adjusted gross income.

33. For taxable years beginning on and after January 1, 2009, any gain recognized from the sale of launch services to space flight participants, as defined in 49 U.S.C. § 70102, or launch services intended to provide individuals the training or experience of a launch, without performing an actual launch. To qualify for a deduction under this subdivision, launch services must be performed in Virginia or originate from an airport or spaceport in Virginia.

34. For taxable years beginning on and after January 1, 2009, any gain recognized as a result of resupply services contracts for delivering payload, as defined in 49 U.S.C. § 70102, entered into with the Commercial Orbital Transportation Services division of the National Aeronautics and Space Administration or other space flight entity, as defined in § 8.01-227.8, and launched from an airport or spaceport in Virginia.

35. For taxable years beginning on or after January 1, 2011, any income taxed as a long-term capital gain for federal income tax purposes, or any income taxed as investment services partnership interest income (otherwise known as investment partnership carried interest income) for federal income tax purposes. To qualify for a subtraction under this subdivision, such income shall be attributable to an investment in a "qualified business," as defined in § 58.1-339.4, or in any other technology business approved by the Secretary of Technology, provided the business has its principal office or facility in the Commonwealth and less than \$3 million in annual revenues in the fiscal year prior to the investment. To qualify for a subtraction under this subdivision, the investment shall be made between the dates of April 1, 2010, and June 30, 2020. No taxpayer who has claimed a tax credit for an investment in a "qualified business" under § 58.1-339.4 shall be eligible for the subtraction under this subdivision for an investment in the same business.

36. For taxable years beginning on and after January 1, 2014, any income of an account holder for the taxable year taxed as (i) a capital gain for federal income tax purposes attributable to such person's first-time home buyer savings account established pursuant to Chapter 32 (§ 55-555 et seq.) of Title 55 and (ii) interest income or other income for federal income tax purposes attributable to such person's first-time home buyer savings account.

Notwithstanding the statute of limitations on assessments contained in § 58.1-312, any subtraction taken under this subdivision shall be subject to recapture in the taxable year or years in which moneys or funds withdrawn from the first-time home buyer savings account were used for any purpose other than the payment of eligible costs by or on behalf of a qualified beneficiary, as provided under § 55-558. The amount subject to recapture shall be a portion of the amount withdrawn in the taxable year that was used for other than the payment of eligible costs, computed by multiplying the amount withdrawn and used for other than the payment of eligible costs by the ratio of the aggregate earnings in the account at the time of the withdrawal to the total balance in the account at such time.

However, recapture shall not apply to the extent of moneys or funds withdrawn that were (i) withdrawn by reason of the qualified beneficiary's death or disability, (ii) a disbursement of assets of the account pursuant to a filing for protection under the United States Bankruptcy Code, 11 U.S.C. §§ 101 through 1330, or (iii) transferred from an account established pursuant to Chapter 32 (§ 55-555 et seq.) of Title 55 into another account established pursuant to such chapter for the benefit of another qualified beneficiary.

For purposes of this subdivision, "account holder," "eligible costs," "first-time home buyer savings account," and "qualified beneficiary" mean the same as those terms are defined in § 55-555.

37. For taxable years beginning on or after January 1, 2015, any income for the taxable year attributable to the discharge of a student loan solely by reason of the student's death. For purposes of this subdivision, "student loan" means the same as that term is defined under § 108(f) of the Internal Revenue Code.

D. In computing Virginia taxable income there shall be deducted from Virginia adjusted gross income as defined in § 58.1-321:

1. a. The amount allowable for itemized deductions for federal income tax purposes where the taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted on such federal return and increased by an amount which, when added to the amount deducted under § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for such purposes at a rate of 18 cents per mile; or

b. Three thousand dollars for single individuals and \$6,000 for married persons (one-half of such amounts in the case of a married individual filing a separate return) for taxable years beginning on and after January 1, 2005; *but before January 1, 2017, and \$7,500 for single individuals and \$15,000 for married persons (one-half of such amounts in the case of a married individual filing a separate return) for taxable years beginning on and after January 1, 2017*, provided that the taxpayer has not itemized deductions for the taxable year on his federal income tax return. For purposes of this section, any person

who may be claimed as a dependent on another taxpayer's return for the taxable year may compute the deduction only with respect to earned income.

