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HOUSE BILL NO. 1618

Offered January 9, 2019

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A BILL to amend and reenact § 58.1-322.03 of the Code of Virginia, relating to individual income tax; itemization; emergency.

Patrons—Bell, Richard P. and Ransone; Senator: Chase

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:**1. That § 58.1-322.03 of the Code of Virginia is amended and reenacted as follows:****§ 58.1-322.03. Virginia taxable income; deductions.**

In computing Virginia taxable income pursuant to § 58.1-322, there shall be deducted from Virginia adjusted gross income as defined in § 58.1-321:

1. a. ~~The~~ For taxable years beginning before January 1, 2018, and on and after January 1, 2026, 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 that, 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), 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; ~~or~~

c. For taxable years beginning on and after January 1, 2018, but before January 1, 2026, either the amount specified in subdivision b or, at the taxpayer's election, the amount allowable for itemized deductions for federal income tax purposes, regardless of whether the taxpayer elected for the taxable year to itemize deductions on his federal return. Such amount shall be reduced by the amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deductible on such federal return and increased by an amount that, when added to the amount deductible 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.

2. a. A deduction in the amount of \$930 for each personal exemption allowable to the taxpayer for federal income tax purposes.

b. 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 that the taxpayer can also claim the child as a personal exemption under § 151 of the Internal Revenue Code.

5. a. A deduction in the amount of \$12,000 for individuals born on or before January 1, 1939.

b. 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 shall be reduced by \$1 for every \$1 that 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. 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

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59 deduction for the payment of such fee on his federal income tax return.

60 7. a. A deduction shall be allowed to the purchaser or contributor for the amount paid or contributed
61 during the taxable year for a prepaid tuition contract or college savings trust account entered into with
62 the Virginia College Savings Plan, pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1. Except as
63 provided in subdivision b, the amount deducted on any individual income tax return in any taxable year
64 shall be limited to \$4,000 per prepaid tuition contract or college savings trust account. No deduction
65 shall be allowed pursuant to this subdivision 7 if such payments or contributions are deducted on the
66 purchaser's or contributor's federal income tax return. If the purchase price or annual contribution to a
67 college savings trust account exceeds \$4,000, the remainder may be carried forward and subtracted in
68 future taxable years until the purchase price or college savings trust contribution has been fully
69 deducted; however, except as provided in subdivision b, in no event shall the amount deducted in any
70 taxable year exceed \$4,000 per contract or college savings trust account. Notwithstanding the statute of
71 limitations on assessments contained in § 58.1-312, any deduction taken hereunder shall be subject to
72 recapture in the taxable year or years in which distributions or refunds are made for any reason other
73 than (i) to pay qualified higher education expenses, as defined in § 529 of the Internal Revenue Code or
74 (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes of this subdivision,
75 "purchaser" or "contributor" means the person shown as such on the records of the Virginia College
76 Savings Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a prepaid
77 tuition contract or college savings trust account, the transferee shall succeed to the transferor's tax
78 attributes associated with a prepaid tuition contract or college savings trust account, including, but not
79 limited to, carryover and recapture of deductions.

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

85 8. The total amount an individual actually contributed in funds to the Virginia Public School
86 Construction Grants Program and Fund, established in Chapter 11.1 (§ 22.1-175.1 et seq.) of Title 22.1,
87 provided that the individual has not claimed a deduction for such amount on his federal income tax
88 return.

89 9. An amount equal to 20 percent of the tuition costs incurred by an individual employed as a
90 primary or secondary school teacher licensed pursuant to Chapter 15 (§ 22.1-289.1 et seq.) of Title 22.1
91 to attend continuing teacher education courses that are required as a condition of employment; however,
92 the deduction provided by this subdivision shall be available only if (i) the individual is not reimbursed
93 for such tuition costs and (ii) the individual has not claimed a deduction for the payment of such tuition
94 costs on his federal income tax return.

95 10. The amount an individual pays annually in premiums for long-term health care insurance,
96 provided that the individual has not claimed a deduction for federal income tax purposes, or, for taxable
97 years beginning before January 1, 2014, a credit under § 58.1-339.11. For taxable years beginning on
98 and after January 1, 2014, no such deduction for long-term health care insurance premiums paid by the
99 individual during the taxable year shall be allowed if the individual has claimed a federal income tax
100 deduction for such taxable year for long-term health care insurance premiums paid by him.

101 11. Contract payments to a producer of quota tobacco or a tobacco quota holder, or their spouses, as
102 provided under the American Jobs Creation Act of 2004 (P.L. 108-357), but only to the extent that such
103 payments have not been subtracted pursuant to subsection D of § 58.1-402, as follows:

104 a. If the payment is received in installment payments, then the recognized gain may be subtracted in
105 the taxable year immediately following the year in which the installment payment is received.

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

109 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6
110 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the
111 following items of tangible personal property: (i) any clothes washers, room air conditioners,
112 dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency
113 requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of
114 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an
115 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least
116 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating
117 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of
118 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and
119 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a
120 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that

has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization rating of 85; and (x) programmable thermostats.

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

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

2. That an emergency exists and this act is in force from its passage.