

1 VIRGINIA ACTS OF ASSEMBLY — CHAPTER

2 *An Act to amend and reenact § 58.1-322.02, as it is currently effective and as it shall become effective,*
 3 *of the Code of Virginia, relating to income tax subtraction; National Guard.*

4 [S 1210]

5 Approved

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

7 **1. That § 58.1-322.02, as it is currently effective and as it shall become effective, of the Code of**
 8 **Virginia is amended and reenacted as follows:**

9 **§ 58.1-322.02. (Effective until date pursuant to Va. Const., Art. IV, § 13) Virginia taxable**
 10 **income; subtractions.**

11 In computing Virginia taxable income pursuant to § 58.1-322, to the extent included in federal
 12 adjusted gross income, there shall be subtracted:

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

18 2. Income derived from obligations, or on the sale or exchange of obligations, of the Commonwealth
 19 or of any political subdivision or instrumentality of the Commonwealth.

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

22 4. Up to \$20,000 of disability income, as defined in § 22(c)(2)(B)(iii) of the Internal Revenue Code;
 23 however, any person who claims a deduction under subdivision 5 of § 58.1-322.03 may not also claim a
 24 subtraction under this subdivision.

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

27 6. The amount of wages or salaries eligible for the federal Work Opportunity Credit which was not
 28 deducted for federal purposes on account of the provisions of § 280C(a) of the Internal Revenue Code.

29 7. Any amount included therein less than \$600 from a prize awarded by the Virginia Lottery.

30 8. The wages or salaries received by any person for active and inactive service in the National Guard
 31 of the Commonwealth of Virginia, *(i) for taxable years beginning before January 1, 2023, not to exceed*
 32 *the amount of income derived from 39 calendar days of such service or \$3,000, whichever amount is*
 33 *less; however, only those persons in the ranks of O3 and below shall be entitled to the subtractions*
 34 *specified in this clause, and (ii) for taxable years beginning on or after January 1, 2023, not to exceed*
 35 *the amount of income derived from 39 calendar days of such service or ~~\$3,000~~ \$5,500, whichever*
 36 *amount is less; however, only those persons in the ranks of ~~O3~~ O6 and below shall be entitled to the*
 37 *deductions subtractions specified in this subdivision clause.*

38 9. Amounts received by an individual, not to exceed \$1,000 for taxable years beginning on or before
 39 December 31, 2019, and \$5,000 for taxable years beginning on or after January 1, 2020, as a reward for
 40 information provided to a law-enforcement official or agency, or to a nonprofit corporation created
 41 exclusively to assist such law-enforcement official or agency, in the apprehension and conviction of
 42 perpetrators of crimes. This subdivision shall not apply to the following: an individual who is an
 43 employee of, or under contract with, a law-enforcement agency, a victim or the perpetrator of the crime
 44 for which the reward was paid, or any person who is compensated for the investigation of crimes or
 45 accidents.

46 10. The amount of "qualified research expenses" or "basic research expenses" eligible for deduction
 47 for federal purposes, but which were not deducted, on account of the provisions of § 280C(c) of the
 48 Internal Revenue Code and which shall be available to partners, shareholders of S corporations, and
 49 members of limited liability companies to the extent and in the same manner as other deductions may
 50 pass through to such partners, shareholders, and members.

51 11. Any income received during the taxable year derived from a qualified pension, profit-sharing, or
 52 stock bonus plan as described by § 401 of the Internal Revenue Code, an individual retirement account
 53 or annuity established under § 408 of the Internal Revenue Code, a deferred compensation plan as
 54 defined by § 457 of the Internal Revenue Code, or any federal government retirement program, the
 55 contributions to which were deductible from the taxpayer's federal adjusted gross income, but only to the
 56 extent the contributions to such plan or program were subject to taxation under the income tax in

57 another state.

58 12. Any income attributable to a distribution of benefits or a refund from a prepaid tuition contract
59 or savings trust account with the Virginia College Savings Plan, created pursuant to Chapter 7
60 (§ 23.1-700 et seq.) of Title 23.1. The subtraction for any income attributable to a refund shall be
61 limited to income attributable to a refund in the event of a beneficiary's death, disability, or receipt of a
62 scholarship.

