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**HOUSE BILL NO. 2268**

Offered January 11, 2023

Prefiled January 11, 2023

A *BILL to amend and reenact §§ 58.1-302, 58.1-320, 58.1-321, and 58.1-322.03, as it is currently effective and as it may become effective, of the Code of Virginia and to repeal the eighth enactment of Chapter 2 of the Acts of Assembly of 2022, Special Session I, relating to individual income tax; brackets, deductions, and exemptions.*

Patron—Watts

Referred to Committee on Finance

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 58.1-302, 58.1-320, 58.1-321, and 58.1-322.03, as it is currently effective and as it may become effective, are amended and reenacted as follows:**

**§ 58.1-302. Definitions.**

For the purpose of this chapter ~~and unless otherwise required by~~ the context *requires a different meaning:*

"Affiliated" means two or more corporations subject to Virginia income taxes whose relationship to each other is such that (i) one corporation owns at least 80 percent of the voting stock of the other or others or (ii) at least 80 percent of the voting stock of two or more corporations is owned by the same interests.

"Compensation" means wages, salaries, commissions and any other form of remuneration paid or accrued to employees for personal services.

"Corporation" includes associations, joint stock companies and insurance companies.

"Domicile" means the permanent place of residence of a taxpayer and the place to which he intends to return even though he may actually reside elsewhere. In determining domicile, consideration may be given to the applicant's expressed intent, conduct, and all attendant circumstances including, but not limited to, financial independence, business pursuits, employment, income sources, residence for federal income tax purposes, marital status, residence of parents, spouse and children, if any, leasehold, sites of personal and real property owned by the applicant, motor vehicle and other personal property registration, residence for purposes of voting as proven by registration to vote, if any, and such other factors as may reasonably be deemed necessary to determine the person's domicile.

"Foreign source income" means:

1. Interest, other than interest derived from sources within the United States;
2. Dividends, other than dividends derived from sources within the United States;
3. Rents, royalties, license, and technical fees from property located or services performed without the United States or from any interest in such property, including rents, royalties, or fees for the use of or the privilege of using without the United States any patents, copyrights, secret processes and formulas, good will, trademarks, trade brands, franchises, and other like properties;
4. Gains, profits, or other income from the sale of intangible or real property located without the United States; and

5. The amount of an individual's share of net income attributable to a foreign source qualified business unit of an electing small business corporation (S corporation). For purposes of this subsection, qualified business unit shall be defined by § 989 of the Internal Revenue Code, and the source of such income shall be determined in accordance with §§ 861, 862 and 987 of the Internal Revenue Code.

In determining the source of "foreign source income," the provisions of §§ 861, 862, and 863 of the Internal Revenue Code shall be applied except as specifically provided in subsection 5 above.

"Income and deductions from Virginia sources" includes:

1. Items of income, gain, loss and deduction attributable to:
    - a. The ownership of any interest in real or tangible personal property in Virginia;
    - b. A business, trade, profession or occupation carried on in Virginia; or
    - c. Prizes paid by the Virginia Lottery Department, and gambling winnings from wagers placed or paid at a location in Virginia.
  2. Income from intangible personal property, including annuities, dividends, interest, royalties and gains from the disposition of intangible personal property to the extent that such income is from property employed by the taxpayer in a business, trade, profession, or occupation carried on in Virginia.
- "Income tax return preparer" means any person who prepares for compensation, or who employs one or more persons to prepare for compensation, any return of tax imposed by this chapter or any claim for

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59 refund of tax. For purposes of the preceding sentence, the preparation for compensation of any portion  
60 of a return or claim for refund shall be treated as if it were the preparation of the return or claim for  
61 refund. A person shall not be an "income tax return preparer" merely because the person:

- 62 1. Furnishes typing, reproducing, or other mechanical assistance;
- 63 2. Prepares a return or claim for refund of the employer (or of an officer or employee of the  
64 employer) by whom he is regularly and continuously employed;
- 65 3. Prepares as a fiduciary a return or claim for refund for any person; or
- 66 4. Prepares an application for correction of an erroneous assessment or a protective claim for refund  
67 for a taxpayer in response to any assessment pursuant to § 58.1-1812 issued to the taxpayer or in  
68 response to any waiver pursuant to § 58.1-101 or 58.1-220 after the commencement of an audit of the  
69 taxpayer or another taxpayer if a determination in such audit of such other taxpayer directly or indirectly  
70 affects the tax liability of such taxpayer.

