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HOUSE BILL NO. 2138

House Amendments in [] - January 23, 2023

A *BILL to amend and reenact §§ 58.1-322.03, as it is currently effective and as it shall become effective, [~~and~~] 58.1-400 [, and 58.1-402] of the Code of Virginia, relating to income tax; business interest; qualified business income deduction; corporate rate reduction.*

Patron Prior to Engrossment—Delegate McNamara

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-322.03, as it is currently effective and as it shall become effective, [~~and~~] 58.1-400 [, and 58.1-402] of the Code of Virginia are amended and reenacted as follows:

§ 58.1-322.03. (Contingent expiration date) 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

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

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

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

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

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

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

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

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

104 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6
105 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the
106 following items of tangible personal property: (i) any clothes washers, room air conditioners,
107 dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency
108 requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of
109 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an
110 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least
111 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating
112 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of
113 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and
114 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a
115 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that
116 has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual
117 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization
118 rating of 85; and (x) programmable thermostats.

119 13. The lesser of \$5,000 or the amount actually paid by a living donor of an organ or other living
120 tissue for unreimbursed out-of-pocket expenses directly related to the donation that arose within 12

121 months of such donation, provided that the donor has not taken a medical deduction in accordance with
 122 the provisions of § 213 of the Internal Revenue Code for such expenses. The deduction may be taken in
 123 the taxable year in which the donation is made or the taxable year in which the 12-month period
 124 expires.

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

135 15. *Business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code:*

136 a. For taxable years beginning on and after January 1, 2018, but before January 1, 2022, 20 percent
 137 of *such disallowed* business interest ~~disallowed as a deduction pursuant to § 163(j) of the Internal~~
 138 ~~Revenue Code.~~

139 b. For taxable years beginning on and after January 1, 2022, *but before January 1, 2024*, 30 percent
 140 of *such disallowed* business interest ~~disallowed as a deduction pursuant to § 163(j) of the Internal~~
 141 ~~Revenue Code.~~

142 c. *For taxable years beginning on and after January 1, 2024, 50 percent of such disallowed business*
 143 *interest.*

144 For purposes of ~~this~~ subdivision 15, "business interest" means the same as that term is defined under
 145 § 163(j) of the Internal Revenue Code.

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

150 17. For taxable years beginning before January 1, 2021, up to \$100,000 of the amount that is not
 151 deductible when computing federal adjusted gross income solely on account of the portion of
 152 subdivision B 10 of § 58.1-301 related to Paycheck Protection Program loans.

153 18. *For taxable years beginning on and after January 1, 2023, an amount equal to 50 percent of the*
 154 *qualified business income deductions under § 199A(a) and § 199A(g) of the Internal Revenue Code taken*
 155 *and allowable in calculating federal taxable income for the applicable tax year, except that such amount*
 156 *shall not include qualified REIT dividends pursuant to § 199A(b)(1)(B) of the Internal Revenue Code.*

157 **§ 58.1-322.03. (Effective pursuant to Va. Const. Art. IV, § 13; contingent expiration date)**
 158 **Virginia taxable income; deductions.**

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

161 1. a. The amount allowable for itemized deductions for federal income tax purposes where the
 162 taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the
 163 amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted
 164 on such federal return and increased by an amount that, when added to the amount deducted under
 165 § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for
 166 such purposes at a rate of 18 cents per mile; or

167 b. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income
 168 tax return: (i) for taxable years beginning before January 1, 2019, and on and after January 1, 2026,
 169 \$3,000 for single individuals and \$6,000 for married persons (one-half of such amounts in the case of a
 170 married individual filing a separate return) and (ii) for taxable years beginning on and after January 1,
 171 2019, but before January 1, 2026, \$4,500 for single individuals and \$9,000 for married persons (one-half
 172 of such amounts in the case of a married individual filing a separate return). For purposes of this
 173 section, any person who may be claimed as a dependent on another taxpayer's return for the taxable year
 174 may compute the deduction only with respect to earned income.

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

177 b. Each blind or aged taxpayer as defined under § 63(f) of the Internal Revenue Code shall be
 178 entitled to an additional personal exemption in the amount of \$800.

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

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

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

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

189 b. A deduction in the amount of \$12,000 for individuals born after January 1, 1939, who have
190 attained the age of 65. This deduction shall be reduced by \$1 for every \$1 that the taxpayer's adjusted
191 federal adjusted gross income exceeds \$50,000 for single taxpayers or \$75,000 for married taxpayers.
192 For married taxpayers filing separately, the deduction shall be reduced by \$1 for every \$1 that the total
193 combined adjusted federal adjusted gross income of both spouses exceeds \$75,000.

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

197 6. The amount an individual pays as a fee for an initial screening to become a possible bone marrow
198 donor, if (i) the individual is not reimbursed for such fee or (ii) the individual has not claimed a
199 deduction for the payment of such fee on his federal income tax return.

200 7. a. A deduction shall be allowed to the purchaser or contributor for the amount paid or contributed
201 during the taxable year for a prepaid tuition contract or college savings trust account entered into with
202 the Virginia College Savings Plan, pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1. Except as
203 provided in subdivision b, the amount deducted on any individual income tax return in any taxable year
204 shall be limited to \$4,000 per prepaid tuition contract or college savings trust account. No deduction
205 shall be allowed pursuant to this subdivision 7 if such payments or contributions are deducted on the
206 purchaser's or contributor's federal income tax return. If the purchase price or annual contribution to a
207 college savings trust account exceeds \$4,000, the remainder may be carried forward and subtracted in
208 future taxable years until the purchase price or college savings trust contribution has been fully
209 deducted; however, except as provided in subdivision b, in no event shall the amount deducted in any
210 taxable year exceed \$4,000 per contract or college savings trust account. Notwithstanding the statute of
211 limitations on assessments contained in § 58.1-312, any deduction taken hereunder shall be subject to
212 recapture in the taxable year or years in which distributions or refunds are made for any reason other
213 than (i) to pay qualified higher education expenses, as defined in § 529 of the Internal Revenue Code or
214 (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes of this subdivision,
215 "purchaser" or "contributor" means the person shown as such on the records of the Virginia College
216 Savings Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a prepaid
217 tuition contract or college savings trust account, the transferee shall succeed to the transferor's tax
218 attributes associated with a prepaid tuition contract or college savings trust account, including, but not
219 limited to, carryover and recapture of deductions.

