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SENATE BILL NO. 1146

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on Finance
on February 10, 2021)

(Patrons Prior to Substitute—Senators Howell and Petersen [SB 1394])

A *BILL to amend and reenact §§ 58.1-301, 58.1-322.02, and 58.1-322.03 of the Code of Virginia, relating to conformity of the Commonwealth's taxation system with the Internal Revenue Code.*

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-301, 58.1-322.02, and 58.1-322.03 of the Code of Virginia are amended and reenacted as follows:

§ 58.1-301. Conformity to Internal Revenue Code.

A. Any term used in this chapter shall have the same meaning as when used in a comparable context in the laws of the United States relating to federal income taxes, unless a different meaning is clearly required.

B. Any reference in this chapter to the laws of the United States relating to federal income taxes shall mean the provisions of the Internal Revenue Code of 1954, and amendments thereto, and other provisions of the laws of the United States relating to federal income taxes, as they existed on December 31, 2019 2020, except for:

1. The special depreciation allowance for certain property provided for under §§ 168(k), 168(l), 168(m), 1400L, and 1400N of the Internal Revenue Code;

2. The carry-back of certain net operating losses for five years under § 172(b)(1)(H) of the Internal Revenue Code;

3. The original issue discount on applicable high yield discount obligations under § 163(e)(5)(F) of the Internal Revenue Code;

4. The deferral of certain income under § 108(i) of the Internal Revenue Code. For Virginia income tax purposes, income from the discharge of indebtedness in connection with the reacquisition of an "applicable debt instrument" (as defined under § 108(i) of the Internal Revenue Code) reacquired in the taxable year shall be fully included in the taxpayer's Virginia taxable income for the taxable year, unless the taxpayer elects to include such income in the taxpayer's Virginia taxable income ratably over a three-taxable-year period beginning with taxable year 2009 for transactions completed in taxable year 2009, or over a three-taxable-year period beginning with taxable year 2010 for transactions completed in taxable year 2010 on or before April 21, 2010. For purposes of such election, all other provisions of § 108(i) of the Internal Revenue Code shall apply mutatis mutandis. No other deferral shall be allowed for income from the discharge of indebtedness in connection with the reacquisition of an "applicable debt instrument";

5. For taxable years beginning on and after January 1, 2019, ~~the provisions of § 11046 of the federal Tax Cuts and Jobs Act, P.L. 115-97 (2017), related to the suspension of the overall limitation on itemized deductions under § 68(f) of the Internal Revenue Code; and~~

6. ~~The provisions of § 103 of Division Q of the federal Further Consolidated Appropriations Act, 2020, P.L. 116-94 (2019), related to the reduction in the medical expense deduction floor For taxable years beginning on and after January 1, 2017, but before January 1, 2018, and for taxable years beginning on and after January 1, 2019, the 7.5 percent of federal adjusted gross income threshold set forth in § 213(a) of the Internal Revenue Code that is used for purposes of computing the deduction allowed for expenses for medical care pursuant to § 213 of the Internal Revenue Code. For such taxable years, the threshold utilized for Virginia income tax purposes to compute the deduction allowed for expenses for medical care pursuant to § 213 of the Internal Revenue Code shall be 10 percent of federal adjusted gross income;~~

7. ~~The provisions of §§ 2303(a) and 2303(b) of the federal Coronavirus Aid, Relief, and Economic Security Act, P.L. 116-136 (2020), related to the net operating loss limitation and carryback;~~

8. ~~The provisions of § 2304(a) of the federal Coronavirus Aid, Relief, and Economic Security Act, P.L. 116-136 (2020), related to a loss limitation applicable to taxpayers other than corporations;~~

9. ~~The provisions of § 2306 of the federal Coronavirus Aid, Relief, and Economic Security Act, P.L. 116-136 (2020), related to the limitation on business interest; and~~

10. ~~The provisions of §§ 276(a), 276(b)(2), 276(b)(3), 278(a)(2), 278(a)(3), 278(b)(2), 278(b)(3), 278(c)(2), 278(c)(3), 278(d)(2), and 278(d)(3) of the federal Consolidated Appropriations Act, P.L. 116-260 (2020), related to deductions, tax attributes, and basis increases for certain loan forgiveness and other business financial assistance.~~

The Department of Taxation is hereby authorized to develop procedures or guidelines for implementation of the provisions of this section, which procedures or guidelines shall be exempt from

the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

§ 58.1-322.02. Virginia taxable income; subtractions.

