DEPARTMENT OF TAXATION
2019 Fiscal Impact Statement

1. Patron Richard H. Stuart

2. Bill Number SB 1443

House of Origin:

X **Introduced**

____ **Substitute**

____ **Engrossed**

3. Committee Senate Finance

4. Title Virginia Income Tax; Emergency

Second House:

____ **In Committee**

____ **Substitute**

____ **Enrolled**

5. Summary/Purpose:

This bill would advance Virginia's date of conformity to the Internal Revenue Code ("IRC") from February 9, 2018 to December 31, 2018. This bill would also repeal language currently deconforming Virginia from most of the provisions of the Tax Cuts and Jobs Act ("the TCJA") and the Bipartisan Budget Act of 2018 ("the BBA") that affect Taxable Year 2018 and after. This would allow Virginia to fully conform to the TCJA. The provisions of this bill amending Virginia's conformity statute would be effective only for Taxable Year 2018 and after.

For Taxable Year 2018, this bill would increase the Virginia standard deduction from $3,000 to $6,000 for individuals and married taxpayers filing separately, and from $6,000 to $12,000 for married taxpayers filing joint returns. This bill would index the standard deduction using Chained Consumer Price Index for All Urban Consumers ("C-CPI-U") beginning with Taxable Year 2019. The standard deduction would revert to the current amounts for Taxable Year 2026 and after.

This bill would index the individual income tax brackets and personal exemptions using the C-CPI-U for Taxable Year 2020 and after.

This bill would reduce the 6 percent corporate income tax rate to 5.5 percent for Taxable Year 2018 and 5 percent for Taxable Year 2019 and after.

This bill would provide a corporate income tax subtraction for the amount of business interest that is disallowed as a deduction for federal income tax purposes.

The bill would expand Virginia's existing corporate income tax subtraction for subpart F income so that it also applies to global intangible low-taxed income ("GILTI"). As a result, GILTI would be permitted to be subtracted for Virginia corporate income tax purposes to the extent it is included in a taxpayer's federal taxable income.

This bill would require that any additional revenues generated by the federal TCJA for Fiscal Year 2019-2020 beyond what is necessary to offset the reduction in revenues resulting from the other provisions of this bill be transferred to a special nonreverting fund

to be known as the Tax Policy Fund. The Governor would be required to submit, with the Introduced Executive Budget for the 2020-2022 biennium, a plan to provide tax reform to Virginia taxpayers with revenues in the Tax Policy Fund.

This bill contains an emergency clause which states that it would be in force from its passage.

6. **Budget amendment necessary:** Yes.

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7a. Expenditure Impact:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2018-19	$1,781,806	0	GF
2019-20	$188,108	0	GF
2020-21	$88,800	0	GF
2021-22	$61,600	0	GF
2022-23	$39,200	0	GF

7b. Revenue Impact:

Fiscal Year	*Dollars*	*Fund*
2018-19	($622.5 million)	GF
2019-20	($1.12 billion)	GF
2020-21	($808.1 million)	GF
2021-22	($869.3 million)	GF
2022-23	($931.0 million)	GF
2023-24	($993.3 million)	GF
2024-25	($1.06 billion)	GF

8. **Fiscal implications:**

<u>Administrative Costs</u>

In order to implement the standard deduction change in the middle of tax filing season, the Department of Taxation ("the Department") would incur costs of $1,781,806 in FY 2019, $188,108 in FY 2020, $88,800 in FY 2021, $61,600 in FY 2022, and $39,200 in FY 2023. These costs include the costs of adjusting returns that have already been filed to reflect the standard deduction increase and mailing letters explaining such adjustments, as well as hiring additional wage employees to adjust returns and respond to questions regarding return adjustments. These costs also reflect the impact of changing the corporate rate during filing season.

<u>Revenue Impact</u>

This bill would result in a negative General Fund revenue impact of $622.5 million in Fiscal Year 2019, $1.12 billion in Fiscal Year 2020, $808.1 million in Fiscal Year 2021, $869.3 million in Fiscal Year 2022, $931.0 million in Fiscal Year 2023, $993.3 million in Fiscal Year 2024, and $1.06 billion in Fiscal Year 2025. If this bill is enacted, the budget would need to be adjusted to reduce General Fund revenues by $622.5 million in Fiscal Year 2019 and $1.12 billion in Fiscal Year 2020.

