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SENATE BILL NO. 1355

Offered January 11, 2023

Prefiled January 11, 2023

A BILL to amend and reenact §§ 58.1-322.03, as it is currently effective and as it shall become effective, 58.1-400, and 58.1-402 of the Code of Virginia, relating to income tax; business interest; qualified business income deduction; corporate rate reduction.

Patrons—Newman, Suetterlein, Chase, Cosgrove, DeSteph, Dunnivant, Hackworth, McDougale, Norment, Obenshain, Peake, Pillion, Reeves, Ruff, Stanley and Stuart

Referred to Committee on Finance and Appropriations

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-322.03, as it is currently effective and as it shall become effective, 58.1-400, and 58.1-402 of the Code of Virginia are amended and reenacted as follows:

§ 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, \$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). 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 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.

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 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.

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

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58 the Virginia College Savings Plan, pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1. Except as
59 provided in subdivision b, the amount deducted on any individual income tax return in any taxable year
60 shall be limited to \$4,000 per prepaid tuition contract or college savings trust account. No deduction
61 shall be allowed pursuant to this subdivision 7 if such payments or contributions are deducted on the
62 purchaser's or contributor's federal income tax return. If the purchase price or annual contribution to a
63 college savings trust account exceeds \$4,000, the remainder may be carried forward and subtracted in
64 future taxable years until the purchase price or college savings trust contribution has been fully
65 deducted; however, except as provided in subdivision b, in no event shall the amount deducted in any
66 taxable year exceed \$4,000 per contract or college savings trust account. Notwithstanding the statute of
67 limitations on assessments contained in § 58.1-312, any deduction taken hereunder shall be subject to
68 recapture in the taxable year or years in which distributions or refunds are made for any reason other
69 than (i) to pay qualified higher education expenses, as defined in § 529 of the Internal Revenue Code or
70 (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes of this subdivision,
71 "purchaser" or "contributor" means the person shown as such on the records of the Virginia College
72 Savings Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a prepaid
73 tuition contract or college savings trust account, the transferee shall succeed to the transferor's tax
74 attributes associated with a prepaid tuition contract or college savings trust account, including, but not
75 limited to, carryover and recapture of deductions.

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

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

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

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

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

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

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

105 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6
106 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the
107 following items of tangible personal property: (i) any clothes washers, room air conditioners,
108 dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency
109 requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of
110 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an
111 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least
112 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating
113 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of
114 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and
115 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a
116 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that
117 has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual
118 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization
119 rating of 85; and (x) programmable thermostats.

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

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

136 15. *Business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code:*

137 a. For taxable years beginning on and after January 1, 2018, but before January 1, 2022, 20 percent
 138 of such disallowed business interest disallowed as a deduction pursuant to ~~§ 163(j) of the Internal~~
 139 ~~Revenue Code.~~

140 b. For taxable years beginning on and after January 1, 2022, but before January 1, 2024, 30 percent
 141 of such disallowed business interest disallowed as a deduction pursuant to ~~§ 163(j) of the Internal~~
 142 ~~Revenue Code.~~

143 c. For taxable years beginning on and after January 1, 2024, 50 percent of such disallowed business
 144 interest.

145 For purposes of this subdivision 15, "business interest" means the same as that term is defined under
 146 § 163(j) of the Internal Revenue Code.

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

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

154 18. *For taxable years beginning on and after January 1, 2023, an amount equal to 50 percent of the*
 155 *qualified business income deductions under § 199A(a) and § 199A(g) of the Internal Revenue Code taken*
 156 *and allowable in calculating federal taxable income for the applicable tax year, except that such amount*
 157 *shall not include qualified REIT dividends pursuant to § 199A(b)(1)(B) of the Internal Revenue Code.*

158 **§ 58.1-322.03. (Effective pursuant to Va. Const. Art. IV, § 13; contingent expiration date)**
 159 **Virginia taxable income; deductions.**

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

162 1. a. The amount allowable for itemized deductions for federal income tax purposes where the
 163 taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the
 164 amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted
 165 on such federal return and increased by an amount that, when added to the amount deducted under
 166 § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for
 167 such purposes at a rate of 18 cents per mile; or

168 b. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income
 169 tax return: (i) for taxable years beginning before January 1, 2019, and on and after January 1, 2026,
 170 \$3,000 for single individuals and \$6,000 for married persons (one-half of such amounts in the case of a
 171 married individual filing a separate return) and (ii) for taxable years beginning on and after January 1,
 172 2019, but before January 1, 2026, \$4,500 for single individuals and \$9,000 for married persons (one-half
 173 of such amounts in the case of a married individual filing a separate return). For purposes of this
 174 section, any person who may be claimed as a dependent on another taxpayer's return for the taxable year
 175 may compute the deduction only with respect to earned income.