71 *"Indexing ratio" means the percentage, if any, by which the Chained Consumer Price Index for All*  
72 *Urban Consumers (C-CPI-U) as published by the U.S. Department of Labor, or any successor index, for*  
73 *the most recent calendar year exceeds the C-CPI-U published at the close of the 12-month period*  
74 *ending on December 31, 2022. If the percentage is less than zero, the indexing ratio shall be zero.*

75 "Individual" means all natural persons whether married or unmarried and fiduciaries acting for  
76 natural persons, but not fiduciaries acting for trusts or estates.

77 "Intangible expenses and costs" means:

- 78 1. Expenses, losses and costs for, related to, or in connection directly or indirectly with the direct or  
79 indirect acquisition, use, maintenance or management, ownership, sale, exchange, lease, transfer, or any  
80 other disposition of intangible property to the extent such amounts are allowed as deductions or costs in  
81 determining taxable income;
- 82 2. Losses related to or incurred in connection directly or indirectly with factoring transactions or  
83 discounting transactions;
- 84 3. Royalty, patent, technical and copyright fees;
- 85 4. Licensing fees; and
- 86 5. Other similar expenses and costs.

87 "Intangible property" means patents, patent applications, trade names, trademarks, service marks,  
88 copyrights and similar types of intangible assets.

89 "Interest expenses and costs" means amounts directly or indirectly allowed as deductions under § 163  
90 of the Internal Revenue Code for purposes of determining taxable income under the Internal Revenue  
91 Code to the extent such expenses and costs are directly or indirectly for, related to, or in connection  
92 with the direct or indirect acquisition, use, maintenance, management, ownership, sale, exchange, lease,  
93 transfer, or disposition of intangible property.

94 "Nonresident estate or trust" means an estate or trust which is not a resident estate or trust.

95 "Related entity" means:

- 96 1. A stockholder who is an individual, or a member of the stockholder's family enumerated in § 318  
97 of the Internal Revenue Code, if the stockholder and the members of the stockholder's family own,  
98 directly, indirectly, beneficially or constructively, in the aggregate, at least 50 percent of the value of the  
99 taxpayer's outstanding stock;
- 100 2. A stockholder, or a stockholder's partnership, limited liability company, estate, trust or corporation,  
101 if the stockholder and the stockholder's partnerships, limited liability companies, estates, trusts and  
102 corporations own directly, indirectly, beneficially or constructively, in the aggregate, at least 50 percent  
103 of the value of the taxpayer's outstanding stock; or
- 104 3. A corporation, or a party related to the corporation in a manner that would require an attribution  
105 of stock from the corporation to the party or from the party to the corporation under the attribution rules  
106 of § 318 of the Internal Revenue Code, if the taxpayer owns, directly, indirectly, beneficially or  
107 constructively, at least 50 percent of the value of the corporation's outstanding stock. The attribution  
108 rules of § 318 of the Internal Revenue Code shall apply for purposes of determining whether the  
109 ownership requirements of this subdivision have been met.

110 "Related member" means a person that, with respect to the taxpayer during all or any portion of the  
111 taxable year, is a related entity, a component member as defined in § 1563(b) of the Internal Revenue  
112 Code, or is a person to or from whom there is attribution of stock ownership in accordance with  
113 § 1563(e) of the Internal Revenue Code.

114 "Resident" applies only to natural persons and includes, for the purpose of determining liability for  
115 the taxes imposed by this chapter upon the income of any taxable year every person domiciled in  
116 Virginia at any time during the taxable year and every other person who, for an aggregate of more than  
117 183 days of the taxable year, maintained his place of abode within Virginia, whether domiciled in  
118 Virginia or not. The word "resident" shall not include any member of the United States Congress who is  
119 domiciled in another state.

120 "Resident estate or trust" means:

1. The estate of a decedent who at his death was domiciled in the Commonwealth;
2. A trust created by will of a decedent who at his death was domiciled in the Commonwealth; or
3. A trust created by or consisting of property of a person domiciled in the Commonwealth.
- "Sales" means all gross receipts of the corporation not allocated under § 58.1-407, except the sale or other disposition of intangible property shall include only the net gain realized from the transaction.
- "State," for purposes of Article 10 (§ 58.1-400 et seq.), means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country.
- "Trust" or "estate" means a trust or estate, or a fiduciary thereof, which is required to file a fiduciary income tax return under the laws of the United States.
- "Virginia fiduciary adjustment" means the net amount of the applicable modifications described in §§ 58.1-322.01, 58.1-322.02, and 58.1-322.04 (including subdivision 1 of § 58.1-322.04 if the estate or trust is a beneficiary of another estate or trust) which relate to items of income, gain, loss or deduction of an estate or trust. The fiduciary adjustment shall not include the modification in § 58.1-322.03, except that the amount of state income taxes excluded from federal taxable income shall be included. The fiduciary adjustment shall also include the modification in subdivision 7 of § 58.1-322.03 regarding the deduction for the purchase of a prepaid tuition contract or contribution to a savings trust account.
- § 58.1-320. Imposition of tax.**
- A tax is hereby annually imposed on the Virginia taxable income for each taxable year of every individual as follows:
- ~~Two~~ For taxable years beginning before January 1, 2023, two percent on income not exceeding in excess of \$3,000;
- For taxable years beginning on and after January 1, 2023, two percent on income not in excess of \$3,000, adjusted each year by the indexing ratio;
- ~~Three~~ For taxable years beginning before January 1, 2023, three percent on income in excess of \$3,000, but not in excess of \$5,000;
- For taxable years beginning on and after January 1, 2023, three percent on income in excess of \$3,000 but not in excess of \$5,000, adjusted each year by the indexing ratio;
- Five percent on income in excess of \$5,000 but not in excess of \$14,000 for taxable years beginning January 1, 1987, through December 31, 1987;
- Five percent on income in excess of \$5,000 but not in excess of \$15,000 for taxable years beginning January 1, 1988, through December 31, 1988;
- Five percent on income in excess of \$5,000 but not in excess of \$16,000 for taxable years beginning January 1, 1989, through December 31, 1989;
- Five For taxable years beginning before January 1, 2023, five percent on income in excess of \$5,000 but not in excess of \$17,000 for taxable years beginning January 1, 1990;
- For taxable years beginning on and after January 1, 2023, five percent on income in excess of \$5,000 but not in excess of \$17,000, adjusted each year by the indexing ratio;
- Five and three-quarters percent on income in excess of \$12,000 for taxable years beginning before January 1, 1987;
- Five and three-quarters percent on income in excess of \$14,000 for taxable years beginning January 1, 1987, through December 31, 1987;
- Five and three-quarters percent on income in excess of \$15,000 for taxable years beginning January 1, 1988, through December 31, 1988;
- Five and three-quarters percent on income in excess of \$16,000 for taxable years beginning January 1, 1989, through December 31, 1989; and
- Five For taxable years beginning before January 1, 2023, five and three-quarters percent on income in excess of \$17,000 for taxable years beginning on and after January 1, 1990;
- For taxable years beginning on and after January 1, 2023, five and three-quarters percent on income in excess of \$17,000 but not in excess of \$600,000, adjusted each year by the indexing ratio; and
- For taxable years beginning on and after January 1, 2023, seven percent on income in excess of \$600,000, adjusted each year by the indexing ratio.
- § 58.1-321. Exemptions and exclusions.**
- A. No tax levied pursuant to § 58.1-320 is imposed, nor any return required to be filed, by:
1. A single individual where the Virginia adjusted gross income plus the modification specified in subdivision 5 of § 58.1-322.03 for such taxable year is less than \$11,650 for taxable years beginning on and after January 1, 2010, but before January 1, 2012.
- A single individual where the Virginia adjusted gross income plus the modification specified in subdivision 5 of § 58.1-322.03 for such taxable year is less than \$11,950 for taxable years beginning on and after January 1, 2012.
2. An individual and spouse if their combined Virginia adjusted gross income plus the modification

specified in subdivision 5 of § 58.1-322.03 is less than \$23,300 for taxable years beginning on and after January 1, 2010 (or one-half of such amount in the case of a married individual filing a separate return) but before January 1, 2012, and less than \$23,900 for taxable years beginning on and after January 1, 2012 (or one-half of such amount in the case of a married individual filing a separate return).

For the purposes of this section, "Virginia adjusted gross income" means federal adjusted gross income for the taxable years with the modifications specified in §§ 58.1-322.01 and 58.1-322.02.

*For taxable years beginning on and after January 1, 2023, the amounts provided in subdivisions 1 and 2 shall be adjusted each year by the indexing ratio.*

B. Persons in the Armed Forces of the United States stationed on military or naval reservations within Virginia who are not domiciled in Virginia shall not be held liable to income taxation for compensation received from military or naval service.