2. a. A deduction in the amount of \$900 for taxable years beginning on and after January 1, 2005, but before January 1, 2008; and \$930 for taxable years beginning on and after January 1, 2008, for each personal exemption allowable to the taxpayer for federal income tax purposes.

b. For taxable years beginning on and after January 1, 1987, each blind or aged taxpayer as defined under § 63(f) of the Internal Revenue Code shall be entitled to an additional personal exemption in the amount of \$800.

The additional deduction for blind or aged taxpayers allowed under this subdivision shall be allowable regardless of whether the taxpayer itemizes deductions for the taxable year for federal income tax purposes.

3. A deduction equal to the amount of employment-related expenses upon which the federal credit is based under § 21 of the Internal Revenue Code for expenses for household and dependent care services necessary for gainful employment.

4. An additional \$1,000 deduction for each child residing for the entire taxable year in a home under permanent foster care placement as defined in § 63.2-908, provided the taxpayer can also claim the child as a personal exemption under § 151 of the Internal Revenue Code.

5. a. For taxable years beginning on and after January 1, 2004, a deduction in the amount of \$12,000 for individuals born on or before January 1, 1939.

b. For taxable years beginning on and after January 1, 2004, a deduction in the amount of \$12,000 for individuals born after January 1, 1939, who have attained the age of 65. This deduction shall be reduced by \$1 for every \$1 that the taxpayer's adjusted federal adjusted gross income exceeds \$50,000 for single taxpayers or \$75,000 for married taxpayers. For married taxpayers filing separately, the deduction will be reduced by \$1 for every \$1 the total combined adjusted federal adjusted gross income of both spouses exceeds \$75,000.

For the purposes of this subdivision, "adjusted federal adjusted gross income" means federal adjusted gross income minus any benefits received under Title II of the Social Security Act and other benefits subject to federal income taxation solely pursuant to § 86 of the Internal Revenue Code, as amended.

6. For taxable years beginning on and after January 1, 1997, the amount an individual pays as a fee for an initial screening to become a possible bone marrow donor, if (i) the individual is not reimbursed for such fee or (ii) the individual has not claimed a deduction for the payment of such fee on his federal income tax return.

7. a. A deduction shall be allowed to the purchaser or contributor for the amount paid or contributed during the taxable year for a prepaid tuition contract or college savings trust account entered into with the Virginia College Savings Plan, pursuant to Chapter 4.9 (§ 23-38.75 et seq.) of Title 23. Except as provided in subdivision 7 c, the amount deducted on any individual income tax return in any taxable year shall be limited to \$4,000 per prepaid tuition contract or college savings trust account. No deduction shall be allowed pursuant to this section if such payments or contributions are deducted on the purchaser's or contributor's federal income tax return. If the purchase price or annual contribution to a college savings trust account exceeds \$4,000, the remainder may be carried forward and subtracted in future taxable years until the purchase price or college savings trust contribution has been fully deducted; however, except as provided in subdivision 7 c, in no event shall the amount deducted in any taxable year exceed \$4,000 per contract or college savings trust account. Notwithstanding the statute of limitations on assessments contained in § 58.1-312, any deduction taken hereunder shall be subject to recapture in the taxable year or years in which distributions or refunds are made for any reason other than (i) to pay qualified higher education expenses, as defined in § 529 of the Internal Revenue Code or (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes of this subdivision, the term "purchaser" or "contributor" means the person shown as such on the records of the Virginia College Savings Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a prepaid tuition contract or college savings trust account, the transferee shall succeed to the transferor's tax attributes associated with a prepaid tuition contract or college savings trust account, including, but not limited to, carryover and recapture of deductions.

b. The amount paid for a prepaid tuition contract during taxable years beginning on or after January 1, 1996, but before January 1, 1998, shall be deducted in taxable years beginning on or after January 1, 1998, and shall be subject to the limitations set out in subdivision 7 a.

c. A purchaser of a prepaid tuition contract or contributor to a college savings trust account who has attained age 70 shall not be subject to the limitation that the amount of the deduction not exceed \$4,000 per prepaid tuition contract or college savings trust account in any taxable year. Such taxpayer shall be allowed a deduction for the full amount paid for the contract or contributed to a college savings trust account, less any amounts previously deducted.