176 2. a. A deduction in the amount of \$930 for each personal exemption allowable to the taxpayer for
 177 federal income tax purposes.

178 b. Each blind or aged taxpayer as defined under § 63(f) of the Internal Revenue Code shall be
 179 entitled to an additional personal exemption in the amount of \$800.

180 The additional deduction for blind or aged taxpayers allowed under this subdivision shall be

181 allowable regardless of whether the taxpayer itemizes deductions for the taxable year for federal income
182 tax purposes.

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

186 4. An additional \$1,000 deduction for each child residing for the entire taxable year in a home under
187 permanent foster care placement as defined in § 63.2-908, provided that the taxpayer can also claim the
188 child as a personal exemption under § 151 of the Internal Revenue Code.

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

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

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

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

201 7. a. A deduction shall be allowed to the purchaser or contributor for the amount paid or contributed
202 during the taxable year for a prepaid tuition contract or college savings trust account entered into with
203 the Virginia College Savings Plan, pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1. Except as
204 provided in subdivision b, the amount deducted on any individual income tax return in any taxable year
205 shall be limited to \$4,000 per prepaid tuition contract or college savings trust account. No deduction
206 shall be allowed pursuant to this subdivision 7 if such payments or contributions are deducted on the
207 purchaser's or contributor's federal income tax return. If the purchase price or annual contribution to a
208 college savings trust account exceeds \$4,000, the remainder may be carried forward and subtracted in
209 future taxable years until the purchase price or college savings trust contribution has been fully
210 deducted; however, except as provided in subdivision b, in no event shall the amount deducted in any
211 taxable year exceed \$4,000 per contract or college savings trust account. Notwithstanding the statute of
212 limitations on assessments contained in § 58.1-312, any deduction taken hereunder shall be subject to
213 recapture in the taxable year or years in which distributions or refunds are made for any reason other
214 than (i) to pay qualified higher education expenses, as defined in § 529 of the Internal Revenue Code or
215 (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes of this subdivision,
216 "purchaser" or "contributor" means the person shown as such on the records of the Virginia College
217 Savings Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a prepaid
218 tuition contract or college savings trust account, the transferee shall succeed to the transferor's tax
219 attributes associated with a prepaid tuition contract or college savings trust account, including, but not
220 limited to, carryover and recapture of deductions.

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

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

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

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

242 11. Contract payments to a producer of quota tobacco or a tobacco quota holder, or their spouses, as

243 provided under the American Jobs Creation Act of 2004 (P.L. 108-357), but only to the extent that such
244 payments have not been subtracted pursuant to subsection D of § 58.1-402, as follows:

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

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

250 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6
251 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the
252 following items of tangible personal property: (i) any clothes washers, room air conditioners,
253 dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency
254 requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of
255 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an
256 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least
257 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating
258 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of
259 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and
260 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a
261 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that
262 has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual
263 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization
264 rating of 85; and (x) programmable thermostats.

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

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

281 15. *Business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code:*

282 a. For taxable years beginning on and after January 1, 2018, but before January 1, 2022, 20 percent
283 of *such disallowed* business interest ~~disallowed as a deduction pursuant to § 163(j) of the Internal~~
284 ~~Revenue Code.~~

285 b. For taxable years beginning on and after January 1, 2022, *but before January 1, 2024*, 30 percent
286 of *such disallowed* business interest ~~disallowed as a deduction pursuant to § 163(j) of the Internal~~
287 ~~Revenue Code.~~

288 c. *For taxable years beginning on and after January 1, 2024, 50 percent of such disallowed business*
289 *interest.*

290 For purposes of ~~this~~ subdivision 15, "business interest" means the same as that term is defined under
291 § 163(j) of the Internal Revenue Code.