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

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

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

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

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

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

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

249 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6
250 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the
251 following items of tangible personal property: (i) any clothes washers, room air conditioners,
252 dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency
253 requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of
254 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an
255 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least
256 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating
257 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of
258 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and
259 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a
260 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that
261 has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual
262 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization
263 rating of 85; and (x) programmable thermostats.

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

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

280 15. *Business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code:*

281 a. For taxable years beginning on and after January 1, 2018, but before January 1, 2022, 20 percent
282 of such disallowed business interest disallowed as a deduction pursuant to ~~§ 163(j) of the Internal~~
283 ~~Revenue Code.~~

284 b. For taxable years beginning on and after January 1, 2022, but before January 1, 2024, 30 percent
285 of such disallowed business interest disallowed as a deduction pursuant to ~~§ 163(j) of the Internal~~
286 ~~Revenue Code.~~

287 c. For taxable years beginning on and after January 1, 2024, 50 percent of such disallowed business
288 interest.

289 For purposes of this subdivision 15, "business interest" means the same as that term is defined under
290 § 163(j) of the Internal Revenue Code.

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

295 17. For taxable years beginning before January 1, 2021, up to \$100,000 of the amount that is not
296 deductible when computing federal adjusted gross income solely on account of the portion of
297 subdivision B 10 of § 58.1-301 related to Paycheck Protection Program loans.

298 18. For taxable years beginning on and after January 1, 2022, but before January 1, 2025, the lesser
299 of \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes of
300 this subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable
301 year in which the credit under this section is claimed served as a teacher licensed pursuant to Chapter
302 15 (§ 22.1-289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel,
303 or student aide serving accredited public or private primary and secondary school students in Virginia,
304 and "qualifying expenses" means 100 percent of the amount paid or incurred by an eligible educator

305 during the taxable year for participation in professional development courses and the purchase of books,
306 supplies, computer equipment (including related software and services), other educational and teaching
307 equipment, and supplementary materials used directly in that individual's service to students as an
308 eligible educator, provided that such purchases were neither reimbursed nor claimed as a deduction on
309 the eligible educator's federal income tax return for such taxable year.

310 *19. For taxable years beginning on and after January 1, 2023, an amount equal to 50 percent of the*
311 *qualified business income deductions under § 199A(a) and § 199A(g) of the Internal Revenue Code taken*
312 *and allowable in calculating federal taxable income for the applicable tax year, except that such amount*
313 *shall not include qualified REIT dividends pursuant to § 199A(b)(1)(B) of the Internal Revenue Code.*

314 **§ 58.1-322.03. (Contingently effective pursuant to Acts 2022, Sp. Sess. I, c. 2, cl. 7) Virginia**
315 **taxable income; deductions.**

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

318 1. a. The amount allowable for itemized deductions for federal income tax purposes where the
319 taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the
320 amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted
321 on such federal return and increased by an amount that, when added to the amount deducted under
322 § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for
323 such purposes at a rate of 18 cents per mile; or

324 b. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income
325 tax return: (i) for taxable years beginning before January 1, 2019, and on and after January 1, 2026,
326 \$3,000 for single individuals and \$6,000 for married persons (one-half of such amounts in the case of a
327 married individual filing a separate return); (ii) for taxable years beginning on and after January 1, 2019,
328 but before January 1, 2022, \$4,500 for single individuals and \$9,000 for married persons (one-half of
329 such amounts in the case of a married individual filing a separate return); and (iii) for taxable years
330 beginning on and after January 1, 2022, but before January 1, 2026, \$8,000 for single individuals and
331 \$16,000 for married persons (one-half of such amounts in the case of a married individual filing a
332 separate return). For purposes of this section, any person who may be claimed as a dependent on
333 another taxpayer's return for the taxable year may compute the deduction only with respect to earned
334 income.

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

337 b. Each blind or aged taxpayer as defined under § 63(f) of the Internal Revenue Code shall be
338 entitled to an additional personal exemption in the amount of \$800.

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

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

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

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

349 b. A deduction in the amount of \$12,000 for individuals born after January 1, 1939, who have
350 attained the age of 65. This deduction shall be reduced by \$1 for every \$1 that the taxpayer's adjusted
351 federal adjusted gross income exceeds \$50,000 for single taxpayers or \$75,000 for married taxpayers.
352 For married taxpayers filing separately, the deduction shall be reduced by \$1 for every \$1 that the total
353 combined adjusted federal adjusted gross income of both spouses exceeds \$75,000.

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

357 6. The amount an individual pays as a fee for an initial screening to become a possible bone marrow
358 donor, if (i) the individual is not reimbursed for such fee or (ii) the individual has not claimed a
359 deduction for the payment of such fee on his federal income tax return.