63 13. All military pay and allowances, to the extent included in federal adjusted gross income and not
64 otherwise subtracted, deducted, or exempted under this section, earned by military personnel while
65 serving by order of the President of the United States with the consent of Congress in a combat zone or
66 qualified hazardous duty area that is treated as a combat zone for federal tax purposes pursuant to § 112
67 of the Internal Revenue Code.

68 14. For taxable years beginning before January 1, 2015, the gain derived from the sale or exchange
69 of real property or the sale or exchange of an easement to real property which results in the real
70 property or the easement thereto being devoted to open-space use, as that term is defined in § 58.1-3230,
71 for a period of time not less than 30 years. To the extent that a subtraction is taken in accordance with
72 this subdivision, no tax credit under this chapter for donating land for its preservation shall be allowed
73 for three years following the year in which the subtraction is taken.

74 15. Fifteen thousand dollars of military basic pay for military service personnel on extended active
75 duty for periods in excess of 90 days; however, the subtraction amount shall be reduced dollar-for-dollar
76 by the amount by which the taxpayer's military basic pay exceeds \$15,000 and shall be reduced to zero
77 if such military basic pay amount is equal to or exceeds \$30,000.

78 16. The first \$15,000 of salary for each federal and state employee whose total annual salary from all
79 employment for the taxable year is \$15,000 or less.

80 17. Unemployment benefits taxable pursuant to § 85 of the Internal Revenue Code.

81 18. a. Any amount received as military retirement income by an individual awarded the
82 Congressional Medal of Honor.

83 b. For taxable years beginning on and after January 1, 2022, but before January 1, 2023, up to
84 \$10,000 of military benefits; for taxable years beginning on and after January 1, 2023, but before
85 January 1, 2024, up to \$20,000 of military benefits; for taxable years beginning on and after January 1,
86 2024, but before January 1, 2025, up to \$30,000 of military benefits; and for taxable years beginning on
87 and after January 1, 2025, up to \$40,000 of military benefits. For purposes of this subdivision b,
88 "military benefits" means any (i) military retirement income received for service in the Armed Forces of
89 the United States, (ii) qualified military benefits received pursuant to § 134 of the Internal Revenue
90 Code, (iii) benefits paid to the surviving spouse of a veteran of the Armed Forces of the United States
91 under the Survivor Benefit Plan program established by the U.S. Department of Defense, and (iv)
92 military benefits paid to the surviving spouse of a veteran of the Armed Forces of the United States.
93 The subtraction allowed by this subdivision b shall be allowed only for military benefits received by an
94 individual age 55 or older. No subtraction shall be allowed pursuant to this subdivision b if a credit,
95 exemption, subtraction, or deduction is claimed for the same income pursuant to subdivision a or any
96 other provision of Virginia or federal law.

97 19. Items of income attributable to, derived from, or in any way related to (i) assets stolen from,
98 hidden from, or otherwise lost by an individual who was a victim or target of Nazi persecution or (ii)
99 damages, reparations, or other consideration received by a victim or target of Nazi persecution to
100 compensate such individual for performing labor against his will under the threat of death, during World
101 War II and its prelude and direct aftermath. This subtraction shall not apply to assets acquired with such
102 items of income or with the proceeds from the sale of assets stolen from, hidden from, or otherwise lost
103 to, during World War II and its prelude and direct aftermath, a victim or target of Nazi persecution. The
104 provisions of this subdivision shall only apply to an individual who was the first recipient of such items
105 of income and who was a victim or target of Nazi persecution, or a spouse, surviving spouse, or child
106 or stepchild of such victim.

107 As used in this subdivision:

108 "Nazi regime" means the country of Nazi Germany, areas occupied by Nazi Germany, those
109 European countries allied with Nazi Germany, or any other neutral European country or area in Europe
110 under the influence or threat of Nazi invasion.