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

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

299 18. For taxable years beginning on and after January 1, 2022, but before January 1, 2025, the lesser
300 of \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes of
301 this subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable
302 year in which the credit under this section is claimed served as a teacher licensed pursuant to Chapter
303 15 (§ 22.1-289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel,

304 or student aide serving accredited public or private primary and secondary school students in Virginia,
305 and "qualifying expenses" means 100 percent of the amount paid or incurred by an eligible educator
306 during the taxable year for participation in professional development courses and the purchase of books,
307 supplies, computer equipment (including related software and services), other educational and teaching
308 equipment, and supplementary materials used directly in that individual's service to students as an
309 eligible educator, provided that such purchases were neither reimbursed nor claimed as a deduction on
310 the eligible educator's federal income tax return for such taxable year.

311 *19. For taxable years beginning on and after January 1, 2023, an amount equal to 50 percent of the*
312 *qualified business income deductions under § 199A(a) and § 199A(g) of the Internal Revenue Code taken*
313 *and allowable in calculating federal taxable income for the applicable tax year, except that such amount*
314 *shall not include qualified REIT dividends pursuant to § 199A(b)(1)(B) of the Internal Revenue Code.*

315 **§ 58.1-322.03. (Contingently effective pursuant to Acts 2022, Sp. Sess. I, c. 2, cl. 7) Virginia**
316 **taxable income; deductions.**

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

319 1. a. The amount allowable for itemized deductions for federal income tax purposes where the
320 taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the
321 amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted
322 on such federal return and increased by an amount that, when added to the amount deducted under
323 § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for
324 such purposes at a rate of 18 cents per mile; or

325 b. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income
326 tax return: (i) for taxable years beginning before January 1, 2019, and on and after January 1, 2026,
327 \$3,000 for single individuals and \$6,000 for married persons (one-half of such amounts in the case of a
328 married individual filing a separate return); (ii) for taxable years beginning on and after January 1, 2019,
329 but before January 1, 2022, \$4,500 for single individuals and \$9,000 for married persons (one-half of
330 such amounts in the case of a married individual filing a separate return); and (iii) for taxable years
331 beginning on and after January 1, 2022, but before January 1, 2026, \$8,000 for single individuals and
332 \$16,000 for married persons (one-half of such amounts in the case of a married individual filing a
333 separate return). For purposes of this section, any person who may be claimed as a dependent on
334 another taxpayer's return for the taxable year may compute the deduction only with respect to earned
335 income.

336 2. a. A deduction in the amount of \$930 for each personal exemption allowable to the taxpayer for
337 federal income tax purposes.

338 b. Each blind or aged taxpayer as defined under § 63(f) of the Internal Revenue Code shall be
339 entitled to an additional personal exemption in the amount of \$800.

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

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

346 4. An additional \$1,000 deduction for each child residing for the entire taxable year in a home under
347 permanent foster care placement as defined in § 63.2-908, provided that the taxpayer can also claim the
348 child as a personal exemption under § 151 of the Internal Revenue Code.

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

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

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

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

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362 during the taxable year for a prepaid tuition contract or college savings trust account entered into with
363 the Virginia College Savings Plan, pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1. Except as
364 provided in subdivision b, the amount deducted on any individual income tax return in any taxable year
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 368 college savings trust account exceeds \$4,000, the remainder may be carried forward and subtracted in
 369 future taxable years until the purchase price or college savings trust contribution has been fully
 370 deducted; however, except as provided in subdivision b, in no event shall the amount deducted in any
 371 taxable year exceed \$4,000 per contract or college savings trust account. Notwithstanding the statute of
 372 limitations on assessments contained in § 58.1-312, any deduction taken hereunder shall be subject to
 373 recapture in the taxable year or years in which distributions or refunds are made for any reason other
 374 than (i) to pay qualified higher education expenses, as defined in § 529 of the Internal Revenue Code or
 375 (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes of this subdivision,
 376 "purchaser" or "contributor" means the person shown as such on the records of the Virginia College
 377 Savings Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a prepaid
 378 tuition contract or college savings trust account, the transferee shall succeed to the transferor's tax
 379 attributes associated with a prepaid tuition contract or college savings trust account, including, but not
 380 limited to, carryover and recapture of deductions.

