DEPARTMENT OF TAXATION
2021 Fiscal Impact Statement

1. **Patron** David W. Marsden

2. **Bill Number** SB 1353
House of Origin:
X **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
_____ **In Committee**
_____ **Substitute**
_____ **Enrolled**

3. **Committee** Senate Finance and Appropriations

4. **Title** Corporate Income Tax; Mandatory Unitary Combined Reporting

5. **Summary/Purpose:**

This bill would adopt mandatory unitary combined reporting for Virginia income tax purposes. This would require any taxpayer engaged in a unitary business with one or more other corporations to file a combined report that includes the income and apportionment factors of all the affiliates of the taxpayer that are members of the unitary business.

The imposition of the new unitary combined reporting rules could result in taxpayers experiencing a change to a net deferred tax liability or a net deferred tax asset. For 10 years beginning with the combined group's first income tax return filed in or after the taxable year beginning on January 1, 2022, certain taxpayers that experienced an aggregate increase to a net deferred tax liability, an aggregate decrease to a net deferred tax asset, or an aggregate change from a net deferred tax asset to a net deferred tax liability would be eligible for a deduction.

This bill would also repeal Virginia's telecommunications minimum tax.

This bill would be effective for taxable years beginning on or after January 1, 2022.

6. **Budget amendment necessary:** Yes.
Item(s): Page 1, Revenue Estimates
282 and 284, Department of Taxation

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

Fiscal Year	***Dollars***	***Positions***	***Fund***
2021-22	$664,020	4	GF
2022-23	$425,420	4	GF
2023-24	$413,600	4	GF
2024-25	$413,600	4	GF
2025-26	$413,600	4	GF
2026-27	$413,600	4	GF

8. Fiscal implications:

Administrative Costs

The Department of Taxation ("the Department") would incur estimated administrative costs of $664,020 in Fiscal Year 2022; $425,420 in Fiscal Year 2023; and $413,600 in Fiscal Year 2024 and each fiscal year thereafter. These costs include hiring four full-time employees, as well as the costs of updating the Department's forms, systems, and website.

Revenue Impact

The portion of this bill requiring mandatory unitary combined reporting would have an unknown and potentially significant positive General Fund revenue impact beginning in Fiscal Year 2022. Developing a reliable revenue impact for adopting unitary combined reporting is significantly limited by insufficient data. Estimating the revenue impact would require information regarding the income, accumulated net operating losses, and apportionment factors of corporations that are not currently required to file income tax returns with Virginia. It would also require information regarding which corporations in an affiliated group are engaged in the same unitary business.

Current Virginia data only identifies subsidiaries that corporations elect to be included in Virginia combined or consolidated returns. For corporations that elect to file on a separate basis, Virginia does not collect information that links related subsidiaries or makes determinations as to whether partially owned subsidiaries meet the requirements to be included in the Virginia combined or consolidated returns.

Although federal tax data may be used to identify ownership of corporations in an affiliated group, and their income, federal returns do not have data on the apportionment factors or the nature of each corporation's business and its functional integration, centralized management and economies of scale that would identify the members of a unitary group. While other states have produced revenue estimates for adopting unitary combined reporting, it is unclear that their methodologies adequately address such concerns.

Based on estimates produced by Maryland relating to the consideration of a unitary combined reporting bill, the Department estimates that this bill could increase General Fund revenue in an amount ranging between $60 million and $80 million annually. However, this estimate is highly speculative for the reasons stated above. In addition, unlike the Maryland bill, this bill would allow a consolidated election, which would decrease the revenue raised because taxpayers would have the option to elect to file on a unitary combined or a consolidated basis and would likely do so on whatever basis results in the least amount of tax owed. Therefore, this estimate may overstate the amount of General Fund revenue gain attributable to this bill.

In addition, certain businesses would benefit from mandatory unitary combined reporting and others would realize an increased Virginia tax liability. This has revenue implications because the Department anticipates that businesses that benefit from this change would comply immediately. In contrast, those with increased tax liabilities may resist to an unknown extent.

The portion of this bill that would repeal the telecommunications minimum tax would have an unknown negative General Fund revenue impact beginning in Fiscal Year 2022. Based upon data from returns filed for Taxable Year 2017 and Taxable Year 2018, the Department estimates that repealing the telecommunications minimum tax could have a negative General Fund revenue impact of approximately $12 million per fiscal year. However, this estimate is based upon Virginia's current corporate income tax structure. It does not consider the interaction effects between mandatory combined reporting and the telecommunications minimum tax, which could significantly increase or decrease the estimate by an unknown amount.