8. For taxable years beginning on and after January 1, 2000, the total amount an individual actually

305 contributed in funds to the Virginia Public School Construction Grants Program and Fund, established in
306 Chapter 11.1 (§ 22.1-175.1 et seq.) of Title 22.1, provided the individual has not claimed a deduction
307 for such amount on his federal income tax return.

308 9. For taxable years beginning on and after January 1, 1999, an amount equal to 20 percent of the
309 tuition costs incurred by an individual employed as a primary or secondary school teacher licensed
310 pursuant to Chapter 15 (§ 22.1-289.1 et seq.) of Title 22.1 to attend continuing teacher education courses
311 that are required as a condition of employment; however, the deduction provided by this subsection shall
312 be available only if (i) the individual is not reimbursed for such tuition costs and (ii) the individual has
313 not claimed a deduction for the payment of such tuition costs on his federal income tax return.

314 10. For taxable years beginning on or after January 1, 2000, the amount an individual pays annually
315 in premiums for long-term health care insurance, provided the individual has not claimed a deduction for
316 federal income tax purposes, or, for taxable years beginning before January 1, 2014, a credit under
317 § 58.1-339.11. For taxable years beginning on or after January 1, 2014, no such deduction for long-term
318 health care insurance premiums paid by the individual during the taxable year shall be allowed if the
319 individual has claimed a federal income tax deduction for such taxable year for long-term health care
320 insurance premiums paid by him.

321 11. For taxable years beginning on and after January 1, 2006, contract payments to a producer of
322 quota tobacco or a tobacco quota holder, or their spouses, as provided under the American Jobs Creation
323 Act of 2004 (P.L. 108-357), but only to the extent that such payments have not been subtracted pursuant
324 to subsection D of § 58.1-402, as follows:

325 a. If the payment is received in installment payments, then the recognized gain, including any gain
326 recognized in taxable year 2005, may be subtracted in the taxable year immediately following the year
327 in which the installment payment is received.

328 b. If the payment is received in a single payment, then 10 percent of the recognized gain may be
329 subtracted in the taxable year immediately following the year in which the single payment is received.
330 The taxpayer may then deduct an equal amount in each of the nine succeeding taxable years.

331 12. For taxable years beginning on and after January 1, 2007, an amount equal to 20 percent of the
332 sum paid by an individual pursuant to Chapter 6 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable
333 year, in purchasing for his own use the following items of tangible personal property: (i) any clothes
334 washers, room air conditioners, dishwashers, and standard size refrigerators that meet or exceed the
335 applicable energy star efficiency requirements developed by the United States Environmental Protection
336 Agency and the United States Department of Energy; (ii) any fuel cell that (a) generates electricity using
337 an electrochemical process, (b) has an electricity-only generation efficiency greater than 35 percent, and
338 (c) has a generating capacity of at least two kilowatts; (iii) any gas heat pump that has a coefficient of
339 performance of at least 1.25 for heating and at least 0.70 for cooling; (iv) any electric heat pump hot
340 water heater that yields an energy factor of at least 1.7; (v) any electric heat pump that has a heating
341 system performance factor of at least 8.0 and a cooling seasonal energy efficiency ratio of at least 13.0;
342 (vi) any central air conditioner that has a cooling seasonal energy efficiency ratio of at least 13.5; (vii)
343 any advanced gas or oil water heater that has an energy factor of at least 0.65; (viii) any advanced
344 oil-fired boiler with a minimum annual fuel-utilization rating of 85; (ix) any advanced oil-fired furnace
345 with a minimum annual fuel-utilization rating of 85; and (x) programmable thermostats.