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

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

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

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

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

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

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

410 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6
 411 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the
 412 following items of tangible personal property: (i) any clothes washers, room air conditioners,
 413 dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency
 414 requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of
 415 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an
 416 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least
 417 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating
 418 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of
 419 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and
 420 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a
 421 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that
 422 has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual
 423 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization
 424 rating of 85; and (x) programmable thermostats.

425 13. The lesser of \$5,000 or the amount actually paid by a living donor of an organ or other living
 426 tissue for unreimbursed out-of-pocket expenses directly related to the donation that arose within 12

427 months of such donation, provided that the donor has not taken a medical deduction in accordance with
 428 the provisions of § 213 of the Internal Revenue Code for such expenses. The deduction may be taken in
 429 the taxable year in which the donation is made or the taxable year in which the 12-month period
 430 expires.

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

441 15. *Business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code:*

442 a. For taxable years beginning on and after January 1, 2018, but before January 1, 2022, 20 percent
 443 of *such disallowed* business interest ~~disallowed as a deduction pursuant to § 163(j) of the Internal~~
 444 ~~Revenue Code.~~

445 b. For taxable years beginning on and after January 1, 2022, *but before January 1, 2024*, 30 percent
 446 of *such disallowed* business interest ~~disallowed as a deduction pursuant to § 163(j) of the Internal~~
 447 ~~Revenue Code.~~

448 c. *For taxable years beginning on and after January 1, 2024*, 50 percent of *such disallowed business*
 449 *interest.*

450 For purposes of this subdivision 15, "business interest" means the same as that term is defined under
 451 § 163(j) of the Internal Revenue Code.

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

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

459 18. For taxable years beginning on and after January 1, 2022, but before January 1, 2025, the lesser
 460 of \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes of
 461 this subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable
 462 year in which the credit under this section is claimed served as a teacher licensed pursuant to Chapter
 463 15 (§ 22.1-289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel,
 464 or student aide serving accredited public or private primary and secondary school students in Virginia,
 465 and "qualifying expenses" means 100 percent of the amount paid or incurred by an eligible educator
 466 during the taxable year for participation in professional development courses and the purchase of books,
 467 supplies, computer equipment (including related software and services), other educational and teaching
 468 equipment, and supplementary materials used directly in that individual's service to students as an
 469 eligible educator, provided that such purchases were neither reimbursed nor claimed as a deduction on
 470 the eligible educator's federal income tax return for such taxable year.

471 19. *For taxable years beginning on and after January 1, 2023, an amount equal to 50 percent of the*
 472 *qualified business income deductions under § 199A(a) and § 199A(g) of the Internal Revenue Code taken*
 473 *and allowable in calculating federal taxable income for the applicable tax year, except that such amount*
 474 *shall not include qualified REIT dividends pursuant to § 199A(b)(1)(B) of the Internal Revenue Code.*

475 **§ 58.1-322.03. (Contingently effective pursuant to Acts 2022, Sp. Sess. I, c. 2, cl. 8) Virginia**
 476 **taxable income; deductions.**

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

479 1. a. The amount allowable for itemized deductions for federal income tax purposes where the
 480 taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the
 481 amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted
 482 on such federal return and increased by an amount that, when added to the amount deducted under
 483 § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for
 484 such purposes at a rate of 18 cents per mile; or

485 b. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income
 486 tax return: (i) for taxable years beginning before January 1, 2019, and on and after January 1, 2026,
 487 \$3,000 for single individuals and \$6,000 for married persons (one-half of such amounts in the case of a
 488 married individual filing a separate return); (ii) for taxable years beginning on and after January 1, 2019,

489 but before January 1, 2022, \$4,500 for single individuals and \$9,000 for married persons (one-half of
 490 such amounts in the case of a married individual filing a separate return); and (iii) for taxable years
 491 beginning on and after January 1, 2022, but before January 1, 2026, \$8,000 for single individuals and
 492 \$16,000 for married persons (one-half of such amounts in the case of a married individual filing a
 493 separate return). For purposes of this section, any person who may be claimed as a dependent on
 494 another taxpayer's return for the taxable year may compute the deduction only with respect to earned
 495 income.