The portion of this bill that would permit a deduction relating to net deferred tax assets and tax liabilities would have an unknown negative General Fund revenue impact beginning in Fiscal Year 2022. It is unclear whether this deduction would be ongoing or whether it would only apply to affiliated corporations that were subject to Virginia income tax before Taxable Year 2022 and that would be newly required to use unitary combined reporting as a result of this bill. In addition, because data regarding the net deferred assets and liabilities maintained by corporations specifically for Virginia income tax purposes is unavailable, the impact of this portion of the bill would be unknown but could reduce the positive General Fund revenue impact of adopting mandatory combined reporting.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

The bill text appears to be derived from model legislation developed by the Multistate Tax Commission ("MTC"), but has not been fully adapted to Virginia law. This bill would require that several policy and technical issues be resolved in order to properly implement this bill. In addition, the bill appears to reject certain concepts used by the MTC's model legislation, but this is not done so consistently through the bill, which could create confusion.

11. Other comments:

<u>Background</u>

When imposing a corporation income tax, a state must provide standards for determining:

- Whether a corporation or any of its affiliates have sufficient nexus with the state to be subject to taxation;
- Which of the state's allocation and apportionment formulas applies to a corporation, and how to apply such formula; and
- How a corporation is to report its income and that of any affiliates to the state.

Nexus Determination

Corporations are only subject to a state's corporate income tax if they have sufficient nexus with such state. Nexus occurs when a non-resident entity has sufficient contacts with a state to subject it to income tax. In 1959, Congress enacted Public Law 86-272, which prohibits states from subjecting the sale of tangible personal property to a net income tax where the taxpayer's only business activities within the state during the taxable year are the solicitation of orders by the taxpayer or the taxpayer's representative for the sale of tangible personal property. By the application of Public Law 86-272, such corporations lack nexus with the taxing state. Accordingly, Virginia does not subject a business to its corporate income tax if the only business activities within Virginia are activities protected by Public Law 86-272. In the early 1980s, as an administrative policy, the Department voluntarily extended the protections set forth in Public Law 86-272 to sales of intangible property and services in Virginia.

Allocation and Apportionment Formulas

For corporate income tax purposes, multistate corporations are generally required to allocate and apportion income among the various states. Virginia generally requires the Virginia taxable income of a multistate corporation to be apportioned to Virginia by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor, plus twice the sales factor, and the denominator of which is four. No allocation or apportionment is necessary when the entire business of a corporation is conducted or transacted within Virginia.

Reporting and Filing Methods

In general, every corporation that is incorporated in Virginia, has registered with the State Corporation Commission for the privilege of conducting business in Virginia, or receives income from Virginia sources is required to file a Virginia corporation income tax return. Virginia allows an affiliated group of corporations to elect to file in one of the following ways: (i) separately, (ii) on a consolidated basis, or (iii) using a Virginia combined return. A group of two or more corporations is considered an "affiliated group" if:

- One corporation owns at least 80 percent of the voting stock of the other or others; or
- At least 80 percent of the voting stock of two or more of the corporations is owned by the same interests.

If an affiliated group of corporations elects to file separately, each corporation in the affiliated group that has nexus in Virginia is required to file its own separate corporate income tax return and report only its income, expenses, gains, losses, and allocation and apportionment factors on such return. This type of reporting follows the separate entity concept, in which each corporation in an affiliated group is treated as distinct and separate from the other corporations in such group for purposes of determining each corporation's corporate income tax liability.

A consolidated return includes the aggregate income, expenses, gains, and losses, allocation and apportionment factors of all of the corporations in an affiliated group that have nexus with Virginia. The corporate income tax liability of the affiliated group is computed in the aggregate, and the entire affiliated group files one corporate income tax return.

Virginia offers a variation of consolidated reporting called a combined return (hereinafter referred to as a "Virginia combined return" to distinguish it from the "unitary combined return"). In a Virginia combined return, each corporation in an affiliated group that has nexus with Virginia determines its income, expenses, gains, losses, and allocation and apportionment factors separately. Each corporation then separately computes its individual corporate income tax liability. The final corporate income tax liability, after apportionment, of each corporation is then combined and included on one corporate income tax return.