These revenue estimates assume the bill would be amended to prevent taxpayers from receiving a double tax benefit as a result of the proposed subtraction for business interest (See Line 10). If such amendments are not adopted, the negative revenue impact would increase. Such estimated negative revenue impact would also increase if a similar subtraction were provided for individual income tax purposes.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

The TCJA imposed a much more restrictive cap on the federal business interest deduction than what existed under prior law. However, taxpayers may carry forward disallowed business interest deductions indefinitely and use them to reduce their federal tax liability in future taxable years. This effectively spreads a taxpayer's business interest deduction over several taxable years for federal income tax purposes.

This bill would permit a corporate taxpayer to subtract the full amount of the business interest deduction they are entitled to for Virginia income tax purposes. However, it does not provide a corresponding corporate income tax addition in the later taxable years when the taxpayer would be able to deduct the disallowed amounts for federal income tax purposes. Without such an offsetting addition, this would permit taxpayers to claim their full business interest deduction for Virginia income tax purposes in the first year, and then realize a double benefit going forward as their Virginia taxable income would be reduced to the extent they claim the disallowed carry forward on their federal income tax returns in future taxable years.

To prevent taxpayers from receiving a double tax benefit for Virginia income tax purposes, the Department recommends that the General Assembly add a corresponding business interest addition to this bill.

11. Other comments:

Virginia's Date of Conformity to the Internal Revenue Code

Virginia's date of conformity to the IRC is currently fixed to the IRC as it existed on February 9, 2018. Virginia law currently deconforms from the following IRC provisions:

- **Bonus depreciation allowed for certain assets under federal income taxation.** Taxpayers who claim bonus depreciation on their federal returns upon purchasing an asset are required to make adjustments on their Virginia returns for the taxable year in which they purchased such asset and in each subsequent year until the asset has been fully depreciated for federal and Virginia purposes.

- **The five-year carry-back of net operating losses ("NOLs") generated in certain taxable years**. Although no longer available, taxpayers who benefited from the use of a five-year carry-back on their federal returns for losses generated

during 2008 and 2009 are required to make adjustments on their Virginia returns for the taxable year in which such losses were generated and in each subsequent year until all such losses have been fully utilized for both federal and Virginia purposes.

- **Tax exclusions related to cancellation of debt income**. Although no longer available, taxpayers who benefited from a deferral of income realized upon the reacquisition of certain business debt during 2009 and 2010 on their federal returns are required to make adjustments on their Virginia returns for the taxable year in which they deferred such income and in each subsequent year until such income is fully reported for both federal and Virginia purposes. However, for transactions completed on or before April 21, 2010, taxpayers were permitted to partially defer such income by reporting the income over three taxable years.

- **Tax deductions related to the application of the applicable high yield debt obligation rules**. Although no longer available, taxpayers who benefited from the suspension of the application of the applicable high yield debt obligation rules for certain debts issued between September 30, 2008 and December 31, 2009 on their federal returns, are required to make adjustments on their Virginia returns for the taxable year in which they claimed a deduction and in each subsequent year until such deductions are fully claimed for both federal and Virginia purposes.

In addition to these IRC provisions from which Virginia has historically deconformed, the General Assembly enacted legislation during the 2018 Session that deconformed Virginia from:

- The provision of the TCJA that temporarily increased the medical expenses deduction for Taxable Years 2017 and 2018; and
- All of the provisions of the TCJA and the Bipartisan Budget Act of 2018 that affect Taxable Year 2018 and after other than the provision of the TCJA providing tax relief for specified 2016 disaster areas and the provision extending combat zone benefits to members of the armed forces performing services in the Sinai Peninsula of Egypt.

Tax Cuts and Jobs Act

On December 22, 2017, the TCJA was signed into law. This federal tax reform legislation substantially changes the federal income taxation of individuals and businesses. The provisions that affect individual taxpayers include, but are not limited to:

- Increasing the standard deduction amount to $24,000 for joint filers and $12,000 for individual filers;
- Repealing the "Pease Limitation" that reduced the otherwise allowable amount of itemized deductions by 3 percent of the amount by which federal adjusted gross income exceeded a threshold amount (up to an 80 percent reduction);
- Expanding the charitable contribution deduction by increasing the percentage limitation on the amount of cash contributions that may be made to public charities;

- Imposing a $10,000 limitation on the state and local tax (“SALT”) deduction;
- Limiting the home mortgage interest deduction to interest expenses attributable to mortgage balances no greater than $750,000 (for mortgages incurred December 15, 2017 or later);
- Repealing the home mortgage interest deduction for all home equity loan interest expenses;
- Repealing certain miscellaneous deductions subject to 2 percent floor, such as the deduction for unreimbursed employee expenses (including travel and home office expenses) and the deduction for tax preparation fees; and
- Repealing the deduction for casualty losses other than for losses incurred in a federally-declared disaster area.