496 2. a. A deduction in the amount of \$930 for each personal exemption allowable to the taxpayer for
 497 federal income tax purposes.

498 b. Each blind or aged taxpayer as defined under § 63(f) of the Internal Revenue Code shall be
 499 entitled to an additional personal exemption in the amount of \$800.

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

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

506 4. An additional \$1,000 deduction for each child residing for the entire taxable year in a home under
 507 permanent foster care placement as defined in § 63.2-908, provided that the taxpayer can also claim the
 508 child as a personal exemption under § 151 of the Internal Revenue Code.

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

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

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

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

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

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

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

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

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

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

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

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

570 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6
571 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the
572 following items of tangible personal property: (i) any clothes washers, room air conditioners,
573 dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency
574 requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of
575 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an
576 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least
577 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating
578 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of
579 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and
580 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a
581 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that
582 has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual
583 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization
584 rating of 85; and (x) programmable thermostats.

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

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

601 15. *Business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code:*

602 a. For taxable years beginning on and after January 1, 2018, but before January 1, 2022, 20 percent
603 of *such disallowed* business interest ~~disallowed~~ as a deduction pursuant to ~~§ 163(j)~~ of the Internal
604 Revenue Code.

605 b. For taxable years beginning on and after January 1, 2022, *but before January 1, 2024*, 30 percent
606 of *such disallowed* business interest ~~disallowed~~ as a deduction pursuant to ~~§ 163(j)~~ of the Internal
607 Revenue Code.

608 c. *For taxable years beginning on and after January 1, 2024*, 50 percent of *such disallowed business*
609 *interest*.

610 For purposes of this subdivision 15, "business interest" means the same as that term is defined under
611 § 163(j) of the Internal Revenue Code.

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

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

619 18. For taxable years beginning on and after January 1, 2022, but before January 1, 2025, the lesser
620 of \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes of
621 this subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable
622 year in which the credit under this section is claimed served as a teacher licensed pursuant to Chapter
623 15 (§ 22.1-289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel,
624 or student aide serving accredited public or private primary and secondary school students in Virginia,
625 and "qualifying expenses" means 100 percent of the amount paid or incurred by an eligible educator
626 during the taxable year for participation in professional development courses and the purchase of books,
627 supplies, computer equipment (including related software and services), other educational and teaching
628 equipment, and supplementary materials used directly in that individual's service to students as an
629 eligible educator, provided that such purchases were neither reimbursed nor claimed as a deduction on
630 the eligible educator's federal income tax return for such taxable year.

631 19. For taxable years beginning on and after January 1, 2023, an amount equal to 50 percent of the
632 qualified business income deductions under § 199A(a) and § 199A(g) of the Internal Revenue Code taken
633 and allowable in calculating federal taxable income for the applicable tax year, except that such amount
634 shall not include qualified REIT dividends pursuant to § 199A(b)(1)(B) of the Internal Revenue Code.

635 **§ 58.1-400. Imposition of tax.**

636 A tax at the rate of six percent is hereby annually imposed on the Virginia taxable income for each
637 taxable year of every corporation organized under the laws of the Commonwealth and every foreign
638 corporation having income from Virginia sources as follows:

639 1. For taxable years beginning before January 1, 2023, the tax shall be imposed at the rate of six
640 percent; and

641 2. For taxable years beginning on and after January 1, 2023, the tax shall be imposed at the rate of
642 five percent.

643 **§ 58.1-402. Virginia taxable income.**

644 A. For purposes of this article, Virginia taxable income for a taxable year means the federal taxable
645 income and any other income taxable to the corporation under federal law for such year of a corporation
646 adjusted as provided in subsections B, C, D, E, G, and H.

647 For a regulated investment company and a real estate investment trust, such term means the
648 "investment company taxable income" and "real estate investment trust taxable income," respectively, to
649 which shall be added in each case any amount of capital gains and any other income taxable to the
650 corporation under federal law which shall be further adjusted as provided in subsections B, C, D, E, G,
651 and H.

652 B. There shall be added to the extent excluded from federal taxable income:

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

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

660 3. [Repealed.]

661 4. The amount of any net income taxes and other taxes, including franchise and excise taxes, which
662 are based on, measured by, or computed with reference to net income, imposed by the Commonwealth
663 or any other taxing jurisdiction, to the extent deducted in determining federal taxable income;

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

665 6. [Repealed.]