360 7. a. A deduction shall be allowed to the purchaser or contributor for the amount paid or contributed
361 during the taxable year for a prepaid tuition contract or college savings trust account entered into with
362 the Virginia College Savings Plan, pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1. Except as
363 provided in subdivision b, the amount deducted on any individual income tax return in any taxable year
364 shall be limited to \$4,000 per prepaid tuition contract or college savings trust account. No deduction
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367 college savings trust account exceeds \$4,000, the remainder may be carried forward and subtracted in
 368 future taxable years until the purchase price or college savings trust contribution has been fully
 369 deducted; however, except as provided in subdivision b, in no event shall the amount deducted in any
 370 taxable year exceed \$4,000 per contract or college savings trust account. Notwithstanding the statute of
 371 limitations on assessments contained in § 58.1-312, any deduction taken hereunder shall be subject to
 372 recapture in the taxable year or years in which distributions or refunds are made for any reason other
 373 than (i) to pay qualified higher education expenses, as defined in § 529 of the Internal Revenue Code or
 374 (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes of this subdivision,
 375 "purchaser" or "contributor" means the person shown as such on the records of the Virginia College
 376 Savings Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a prepaid
 377 tuition contract or college savings trust account, the transferee shall succeed to the transferor's tax
 378 attributes associated with a prepaid tuition contract or college savings trust account, including, but not
 379 limited to, carryover and recapture of deductions.

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

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

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

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

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

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

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

409 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6
 410 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the
 411 following items of tangible personal property: (i) any clothes washers, room air conditioners,
 412 dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency
 413 requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of
 414 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an
 415 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least
 416 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating
 417 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of
 418 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and
 419 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a
 420 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that
 421 has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual
 422 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization
 423 rating of 85; and (x) programmable thermostats.

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

428 the taxable year in which the donation is made or the taxable year in which the 12-month period
429 expires.

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

440 15. *Business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code:*

441 a. For taxable years beginning on and after January 1, 2018, but before January 1, 2022, 20 percent
442 of *such disallowed* business interest ~~disallowed as a deduction pursuant to § 163(j) of the Internal~~
443 ~~Revenue Code.~~

444 b. For taxable years beginning on and after January 1, 2022, *but before January 1, 2024*, 30 percent
445 of *such disallowed* business interest ~~disallowed as a deduction pursuant to § 163(j) of the Internal~~
446 ~~Revenue Code.~~

447 c. *For taxable years beginning on and after January 1, 2024, 50 percent of such disallowed business*
448 *interest.*

449 For purposes of ~~this~~ subdivision 15, "business interest" means the same as that term is defined under
450 § 163(j) of the Internal Revenue Code.

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

455 17. For taxable years beginning before January 1, 2021, up to \$100,000 of the amount that is not
456 deductible when computing federal adjusted gross income solely on account of the portion of
457 subdivision B 10 of § 58.1-301 related to Paycheck Protection Program loans.

458 18. For taxable years beginning on and after January 1, 2022, but before January 1, 2025, the lesser
459 of \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes of
460 this subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable
461 year in which the credit under this section is claimed served as a teacher licensed pursuant to Chapter
462 15 (§ 22.1-289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel,
463 or student aide serving accredited public or private primary and secondary school students in Virginia,
464 and "qualifying expenses" means 100 percent of the amount paid or incurred by an eligible educator
465 during the taxable year for participation in professional development courses and the purchase of books,
466 supplies, computer equipment (including related software and services), other educational and teaching
467 equipment, and supplementary materials used directly in that individual's service to students as an
468 eligible educator, provided that such purchases were neither reimbursed nor claimed as a deduction on
469 the eligible educator's federal income tax return for such taxable year.

470 19. *For taxable years beginning on and after January 1, 2023, an amount equal to 50 percent of the*
471 *qualified business income deductions under § 199A(a) and § 199A(g) of the Internal Revenue Code taken*
472 *and allowable in calculating federal taxable income for the applicable tax year, except that such amount*
473 *shall not include qualified REIT dividends pursuant to § 199A(b)(1)(B) of the Internal Revenue Code.*

474 **§ 58.1-322.03. (Contingently effective pursuant to Acts 2022, Sp. Sess. I, c. 2, cl. 8) Virginia**
475 **taxable income; deductions.**

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

478 1. a. The amount allowable for itemized deductions for federal income tax purposes where the
479 taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the
480 amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted
481 on such federal return and increased by an amount that, when added to the amount deducted under
482 § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for
483 such purposes at a rate of 18 cents per mile; or

484 b. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income
485 tax return: (i) for taxable years beginning before January 1, 2019, and on and after January 1, 2026,
486 \$3,000 for single individuals and \$6,000 for married persons (one-half of such amounts in the case of a
487 married individual filing a separate return); (ii) for taxable years beginning on and after January 1, 2019,
488 but before January 1, 2022, \$4,500 for single individuals and \$9,000 for married persons (one-half of
489 such amounts in the case of a married individual filing a separate return); and (iii) for taxable years

beginning on and after January 1, 2022, but before January 1, 2026, \$8,000 for single individuals and \$16,000 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 future taxable years until the purchase price or college savings trust contribution has been fully deducted; however, except as provided in subdivision b, 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, "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. 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. The total amount an individual actually contributed in funds to the Virginia Public School Construction Grants Program and Fund, established in Chapter 11.1 (§ 22.1-175.1 et seq.) of Title 22.1, provided that the individual has not claimed a deduction for such amount on his federal income tax return.

9. An amount equal to 20 percent of the tuition costs incurred by an individual employed as a primary or secondary school teacher licensed pursuant to Chapter 15 (§ 22.1-289.1 et seq.) of Title 22.1

551 to attend continuing teacher education courses that are required as a condition of employment; however,
552 the deduction provided by this subdivision shall be available only if (i) the individual is not reimbursed
553 for such tuition costs and (ii) the individual has not claimed a deduction for the payment of such tuition
554 costs on his federal income tax return.