111 "Victim or target of Nazi persecution" means any individual persecuted or targeted for persecution by
112 the Nazi regime who had assets stolen from, hidden from, or otherwise lost as a result of any act or
113 omission in any way relating to (i) the Holocaust, (ii) World War II and its prelude and direct aftermath,
114 (iii) transactions with or actions of the Nazi regime, (iv) treatment of refugees fleeing Nazi persecution,
115 or (v) the holding of such assets by entities or persons in the Swiss Confederation during World War II
116 and its prelude and aftermath. A "victim or target of Nazi persecution" also includes any individual
117 forced into labor against his will, under the threat of death, during World War II and its prelude and

118 direct aftermath.

119 20. The military death gratuity payment made after September 11, 2001, to the survivor of deceased
120 military personnel killed in the line of duty, pursuant to 10 U.S.C. Chapter 75; however, the subtraction
121 amount shall be reduced dollar-for-dollar by the amount that the survivor may exclude from his federal
122 gross income in accordance with § 134 of the Internal Revenue Code.

123 21. The death benefit payments from an annuity contract that are received by a beneficiary of such
124 contract, provided that (i) the death benefit payment is made pursuant to an annuity contract with an
125 insurance company and (ii) the death benefit payment is paid solely by lump sum. The subtraction under
126 this subdivision shall be allowed only for that portion of the death benefit payment that is included in
127 federal adjusted gross income.

128 22. Any gain recognized from the sale of launch services to space flight participants, as defined in
129 49 U.S.C. § 70102, or launch services intended to provide individuals with the training or experience of
130 a launch, without performing an actual launch. To qualify for a deduction under this subdivision, launch
131 services must be performed in Virginia or originate from an airport or spaceport in Virginia.

132 23. Any gain recognized as a result of resupply services contracts for delivering payload, as defined
133 in 49 U.S.C. § 70102, entered into with the Commercial Orbital Transportation Services division of the
134 National Aeronautics and Space Administration or other space flight entity, as defined in § 8.01-227.8,
135 and launched from an airport or spaceport in Virginia.

136 24. Any income taxed as a long-term capital gain for federal income tax purposes, or any income
137 taxed as investment services partnership interest income (otherwise known as investment partnership
138 carried interest income) for federal income tax purposes. To qualify for a subtraction under this
139 subdivision, such income shall be attributable to an investment in a "qualified business," as defined in
140 § 58.1-339.4, or in any other technology business approved by the Secretary of Administration, provided
141 that the business has its principal office or facility in the Commonwealth and less than \$3 million in
142 annual revenues in the fiscal year prior to the investment. To qualify for a subtraction under this
143 subdivision, the investment shall be made between the dates of April 1, 2010, and June 30, 2020. No
144 taxpayer who has claimed a tax credit for an investment in a "qualified business" under § 58.1-339.4
145 shall be eligible for the subtraction under this subdivision for an investment in the same business.

146 25. For taxable years beginning on and after January 1, 2014, any income of an account holder for
147 the taxable year taxed as (i) a capital gain for federal income tax purposes attributable to such person's
148 first-time home buyer savings account established pursuant to Chapter 12 (§ 36-171 et seq.) of Title 36
149 and (ii) interest income or other income for federal income tax purposes attributable to such person's
150 first-time home buyer savings account.

151 Notwithstanding the statute of limitations on assessments contained in § 58.1-312, any subtraction
152 taken under this subdivision shall be subject to recapture in the taxable year or years in which moneys
153 or funds withdrawn from the first-time home buyer savings account were used for any purpose other
154 than the payment of eligible costs by or on behalf of a qualified beneficiary, as provided under
155 § 36-174. The amount subject to recapture shall be a portion of the amount withdrawn in the taxable
156 year that was used for other than the payment of eligible costs, computed by multiplying the amount
157 withdrawn and used for other than the payment of eligible costs by the ratio of the aggregate earnings in
158 the account at the time of the withdrawal to the total balance in the account at such time.