Most of the provisions of the TCJA impacting individual taxpayers are currently scheduled to sunset after December 31, 2025. Future legislation would be required to make the provisions effective beyond Taxable Year 2025.

The provisions that impact businesses include, but are not limited to:

- Expanding IRC § 179 small business expensing by raising the annual dollar limitation from $500,000 to $1 million of qualifying property and raising the threshold for reducing the deduction amount from $2 million to $2.5 million of qualifying purchases;
- Increasing first-year bonus deprecation from 50 percent to 100 percent of the purchase price of qualified property;
- Expanding the universe of taxpayers that can use the cash method of accounting by increasing the threshold for the cash method from $5 million in gross receipts (generally $1 million for those businesses that are required to use the inventory method) to $25 million;
- Imposing a 30 percent of adjusted income limit on the deduction for interest expenses for most businesses with gross receipts of over $25 million;
- Imposing an 80 percent of taxable income limitation on the net operating loss deduction, generally repealing the ability to carry back losses, and providing the ability to indefinitely carry forward losses;
- Repealing the IRC § 199 domestic production activities deduction; and
- Eliminating the ability of taxpayers to immediately deduct certain research and experimentation expenditures and requiring them to be amortized.

Most of the provisions of the TCJA impacting business taxpayers are effective beginning in Taxable Year 2018 and are permanent. However, the provision providing 100 percent bonus depreciation is currently scheduled to sunset after Taxable Year 2022.

The TCJA makes fundamental changes to the United States’ international tax structure. In general, the TCJA shifts from the prior system of worldwide taxation with deferral to a participation exemption regime with current taxation of certain foreign income.

Bipartisan Budget Act of 2018

On February 9, 2018, the BBA was signed into law. In addition to providing a continuing resolution to fund the federal government, the BBA extends more than 30 tax provisions, commonly known as "extenders," which had expired at the end of 2016, so that they apply to Taxable Year 2017. The law expands the tax relief previously provided to victims of Hurricanes Harvey, Irma, and Maria so that it applies to victims of the 2017 California wildfires, clarifies the definition of “disaster areas” for Hurricanes Irma and Harvey, and makes other changes.

Virginia Standard Deduction

Taxpayers that do not itemize their deductions for federal purposes are permitted to claim a standard deduction on their Virginia income tax returns. The amount of the Virginia standard deduction is $3,000 for single individuals and $6,000 for married persons filing jointly, and it is not currently indexed for inflation. Virginia’s standard deduction amounts increased from Taxable Year 1988 to the present, as shown below:

Year	Virginia Standard Deduction for Single Taxpayers	Virginia Standard Deduction for Married Persons Filing Jointly
1987	$2,000	$2,000
1988	$2,700	$2,700
1989-2004	$3,000	$5,000
2005-present	$3,000	$6,000

During the 2005 Session, the General Assembly increased the standard deduction for married persons filing jointly from $5,000 to $6,000. This was intended to eliminate the standard deduction marriage penalty at the state level, similar to how this issue was addressed at the federal level. Since 2005, the Virginia standard deduction amounts have remained at $3,000 for single taxpayers and $6,000 for married taxpayers filing jointly.

Prior to 1987, the Virginia standard deduction was not a fixed amount. For example, in Taxable Year 1986, the Virginia standard deduction was 15 percent of a taxpayer’s federal adjusted gross income with a $1,300 minimum and a $2,000 maximum.

Virginia Individual Income Tax Rate Brackets

Under current law, the Virginia individual income tax is imposed on the following income brackets at these rates:

Virginia Taxable Income	Virginia Tax Rates
$3,000 and less	2 percent
$3,001 to $5,000	3 percent
$5,001 to $17,000	5 percent
$17,001 or more	5.75 percent

In 1971, when Virginia studied conforming to the federal income tax law, Virginia originally considered having on the first three tax brackets shown above. Therefore, the top

marginal tax rate would have been 5 percent, applicable to Virginia taxable income of $5,001 or more. However, by 1972, when the General Assembly voted to conform to federal income tax law, it enacted four tax brackets at the same tax rates as under current law.