For Virginia income tax purposes, the election to file on a separate, consolidated or combined basis is made in the first year in which a group of affiliated corporations becomes eligible to file a Virginia consolidated or combined return in Virginia. The filing of the Virginia combined or consolidated income tax return is an election made by the affiliated group. As a general rule, once the election is made, subsequent returns are required to be filed on the same basis, unless the Tax Commissioner grants permission to the affiliated group to change their election. The election is also binding on any corporations that subsequently join the affiliated group and have nexus with Virginia.

Unitary Combined Reporting

There is another reporting method not currently utilized by Virginia that is known as mandatory unitary combined reporting. In a unitary combined reporting state, a corporation is required to combine the income, expenses, gains, losses, and allocation and apportionment factors of all related corporations that are engaged in a unitary business ("unitary group" or "combined group") on its corporate income tax return, regardless of the state's nexus with or the location of the corporations in the unitary group. In theory, the resulting tax burden of the unitary group is comparable to the tax burden that would result if the corporations were merged into a single firm. The U.S. Supreme Court has held that a unitary group is a single economic enterprise, and that a state may apportion transactions and operations within its borders to determine its taxable income (see *Mobil Oil Corp v. Commissioner of Taxes*, 445 U.S. 425 (1980)). Unlike Virginia, states that require unitary combined reporting generally do not provide other reporting options for corporations with affiliates in other states. Instead, unitary combined reporting is generally mandatory in such states.

Unlike the consolidated return and Virginia combined reporting methods, unitary combined reporting takes into consideration both the ownership and business relationships of related corporations. In most unitary combined reporting states, a group of two or more corporations will be treated as related only if they share common ownership exceeding 50 percent.

A group of two or more corporations is generally considered to be a unitary group if their business activities are interdependent, interrelated, and integrated. States that have enacted unitary combined reporting use some combination of factors to determine whether a group of corporations is a unitary group including, but not limited to, whether the corporations have centralized management, centralized administrative services or functions resulting in economies of scale, or whether the flow of goods, resources, or services demonstrates functional integration between the corporations.

Purpose of Unitary Combined Reporting

There are several explanations that proponents offer for enacting unitary combined reporting, including providing an accurate measure of income, controlling income shifting, and increasing corporate income tax revenues. In a 2009 report, Wisconsin asserted that the adoption of unitary combined reporting "closes tax loopholes that allow very large multi-state corporations to shift profits from one subsidiary to another, enabling them to move profits out of Wisconsin and thereby minimize or avoid paying state income tax." The report also claims that by closing these loopholes, the state will increase its revenues.

Unitary combined reporting is intended to address the tax planning strategies used by various types of entities, including intangible holding companies. An intangible holding company ("IHC") is generally a corporation formed to hold intangible assets such as trademarks, trade names, or patents. The IHC is typically located in states that do not impose a corporate income tax on them. Corporations transfer their intangible assets to their IHC and enter into an agreement to pay for the continued use of its intangible assets. When the corporation computes its state corporate income tax, it deducts the expenses that it paid to the IHC to use these intangible assets. Unitary combined reporting would correct this tax avoidance because the IHC would be included in the unitary combined return.

Another tax planning method creates an affiliate that qualifies as a real estate investment trust ("REIT"). REITs were established in the 1960s by Congress and are exempt from paying taxes on dividends paid to its investors. Some retail stores created a "captive REIT" that owned the land and buildings in which the retail stores were located. The retail chain pays rent, based on a percentage of sales, to the captive REIT, but the rent is paid back to the retail company or an affiliate as untaxed dividends. Unitary combined reporting would include the REIT dividends in apportionable "business income" as well as the affiliates that received them.

Some states have implemented add-back laws to specifically address these types of income shifting techniques, whereby taxable income that is shifted to an entity like an intangible holding company or captive REIT is added back to a taxpayer's income to determine taxable income. Proponents of unitary combined reporting assert that although states can address tax avoidance strategies through add-backs, these types of laws must be specifically tailored to address certain income shifting practices, and are difficult for tax agencies to administer. Unitary combined reporting does not require a tax agency to identify income-shifting transactions through audit and compliance procedures, and instead requires corporations in a unitary group to combine all income into one report in order to determine the amount of apportionable income.