159 However, recapture shall not apply to the extent of moneys or funds withdrawn that were (i)
160 withdrawn by reason of the qualified beneficiary's death or disability; (ii) a disbursement of assets of the
161 account pursuant to a filing for protection under the United States Bankruptcy Code, 11 U.S.C. §§ 101
162 through 1330; or (iii) transferred from an account established pursuant to Chapter 12 (§ 36-171 et seq.)
163 of Title 36 into another account established pursuant to such chapter for the benefit of another qualified
164 beneficiary.

165 For purposes of this subdivision, "account holder," "eligible costs," "first-time home buyer savings
166 account," and "qualified beneficiary" mean the same as those terms are defined in § 36-171.

167 26. For taxable years beginning on and after January 1, 2015, any income for the taxable year
168 attributable to the discharge of a student loan solely by reason of the student's death. For purposes of
169 this subdivision, "student loan" means the same as that term is defined under § 108(f) of the Internal
170 Revenue Code.

171 27. a. Income, including investment services partnership interest income (otherwise known as
172 investment partnership carried interest income), attributable to an investment in a Virginia venture
173 capital account. To qualify for a subtraction under this subdivision, the investment shall be made on or
174 after January 1, 2018, but before December 31, 2023. No subtraction shall be allowed under this
175 subdivision for an investment in a company that is owned or operated by a family member or an
176 affiliate of the taxpayer. No subtraction shall be allowed under this subdivision for a taxpayer who has
177 claimed a subtraction under subdivision 24 or a tax credit under § 58.1-339.4 for the same investment.

178 b. As used in this subdivision 27:

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

184 "Virginia venture capital account" means an investment fund that has been certified by the
185 Department as a Virginia venture capital account. In order to be certified as a Virginia venture capital
186 account, the operator of the investment fund shall register the investment fund with the Department prior
187 to December 31, 2023, (i) indicating that it intends to invest at least 50 percent of the capital committed
188 to its fund in qualified portfolio companies and (ii) providing documentation that it employs at least one
189 investor who has at least four years of professional experience in venture capital investment or
190 substantially equivalent experience. "Substantially equivalent experience" includes, but is not limited to,
191 an undergraduate degree from an accredited college or university in economics, finance, or a similar
192 field of study. The Department may require an investment fund to provide documentation of the
193 investor's training, education, or experience as deemed necessary by the Department to determine
194 substantial equivalency. If the Department determines that the investment fund employs at least one
195 investor with the experience set forth herein, the Department shall certify the investment fund as a
196 Virginia venture capital account at such time as the investment fund actually invests at least 50 percent
197 of the capital committed to its fund in qualified portfolio companies.

198 28. a. Income attributable to an investment in a Virginia real estate investment trust. To qualify for a
199 subtraction under this subdivision, the investment shall be made on or after January 1, 2019, but before
200 December 31, 2024. No subtraction shall be allowed for an investment in a trust that is managed by a
201 family member or an affiliate of the taxpayer. No subtraction shall be allowed under this subdivision for
202 a taxpayer who has claimed a subtraction under subdivision 24 or 27 or a tax credit under § 58.1-339.4
203 for the same investment.

204 b. As used in this subdivision 28:

205 "Distressed" means satisfying the criteria applicable to a locality described in subdivision E 2 of
206 § 2.2-115.

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

209 "Virginia real estate investment trust" means a real estate investment trust, as defined in 26 U.S.C.
210 § 856, that has been certified by the Department as a Virginia real estate investment trust. In order to be
211 certified as a Virginia real estate investment trust, the trustee shall register the trust with the Department
212 prior to December 31, 2024, indicating that it intends to invest at least 90 percent of trust funds in
213 Virginia and at least 40 percent of trust funds in real estate in localities that are distressed or double
214 distressed. If the Department determines that the trust satisfies the preceding criteria, the Department
215 shall certify the trust as a Virginia real estate investment trust at such time as the trust actually invests
216 at least 90 percent of trust funds in Virginia and at least 40 percent of trust funds in real estate in
217 localities that are distressed or double distressed.