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

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

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

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

569 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6
570 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the
571 following items of tangible personal property: (i) any clothes washers, room air conditioners,
572 dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency
573 requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of
574 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an
575 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least
576 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating
577 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of
578 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and
579 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a
580 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that
581 has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual
582 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization
583 rating of 85; and (x) programmable thermostats.

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

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

600 15. *Business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code:*

601 a. For taxable years beginning on and after January 1, 2018, but before January 1, 2022, 20 percent
602 of *such disallowed* business interest ~~disallowed as a deduction pursuant to § 163(j) of the Internal~~
603 ~~Revenue Code.~~

604 b. For taxable years beginning on and after January 1, 2022, *but before January 1, 2024*, 30 percent
605 of *such disallowed* business interest ~~disallowed as a deduction pursuant to § 163(j) of the Internal~~
606 ~~Revenue Code.~~

607 c. *For taxable years beginning on and after January 1, 2024, 50 percent of such disallowed business*
608 *interest.*

609 For purposes of ~~this~~ subdivision 15, "business interest" means the same as that term is defined under
610 § 163(j) of the Internal Revenue Code.

611 16. For taxable years beginning on and after January 1, 2019, the actual amount of real and personal
612 property taxes imposed by the Commonwealth or any other taxing jurisdiction not otherwise deducted

613 solely on account of the dollar limitation imposed on individual deductions by § 164(b)(6)(B) of the
614 Internal Revenue Code.

615 17. For taxable years beginning before January 1, 2021, up to \$100,000 of the amount that is not
616 deductible when computing federal adjusted gross income solely on account of the portion of
617 subdivision B 10 of § 58.1-301 related to Paycheck Protection Program loans.

618 18. For taxable years beginning on and after January 1, 2022, but before January 1, 2025, the lesser
619 of \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes of
620 this subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable
621 year in which the credit under this section is claimed served as a teacher licensed pursuant to Chapter
622 15 (§ 22.1-289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel,
623 or student aide serving accredited public or private primary and secondary school students in Virginia,
624 and "qualifying expenses" means 100 percent of the amount paid or incurred by an eligible educator
625 during the taxable year for participation in professional development courses and the purchase of books,
626 supplies, computer equipment (including related software and services), other educational and teaching
627 equipment, and supplementary materials used directly in that individual's service to students as an
628 eligible educator, provided that such purchases were neither reimbursed nor claimed as a deduction on
629 the eligible educator's federal income tax return for such taxable year.

630 19. *For taxable years beginning on and after January 1, 2023, an amount equal to 50 percent of the*
631 *qualified business income deductions under § 199A(a) and § 199A(g) of the Internal Revenue Code taken*
632 *and allowable in calculating federal taxable income for the applicable tax year, except that such amount*
633 *shall not include qualified REIT dividends pursuant to § 199A(b)(1)(B) of the Internal Revenue Code.*

634 **§ 58.1-400. Imposition of tax.**

635 A tax at the rate of six percent is hereby annually imposed on the Virginia taxable income for each
636 taxable year of every corporation organized under the laws of the Commonwealth and every foreign
637 corporation having income from Virginia sources as follows:

638 1. *For taxable years beginning before January 1, 2023, the tax shall be imposed at the rate of six*
639 *percent; and*

640 2. *For taxable years beginning on and after January 1, 2023, the tax shall be imposed at the rate of*
641 *five percent.*

642 **§ 58.1-402. Virginia taxable income.**

643 A. For purposes of this article, Virginia taxable income for a taxable year means the federal taxable
644 income and any other income taxable to the corporation under federal law for such year of a corporation
645 adjusted as provided in subsections B, C, D, E, G, and H.

646 For a regulated investment company and a real estate investment trust, such term means the
647 "investment company taxable income" and "real estate investment trust taxable income," respectively, to
648 which shall be added in each case any amount of capital gains and any other income taxable to the
649 corporation under federal law which shall be further adjusted as provided in subsections B, C, D, E, G,
650 and H.

651 B. There shall be added to the extent excluded from federal taxable income:

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

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

659 3. [Repealed.]

660 4. The amount of any net income taxes and other taxes, including franchise and excise taxes, which
661 are based on, measured by, or computed with reference to net income, imposed by the Commonwealth
662 or any other taxing jurisdiction, to the extent deducted in determining federal taxable income;

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

664 6. [Repealed.]

665 7. The amount required to be included in income for the purpose of computing the partial tax on an
666 accumulation distribution pursuant to § 667 of the Internal Revenue Code;

667 8. a. For taxable years beginning on and after January 1, 2004, the amount of any intangible
668 expenses and costs directly or indirectly paid, accrued, or incurred to, or in connection directly or
669 indirectly with one or more direct or indirect transactions with one or more related members to the
670 extent such expenses and costs were deductible or deducted in computing federal taxable income for
671 Virginia purposes. This addition shall not be required for any portion of the intangible expenses and
672 costs if one of the following applies:

673 (1) The corresponding item of income received by the related member is subject to a tax based on or

674 measured by net income or capital imposed by Virginia, another state, or a foreign government that has
675 entered into a comprehensive tax treaty with the United States government;

676 (2) The related member derives at least one-third of its gross revenues from the licensing of
677 intangible property to parties who are not related members, and the transaction giving rise to the
678 expenses and costs between the corporation and the related member was made at rates and terms
679 comparable to the rates and terms of agreements that the related member has entered into with parties
680 who are not related members for the licensing of intangible property; or

681 (3) The corporation can establish to the satisfaction of the Tax Commissioner that the intangible
682 expenses and costs meet both of the following: (i) the related member during the same taxable year
683 directly or indirectly paid, accrued or incurred such portion to a person who is not a related member,
684 and (ii) the transaction giving rise to the intangible expenses and costs between the corporation and the
685 related member did not have as a principal purpose the avoidance of any portion of the tax due under
686 this chapter.

