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HOUSE BILL NO. 2619

Offered January 20, 1997

A BILL to amend and reenact § 58.1-322 of the Code of Virginia and to amend the Code of Virginia by adding in Chapter 4.1 of Title 23 an article numbered 3, consisting of sections numbered 23-38.19:3 through 23-38.19:6, relating to the Virginia College Tuition Grant Program.

Patrons—Tate and Croshaw

Referred to Committee on Education

Be it enacted by the General Assembly of Virginia:

1. That § 58.1-322 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding in Chapter 4.1 of Title 23 an article numbered 3, consisting of sections numbered 23-38.19:3 through 23-38.19:6 as follows:

*Article 3.**Virginia College Tuition Grant Program.*

§ 23-38.19:3. Virginia College Tuition Grant Program established; State Council to administer.

A. There is hereby created the Virginia College Tuition Grant Program, hereinafter referred to as the "Program," to be administered by the State Council of Higher Education. The Program shall consist of grants awarded by the State Council to qualifying parents or legal guardians of students meeting the criteria prescribed by this article and Council regulations.

§ 23-38.19:4. Virginia College Tuition Grant Fund established.

From such funds as are appropriated for this purpose and from such gifts, donations, grants, bequests, and other funds as may be received on its behalf, there is hereby created in the state treasury a special nonreverting fund to be known as the Virginia College Tuition Grant Fund, hereafter referred to as "the Fund." The Fund shall be established on the books of the Comptroller. Interest earned on moneys in the Fund shall remain in the Fund and be credited to it. Any moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. Expenditures and disbursements from the Fund shall be made by the State Treasurer on warrants issued by the Comptroller, upon written request signed by the Director of the State Council, for grants awarded pursuant to this article.

B. The State Council, in consultation with the Department of Taxation, shall promulgate regulations for the implementation of the provisions of this article.

§ 23-220.5. Eligibility; criteria for award of grants.

A. Parents or legal guardians of students who (i) are domiciled residents of Virginia as defined by § 23-7.4; (ii) are enrolled as dependent students, as defined in § 23-7.4, in any degree-granting four-year public institution of higher education in Virginia, (iii) have maintained a cumulative grade point average of at least 2.65 on a scale of 4.0, or its equivalent, for the regular academic year for which the grant is claimed; and (iv) have made satisfactory academic progress toward a degree, earning not less than the minimum number of hours of credit required for full-time standing in each academic period during enrollment at a public institution of higher education in Virginia, shall be eligible to receive grants under the Program.

C. Upon the completion of a regular academic year by such eligible dependent student, such parent or guardian may submit an application for a grant to the State Council. The State Council shall promulgate regulations addressing the taxable and academic years for which grants may be claimed and establishing procedures for submitting grants applications, including requirements for the submission of (i) evidence of the satisfactory completion of the regular academic year by such dependent student; (ii) relevant personal income tax materials and information establishing the student as a dependent of such parent or guardian; and (iii) such other information as the Council deems necessary for awarding grants under the Program.

D. Eligibility for grants under the Program shall be limited to a total of four regular academic years per dependent student, which years need not be in succession.

§ 23-38.19:6 Grant amounts; deduction from computation of personal income.

A. Grant amounts shall be equal to fifteen percent of such parent's or guardian's tax liability for Virginia income tax purposes for the taxable year for which the grant is claimed.

B. Grants awarded to qualifying parents and guardians shall be deducted from federal adjusted gross income in computing Virginia taxable income as provided in subdivision D 6 of § 58.1-322.

§ 58.1-322. Virginia taxable income of residents.

A. The Virginia taxable income of a resident individual means his federal adjusted gross income for

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60 the taxable year, which excludes combat pay for certain members of the Armed Forces of the United
61 States as provided in § 112 of the Internal Revenue Code, as amended, and with the modifications
62 specified in this section.

63 B. To the extent excluded from federal adjusted gross income, there shall be added:

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

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

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

72 4. The amount of a lump sum distribution from a qualified retirement plan, less the minimum
73 distribution allowance and any amount excludable for federal income tax purposes which is excluded
74 from federal adjusted gross income solely by virtue of an individual's election to use the averaging
75 provisions under § 402 of the Internal Revenue Code;

76 5. through 7. [Repealed.]