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

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

223 31. For taxable years beginning on and after January 1, 2022, any compensation for wrongful
224 incarceration awarded pursuant to the procedures established under Article 18.2 (§ 8.01-195.10 et seq.)
225 of Chapter 3 of Title 8.01.

226 **§ 58.1-322.02. (Effective pursuant to Va. Const., Art. IV, § 13) Virginia taxable income;**
227 **subtractions.**

228 In computing Virginia taxable income pursuant to § 58.1-322, to the extent included in federal
229 adjusted gross income, there shall be subtracted:

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

235 2. Income derived from obligations, or on the sale or exchange of obligations, of the Commonwealth
236 or of any political subdivision or instrumentality of the Commonwealth.

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

239 4. Up to \$20,000 of disability income, as defined in § 22(c)(2)(B)(iii) of the Internal Revenue Code;

240 however, any person who claims a deduction under subdivision 5 of § 58.1-322.03 may not also claim a
241 subtraction under this subdivision.

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

244 6. The amount of wages or salaries eligible for the federal Work Opportunity Credit which was not
245 deducted for federal purposes on account of the provisions of § 280C(a) of the Internal Revenue Code.

246 7. Any amount included therein less than \$600 from a prize awarded by the Virginia Lottery.

247 8. The wages or salaries received by any person for active and inactive service in the National Guard
248 of the Commonwealth of Virginia, (i) for taxable years beginning before January 1, 2023, not to exceed
249 the amount of income derived from 39 calendar days of such service or \$3,000, whichever amount is
250 less; however, only those persons in the ranks of O3 and below shall be entitled to the subtractions
251 specified in this clause, and (ii) for taxable years beginning on or after January 1, 2023, not to exceed
252 the amount of income derived from 39 calendar days of such service or ~~\$3,000~~ \$5,500, whichever
253 amount is less; however, only those persons in the ranks of ~~O3~~ O6 and below shall be entitled to the
254 ~~deductions~~ subtractions specified in this subdivision clause.

255 9. Amounts received by an individual, not to exceed \$1,000 for taxable years beginning on or before
256 December 31, 2019, and \$5,000 for taxable years beginning on or after January 1, 2020, as a reward for
257 information provided to a law-enforcement official or agency, or to a nonprofit corporation created
258 exclusively to assist such law-enforcement official or agency, in the apprehension and conviction of
259 perpetrators of crimes. This subdivision shall not apply to the following: an individual who is an
260 employee of, or under contract with, a law-enforcement agency, a victim or the perpetrator of the crime
261 for which the reward was paid, or any person who is compensated for the investigation of crimes or
262 accidents.

263 10. The amount of "qualified research expenses" or "basic research expenses" eligible for deduction
264 for federal purposes, but which were not deducted, on account of the provisions of § 280C(c) of the
265 Internal Revenue Code and which shall be available to partners, shareholders of S corporations, and
266 members of limited liability companies to the extent and in the same manner as other deductions may
267 pass through to such partners, shareholders, and members.

268 11. Any income received during the taxable year derived from a qualified pension, profit-sharing, or
269 stock bonus plan as described by § 401 of the Internal Revenue Code, an individual retirement account
270 or annuity established under § 408 of the Internal Revenue Code, a deferred compensation plan as
271 defined by § 457 of the Internal Revenue Code, or any federal government retirement program, the
272 contributions to which were deductible from the taxpayer's federal adjusted gross income, but only to the
273 extent the contributions to such plan or program were subject to taxation under the income tax in
274 another state.

275 12. Any income attributable to a distribution of benefits or a refund from a prepaid tuition contract
276 or savings trust account with the Virginia College Savings Plan, created pursuant to Chapter 7
277 (§ 23.1-700 et seq.) of Title 23.1. The subtraction for any income attributable to a refund shall be
278 limited to income attributable to a refund in the event of a beneficiary's death, disability, or receipt of a
279 scholarship.