687 b. A corporation required to add to its federal taxable income intangible expenses and costs pursuant
688 to subdivision a may petition the Tax Commissioner, after filing the related income tax return for the
689 taxable year and remitting to the Tax Commissioner all taxes, penalties, and interest due under this
690 article for such taxable year including tax upon any amount of intangible expenses and costs required to
691 be added to federal taxable income pursuant to subdivision a, to consider evidence relating to the
692 transaction or transactions between the corporation and a related member or members that resulted in the
693 corporation's taxable income being increased, as required under subdivision a, for such intangible
694 expenses and costs.

695 If the corporation can demonstrate to the Tax Commissioner's sole satisfaction, by clear and
696 convincing evidence, that the transaction or transactions between the corporation and a related member
697 or members resulting in such increase in taxable income pursuant to subdivision a had a valid business
698 purpose other than the avoidance or reduction of the tax due under this chapter, the Tax Commissioner
699 shall permit the corporation to file an amended return. For purposes of such amended return, the
700 requirements of subdivision a shall not apply to any transaction for which the Tax Commissioner is
701 satisfied (and has identified) that the transaction had a valid business purpose other than the avoidance
702 or reduction of the tax due under this chapter. Such amended return shall be filed by the corporation
703 within one year of the written permission granted by the Tax Commissioner and any refund of the tax
704 imposed under this article shall include interest at a rate equal to the rate of interest established under
705 § 58.1-15 and such interest shall accrue as provided under § 58.1-1833. However, upon the filing of
706 such amended return, any related member of the corporation that subtracted from taxable income
707 amounts received pursuant to subdivision C 21 shall be subject to the tax imposed under this article on
708 that portion of such amounts for which the corporation has filed an amended return pursuant to this
709 subdivision. In addition, for such transactions identified by the Tax Commissioner herein by which he
710 has been satisfied by clear and convincing evidence, the Tax Commissioner may permit the corporation
711 in filing income tax returns for subsequent taxable years to deduct the related intangible expenses and
712 costs without making the adjustment under subdivision a.

713 The Tax Commissioner may charge a fee for all direct and indirect costs relating to the review of
714 any petition pursuant to this subdivision, to include costs necessary to secure outside experts in
715 evaluating the petition. The Tax Commissioner may condition the review of any petition pursuant to this
716 subdivision upon payment of such fee.

717 No suit for the purpose of contesting any action of the Tax Commissioner under this subdivision
718 shall be maintained in any court of this Commonwealth.

719 c. Nothing in subdivision B 8 shall be construed to limit or negate the Department's authority under
720 § 58.1-446;

721 9. a. For taxable years beginning on and after January 1, 2004, the amount of any interest expenses
722 and costs directly or indirectly paid, accrued, or incurred to, or in connection directly or indirectly with
723 one or more direct or indirect transactions with one or more related members to the extent such
724 expenses and costs were deductible or deducted in computing federal taxable income for Virginia
725 purposes. This addition shall not be required for any portion of the interest expenses and costs, if:

726 (1) The related member has substantial business operations relating to interest-generating activities, in
727 which the related member pays expenses for at least five full-time employees who maintain, manage,
728 defend or are otherwise responsible for operations or administration relating to the interest-generating
729 activities; and

730 (2) The interest expenses and costs are not directly or indirectly for, related to or in connection with
731 the direct or indirect acquisition, maintenance, management, sale, exchange, or disposition of intangible
732 property; and

733 (3) The transaction giving rise to the expenses and costs between the corporation and the related
734 member has a valid business purpose other than the avoidance or reduction of taxation and payments
735 between the parties are made at arm's length rates and terms; and

736 (4) One of the following applies:

737 (i) The corresponding item of income received by the related member is subject to a tax based on or
738 measured by net income or capital imposed by Virginia, another state, or a foreign government that has
739 entered into a comprehensive tax treaty with the United States government;

740 (ii) Payments arise pursuant to a pre-existing contract entered into when the parties were not related
741 members provided the payments continue to be made at arm's length rates and terms;

742 (iii) The related member engages in transactions with parties other than related members that
743 generate revenue in excess of \$2 million annually; or

744 (iv) The transaction giving rise to the interest payments between the corporation and a related
745 member was done at arm's length rates and terms and meets any of the following: (a) the related
746 member uses funds that are borrowed from a party other than a related member or that are paid,
747 incurred or passed-through to a person who is not a related member; (b) the debt is part of a regular and
748 systematic funds management or portfolio investment activity conducted by the related member, whereby
749 the funds of two or more related members are aggregated for the purpose of achieving economies of
750 scale, the internal financing of the active business operations of members, or the benefit of centralized
751 management of funds; (c) financing the expansion of the business operations; or (d) restructuring the
752 debt of related members, or the pass-through of acquisition-related indebtedness to related members.

753 b. A corporation required to add to its federal taxable income interest expenses and costs pursuant to
754 subdivision a may petition the Tax Commissioner, after filing the related income tax return for the
755 taxable year and remitting to the Tax Commissioner all taxes, penalties, and interest due under this
756 article for such taxable year including tax upon any amount of interest expenses and costs required to be
757 added to federal taxable income pursuant to subdivision a, to consider evidence relating to the
758 transaction or transactions between the corporation and a related member or members that resulted in the
759 corporation's taxable income being increased, as required under subdivision a, for such interest expenses
760 and costs.