In computing Virginia taxable income pursuant to § 58.1-322, to the extent included in federal adjusted gross income, there shall be subtracted:

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

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

3. 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.

4. Up to \$20,000 of disability income, as defined in § 22(c)(2)(B)(iii) of the Internal Revenue Code; however, any person who claims a deduction under subdivision 5 of § 58.1-322.03 may not also claim a subtraction under this subdivision.

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

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

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

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

9. Amounts received by an individual, not to exceed \$1,000 for taxable years beginning on or before December 31, 2019, and \$5,000 for taxable years beginning on or after January 1, 2020, as a reward for information provided to a law-enforcement official or agency, or to a nonprofit corporation created exclusively to assist such law-enforcement official or agency, in the apprehension and conviction of perpetrators of crimes. This subdivision shall not apply to the following: an individual who is an employee of, or under contract with, a law-enforcement agency, a victim or the perpetrator of the crime for which the reward was paid, or any person who is compensated for the investigation of crimes or accidents.

10. The amount of "qualified research expenses" or "basic research expenses" eligible for deduction for federal purposes, but which were not deducted, on account of the provisions of § 280C(c) of the Internal Revenue Code and which shall be available to partners, shareholders of S corporations, and members of limited liability companies to the extent and in the same manner as other deductions may pass through to such partners, shareholders, and members.

11. Any income received during the taxable year derived from a qualified pension, profit-sharing, or stock bonus plan as described by § 401 of the Internal Revenue Code, an individual retirement account or annuity established under § 408 of the Internal Revenue Code, a deferred compensation plan as defined by § 457 of the Internal Revenue Code, or any federal government retirement program, the contributions to which were deductible from the taxpayer's federal adjusted gross income, but only to the extent the contributions to such plan or program were subject to taxation under the income tax in another state.

12. Any income attributable to a distribution of benefits or a refund from a prepaid tuition contract or savings trust account with the Virginia College Savings Plan, created pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1. The subtraction for any income attributable to a refund shall be limited to income attributable to a refund in the event of a beneficiary's death, disability, or receipt of a scholarship.

13. All military pay and allowances, to the extent included in federal adjusted gross income and not otherwise subtracted, deducted, or exempted under this section, earned by military personnel while serving by order of the President of the United States with the consent of Congress in a combat zone or qualified hazardous duty area that is treated as a combat zone for federal tax purposes pursuant to § 112 of the Internal Revenue Code.

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

15. Fifteen thousand dollars of military basic pay for military service personnel on extended active

duty for periods in excess of 90 days; however, the subtraction amount shall be reduced dollar-for-dollar by the amount by which the taxpayer's military basic pay exceeds \$15,000 and shall be reduced to zero if such military basic pay amount is equal to or exceeds \$30,000.

16. The first \$15,000 of salary for each federal and state employee whose total annual salary from all employment for the taxable year is \$15,000 or less.

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

18. Any amount received as military retirement income by an individual awarded the Congressional Medal of Honor.

19. Items of income attributable to, derived from, or in any way related to (i) assets stolen from, hidden from, or otherwise lost by an individual who was a victim or target of Nazi persecution or (ii) damages, reparations, or other consideration received by a victim or target of Nazi persecution to compensate such individual for performing labor against his will under the threat of death, during World War II and its prelude and direct aftermath. This subtraction shall not apply to assets acquired with such items of income or with the proceeds from the sale of assets stolen from, hidden from, or otherwise lost to, during World War II and its prelude and direct aftermath, a victim or target of Nazi persecution. The provisions of this subdivision shall only apply to an individual who was the first recipient of such items of income and who was a victim or target of Nazi persecution, or a spouse, surviving spouse, or child or stepchild of such victim.

As used in this subdivision:

"Nazi regime" means the country of Nazi Germany, areas occupied by Nazi Germany, those European countries allied with Nazi Germany, or any other neutral European country or area in Europe under the influence or threat of Nazi invasion.

"Victim or target of Nazi persecution" means any individual persecuted or targeted for persecution by the Nazi regime who had assets stolen from, hidden from, or otherwise lost as a result of any act or omission in any way relating to (i) the Holocaust, (ii) World War II and its prelude and direct aftermath, (iii) transactions with or actions of the Nazi regime, (iv) treatment of refugees fleeing Nazi persecution, or (v) the holding of such assets by entities or persons in the Swiss Confederation during World War II and its prelude and aftermath. A "victim or target of Nazi persecution" also includes any individual forced into labor against his will, under the threat of death, during World War II and its prelude and direct aftermath.