280 13. All military pay and allowances, to the extent included in federal adjusted gross income and not
281 otherwise subtracted, deducted, or exempted under this section, earned by military personnel while
282 serving by order of the President of the United States with the consent of Congress in a combat zone or
283 qualified hazardous duty area that is treated as a combat zone for federal tax purposes pursuant to § 112
284 of the Internal Revenue Code.

285 14. For taxable years beginning before January 1, 2015, the gain derived from the sale or exchange
286 of real property or the sale or exchange of an easement to real property which results in the real
287 property or the easement thereto being devoted to open-space use, as that term is defined in § 58.1-3230,
288 for a period of time not less than 30 years. To the extent that a subtraction is taken in accordance with
289 this subdivision, no tax credit under this chapter for donating land for its preservation shall be allowed
290 for three years following the year in which the subtraction is taken.

291 15. Fifteen thousand dollars of military basic pay for military service personnel on extended active
292 duty for periods in excess of 90 days; however, the subtraction amount shall be reduced dollar-for-dollar
293 by the amount by which the taxpayer's military basic pay exceeds \$15,000 and shall be reduced to zero
294 if such military basic pay amount is equal to or exceeds \$30,000.

295 16. The first \$15,000 of salary for each federal and state employee whose total annual salary from all
296 employment for the taxable year is \$15,000 or less.

297 17. Unemployment benefits taxable pursuant to § 85 of the Internal Revenue Code.

298 18. a. Any amount received as military retirement income by an individual awarded the
299 Congressional Medal of Honor.

300 b. For taxable years beginning on and after January 1, 2022, but before January 1, 2023, up to

301 \$10,000 of military benefits; for taxable years beginning on and after January 1, 2023, but before
302 January 1, 2024, up to \$20,000 of military benefits; for taxable years beginning on and after January 1,
303 2024, but before January 1, 2025, up to \$30,000 of military benefits; and for taxable years beginning on
304 and after January 1, 2025, up to \$40,000 of military benefits. For purposes of this subdivision b,
305 "military benefits" means any (i) military retirement income received for service in the Armed Forces of
306 the United States, (ii) qualified military benefits received pursuant to § 134 of the Internal Revenue
307 Code, (iii) benefits paid to the surviving spouse of a veteran of the Armed Forces of the United States
308 under the Survivor Benefit Plan program established by the U.S. Department of Defense, and (iv)
309 military benefits paid to the surviving spouse of a veteran of the Armed Forces of the United States.
310 The subtraction allowed by this subdivision b shall be allowed only for military benefits received by an
311 individual age 55 or older. No subtraction shall be allowed pursuant to this subdivision b if a credit,
312 exemption, subtraction, or deduction is claimed for the same income pursuant to subdivision a or any
313 other provision of Virginia or federal law.

314 19. Items of income attributable to, derived from, or in any way related to (i) assets stolen from,
315 hidden from, or otherwise lost by an individual who was a victim or target of Nazi persecution or (ii)
316 damages, reparations, or other consideration received by a victim or target of Nazi persecution to
317 compensate such individual for performing labor against his will under the threat of death, during World
318 War II and its prelude and direct aftermath. This subtraction shall not apply to assets acquired with such
319 items of income or with the proceeds from the sale of assets stolen from, hidden from, or otherwise lost
320 to, during World War II and its prelude and direct aftermath, a victim or target of Nazi persecution. The
321 provisions of this subdivision shall only apply to an individual who was the first recipient of such items
322 of income and who was a victim or target of Nazi persecution, or a spouse, surviving spouse, or child
323 or stepchild of such victim.

324 As used in this subdivision:

325 "Nazi regime" means the country of Nazi Germany, areas occupied by Nazi Germany, those
326 European countries allied with Nazi Germany, or any other neutral European country or area in Europe
327 under the influence or threat of Nazi invasion.

328 "Victim or target of Nazi persecution" means any individual persecuted or targeted for persecution by
329 the Nazi regime who had assets stolen from, hidden from, or otherwise lost as a result of any act or
330 omission in any way relating to (i) the Holocaust, (ii) World War II and its prelude and direct aftermath,
331 (iii) transactions with or actions of the Nazi regime, (iv) treatment of refugees fleeing Nazi persecution,
332 or (v) the holding of such assets by entities or persons in the Swiss Confederation during World War II
333 and its prelude and aftermath. A "victim or target of Nazi persecution" also includes any individual
334 forced into labor against his will, under the threat of death, during World War II and its prelude and
335 direct aftermath.