The amount of Virginia taxable income subject to Virginia's top marginal tax rate was last modified during the 1987 Session, in response to the 1986 federal tax reform.

Year	Taxable Income Subject to 5.75 percent Tax Rate
1972—1986	$12,001 or more
1987	$14,001 or more
1988	$15,001 or more
1989	$16,001 or more
1990—Present	$17,001 or more

Since 1990, the General Assembly has not enacted any legislation affecting Virginia individual income tax rates or brackets and the brackets are not currently indexed for inflation.

Virginia Personal Exemption

Currently, a $930 personal exemption may be claimed for each person filing a return (for married couples, each spouse is entitled to an exemption) and for each dependent. In 1971, when Virginia studied conforming to federal income tax law, Virginia's personal exemptions were originally intended to be the same as the federal personal exemptions. However, by 1972, when Virginia voted to conform to federal income tax law, Virginia's personal exemption amount was less than the federal amount because Virginia did not conform to the 1972 federal increase. Virginia's personal exemption amounts have changed over the years, as shown below:

Year(s)	Virginia Personal Exemption
1972	$600
1973-1986	$600
1987	$700
1988-2005	$800
2006-2007	$900
2008-present	$930

In addition to the $930 personal exemption, an $800 personal exemption for age or blindness may be claimed for each filer who is blind or who has attained the age of 65 before the close of the taxable year. Virginia's additional personal exemptions for age or blindness have changed over the years, as shown below:

Year(s)	Personal Exemption for Blindness/Age
1972	$600
1973-1986	$600 for blindness $1,000 for age
1987	$900
1988-present	$800

Beginning in Taxable Year 1973, the General Assembly allowed an additional $400 personal exemption for taxpayers who claimed the additional federal personal exemption for age. Therefore, for Taxable Years 1973 through 1986, the total Virginia additional personal exemption for age was $1,000. There was no additional amount allowed for blindness. Thus, taxpayers who claimed the federal personal exemption for blindness were entitled to only a $600 additional personal exemption on Virginia returns filed from 1973 through 1986.

For Taxable Years 2018 through 2025, the TCJA effectively eliminated the federal personal exemption by making the amount of the exemption equal to $0. However, the TCJA did not remove the statutory language in the IRC granting personal exemptions. Therefore, federal law still contains a provision allowing personal exemptions, but the amount of such exemption is $0. Because Virginia's personal exemption deduction is based on the number of personal exemptions allowable for federal income tax purposes and not on the amount of such exemptions, the TCJA has no effect on Virginia's personal exemption.

Virginia Corporate Income Tax Rate

Virginia's corporate income tax is currently imposed at the rate of 6 percent on the Virginia taxable income of domestic and foreign corporations doing business in Virginia. A "corporation" is defined as any entity created as a corporation under the laws of any state or local domestic or foreign jurisdiction, and any association, joint stock company, or any other entity subject to corporate income tax under the Internal Revenue Code.

A corporation's taxable income is determined by allocation and apportionment when the income is derived from sources both within and without Virginia. Multistate corporations allocate and apportion federal taxable income after Virginia modifications are made to determine the amount of income attributable to Virginia. No allocation or apportionment is necessary when the entire business of a corporation is conducted or transacted within Virginia. Instead, the Virginia corporate income tax is imposed upon the entire Virginia taxable income of the corporation for each taxable year.

Virginia's corporate income tax rate has remained unchanged since 1972, when it was increased from 5 percent to 6 percent.

Federal Business Interest Deduction

For federal income tax purposes, a taxpayer may claim a deduction for interest paid or accrued on certain debts related to their trades or businesses. Prior the enactment of the

TCJA, only corporations were permitted to claim this deduction and it was not subject to a percentage limitation. Instead, the deduction was limited for certain types of interest if the taxpayer's debt-to-equity ratio exceeded 1.5 to 1.0 and the taxpayer's net interest expense exceeded 50 percent of the taxpayer's adjusted taxable income.

The TCJA permits all businesses, regardless of entity type, to claim the business interest deduction. However, the TCJA generally limited the amount of the deduction to the sum of a taxpayer's:

- Business interest income;
- 30 percent of a taxpayer's adjusted taxable income; and
- Floor plan financing interest.