Considerations for Adopting Unitary Combined Reporting

A state legislature that is considering adopting unitary combined reporting must, at a minimum, make determinations regarding the following: (i) how to define a unitary group; (ii) how to treat members of the unitary group without nexus; (iii) how to treat international corporations in a unitary group; and (iv) how to handle certain transitional issues.

Definition of a Unitary Group

The United States Supreme Court has stated that the hallmarks of a unitary relationship consist of functional integration, centralized management, and economies of scale. The states have developed various definitions of a unitary group to make the application of these standards more certain.

The challenge for tax administrators, as well as taxpayers, in defining the term "unitary group" is determining whether a group of corporations is engaged in a unitary business, and how to define the trade or business that is unitary. In order to be considered unitary, members of a unitary group must share more than a passive investment relationship, and have developed interdependent economic relationships.

In order to determine whether a unitary business exists, tax administrators must be able to identify the activities undertaken by each corporation in the group and the resulting flow of goods and services. This process is highly complex, and often leads to disagreements over the measures used to determine whether group of corporations is unitary. Moreover, when a unitary determination is contested, it often results in complex audits and appeals, and increased litigation.

For situations in which states share the same statutory definition of a unitary group, there still remains significant variation in how the states and courts have interpreted the statutory definition. Therefore, it is possible that a group of corporations may be treated as unitary in one state, but as nonunitary in other states.

Treatment of Members of the Unitary Group without Nexus

Under Public Law 86-272, a state is prohibited from taxing a company whose only activity within a state is the solicitation of sales of tangible personal property and, therefore, lacks nexus. However, the concept of a unitary group allows a state to require unitary combined reporting, which includes the income and apportionment factors of all members of a unitary group, even when a member of a unitary group does not have nexus in the state. This raises concerns over whether unitary combined reporting violates Public Law 86-272. Some states have determined that members of a unitary group should be taxed as one taxpayer and include the apportionment and income from all members of the unitary group. Other states have determined that a state is not allowed to tax any individual corporation that is protected under Public Law 86-272. The federal courts have not issued a decision on this issue, thereby, leaving it to the state courts to decide.

There are two approaches that states that have enacted unitary combined reporting have applied for determining whether to include corporations who do not have nexus in a unitary group. These approaches are called Joyce and the Finnigan, which are the names for two California Board of Equalization ("BOE") administrative appeals issued in 1996 (Joyce) and 1988 (Finnigan).

Those states that are worried about litigation over the issue of whether Public Law 86-272 protects nonnexus entities have chosen to adopt what has come to be called the Joyce approach. Under Joyce, apportionment is done on an entity-by-entity basis. Each nexus entity must generally apportion its income to the state based upon the total income of the unitary business, including income attributed to entities over which it lacks jurisdiction, and based upon apportionment factors that include:

- In the numerator, the state-sourced amounts for that particular nexus entity; and
- In the denominator, the everywhere amounts for the entire unitary business, including factor amounts attributed to entities over which the state lacks jurisdiction.

Joyce does not require non-nexus entities to apportion their share of total income.

According to a 2018 report by the MTC, state positions have shifted over time regarding the Joyce approach. While many states have in the past adopted Joyce rather than Finnigan because they wanted to avoid litigation over the Public Law 86-272 issue, the risks that litigation may have posed do not appear to have not materialized. Moreover, the MTC report explains that certain taxpayers have been able to use Joyce as a tax planning opportunity. Specifically, some taxpayers have tried to reduce their state income taxes by avoiding having sales included in a state's sales factor for the unitary group by isolating activities into separate entities for that purpose.

As a result, the MTC report states that the recent trend has been away from Joyce and toward Finnigan, although the states are still split. Under the Finnigan approach, apportionment is done at the group level. As a result, the unitary group as a whole generally apportions income to the state based upon total income for the unitary business—including income attributed to entities over which it lacks jurisdiction—and based upon apportionment factors that include:

- In the numerator, the state-sourced amounts for the unitary group, including factor amounts attributed to entities over which the state lacks jurisdiction; and
- In the denominator, the everywhere amounts for the unitary group, including factor amounts attributed to entities over which the state lacks jurisdiction.