336 20. The military death gratuity payment made after September 11, 2001, to the survivor of deceased
337 military personnel killed in the line of duty, pursuant to 10 U.S.C. Chapter 75; however, the subtraction
338 amount shall be reduced dollar-for-dollar by the amount that the survivor may exclude from his federal
339 gross income in accordance with § 134 of the Internal Revenue Code.

340 21. The death benefit payments from an annuity contract that are received by a beneficiary of such
341 contract, provided that (i) the death benefit payment is made pursuant to an annuity contract with an
342 insurance company and (ii) the death benefit payment is paid solely by lump sum. The subtraction under
343 this subdivision shall be allowed only for that portion of the death benefit payment that is included in
344 federal adjusted gross income.

345 22. Any gain recognized from the sale of launch services to space flight participants, as defined in
346 49 U.S.C. § 70102, or launch services intended to provide individuals with the training or experience of
347 a launch, without performing an actual launch. To qualify for a deduction under this subdivision, launch
348 services must be performed in Virginia or originate from an airport or spaceport in Virginia.

349 23. Any gain recognized as a result of resupply services contracts for delivering payload, as defined
350 in 49 U.S.C. § 70102, entered into with the Commercial Orbital Transportation Services division of the
351 National Aeronautics and Space Administration or other space flight entity, as defined in § 8.01-227.8,
352 and launched from an airport or spaceport in Virginia.

353 24. Any income taxed as a long-term capital gain for federal income tax purposes, or any income
354 taxed as investment services partnership interest income (otherwise known as investment partnership
355 carried interest income) for federal income tax purposes. To qualify for a subtraction under this
356 subdivision, such income shall be attributable to an investment in a "qualified business," as defined in
357 § 58.1-339.4, or in any other technology business approved by the Secretary of Administration, provided
358 that the business has its principal office or facility in the Commonwealth and less than \$3 million in
359 annual revenues in the fiscal year prior to the investment. To qualify for a subtraction under this
360 subdivision, the investment shall be made between the dates of April 1, 2010, and June 30, 2020. No
361 taxpayer who has claimed a tax credit for an investment in a "qualified business" under § 58.1-339.4

362 shall be eligible for the subtraction under this subdivision for an investment in the same business.

363 25. For taxable years beginning on and after January 1, 2014, any income of an account holder for
 364 the taxable year taxed as (i) a capital gain for federal income tax purposes attributable to such person's
 365 first-time home buyer savings account established pursuant to Chapter 12 (§ 36-171 et seq.) of Title 36
 366 and (ii) interest income or other income for federal income tax purposes attributable to such person's
 367 first-time home buyer savings account.

368 Notwithstanding the statute of limitations on assessments contained in § 58.1-312, any subtraction
 369 taken under this subdivision shall be subject to recapture in the taxable year or years in which moneys
 370 or funds withdrawn from the first-time home buyer savings account were used for any purpose other
 371 than the payment of eligible costs by or on behalf of a qualified beneficiary, as provided under
 372 § 36-174. The amount subject to recapture shall be a portion of the amount withdrawn in the taxable
 373 year that was used for other than the payment of eligible costs, computed by multiplying the amount
 374 withdrawn and used for other than the payment of eligible costs by the ratio of the aggregate earnings in
 375 the account at the time of the withdrawal to the total balance in the account at such time.

376 However, recapture shall not apply to the extent of moneys or funds withdrawn that were (i)
 377 withdrawn by reason of the qualified beneficiary's death or disability; (ii) a disbursement of assets of the
 378 account pursuant to a filing for protection under the United States Bankruptcy Code, 11 U.S.C. §§ 101
 379 through 1330; or (iii) transferred from an account established pursuant to Chapter 12 (§ 36-171 et seq.)
 380 of Title 36 into another account established pursuant to such chapter for the benefit of another qualified
 381 beneficiary.