For purposes of the deduction, "adjusted taxable income," is defined as the taxable income of the taxpayer without regard to:

- Items of income, gain, deduction or loss not allocable to a trade or business;
- Any business interest or business interest income;
- Any net operating loss deduction;
- Any "pass-through" deduction under Internal Revenue Code Section 199A; and
- For taxable years commencing prior to January 1, 2022, any depreciation, amortization or depletion deductions.

The business interest limitation does not apply to certain taxpayers including small businesses that have annual gross receipts for the three-taxable-year period ending with the prior taxable year equal to or less than $25 million. In addition, real property and farming businesses may opt out of the new limitation if they use the alternative depreciation system to depreciate certain property used in their businesses.

Global Intangible Low-Taxed Income

The TCJA made significant changes to the federal taxation of U.S. corporations and individuals that own stock in foreign corporations. Prior to the TCJA, domestic corporations as well as U.S. citizens and U.S. residents were required to report and pay tax on their worldwide income, which includes both their domestic and foreign income. Therefore, the U.S. tax system prior to the TCJA was referred to as a "worldwide system." Despite the apparent far-reaching nature of a worldwide system, some U.S. taxpayers were able to avoid U.S. tax on their foreign income by forming foreign corporations in the countries where they do business. Because foreign corporations are not considered U.S. corporations even if wholly owned by a U.S. parent, their foreign profits were not generally subject to U.S. taxation so long as they kept the profits abroad and did not distribute them to their domestic parent corporation.

The TCJA replaced the worldwide system for certain domestic corporations with what is referred to as a "territorial system." In this system, domestic corporations generally pay U.S. tax only on their domestic income and are exempt from U.S. tax on their foreign income. To prevent multinational firms from shifting their profits to low-tax countries, the TCJA included a provision that requires U.S. corporations and other U.S. shareholders

that own stock in specified foreign corporations to pay federal income tax at reduced rates on certain abnormally high overseas profits, referred to as global intangible low-taxed income or "GILTI."

U.S. individuals and domestic corporations that are 10 percent-or-more owners that collectively own more than 50 percent of a foreign corporation, referred to as a "controlled foreign corporation" or "CFC," are required to pay tax on their GILTI. The GILTI inclusion is the taxpayer's aggregate net income from CFCs that exceeds a 10 percent return on the CFCs' tangible assets. Net income means the CFCs gross income less deductions, exclusive of income already taxed or exempted from U.S. tax in the current year. This may include, but is not limited to, Subpart F income, income effectively connected with a U.S. trade or business, and income subject to a high foreign effective tax rate. The 10 percent return on tangible assets is not counted for any CFC with a net loss.

Corporations are allowed a foreign tax credit on their federal income tax returns for foreign taxes allocable to their GILTI inclusion. Therefore, the GILTI inclusion is grossed up for the related foreign taxes. For corporations only, the GILTI inclusion plus the gross-up is reduced by 50 percent for Taxable Years 2018 through 2025 and by 37.5 percent for Taxable Years 2026 and after. The 50 percent or 37.5 percent reduction applies after net operating losses. Any unused excess reduction is lost and may not be carried forward.

Individuals are taxed on the full GILTI inclusion. However, such taxpayers may make an election to be taxed on the deemed income at corporate rates, including credits, which gives temporary relief until the earnings are actually repatriated.

Virginia Income Tax Incentives for Foreign Income

For corporate income tax purposes, Virginia generally exempts income from other countries. This is accomplished by allowing subtractions on the Virginia corporate income tax return for foreign source income and for subpart F income to the extent such income is included in and not otherwise subtracted from federal taxable income. However, GILTI does not currently qualify for either of these corporate income tax subtractions.

Proposed Legislation

Advance Conformity to the Internal Revenue Code

This bill would advance Virginia's date of conformity to the IRC from February 9, 2018 to December 31, 2018. In doing so Virginia would conform to all provision of the IRC, except:

- Bonus depreciation allowed for certain assets under federal income taxation;
- The five-year NOLs generated in certain taxable years;
- Tax exclusions related to cancellation of debt income; and
- Tax deductions related to the application of the applicable high yield debt obligation rules.

The provisions of this bill amending Virginia's conformity statute would be effective only for Taxable Year 2018 and after.