761 If the corporation can demonstrate to the Tax Commissioner's sole satisfaction, by clear and
762 convincing evidence, that the transaction or transactions between the corporation and a related member
763 or members resulting in such increase in taxable income pursuant to subdivision a had a valid business
764 purpose other than the avoidance or reduction of the tax due under this chapter and that the related
765 payments between the parties were made at arm's length rates and terms, the Tax Commissioner shall
766 permit the corporation to file an amended return. For purposes of such amended return, the requirements
767 of subdivision a shall not apply to any transaction for which the Tax Commissioner is satisfied (and has
768 identified) that the transaction had a valid business purpose other than the avoidance or reduction of the
769 tax due under this chapter and that the related payments between the parties were made at arm's length
770 rates and terms. Such amended return shall be filed by the corporation within one year of the written
771 permission granted by the Tax Commissioner and any refund of the tax imposed under this article shall
772 include interest at a rate equal to the rate of interest established under § 58.1-15 and such interest shall
773 accrue as provided under § 58.1-1833. However, upon the filing of such amended return, any related
774 member of the corporation that subtracted from taxable income amounts received pursuant to subdivision
775 C 21 shall be subject to the tax imposed under this article on that portion of such amounts for which the
776 corporation has filed an amended return pursuant to this subdivision. In addition, for such transactions
777 identified by the Tax Commissioner herein by which he has been satisfied by clear and convincing
778 evidence, the Tax Commissioner may permit the corporation in filing income tax returns for subsequent
779 taxable years to deduct the related interest expenses and costs without making the adjustment under
780 subdivision a.

781 The Tax Commissioner may charge a fee for all direct and indirect costs relating to the review of
782 any petition pursuant to this subdivision, to include costs necessary to secure outside experts in
783 evaluating the petition. The Tax Commissioner may condition the review of any petition pursuant to this
784 subdivision upon payment of such fee.

785 No suit for the purpose of contesting any action of the Tax Commissioner under this subdivision
786 shall be maintained in any court of this Commonwealth.

787 c. Nothing in subdivision B 9 shall be construed to limit or negate the Department's authority under
788 § 58.1-446.

789 d. For purposes of subdivision B 9:

790 "Arm's-length rates and terms" means that (i) two or more related members enter into a written
791 agreement for the transaction, (ii) such agreement is of a duration and contains payment terms
792 substantially similar to those that the related member would be able to obtain from an unrelated entity,
793 (iii) the interest is at or below the applicable federal rate compounded annually for debt instruments
794 under § 1274(d) of the Internal Revenue Code that was in effect at the time of the agreement, and (iv)
795 the borrower or payor adheres to the payment terms of the agreement governing the transaction or any
796 amendments thereto.

797 "Valid business purpose" means one or more business purposes that alone or in combination
798 constitute the motivation for some business activity or transaction, which activity or transaction
799 improves, apart from tax effects, the economic position of the taxpayer, as further defined by regulation.

800 10. a. For taxable years beginning on and after January 1, 2009, the amount of dividends deductible
801 under §§ 561 and 857 of the Internal Revenue Code by a Captive Real Estate Investment Trust (REIT).
802 For purposes of this subdivision, a REIT is a Captive REIT if:

803 (1) It is not regularly traded on an established securities market;

804 (2) More than 50 percent of the voting power or value of beneficial interests or shares of which, at
805 any time during the last half of the taxable year, is owned or controlled, directly or indirectly, by a
806 single entity that is (i) a corporation or an association taxable as a corporation under the Internal
807 Revenue Code; and (ii) not exempt from federal income tax pursuant to § 501(a) of the Internal
808 Revenue Code; and

809 (3) More than 25 percent of its income consists of rents from real property as defined in § 856(d) of
810 the Internal Revenue Code.

811 b. For purposes of applying the ownership test of subdivision 10 a (2), the following entities shall
812 not be considered a corporation or an association taxable as a corporation:

813 (1) Any REIT that is not treated as a Captive REIT;

814 (2) Any REIT subsidiary under § 856 of the Internal Revenue Code other than a qualified REIT
815 subsidiary of a Captive REIT;

816 (3) Any Listed Australian Property Trust, or an entity organized as a trust, provided that a Listed
817 Australian Property Trust owns or controls, directly or indirectly, 75 percent or more of the voting or
818 value of the beneficial interests or shares of such trust; and

819 (4) Any Qualified Foreign Entity.

820 c. For purposes of subdivision B 10, the constructive ownership rules prescribed under § 318(a) of
821 the Internal Revenue Code, as modified by § 856(d)(5) of the Internal Revenue Code, shall apply in
822 determining the ownership of stock, assets, or net profits of any person.

823 d. For purposes of subdivision B 10:

824 "Listed Australian Property Trust" means an Australian unit trust registered as a Management
825 Investment Scheme, pursuant to the Australian Corporations Act, in which the principal class of units is
826 listed on a recognized stock exchange in Australia and is regularly traded on an established securities
827 market.

828 "Qualified Foreign Entity" means a corporation, trust, association or partnership organized outside the
829 laws of the United States and that satisfies all of the following criteria:

830 (1) At least 75 percent of the entity's total asset value at the close of its taxable year is represented
831 by real estate assets, as defined in § 856(c)(5)(B) of the Internal Revenue Code, thereby including shares
832 or certificates of beneficial interest in any REIT, cash and cash equivalents, and U.S. Government
833 securities;

834 (2) The entity is not subject to a tax on amounts distributed to its beneficial owners, or is exempt
835 from entity level tax;

836 (3) The entity distributes, on an annual basis, at least 85 percent of its taxable income, as computed
837 in the jurisdiction in which it is organized, to the holders of its shares or certificates of beneficial
838 interest;

839 (4) The shares or certificates of beneficial interest of such entity are regularly traded on an
840 established securities market or, if not so traded, not more than 10 percent of the voting power or value
841 in such entity is held directly, indirectly, or constructively by a single entity or individual; and

842 (5) The entity is organized in a country that has a tax treaty with the United States.