382 For purposes of this subdivision, "account holder," "eligible costs," "first-time home buyer savings
 383 account," and "qualified beneficiary" mean the same as those terms are defined in § 36-171.

384 26. For taxable years beginning on and after January 1, 2015, any income for the taxable year
 385 attributable to the discharge of a student loan solely by reason of the student's death. For purposes of
 386 this subdivision, "student loan" means the same as that term is defined under § 108(f) of the Internal
 387 Revenue Code.

388 27. a. Income, including investment services partnership interest income (otherwise known as
 389 investment partnership carried interest income), attributable to an investment in a Virginia venture
 390 capital account. To qualify for a subtraction under this subdivision, the investment shall be made on or
 391 after January 1, 2018, but before December 31, 2023. No subtraction shall be allowed under this
 392 subdivision for an investment in a company that is owned or operated by a family member or an
 393 affiliate of the taxpayer. No subtraction shall be allowed under this subdivision for a taxpayer who has
 394 claimed a subtraction under subdivision 24 or a tax credit under § 58.1-339.4 for the same investment.

395 b. As used in this subdivision 27:

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

401 "Virginia venture capital account" means an investment fund that has been certified by the
 402 Department as a Virginia venture capital account. In order to be certified as a Virginia venture capital
 403 account, the operator of the investment fund shall register the investment fund with the Department prior
 404 to December 31, 2023, (i) indicating that it intends to invest at least 50 percent of the capital committed
 405 to its fund in qualified portfolio companies and (ii) providing documentation that it employs at least one
 406 investor who has at least four years of professional experience in venture capital investment or
 407 substantially equivalent experience. "Substantially equivalent experience" includes, but is not limited to,
 408 an undergraduate degree from an accredited college or university in economics, finance, or a similar
 409 field of study. The Department may require an investment fund to provide documentation of the
 410 investor's training, education, or experience as deemed necessary by the Department to determine
 411 substantial equivalency. If the Department determines that the investment fund employs at least one
 412 investor with the experience set forth herein, the Department shall certify the investment fund as a
 413 Virginia venture capital account at such time as the investment fund actually invests at least 50 percent
 414 of the capital committed to its fund in qualified portfolio companies.

415 28. a. Income attributable to an investment in a Virginia real estate investment trust. To qualify for a
 416 subtraction under this subdivision, the investment shall be made on or after January 1, 2019, but before
 417 December 31, 2024. No subtraction shall be allowed for an investment in a trust that is managed by a
 418 family member or an affiliate of the taxpayer. No subtraction shall be allowed under this subdivision for
 419 a taxpayer who has claimed a subtraction under subdivision 24 or 27 or a tax credit under § 58.1-339.4
 420 for the same investment.

421 b. As used in this subdivision 28:

422 "Distressed" means satisfying the criteria applicable to a locality described in subdivision E 2 of

423 § 2.2-115.

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

426 "Virginia real estate investment trust" means a real estate investment trust, as defined in 26 U.S.C.
427 § 856, that has been certified by the Department as a Virginia real estate investment trust. In order to be
428 certified as a Virginia real estate investment trust, the trustee shall register the trust with the Department
429 prior to December 31, 2024, indicating that it intends to invest at least 90 percent of trust funds in
430 Virginia and at least 40 percent of trust funds in real estate in localities that are distressed or double
431 distressed. If the Department determines that the trust satisfies the preceding criteria, the Department
432 shall certify the trust as a Virginia real estate investment trust at such time as the trust actually invests
433 at least 90 percent of trust funds in Virginia and at least 40 percent of trust funds in real estate in
434 localities that are distressed or double distressed.

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

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

440 31. For taxable years beginning on and after January 1, 2022, any compensation for wrongful
441 incarceration awarded pursuant to the procedures established under Article 18.2 (§ 8.01-195.10 et seq.)
442 of Chapter 3 of Title 8.01.