20. The military death gratuity payment made after September 11, 2001, to the survivor of deceased military personnel killed in the line of duty, pursuant to 10 U.S.C. Chapter 75; however, the subtraction amount shall be reduced dollar-for-dollar by the amount that the survivor may exclude from his federal gross income in accordance with § 134 of the Internal Revenue Code.

21. The death benefit payments from an annuity contract that are received by a beneficiary of such contract, provided that (i) the death 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.

22. 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 with 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.

23. 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.

24. 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 Administration, provided that 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.

25. 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 12 (§ 36-171 et seq.) of Title 36 and (ii) interest income or other income for federal income tax purposes attributable to such person's

183 first-time home buyer savings account.

184 Notwithstanding the statute of limitations on assessments contained in § 58.1-312, any subtraction
185 taken under this subdivision shall be subject to recapture in the taxable year or years in which moneys
186 or funds withdrawn from the first-time home buyer savings account were used for any purpose other
187 than the payment of eligible costs by or on behalf of a qualified beneficiary, as provided under
188 § 36-174. The amount subject to recapture shall be a portion of the amount withdrawn in the taxable
189 year that was used for other than the payment of eligible costs, computed by multiplying the amount
190 withdrawn and used for other than the payment of eligible costs by the ratio of the aggregate earnings in
191 the account at the time of the withdrawal to the total balance in the account at such time.

192 However, recapture shall not apply to the extent of moneys or funds withdrawn that were (i)
193 withdrawn by reason of the qualified beneficiary's death or disability; (ii) a disbursement of assets of the
194 account pursuant to a filing for protection under the United States Bankruptcy Code, 11 U.S.C. §§ 101
195 through 1330; or (iii) transferred from an account established pursuant to Chapter 12 (§ 36-171 et seq.)
196 of Title 36 into another account established pursuant to such chapter for the benefit of another qualified
197 beneficiary.

198 For purposes of this subdivision, "account holder," "eligible costs," "first-time home buyer savings
199 account," and "qualified beneficiary" mean the same as those terms are defined in § 36-171.

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

204 27. a. Income, including investment services partnership interest income (otherwise known as
205 investment partnership carried interest income), attributable to an investment in a Virginia venture
206 capital account. To qualify for a subtraction under this subdivision, the investment shall be made on or
207 after January 1, 2018, but before December 31, 2023. No subtraction shall be allowed under this
208 subdivision for an investment in a company that is owned or operated by a family member or an
209 affiliate of the taxpayer. No subtraction shall be allowed under this subdivision for a taxpayer who has
210 claimed a subtraction under subdivision 24 or a tax credit under § 58.1-339.4 for the same investment.

211 b. As used in this subdivision 27:

212 "Qualified portfolio company" means a company that (i) has its principal place of business in the
213 Commonwealth; (ii) has a primary purpose of production, sale, research, or development of a product or
214 service other than the management or investment of capital; and (iii) provides equity in the company to
215 the Virginia venture capital account in exchange for a capital investment. "Qualified portfolio company"
216 does not include a company that is an individual or sole proprietorship.

217 "Virginia venture capital account" means an investment fund that has been certified by the
218 Department as a Virginia venture capital account. In order to be certified as a Virginia venture capital
219 account, the operator of the investment fund shall register the investment fund with the Department prior
220 to December 31, 2023, (i) indicating that it intends to invest at least 50 percent of the capital committed
221 to its fund in qualified portfolio companies and (ii) providing documentation that it employs at least one
222 investor who has at least four years of professional experience in venture capital investment or
223 substantially equivalent experience. "Substantially equivalent experience" includes, but is not limited to,
224 an undergraduate degree from an accredited college or university in economics, finance, or a similar
225 field of study. The Department may require an investment fund to provide documentation of the
226 investor's training, education, or experience as deemed necessary by the Department to determine
227 substantial equivalency. If the Department determines that the investment fund employs at least one
228 investor with the experience set forth herein, the Department shall certify the investment fund as a
229 Virginia venture capital account at such time as the investment fund actually invests at least 50 percent
230 of the capital committed to its fund in qualified portfolio companies.