346 13. For taxable years beginning on or after January 1, 2007, the lesser of \$5,000 or the amount
347 actually paid by a living donor of an organ or other living tissue for unreimbursed out-of-pocket
348 expenses directly related to the donation that arose within 12 months of such donation, provided the
349 donor has not taken a medical deduction in accordance with the provisions of § 213 of the Internal
350 Revenue Code for such expenses. The deduction may be taken in the taxable year in which the donation
351 is made or the taxable year in which the 12-month period expires.

352 14. For taxable years beginning on or after January 1, 2013, the amount an individual age 66 or
353 older with earned income of at least \$20,000 for the year and federal adjusted gross income not in
354 excess of \$30,000 for the year pays annually in premiums for (i) a prepaid funeral insurance policy
355 covering the individual or (ii) medical or dental insurance for any person for whom individual tax filers
356 may claim a deduction for such premiums under federal income tax laws. "Earned income" means the
357 same as that term is defined in § 32(c) of the Internal Revenue Code of 1954, as amended or
358 renumbered. The deduction shall not be allowed for any portion of such premiums paid for which the
359 individual has (a) been reimbursed, (b) claimed a deduction for federal income tax purposes, (c) claimed
360 a deduction or subtraction under another provision of this section, or (d) claimed a federal income tax
361 credit or any income tax credit pursuant to this chapter.

362 E. There shall be added to or subtracted from federal adjusted gross income, as the case may be, the
363 individual's share, as beneficiary of an estate or trust, of the Virginia fiduciary adjustment determined
364 under § 58.1-361.

365 F. There shall be added or subtracted, as the case may be, the amounts provided in § 58.1-315 as
366 transitional modifications.

367 G. Effective for all taxable years beginning on or after January 1, 2007, to the extent included in
368 federal adjusted gross income, there shall be (i) subtracted from federal adjusted gross income by a
369 shareholder of an electing small business corporation (S corporation) that is subject to the bank franchise
370 tax imposed under Chapter 12 (§ 58.1-1200 et seq.) for the calendar year in which such taxable year
371 begins, the shareholder's allocable share of the income or gain of such electing small business
372 corporation (S corporation), and (ii) added back to federal adjusted gross income such that, federal
373 adjusted gross income shall be increased, by a shareholder of an electing small business corporation (S
374 corporation) that is subject to the bank franchise tax imposed under Chapter 12 (§ 58.1-1200 et seq.) for
375 the calendar year in which such taxable year begins, the shareholder's allocable share of the losses or
376 deductions of such electing small business corporation (S corporation).

377 Effective for all taxable years beginning on or after January 1, 2007, to the extent excluded from
378 federal adjusted gross income, there shall be added to federal adjusted gross income by a shareholder of
379 an electing small business corporation (S corporation) that is subject to the bank franchise tax imposed
380 under Chapter 12 (§ 58.1-1200 et seq.) for the calendar year in which such taxable year begins, the
381 value of any distribution paid or distributed to the shareholder by such electing small business
382 corporation (S corporation).

383 H. Notwithstanding any other provision of law, the income from any disposition of real property
384 which is held by the taxpayer for sale to customers in the ordinary course of the taxpayer's trade or
385 business, as defined in § 453(l)(1)(B) of the Internal Revenue Code, of property made on or after
386 January 1, 2009, may, at the election of the taxpayer, be recognized under the installment method
387 described under § 453 of the Internal Revenue Code, provided that (i) the election relating to the dealer
388 disposition of the property has been made on or before the due date prescribed by law (including
389 extensions) for filing the taxpayer's return of the tax imposed under this chapter for the taxable year in
390 which the disposition occurs, and (ii) the dealer disposition is in accordance with restrictions or
391 conditions established by the Department, which shall be set forth in guidelines developed by the
392 Department. Along with such restrictions or conditions, the guidelines shall also address the recapture of
393 such income under certain circumstances. The development of the guidelines shall be exempt from the
394 Administrative Process Act (§ 2.2-4000 et seq.).