Treatment of International Corporations of a Unitary Group

A state that enacts unitary combined reporting must determine whether the state will place limitations on the inclusion of certain types of unitary corporations in the taxpayer's income and apportionment calculation, in particular foreign corporations. Generally, there are three types of unitary combination that are used by the states which address this issue: (i) domestic combination; (ii) water's-edge combination; and (iii) worldwide combination. Domestic combination includes only unitary corporations that are incorporated in the United States. Waters-edge combination includes all unitary corporations of a business regardless of the location of the affiliates; however, foreign corporations are included only to the extent that they do business in the United States. The definition of doing business in the United States varies among the states, but typically includes "80/20" corporations, corporations with more than 20 percent of their business in the United States. Worldwide combination includes all of the corporations of a unitary group regardless of the location of the corporations.

While the business community generally opposes any form of unitary combined reporting, worldwide combination is especially disfavored. As a result it has been prohibited in many states. During the 1981 Session, the Virginia General Assembly specifically prohibited worldwide combination.

Transitional Issues

There are also several transitional issues related to moving to unitary combined reporting. A state must determine how to treat overpayments and calculate estimated payments from previous taxable years. Other more difficult considerations are how to handle tax incentives, including net operating losses and credits that were allocated for a taxable year prior to the enactment of unitary combined reporting. The first year of unitary combined reporting would see many corporations included in a state's corporate income tax returns for the first time. If corporations filed on a separate return basis, they may have accumulated substantial net operating losses, credits or deductions that could be used to offset income of the unitary group. Unrestricted use of tax incentives from previous taxable years may cause revenue losses to the state during the transition to unitary combined reporting.

<u>Other States</u>

Of the 45 jurisdictions that impose a corporate income tax, 28 have enacted mandatory unitary combined reporting. In addition to these 28 jurisdictions, Texas requires unitary combined reporting for purposes of its gross receipts tax. Therefore, 28 jurisdictions are considered to be unitary combined reporting jurisdictions.

Unitary Combined Reporting Jurisdictions	
Finnigan States	**Joyce States**
Arizona	Alaska
California	Colorado
Connecticut	District of Columbia
Kansas	Hawaii
Maine	Idaho
Massachusetts	Illinois
Michigan	Kentucky
Minnesota	Mississippi
Montana	Nebraska
New York	New Hampshire
Rhode Island	New Jersey
Utah	New Mexico

Wisconsin	North Dakota
	Texas
	Vermont
	West Virginia

Unitary Business Principle in Virginia

As noted above, in 1981 Virginia prohibited worldwide unitary combination. Nevertheless, Virginia has had to grapple with defining the scope of a unitary business. In 1992, the United States Supreme Court held that a corporation was allowed to exclude certain investment income from its apportionable income because it was not derived from an unrelated business activity constituting a discrete business enterprise (see *Allied-Signal v. Director, Div. of Taxation*, 504 U.S. 768 (1992)). The Court ruled that the taxpayer's gain on the sale of stock could not be excluded from the apportionment formula unless the capital asset sold served an investment function that was completely unrelated to any operational activities carried on in the taxing state. Subsequently, the Department issued Tax Bulletin 93-4, which provides guidance to corporations seeking to allocate certain nonapportionable investment income away from Virginia (see Public Document 93-93B (4/6/1993)). There have been numerous administrative appeals involving this issue.

Virginia's Telecommunications Minimum Tax

Telecommunications companies doing business in Virginia are subject to a minimum tax equal to 0.05 percent of gross receipts. If a telecommunications company's Virginia income tax liability is less than the company's minimum tax, the telecommunications company must pay the higher amount. A "telecommunications company" is a telephone company or other person holding a certificate of convenience and necessity granted by the State Corporation Commission authorizing telephone service; or a person authorized by the Federal Communications Commission to provide commercial mobile service as defined in § 332(d)(1) of the Communications Act of 1934, as amended, where such service includes cellular mobile radio communications services or broadband personal communications services; or a person holding a certificate issued pursuant to § 214 of the Communications Act of 1934, as amended, authorizing domestic telephone service and belonging to an affiliated group including a person holding a certificate of convenience and necessity granted by the State Corporation Commission authorizing telephone service; or a telegraph company or other person operating the apparatus necessary to communicate by telegraph.

Proposed Legislation

This bill would adopt mandatory unitary combined reporting for Virginia income tax purposes. This would require any taxpayer engaged in a unitary business with one or more other corporations to file a combined report that includes the income and apportionment factors of all the affiliates of the taxpayer that are members of the unitary business.