77 8. For taxable years beginning on and after January 1, 1990, and before January 1, 1994, any amount
78 of self-employment tax deduction under § 164 (f) of the Internal Revenue Code; and

79 9. The amount required to be included in income for the purpose of computing the partial tax on an
80 accumulation distribution pursuant to § 667 of the Internal Revenue Code.

81 C. To the extent included in federal adjusted gross income, there shall be subtracted:

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

87 2. Interest on obligations of this Commonwealth or of any political subdivision or instrumentality of
88 this Commonwealth.

89 3. [Repealed.]

90 4. Benefits received under Title II of the Social Security Act and other benefits subject to federal
91 income taxation solely pursuant to § 86 of the Internal Revenue Code.

92 4a. A deduction equal to the amount used in computing the federal credit allowed under § 22 of the
93 Internal Revenue Code by a retiree under age sixty-five who qualified for such retirement on the basis
94 of permanent and total disability and who is a qualified individual as defined in § 22 (b) (2) of the
95 Internal Revenue Code; however, any person who claims a subtraction under subdivision 5 of subsection
96 D of this section may not also claim a deduction under this subdivision.

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

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

101 7. Any amount included therein which is foreign source income as defined in § 58.1-302.

102 8. For taxable years beginning after December 31, 1983, the available portion of total excess cost
103 recovery as defined in former § 58.1-323 B and for taxable years beginning after December 31, 1987,
104 the excess cost recovery amount specified in § 58.1-323.1 B.

105 9. [Expired.]

106 10. Any amount included therein less than \$600 from a prize awarded by the State Lottery
107 Department.

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

112 12. Amounts received by an individual, not to exceed \$1,000 in any taxable year, as a reward for
113 information provided to a law-enforcement official or agency, or to a nonprofit corporation created
114 exclusively to assist such law-enforcement official or agency, in the apprehension and conviction of
115 perpetrators of crimes. This provision shall not apply to the following: an individual who is an employee
116 of, or under contract with, a law-enforcement agency, a victim or the perpetrator of the crime for which
117 the reward was paid, or any person who is compensated for the investigation of crimes or accidents.

118 13. [Repealed.]

119 14. (Expires for taxable years beginning on and after January 1, 1999.) The amount of any qualified
120 agricultural contribution as determined in § 58.1-322.2.

121 15. [Repealed.]

16. The amounts of self-employment tax required to be added in computing Virginia taxable income for taxable years beginning on and after January 1, 1990, but before January 1, 1994, pursuant to subdivision B 8 of this section, as follows:

a. For taxable years beginning on and after January 1, 1994, and before January 1, 1995, the amount of self-employment tax added to federal adjusted gross income in taxable years beginning on and after January 1, 1990, and before January 1, 1991;

b. For taxable years beginning on and after January 1, 1995, and before January 1, 1996, the amount of self-employment tax added to federal adjusted gross income in taxable years beginning on and after January 1, 1991, and before January 1, 1992;

c. For taxable years beginning on and after January 1, 1996, and before January 1, 1997, the amount of self-employment tax added to federal adjusted gross income in taxable years beginning on and after January 1, 1992, and before January 1, 1993;

d. For taxable years beginning on and after January 1, 1997, and before January 1, 1998, the amount of self-employment tax added to federal adjusted gross income in taxable years beginning on and after January 1, 1993, and before January 1, 1994, and any amount of self-employment tax required to be added back for taxable years beginning on and after January 1, 1990, and before January 1, 1994, which was not subtracted in those taxable years.

17. For taxable years beginning on and after January 1, 1995, the amount of "qualified research expenses" or "basic research expenses" eligible for deduction for federal purposes, but which were not deducted, on account of the provisions of § 280 C (c) of the Internal Revenue Code and which shall be available to partners, shareholders of S corporations, and members of limited liability companies to the extent and in the same manner as other deductions may pass through to such partners, shareholders, and members.

18. For taxable years beginning on or after January 1, 1995, all military pay and allowances, not otherwise subtracted under this subsection, earned for any month during any part of which such member performed military service in any part of the former Yugoslavia, including the air space above such location or any waters subject to related naval operations, in support of Operation JOINT ENDEAVOR as part of the NATO Peace Keeping Force. Such subtraction shall be available until the taxpayer completes such service.