231 28. a. Income attributable to an investment in a Virginia real estate investment trust. To qualify for a
232 subtraction under this subdivision, the investment shall be made on or after January 1, 2019, but before
233 December 31, 2024. No subtraction shall be allowed for an investment in a trust that is managed by a
234 family member or an affiliate of the taxpayer. No subtraction shall be allowed under this subdivision for
235 a taxpayer who has claimed a subtraction under subdivision 24 or 27 or a tax credit under § 58.1-339.4
236 for the same investment.

237 b. As used in this subdivision 28:

238 "Distressed" means satisfying the criteria applicable to a locality described in subdivision E 2 of
239 § 2.2-115.

240 "Double distressed" means satisfying the criteria applicable to a locality described in subdivision E 3
241 of § 2.2-115.

242 "Virginia real estate investment trust" means a real estate investment trust, as defined in 26 U.S.C.
243 § 856, that has been certified by the Department as a Virginia real estate investment trust. In order to be
244 certified as a Virginia real estate investment trust, the trustee shall register the trust with the Department

prior to December 31, 2024, indicating that it intends to invest at least 90 percent of trust funds in Virginia and at least 40 percent of trust funds in real estate in localities that are distressed or double distressed. If the Department determines that the trust satisfies the preceding criteria, the Department shall certify the trust as a Virginia real estate investment trust at such time as the trust actually invests at least 90 percent of trust funds in Virginia and at least 40 percent of trust funds in real estate in localities that are distressed or double distressed.

29. For taxable years beginning on and after January 1, 2019, any gain recognized from the taking of real property by condemnation proceedings.

30. *For taxable years beginning on and after January 1, 2020, but before January 1, 2021, up to \$25,000 of all grant funds received by the taxpayer under the Rebuild Virginia program established by the Governor and administered by the Department of Small Business and Supplier Diversity.*

§ 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 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. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income tax return: (i) for taxable years beginning before January 1, 2019, and on and after January 1, 2026, \$3,000 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) and (ii) for taxable years beginning on and after January 1, 2019, but before January 1, 2026, \$4,500 for single individuals and \$9,000 for married persons (one-half of such amounts in the case of a married individual filing a separate 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 \$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 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 7 (§ 23.1-700 et seq.) of Title 23.1. Except as provided in subdivision b, 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 subdivision 7 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

306 future taxable years until the purchase price or college savings trust contribution has been fully
307 deducted; however, except as provided in subdivision b, in no event shall the amount deducted in any
308 taxable year exceed \$4,000 per contract or college savings trust account. Notwithstanding the statute of
309 limitations on assessments contained in § 58.1-312, any deduction taken hereunder shall be subject to
310 recapture in the taxable year or years in which distributions or refunds are made for any reason other
311 than (i) to pay qualified higher education expenses, as defined in § 529 of the Internal Revenue Code or
312 (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes of this subdivision,
313 "purchaser" or "contributor" means the person shown as such on the records of the Virginia College
314 Savings Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a prepaid
315 tuition contract or college savings trust account, the transferee shall succeed to the transferor's tax
316 attributes associated with a prepaid tuition contract or college savings trust account, including, but not
317 limited to, carryover and recapture of deductions.

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

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

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

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

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

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

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

347 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6
348 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the
349 following items of tangible personal property: (i) any clothes washers, room air conditioners,
350 dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency
351 requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of
352 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an
353 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least
354 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating
355 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of
356 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and
357 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a
358 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that
359 has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual
360 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization
361 rating of 85; and (x) programmable thermostats.

362 13. The lesser of \$5,000 or the amount actually paid by a living donor of an organ or other living
363 tissue for unreimbursed out-of-pocket expenses directly related to the donation that arose within 12
364 months of such donation, provided that the donor has not taken a medical deduction in accordance with
365 the provisions of § 213 of the Internal Revenue Code for such expenses. The deduction may be taken in
366 the taxable year in which the donation is made or the taxable year in which the 12-month period
367 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.

15. For taxable years beginning on and after January 1, 2018, 20 percent of business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code. For purposes of this subdivision, "business interest" means the same as that term is defined under § 163(j) of the Internal Revenue Code.

16. For taxable years beginning on and after January 1, 2019, the actual amount of real and personal property taxes imposed by the Commonwealth or any other taxing jurisdiction not otherwise deducted solely on account of the dollar limitation imposed on individual deductions by § 164(b)(6)(B) of the Internal Revenue Code.

17. For taxable years beginning on and after January 1, 2020, but before January 1, 2021, up to \$25,000 of the amount that is not deductible when computing federal adjusted gross income solely on account of the portion of subdivision B 10 of § 58.1-301 related to Paycheck Protection Program loans.