

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Emmett W. Hanger, Jr.
3. **Committee** Passed House and Senate
4. **Title** Income Tax; Conformity to the Internal Revenue Code

2. **Bill Number** SB 977
House of Origin:
 Introduced
 Substitute
 Engrossed

Second House:
 In Committee
 Substitute
 X **Enrolled**

5. Summary/Purpose:

This bill would advance Virginia's date of conformity to the Internal Revenue Code ("IRC") from December 31, 2015 to December 31, 2016. This bill would allow Virginia to conform to the United States Appreciation for Olympians and Paralympians Act of 2016.

Because some taxpayers will be preparing their Virginia returns while the General Assembly is in session, **this bill contains an emergency clause** which states that it would be in force from its passage.

This is a Department of Taxation bill.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact.** (See Line 8.)

8. Fiscal implications:

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

Because Congress did not enact any significant tax legislation during 2016, this bill would have a minimal negative impact on General Fund revenues beginning in Fiscal Year 2017.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. **Technical amendment necessary:** No.

11. Other comments:

Current Law

Virginia's date of conformity to the IRC is currently fixed to the IRC as it existed on December 31, 2014. Virginia law currently deconforms from the following IRC provisions:

- Bonus depreciation allowed for certain assets under federal income taxation.
- The five-year carry-back of net operating losses ("NOLs") generated in certain taxable years.
- Tax exclusions under IRC § 108(i) related to cancellation of debt income.
- Tax deductions under IRC § 163(e)(5)(F) related to the application of the applicable high yield debt obligation rules.

United States Appreciation for Olympians and Paralympians Act of 2016

On October 7, 2016, Congress enacted the United States Appreciation for Olympians and Paralympians Act of 2016 (H.R. 5946). This legislation excludes from gross income the value of any medal awarded or any prize money received from the United States Olympic Committee for competition in the Olympic Games or Paralympic Games. This income tax exclusion does not apply to an individual if their adjusted gross income exceeds \$1 million, or \$500,000 if such individual is married and filing a separate income tax return.

Proposed Legislation

This bill would advance Virginia's date of conformity to the Internal Revenue Code ("IRC") from December 31, 2015 to December 31, 2016. This bill would allow Virginia to conform to the United States Appreciation for Olympians and Paralympians Act of 2016.

Virginia would continue to disallow any bonus depreciation allowed for certain assets under federal income taxation and any five year carry-back of NOLs allowed for NOLs generated in either Taxable Year 2008 or 2009. In addition, Virginia would continue to disallow the federal treatment of tax deductions related to applicable high yield discount obligations. Virginia would continue to deconform from any tax exclusions related to cancellation of debt income realized in connection with a reacquisition of business debt at a discount after December 31, 2008, and before January 1, 2011.

Because some taxpayers will be preparing their Virginia returns while the General Assembly is in session, this bill contains an emergency clause which states that it would be in force from its passage.

Similar Legislation

House Bill 1521 is identical to this bill.

cc : Secretary of Finance

Date: 2/9/2017 MTH
SB977FER161