Increase and Index Standard Deduction

This bill would increase the Virginia standard deduction from $3,000 to $6,000 for individuals and married taxpayers filing separately, and from $6,000 to $12,000 for married taxpayers filing joint returns for Taxable Year 2018 through Taxable Year 2025. This bill would index the standard deduction for Taxable Year 2019 through Taxable Year 2025 by the percentage, if any, by which C-CPI-U for the most recent calendar year differs from the C-CPI-U published as the close of the 12-month period ending on December 31, 2018. The standard deduction would revert to the current amounts for Taxable Year 2026 and after.

Index Individual Income Tax Brackets and Personal Exemption

This bill would index the individual income tax brackets and personal exemptions for Taxable Year 2020 and after by the percentage, if any, by which C-CPI-U for the most recent calendar year differs from the C-CPI-U published as the close of the 12-month period ending on December 31, 2019.

Reduce Corporate Income Tax Rate

This bill would reduce the 6 percent corporate income tax rate to 5.5 percent for Taxable Year 2018 and 5 percent for Taxable Year 2019 and after.

Subtraction for Disallowed Business Interest

This bill would provide a corporate income tax subtraction for the amount of business interest that is disallowed as a deduction for federal income tax purposes.

Subtraction for Global Intangible Low-Taxed Income

The bill would expand Virginia's existing corporate income tax subtraction for subpart F income so that it also applies to GILTI. As a result, GILTI would be permitted to be subtracted for Virginia corporate income tax purposes to the extent it is included in a taxpayer's federal taxable income.

Creation of the Tax Policy Fund

This bill would require that any additional revenues generated by the federal TCJA for Fiscal Year 2019-2020 beyond what is necessary to offset the reduction in revenues resulting from the other provisions of this bill be transferred to a special nonreverting fund to be known as the Tax Policy Fund. The Governor would be required to submit, with the Introduced Executive Budget for the 2020-2022 biennium, a plan to provide tax reform to Virginia taxpayers with revenues in the Tax Policy Fund.

Similar Legislation

Senate Bill 1631 is identical to this bill.

House Bill 1851, **House Bill 1980**, **House Bill 2086**, **House Bill 2110**, **House Bill 2529**, **House Bill 2673**, **House Bill 2765**, **Senate Bill 1225** would make various, different tax policy changes.

Senate Bill 1531 would increase the standard deduction to $12,000 for single individuals and $24,000 for married taxpayers filing joint returns.

House Bill 1618 and **Senate Bill 1237** would allow a taxpayer to elect either to claim the Virginia standard deduction or to itemize his or her deductions, regardless of whether the taxpayer elected for the taxable year to itemize deductions on his or her federal return, for Taxable Year 2019 through Taxable Year 2025.

House Bill 2708 would allow a taxpayer to elect either to claim the Virginia standard deduction or to itemize his or her deductions, regardless of whether the taxpayer elected for the taxable year to itemize deductions on his or her federal return, for Taxable Year 2019 and after.

House Bill 2355, **Senate Bill 1320**, and **Senate Bill 1372** would advance Virginia's date of conformity to the IRC to December 31, 2018.

House Bill 2704 would require, if the General Assembly does not enact legislation during the 2019 Session that provides at least $100 million in tax relief, that any additional revenues from the TCJA in Fiscal Year 2019-2020 be transferred to the Tax Policy Fund, and used to provide tax reform.

Senate Bill 1739 would advance Virginia's date of conformity to the IRC to December 31, 2018, and require additional revenues from the TCJA for fiscal years beginning on and after July 1, 2018, but before July 2, 2026, to be transferred to the Taxpayer Relief Fund and distributed on September 1 of each year from 2019 through 2027 as a refund to Virginia taxpayers who filed a return in the immediately preceding taxable year.

Senate Bill 1744 would increase the standard deduction to $4,000 for single individuals and $8,000 for married taxpayers filing jointly for Taxable Year 2018 only, and the standard deduction would revert to its current amounts for Taxable Year 2019 and after.

House Bill 2701 and **Senate Bill 1697** would provide a corporate income tax subtraction for the amount of business interest that is disallowed as a deduction for federal income tax purposes.

House Bill 2700 and **Senate Bill 1698** would expand Virginia's existing corporate income tax subtraction for subpart F income so that it also applies to GILTI.

cc : Secretary of Finance

Date: 1/20/2019 JLOF
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