19. For taxable years beginning on and after January 1, 1996, any income received during the taxable year derived from a qualified pension, profit-sharing, or stock bonus plan as described by § 401 of the Internal Revenue Code, an individual retirement account or annuity established under § 408 of the Internal Revenue Code, a deferred compensation plan as defined by § 457 of the Internal Revenue Code, or any federal government retirement program, the contributions to which were deductible from the taxpayer's federal adjusted gross income, but only to the extent the contributions to such plan or program were subject to taxation under the income tax in another state.

D. In computing Virginia taxable income there shall be deducted from federal adjusted gross income:

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 which, 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 eighteen cents per mile; or

b. Two thousand dollars for taxable years beginning January 1, 1987, through December 31, 1987; \$2,700 for taxable years beginning January 1, 1988, through December 31, 1988; and \$5,000 for married persons (one-half of such amounts in the case of a married individual filing a separate return); and \$3,000 for single individuals for taxable years beginning on and after January 1, 1989; provided that the taxpayer has not itemized deductions for the taxable year on his federal income tax return. For purposes of this section, any person who may be claimed as a dependent on another taxpayer's return for the taxable year may compute the deduction only with respect to earned income.

2. a. A deduction in the amount of \$700 for taxable years beginning January 1, 1987, through December 31, 1987, and \$800 for taxable years beginning on and after January 1, 1988, for each personal exemption allowable to the taxpayer for federal income tax purposes. For taxable years beginning on and after January 1, 1987, each blind or aged taxpayer as defined under § 63 (f) of the Internal Revenue Code shall be entitled to an additional personal exemption.

b. An additional deduction of \$200 for taxable years beginning January 1, 1987, through December 31, 1987, for each blind or aged taxpayer as defined under § 63 (f) of the Internal Revenue Code. The additional deduction for blind or aged taxpayers allowed under this subdivision and the additional personal exemption allowed to blind or aged taxpayers under subdivision 2 a of this subsection shall be allowable regardless of whether the taxpayer itemizes deductions for the taxable year for federal income tax purposes.

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

186 4. An additional \$1,000 deduction for each child residing for the entire taxable year in a home under
187 permanent foster care placement as defined in Chapter 10 (§ 63.1-195 et seq.) of Title 63.1, provided the
188 taxpayer can also claim the child as a personal exemption under § 151 of the Internal Revenue Code.

189 5. Effective for all taxable years beginning on and after January 1, 1990, a deduction in the amount
190 of \$12,000 for taxpayers age sixty-five or older, or \$6,000 for taxpayers age sixty-two through
191 sixty-four, less any amount received pursuant to the (i) Social Security Act or (ii) Railroad Retirement
192 Act and treated for federal income tax purposes as equivalent to social security. Beginning in taxable
193 year 1992 through taxable year 1993, the \$12,000 and \$6,000 deduction amounts shall be indexed
194 annually in each such taxable year by an amount equivalent to the most recent percentage increase in
195 the social security wage base.

196 Effective for the taxable year beginning January 1, 1994, a deduction in the amount of \$12,944 for
197 taxpayers age sixty-five or older, or \$6,472 for taxpayers age sixty-two through sixty-four. Effective for
198 the taxable year beginning January 1, 1995, a deduction in the amount of \$10,000 for taxpayers age
199 sixty-five or older, or \$5,000 for taxpayers age sixty-two through sixty-four. Effective for all taxable
200 years beginning on or after January 1, 1996, a deduction in the amount of \$12,000 for taxpayers age
201 sixty-five or older, or \$6,000 for taxpayers age sixty-two through sixty-four.

202 Beginning in taxable year 1995, the deduction under this subdivision shall not be reduced by any
203 amount received pursuant to the (i) Social Security Act or (ii) Railroad Retirement Act and treated for
204 federal income tax purposes as equivalent to social security.

205 6. *Grants awarded under the Virginia College Tuition Grant Program pursuant to Article 3 of*
206 *Chapter 4.1 (§ 23-38.19:3 et seq.) of Title 23 of the Code of Virginia.*

207 E. There shall be added to or subtracted from federal adjusted gross income (as the case may be) the
208 individual's share, as beneficiary of an estate or trust, of the Virginia fiduciary adjustment determined
209 under § 58.1-361.

210 F. There shall be added or subtracted, as the case may be, the amounts provided in § 58.1-315 as
211 transitional modifications.