843 e. For taxable years beginning on or after January 1, 2016, for purposes of subdivision B 10, any
844 voting power or value of the beneficial interests or shares in a REIT that is held in a segregated asset
845 account of a life insurance corporation as described in § 817 of the Internal Revenue Code shall not be
846 taken into consideration when determining if such REIT is a Captive REIT.

847 11. For taxable years beginning on or after January 1, 2016, to the extent that tax credit is allowed
848 for the same donation pursuant to § 58.1-439.12:12, any amount claimed as a federal income tax
849 deduction for such donation under § 170 of the Internal Revenue Code, as amended or renumbered.

850 C. There shall be subtracted to the extent included in and not otherwise subtracted from federal
851 taxable income:

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

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

- 859 3. Dividends upon stock in any domestic international sales corporation, as defined by § 992 of the
860 Internal Revenue Code, 50 percent or more of the income of which was assessable for the preceding
861 year, or the last year in which such corporation has income, under the provisions of the income tax laws
862 of the Commonwealth.
- 863 4. The amount of any refund or credit for overpayment of income taxes imposed by this
864 Commonwealth or any other taxing jurisdiction.
- 865 5. Any amount included therein by the operation of the provisions of § 78 of the Internal Revenue
866 Code (foreign dividend gross-up).
- 867 6. The amount of wages or salaries eligible for the federal Targeted Jobs Credit which was not
868 deducted for federal purposes on account of the provisions of § 280C(a) of the Internal Revenue Code.
- 869 7. Any amount included therein by the operation of § 951 of the Internal Revenue Code (subpart F
870 income) or, for taxable years beginning on and after January 1, 2018, § 951A of the Internal Revenue
871 Code (Global Intangible Low-Taxed Income).
- 872 8. Any amount included therein which is foreign source income as defined in § 58.1-302.
- 873 9. [Repealed.]
- 874 10. The amount of any dividends received from corporations in which the taxpaying corporation
875 owns 50 percent or more of the voting stock.
- 876 11. [Repealed.]
- 877 12, 13. [Expired.]
- 878 14. For taxable years beginning on or after January 1, 1995, the amount for "qualified research
879 expenses" or "basic research expenses" eligible for deduction for federal purposes, but which were not
880 deducted, on account of the provisions of § 280C(c) of the Internal Revenue Code.
- 881 15. For taxable years beginning on or after January 1, 2000, the total amount actually contributed in
882 funds to the Virginia Public School Construction Grants Program and Fund established in Chapter 11.1
883 (§ 22.1-175.1 et seq.) of Title 22.1.
- 884 16. For taxable years beginning on or after January 1, 2000, but before January 1, 2015, the gain
885 derived from the sale or exchange of real property or the sale or exchange of an easement to real
886 property which results in the real property or the easement thereto being devoted to open-space use, as
887 that term is defined in § 58.1-3230, for a period of time not less than 30 years. To the extent a
888 subtraction is taken in accordance with this subdivision, no tax credit under this chapter for donating
889 land for its preservation shall be allowed for three years following the year in which the subtraction is
890 taken.
- 891 17. For taxable years beginning on and after January 1, 2001, any amount included therein with
892 respect to § 58.1-440.1.
- 893 18. For taxable years beginning on and after January 1, 1999, income received as a result of (i) the
894 "Master Settlement Agreement," as defined in § 3.2-3100; and (ii) the National Tobacco Grower
895 Settlement Trust dated July 19, 1999, by (a) tobacco farming businesses; (b) any business holding a
896 tobacco marketing quota, or tobacco farm acreage allotment, under the Agricultural Adjustment Act of
897 1938; or (c) any business having the right to grow tobacco pursuant to such a quota allotment.
- 898 19, 20. [Repealed.]
- 899 21. For taxable years beginning on and after January 1, 2004, any amount of intangible expenses and
900 costs or interest expenses and costs added to the federal taxable income of a corporation pursuant to
901 subdivision B 8 or B 9 shall be subtracted from the federal taxable income of the related member that
902 received such amount if such related member is subject to Virginia income tax on the same amount.
- 903 22. For taxable years beginning on and after January 1, 2009, any gain recognized from the sale of
904 launch services to space flight participants, as defined in 49 U.S.C. § 70102, or launch services intended
905 to provide individuals the training or experience of a launch, without performing an actual launch. To
906 qualify for a deduction under this subdivision, launch services must be performed in Virginia or
907 originate from an airport or spaceport in Virginia.
- 908 23. For taxable years beginning on and after January 1, 2009, any gain recognized as a result of
909 resupply services contracts for delivering payload, as defined in 49 U.S.C. § 70102, entered into with the
910 Commercial Orbital Transportation Services division of the National Aeronautics and Space
911 Administration or other space flight entity, as defined in § 8.01-227.8, and launched from an airport or
912 spaceport in Virginia.
- 913 24. For taxable years beginning on or after January 1, 2011, any income taxed as a long-term capital
914 gain for federal income tax purposes, or any income taxed as investment services partnership interest
915 income (otherwise known as investment partnership carried interest income) for federal income tax
916 purposes. To qualify for a subtraction under this subdivision, such income must be attributable to an
917 investment in a "qualified business," as defined in § 58.1-339.4, or in any other technology business
918 approved by the Secretary of Administration, provided the business has its principal office or facility in
919 the Commonwealth and less than \$3 million in annual revenues in the fiscal year prior to the

920 investment. To qualify for a subtraction under this subdivision, the investment must be made between
921 the dates of April 1, 2010, and June 30, 2020. No taxpayer who has claimed a tax credit for an
922 investment in a "qualified business" under § 58.1-339.4 shall be eligible for the subtraction under this
923 subdivision for an investment in the same business.