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

668 8. a. For taxable years beginning on and after January 1, 2004, the amount of any intangible
669 expenses and costs directly or indirectly paid, accrued, or incurred to, or in connection directly or
670 indirectly with one or more direct or indirect transactions with one or more related members to the
671 extent such expenses and costs were deductible or deducted in computing federal taxable income for
672 Virginia purposes. This addition shall not be required for any portion of the intangible expenses and

673 costs if one of the following applies:

674 (1) The corresponding item of income received by the related member is subject to a tax based on or
675 measured by net income or capital imposed by Virginia, another state, or a foreign government that has
676 entered into a comprehensive tax treaty with the United States government;

677 (2) The related member derives at least one-third of its gross revenues from the licensing of
678 intangible property to parties who are not related members, and the transaction giving rise to the
679 expenses and costs between the corporation and the related member was made at rates and terms
680 comparable to the rates and terms of agreements that the related member has entered into with parties
681 who are not related members for the licensing of intangible property; or

682 (3) The corporation can establish to the satisfaction of the Tax Commissioner that the intangible
683 expenses and costs meet both of the following: (i) the related member during the same taxable year
684 directly or indirectly paid, accrued or incurred such portion to a person who is not a related member,
685 and (ii) the transaction giving rise to the intangible expenses and costs between the corporation and the
686 related member did not have as a principal purpose the avoidance of any portion of the tax due under
687 this chapter.

688 b. A corporation required to add to its federal taxable income intangible expenses and costs pursuant
689 to subdivision a may petition the Tax Commissioner, after filing the related income tax return for the
690 taxable year and remitting to the Tax Commissioner all taxes, penalties, and interest due under this
691 article for such taxable year including tax upon any amount of intangible expenses and costs required to
692 be added to federal taxable income pursuant to subdivision a, to consider evidence relating to the
693 transaction or transactions between the corporation and a related member or members that resulted in the
694 corporation's taxable income being increased, as required under subdivision a, for such intangible
695 expenses and costs.

696 If the corporation can demonstrate to the Tax Commissioner's sole satisfaction, by clear and
697 convincing evidence, that the transaction or transactions between the corporation and a related member
698 or members resulting in such increase in taxable income pursuant to subdivision a had a valid business
699 purpose other than the avoidance or reduction of the tax due under this chapter, the Tax Commissioner
700 shall permit the corporation to file an amended return. For purposes of such amended return, the
701 requirements of subdivision a shall not apply to any transaction for which the Tax Commissioner is
702 satisfied (and has identified) that the transaction had a valid business purpose other than the avoidance
703 or reduction of the tax due under this chapter. Such amended return shall be filed by the corporation
704 within one year of the written permission granted by the Tax Commissioner and any refund of the tax
705 imposed under this article shall include interest at a rate equal to the rate of interest established under
706 § 58.1-15 and such interest shall accrue as provided under § 58.1-1833. However, upon the filing of
707 such amended return, any related member of the corporation that subtracted from taxable income
708 amounts received pursuant to subdivision C 21 shall be subject to the tax imposed under this article on
709 that portion of such amounts for which the corporation has filed an amended return pursuant to this
710 subdivision. In addition, for such transactions identified by the Tax Commissioner herein by which he
711 has been satisfied by clear and convincing evidence, the Tax Commissioner may permit the corporation
712 in filing income tax returns for subsequent taxable years to deduct the related intangible expenses and
713 costs without making the adjustment under subdivision a.

714 The Tax Commissioner may charge a fee for all direct and indirect costs relating to the review of
715 any petition pursuant to this subdivision, to include costs necessary to secure outside experts in
716 evaluating the petition. The Tax Commissioner may condition the review of any petition pursuant to this
717 subdivision upon payment of such fee.

718 No suit for the purpose of contesting any action of the Tax Commissioner under this subdivision
719 shall be maintained in any court of this Commonwealth.