C. For taxable years beginning on and after January 1, 2020, but before January 1, 2026, any amount that is includible in the federal adjusted gross income of an eligible veteran by reason of the whole or partial discharge of any loan described in § 108(f)(5)(B) of the Internal Revenue Code shall be excluded from Virginia adjusted gross income. This exclusion shall apply only to those discharges that (i) are described in clauses (i), (ii), and (iii) of § 108(f)(5)(A) of the Internal Revenue Code and (ii) occur after December 31, 2017. For the purposes of this subsection, "eligible veteran" means a veteran who has been rated by the U.S. Department of Veterans Affairs, or its successor agency pursuant to federal law, to have a 100 percent service-connected, permanent, and total disability.

**§ 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 2023, \$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); *and (iii) for taxable years beginning on and after January 1, 2023, but before January 1, 2026, \$9,650 for single individuals and \$19,300 for married persons (one-half of such amounts in the case of a married individual filing a separate return).* For taxable years beginning on and after January 1, 2023, the amounts provided by clauses (i) and (ii) shall be adjusted each year by the indexing ratio. 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, *adjusted each year by the indexing ratio*, 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, *adjusted each year by the indexing ratio*.

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, *adjusted each year by the indexing ratio*, 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.

*c. For taxable years beginning on and after January 1, 2023, the amounts provided by subdivisions a and b shall be adjusted each year by the indexing ratio.*

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

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

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

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

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

12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the following items of tangible personal property: (i) any clothes washers, room air conditioners, dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of

305 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an  
306 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least  
307 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating  
308 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of  
309 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and  
310 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a  
311 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that  
312 has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual  
313 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization  
314 rating of 85; and (x) programmable thermostats.

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

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

331 15. For taxable years beginning on and after January 1, 2018, but before January 1, 2022, 20 percent  
332 of business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code. For  
333 taxable years beginning on and after January 1, 2022, 30 percent of business interest disallowed as a  
334 deduction pursuant to § 163(j) of the Internal Revenue Code. For purposes of this subdivision, "business  
335 interest" means the same as that term is defined under § 163(j) of the Internal Revenue Code.

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

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

343 **§ 58.1-322.03. (Effective pursuant to Va. Const. Art. IV, § 13; contingent expiration date)**  
344 **Virginia taxable income; deductions.**

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

347 1. a. The amount allowable for itemized deductions for federal income tax purposes where the  
348 taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the  
349 amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted  
350 on such federal return and increased by an amount that, when added to the amount deducted under  
351 § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for  
352 such purposes at a rate of 18 cents per mile; or

353 b. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income  
354 tax return: (i) for taxable years beginning before January 1, 2019, and on and after January 1, 2026,  
355 \$3,000 for single individuals and \$6,000 for married persons (one-half of such amounts in the case of a  
356 married individual filing a separate return) ~~and~~; (ii) for taxable years beginning on and after January 1,  
357 2019, but before January 1, 2026 2023, \$4,500 for single individuals and \$9,000 for married persons  
358 (one-half of such amounts in the case of a married individual filing a separate return); ~~and~~ (iii) *for*  
359 *taxable years beginning on and after January 1, 2023, but before January 1, 2026, \$9,650 for single*  
360 *individuals and \$19,300 for married persons (one-half of such amounts in the case of a married*  
361 *individual filing a separate return). For taxable years beginning on and after January 1, 2023, the*  
362 *amounts provided by clauses (i) and (ii) shall be adjusted each year by the indexing ratio.* For purposes  
363 of this section, any person who may be claimed as a dependent on another taxpayer's return for the  
364 taxable year may compute the deduction only with respect to earned income.

365 2. a. A deduction in the amount of \$930, *adjusted each year by the indexing ratio*, for each personal  
366 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, *adjusted each year by the indexing ratio*.

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, *adjusted each year by the indexing ratio*, 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.

c. *For taxable years beginning on and after January 1, 2023, the amounts provided by subdivisions a and b shall be adjusted each year by the indexing ratio.*

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

costs on his federal income tax return.

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

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

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

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

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

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

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

15. For taxable years beginning on and after January 1, 2018, but before January 1, 2022, 20 percent of business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code. For taxable years beginning on and after January 1, 2022, 30 percent of business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code. For purposes of this subdivision, "business interest" means the same as that term is defined under § 163(j) of the Internal Revenue Code.

