

20107000D

HOUSE BILL NO. 734**AMENDMENT IN THE NATURE OF A SUBSTITUTE**(Proposed by the House Committee on Finance
on January 29, 2020)

(Patrons Prior to Substitute—Delegates Watts and McNamara [HB 48])

*A BILL to amend and reenact § 58.1-301 of the Code of Virginia, relating to income tax; rolling conformity with the Internal Revenue Code; nonconformance with certain amendments.***Be it enacted by the General Assembly of Virginia:****1. That § 58.1-301 of the Code of Virginia is amended and reenacted as follows:****§ 58.1-301. Conformity to Internal Revenue Code.**

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

B. Any reference in this chapter to the laws of the United States relating to federal income taxes shall mean the provisions of the Internal Revenue Code of 1954, and amendments thereto, and other provisions of the laws of the United States relating to federal income taxes, as they existed on December 31, 2018, except for:

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

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

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

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

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

6. The provisions of § 103 of Division Q of the federal Further Consolidated Appropriations Act, 2020, P.L. 116-94 (2019), related to the reduction in the medical expense deduction floor.

7. For taxable years beginning on and after January 1, 2020, (i) any amendment to the Internal Revenue Code that has a projected impact greater than \$10 million on the Commonwealth's tax revenues in the fiscal year in which the amendment was enacted or any of the succeeding four fiscal years. The provisions of this subdivision shall not apply to any amendment to the Internal Revenue Code that is subsequently adopted by the General Assembly.

The Secretary of Finance, in consultation with the Chairmen of the Senate Committee on Finance and Appropriations and the House Committees on Appropriations and Finance, shall be responsible for determining whether any amendment to the Internal Revenue Code meets the criteria above.

The Secretary of Finance shall annually provide a report on the fiscal impact of amendments to the Internal Revenue Code occurring since the adjournment of the prior year's regular session of the General Assembly to the Chairmen of the Senate Committee on Finance and Appropriations and the House Committees on Appropriations and Finance. The report shall be presented no later than 60 days prior to the regular session of the General Assembly. The Secretary of Finance shall also provide updates to the same chairmen on any further amendments to the Internal Revenue Code occurring between presentation of the required report and the first day of the subsequent regular session of the General Assembly.

C. The Department of Taxation is hereby authorized to develop procedures or guidelines for implementation of the provisions of this section, which procedures or guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

2. That the provisions of this act shall apply to taxable years beginning on and after January 1,