924 25. a. Income, including investment services partnership interest income (otherwise known as
925 investment partnership carried interest income), attributable to an investment in a Virginia venture
926 capital account. To qualify for a subtraction under this subdivision, the investment shall be made on or
927 after January 1, 2018, but before December 31, 2023. No subtraction shall be allowed under this
928 subdivision for an investment in a company that is owned or operated by an affiliate of the taxpayer. No
929 subtraction shall be allowed under this subdivision for a taxpayer who has claimed a subtraction under
930 subdivision C 24 for the same investment.

931 b. As used in this subdivision 25:

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

937 "Virginia venture capital account" means an investment fund that has been certified by the
938 Department as a Virginia venture capital account. In order to be certified as a Virginia venture capital
939 account, the operator of the investment fund shall register the investment fund with the Department prior
940 to December 31, 2023, (i) indicating that it intends to invest at least 50 percent of the capital committed
941 to its fund in qualified portfolio companies and (ii) providing documentation that it employs at least one
942 investor who has at least four years of professional experience in venture capital investment or
943 substantially equivalent experience. "Substantially equivalent experience" includes, but is not limited to,
944 an undergraduate degree from an accredited college or university in economics, finance, or a similar
945 field of study. The Department may require an investment fund to provide documentation of the
946 investor's training, education, or experience as deemed necessary by the Department to determine
947 substantial equivalency. If the Department determines that the investment fund employs at least one
948 investor with the experience set forth herein, the Department shall certify the investment fund as a
949 Virginia venture capital account at such time as the investment fund actually invests at least 50 percent
950 of the capital committed to its fund in qualified portfolio companies.

951 26. a. Income attributable to an investment in a Virginia real estate investment trust. To qualify for a
952 subtraction under this subdivision, the investment shall be made on or after January 1, 2019, but before
953 December 31, 2024. No subtraction shall be allowed for an investment in a trust that is managed by an
954 affiliate of the taxpayer. No subtraction shall be allowed under this subdivision for a taxpayer who has
955 claimed a subtraction under subdivision C 24 or 25 for the same investment.

956 b. As used in this subdivision 26:

957 "Distressed" means satisfying the criteria applicable to a locality described in subdivision E 2 of
958 § 2.2-115.

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

961 "Virginia real estate investment trust" means a real estate investment trust, as defined in 26 U.S.C.
962 § 856, that has been certified by the Department as a Virginia real estate investment trust. In order to be
963 certified as a Virginia real estate investment trust, the trustee shall register the trust with the Department
964 prior to December 31, 2024, indicating that it intends to invest at least 90 percent of trust funds in
965 Virginia and at least 40 percent of trust funds in real estate in localities that are distressed or double
966 distressed. If the Department determines that the trust satisfies the preceding criteria, the Department
967 shall certify the trust as a Virginia real estate investment trust at such time as the trust actually invests
968 at least 90 percent of trust funds in Virginia and at least 40 percent of trust funds in real estate in
969 localities that are distressed or double distressed.

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

972 28. For taxable years beginning before January 1, 2021, up to \$100,000 of all grant funds received
973 by the taxpayer under the Rebuild Virginia program established by the Governor and administered by
974 the Department of Small Business and Supplier Diversity.

975 D. For taxable years beginning on and after January 1, 2006, there shall be subtracted from federal
976 taxable income contract payments to a producer of quota tobacco or a tobacco quota holder as provided
977 under the American Jobs Creation Act of 2004 (P.L. 108-357) as follows:

978 1. If the payment is received in installment payments, then the recognized gain, including any gain
979 recognized in taxable year 2005, may be subtracted in the taxable year immediately following the year
980 in which the installment payment is received.

981 2. If the payment is received in a single payment, then 10 percent of the recognized gain may be

982 subtracted in the taxable year immediately following the year in which the single payment is received.
 983 The taxpayer may then deduct an equal amount in each of the nine succeeding taxable years.

984 E. Adjustments to federal taxable income shall be made to reflect the transitional modifications
 985 provided in § 58.1-315.

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

998 G. ~~For taxable years beginning on and after January 1, 2018, but before January 1, 2022, there~~ *There*
 999 shall be deducted to the extent included in and not otherwise subtracted from federal taxable income ~~20~~
 1000 ~~percent~~ *a percentage* of the business interest disallowed as a deduction pursuant to § 163(j) of the
 1001 Internal Revenue Code *in the amount of:-*

1002 *1. 20 percent for* ~~For~~ *taxable years beginning on and after January 1, 2018, but before January 1,*
 1003 *2022;*

1004 *2. , there shall be deducted to the extent included in and not otherwise subtracted from federal*
 1005 *taxable income 30 percent for taxable years beginning on and after January 1, 2022, but before January*
 1006 *1, 2024; and*

1007 *3. 50 percent for taxable years beginning on and after January 1, 2024. of business interest*
 1008 *disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code.*

1009 For purposes of this subsection G, "business interest" means the same as that term is defined under
 1010 § 163(j) of the Internal Revenue Code.

1011 H. For taxable years beginning before January 1, 2021, there shall be deducted to the extent not
 1012 otherwise subtracted from federal taxable income up to \$100,000 of the amount that is not deductible
 1013 when computing federal taxable income solely on account of the portion of subdivision B 10 of
 1014 § 58.1-301 related to Paycheck Protection Program loans.