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

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

18. For taxable years beginning on and after January 1, 2022, but before January 1, 2025, the lesser of \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes of this subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable year in which the credit under this section is claimed served as a teacher licensed pursuant to Chapter



15 (§ 22.1-289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel, or student aide serving accredited public or private primary and secondary school students in Virginia, and "qualifying expenses" means 100 percent of the amount paid or incurred by an eligible educator during the taxable year for participation in professional development courses and the purchase of books, supplies, computer equipment (including related software and services), other educational and teaching equipment, and supplementary materials used directly in that individual's service to students as an eligible educator, provided that such purchases were neither reimbursed nor claimed as a deduction on the eligible educator's federal income tax return for such taxable year.

**§ 58.1-322.03. (Contingently effective pursuant to Acts 2022, Sp. Sess. I, c. 2, cl. 7) 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); (ii) for taxable years beginning on and after January 1, 2019, but before January 1, 2022, \$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); ~~and~~ (iii) for taxable years beginning on and after January 1, 2022, but before January 1, 2026 2023, \$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); *and (iv) for taxable years beginning on and after January 1, 2023, but before January 1, 2026, \$9,650 for single individuals and \$19,300 for married persons (one-half of such amounts in the case of a married individual filing a separate return). For taxable years beginning on and after January 1, 2023, the amounts provided by clauses (i) and (iii) shall be adjusted each year by the indexing ratio.* 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, *adjusted each year by the indexing ratio*, 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, *adjusted each year by the indexing ratio*.

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, *adjusted each year by the indexing ratio*, 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.

c. *For taxable years beginning on and after January 1, 2023, the amounts provided by subdivisions a and b shall be adjusted each year by the indexing ratio.*

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.

551 7. a. A deduction shall be allowed to the purchaser or contributor for the amount paid or contributed  
552 during the taxable year for a prepaid tuition contract or college savings trust account entered into with  
553 the Virginia College Savings Plan, pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1. Except as  
554 provided in subdivision b, the amount deducted on any individual income tax return in any taxable year  
555 shall be limited to \$4,000 per prepaid tuition contract or college savings trust account. No deduction  
556 shall be allowed pursuant to this subdivision 7 if such payments or contributions are deducted on the  
557 purchaser's or contributor's federal income tax return. If the purchase price or annual contribution to a  
558 college savings trust account exceeds \$4,000, the remainder may be carried forward and subtracted in  
559 future taxable years until the purchase price or college savings trust contribution has been fully  
560 deducted; however, except as provided in subdivision b, in no event shall the amount deducted in any  
561 taxable year exceed \$4,000 per contract or college savings trust account. Notwithstanding the statute of  
562 limitations on assessments contained in § 58.1-312, any deduction taken hereunder shall be subject to  
563 recapture in the taxable year or years in which distributions or refunds are made for any reason other  
564 than (i) to pay qualified higher education expenses, as defined in § 529 of the Internal Revenue Code or  
565 (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes of this subdivision,  
566 "purchaser" or "contributor" means the person shown as such on the records of the Virginia College  
567 Savings Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a prepaid  
568 tuition contract or college savings trust account, the transferee shall succeed to the transferor's tax  
569 attributes associated with a prepaid tuition contract or college savings trust account, including, but not  
570 limited to, carryover and recapture of deductions.

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

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

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

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

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

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

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

600 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6  
601 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the  
602 following items of tangible personal property: (i) any clothes washers, room air conditioners,  
603 dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency  
604 requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of  
605 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an  
606 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least  
607 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating  
608 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of  
609 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and  
610 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a  
611 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that  
612 has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual

fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization rating of 85; and (x) programmable thermostats.

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

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

15. For taxable years beginning on and after January 1, 2018, but before January 1, 2022, 20 percent of business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code. For taxable years beginning on and after January 1, 2022, 30 percent of business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code. For purposes of this subdivision, "business interest" means the same as that term is defined under § 163(j) of the Internal Revenue Code.

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

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

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

**§ 58.1-322.03. (Contingently effective pursuant to Acts 2022, Sp. Sess. I, c. 2, cl. 8) 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); (ii) for taxable years beginning on and after January 1, 2019, but before January 1, 2022, \$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); ~~and~~ (iii) for taxable years beginning on and after January 1, 2022, but before January 1, ~~2026~~ 2023, \$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); *and (iv) for taxable years beginning on and after January 1, 2023, but before January*

674 1, 2026, \$9,650 for single individuals and \$19,300 for married persons (one-half of such amounts in the  
675 case of a married individual filing a separate return). For taxable years beginning on and after January  
676 1, 2023, the amounts provided by clauses (i) and (iii) shall be adjusted each year by the indexing ratio.  
677 For purposes of this section, any person who may be claimed as a dependent on another taxpayer's  
678 return for the taxable year may compute the deduction only with respect to earned income.