"Unitary business" would be defined as a single economic enterprise made up either of separate parts of a single business entity or of a commonly controlled group of business entities or of a unitary group of business entities or a group of affiliate business entities that are sufficiently interdependent, integrated, and interrelated through their activities so as to provide a synergy and mutual benefit that produces a sharing or exchange of value among them and a significant flow of value to the separate parts. Including that part of the business that meets the definition of “unitary business” and is conducted by a taxpayer through the taxpayer’s interest in a partnership, whether the interest in that partnership is held directly or indirectly through a series of partnerships or other pass through entities. It would not include persons subject to, or that would be subject to if doing business in Virginia, the insurance premium license tax or the bank franchise tax.

A business conducted directly or indirectly by one corporation would be unitary with that portion of a business conducted by another corporation through its direct or indirect interest in a partnership if there is a synergy, exchange and flow of value between the two parts of the business, and the two corporations are members of the same commonly controlled group.

Adoption of the Finnigan Method

This bill would adopt the Finnigan method of mandatory combined reporting in which the amount of combined group’s total combined taxable net income apportioned to each state is calculated as a function of the applicable factors for the entire group as a whole. After eliminating all items of income, expense, gain and loss from transactions between members of the combined group, the taxable net income of a combined group for Virginia income tax purposes would be Virginia’s share of the combined group’s apportionable income combined with the combined group’s nonapportionalbe income specifically allocable to Virginia.

Although apportionment is generally done at the combined group level under the Finnigan method, this bill would require that members of a combined group that have required alternate apportionment methods determine their apportionment consistent with methods required by Virginia. This would allow Virginia to maintain its current alternative apportionment methods for specific industries. Similarly under the Finnigan approach, item such as net operating losses and tax credits would also be applied at the combined group level.

Water’s Edge General Rule and Worldwide Combination or Consolidated Group Elections

Combination of eligible entities would be required on a water’s edge basis, unless taxpayers choose to make a worldwide or consolidated group election. The water’s-edge rule would limit the combined group to most domestic corporations, foreign corporations with significant U.S. presence, and domestic and foreign sales corporations. Both domestic and foreign corporations would be included only if they have an average property, payroll, and sales factors within the United States of more than 20 percent.

A worldwide or consolidated group election would be effective only if made on a timely-filed, original return for a taxable year by every member of the unitary business subject to Virginia income tax. These elections would be binding for the taxable year plus an additional five taxable years unless revocation is approved by the Tax Commissioner (“the Commissioner”). Subsequent elections could be made in the same manner and for the same applicable period. A consolidated group election may only be made if all corporations that at any time during the taxable year have been members of the combined group consent to be included in such group.

Regardless of any election, all combined return would be required to be filed under the name and federal employer identification number of the parent corporation, if the parent corporation is a member of the combined group. If there is no parent corporation, or if the parent corporation is not a member of the combined group, the members of the combined group would choose a member to file the return. The filing member would be required to remain the same as long as the filing member is a member of the combined group. All members of the combined group would be jointly and severally liable for the tax liability of the combined group.

Deduction for Change to Net Deferred Tax Assets and Liabilities

The imposition of the new unitary combined reporting rules could result in taxpayers experiencing a change to a net deferred tax liability or a net deferred tax asset. For 10 years beginning with the combined group's first income tax return filed in or after the taxable year beginning on January 1, 2022, certain taxpayers that experienced an aggregate increase to a net deferred tax liability, an aggregate decrease to a net deferred tax asset, or an aggregate change from a net deferred tax asset to a net deferred tax liability would be eligible for a deduction. This deduction would be in the amount of one-tenth of the amount necessary to offset the increase in the net deferred tax liability, decrease in the net deferred tax asset, or aggregate change from a net deferred tax asset to a net deferred tax liability. Any combined group intending to claim this deduction would have to file a statement with the Commissioner on or before July 1 of the taxable year subsequent to the first taxable year for which a combined return is required. This statement would specify the total amount of the deduction that the combined group claims, and no deduction would be permitted except to the extent claimed on a timely filed statement.

This bill would also repeal Virginia's telecommunications minimum tax.

This bill would be effective for taxable years beginning on or after January 1, 2022.

Similar Bills

House Joint Resolution 563 would require the Division of Legislative Services, in conjunction with the Department, to establish a work group to assess the feasibility of transitioning to a unitary combined reporting system for Virginia corporate income tax purposes.

cc : Secretary of Finance

Date: 1/25/2021 RWC
SB1353F161