679 2. a. A deduction in the amount of \$930, *adjusted each year by the indexing ratio*, for each personal  
680 exemption allowable to the taxpayer for federal income tax purposes.

681 b. Each blind or aged taxpayer as defined under § 63(f) of the Internal Revenue Code shall be  
682 entitled to an additional personal exemption in the amount of \$800, *adjusted each year by the indexing*  
683 *ratio*.

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

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

690 4. An additional \$1,000 deduction, *adjusted each year by the indexing ratio*, for each child residing  
691 for the entire taxable year in a home under permanent foster care placement as defined in § 63.2-908,  
692 provided that the taxpayer can also claim the child as a personal exemption under § 151 of the Internal  
693 Revenue Code.

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

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

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

703 c. *For taxable years beginning on and after January 1, 2023, the amounts provided by subdivisions*  
704 *a and b shall be adjusted each year by the indexing ratio.*

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

708 7. a. A deduction shall be allowed to the purchaser or contributor for the amount paid or contributed  
709 during the taxable year for a prepaid tuition contract or college savings trust account entered into with  
710 the Virginia College Savings Plan, pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1. Except as  
711 provided in subdivision b, the amount deducted on any individual income tax return in any taxable year  
712 shall be limited to \$4,000 per prepaid tuition contract or college savings trust account. No deduction  
713 shall be allowed pursuant to this subdivision 7 if such payments or contributions are deducted on the  
714 purchaser's or contributor's federal income tax return. If the purchase price or annual contribution to a  
715 college savings trust account exceeds \$4,000, the remainder may be carried forward and subtracted in  
716 future taxable years until the purchase price or college savings trust contribution has been fully  
717 deducted; however, except as provided in subdivision b, in no event shall the amount deducted in any  
718 taxable year exceed \$4,000 per contract or college savings trust account. Notwithstanding the statute of  
719 limitations on assessments contained in § 58.1-312, any deduction taken hereunder shall be subject to  
720 recapture in the taxable year or years in which distributions or refunds are made for any reason other  
721 than (i) to pay qualified higher education expenses, as defined in § 529 of the Internal Revenue Code or  
722 (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes of this subdivision,  
723 "purchaser" or "contributor" means the person shown as such on the records of the Virginia College  
724 Savings Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a prepaid  
725 tuition contract or college savings trust account, the transferee shall succeed to the transferor's tax  
726 attributes associated with a prepaid tuition contract or college savings trust account, including, but not  
727 limited to, carryover and recapture of deductions.

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

733 8. The total amount an individual actually contributed in funds to the Virginia Public School  
734 Construction Grants Program and Fund, established in Chapter 11.1 (§ 22.1-175.1 et seq.) of Title 22.1,  
735 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 to attend continuing teacher education courses that are required as a condition of employment; however, the deduction provided by this subdivision shall be available only if (i) the individual is not reimbursed for such tuition costs and (ii) the individual has not claimed a deduction for the payment of such tuition costs on his federal income tax return.

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

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

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

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

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

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

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

15. For taxable years beginning on and after January 1, 2018, but before January 1, 2022, 20 percent of business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code. For taxable years beginning on and after January 1, 2022, 30 percent of business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code. For purposes of this subdivision, "business interest" means the same as that term is defined under § 163(j) of the Internal Revenue Code.

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

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

800 18. For taxable years beginning on and after January 1, 2022, but before January 1, 2025, the lesser  
801 of \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes of  
802 this subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable  
803 year in which the credit under this section is claimed served as a teacher licensed pursuant to Chapter  
804 15 (§ 22.1-289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel,  
805 or student aide serving accredited public or private primary and secondary school students in Virginia,  
806 and "qualifying expenses" means 100 percent of the amount paid or incurred by an eligible educator  
807 during the taxable year for participation in professional development courses and the purchase of books,  
808 supplies, computer equipment (including related software and services), other educational and teaching  
809 equipment, and supplementary materials used directly in that individual's service to students as an  
810 eligible educator, provided that such purchases were neither reimbursed nor claimed as a deduction on  
811 the eligible educator's federal income tax return for such taxable year.

812 **2. That the eighth enactment of Chapter 2 of the Acts of Assembly of 2022, Special Session I, is**  
813 **repealed.**