720 c. Nothing in subdivision B 8 shall be construed to limit or negate the Department's authority under
721 § 58.1-446;

722 9. a. For taxable years beginning on and after January 1, 2004, the amount of any interest expenses
723 and costs directly or indirectly paid, accrued, or incurred to, or in connection directly or indirectly with
724 one or more direct or indirect transactions with one or more related members to the extent such
725 expenses and costs were deductible or deducted in computing federal taxable income for Virginia
726 purposes. This addition shall not be required for any portion of the interest expenses and costs, if:

727 (1) The related member has substantial business operations relating to interest-generating activities, in
728 which the related member pays expenses for at least five full-time employees who maintain, manage,
729 defend or are otherwise responsible for operations or administration relating to the interest-generating
730 activities; and

731 (2) The interest expenses and costs are not directly or indirectly for, related to or in connection with
732 the direct or indirect acquisition, maintenance, management, sale, exchange, or disposition of intangible
733 property; and

734 (3) The transaction giving rise to the expenses and costs between the corporation and the related

735 member has a valid business purpose other than the avoidance or reduction of taxation and payments
736 between the parties are made at arm's length rates and terms; and

737 (4) One of the following applies:

738 (i) The corresponding item of income received by the related member is subject to a tax based on or
739 measured by net income or capital imposed by Virginia, another state, or a foreign government that has
740 entered into a comprehensive tax treaty with the United States government;

741 (ii) Payments arise pursuant to a pre-existing contract entered into when the parties were not related
742 members provided the payments continue to be made at arm's length rates and terms;

743 (iii) The related member engages in transactions with parties other than related members that
744 generate revenue in excess of \$2 million annually; or

745 (iv) The transaction giving rise to the interest payments between the corporation and a related
746 member was done at arm's length rates and terms and meets any of the following: (a) the related
747 member uses funds that are borrowed from a party other than a related member or that are paid,
748 incurred or passed-through to a person who is not a related member; (b) the debt is part of a regular and
749 systematic funds management or portfolio investment activity conducted by the related member, whereby
750 the funds of two or more related members are aggregated for the purpose of achieving economies of
751 scale, the internal financing of the active business operations of members, or the benefit of centralized
752 management of funds; (c) financing the expansion of the business operations; or (d) restructuring the
753 debt of related members, or the pass-through of acquisition-related indebtedness to related members.

754 b. A corporation required to add to its federal taxable income interest expenses and costs pursuant to
755 subdivision a may petition the Tax Commissioner, after filing the related income tax return for the
756 taxable year and remitting to the Tax Commissioner all taxes, penalties, and interest due under this
757 article for such taxable year including tax upon any amount of interest expenses and costs required to be
758 added to federal taxable income pursuant to subdivision a, to consider evidence relating to the
759 transaction or transactions between the corporation and a related member or members that resulted in the
760 corporation's taxable income being increased, as required under subdivision a, for such interest expenses
761 and costs.

762 If the corporation can demonstrate to the Tax Commissioner's sole satisfaction, by clear and
763 convincing evidence, that the transaction or transactions between the corporation and a related member
764 or members resulting in such increase in taxable income pursuant to subdivision a had a valid business
765 purpose other than the avoidance or reduction of the tax due under this chapter and that the related
766 payments between the parties were made at arm's length rates and terms, the Tax Commissioner shall
767 permit the corporation to file an amended return. For purposes of such amended return, the requirements
768 of subdivision a shall not apply to any transaction for which the Tax Commissioner is satisfied (and has
769 identified) that the transaction had a valid business purpose other than the avoidance or reduction of the
770 tax due under this chapter and that the related payments between the parties were made at arm's length
771 rates and terms. Such amended return shall be filed by the corporation within one year of the written
772 permission granted by the Tax Commissioner and any refund of the tax imposed under this article shall
773 include interest at a rate equal to the rate of interest established under § 58.1-15 and such interest shall
774 accrue as provided under § 58.1-1833. However, upon the filing of such amended return, any related
775 member of the corporation that subtracted from taxable income amounts received pursuant to subdivision
776 C 21 shall be subject to the tax imposed under this article on that portion of such amounts for which the
777 corporation has filed an amended return pursuant to this subdivision. In addition, for such transactions
778 identified by the Tax Commissioner herein by which he has been satisfied by clear and convincing
779 evidence, the Tax Commissioner may permit the corporation in filing income tax returns for subsequent
780 taxable years to deduct the related interest expenses and costs without making the adjustment under
781 subdivision a.

782 The Tax Commissioner may charge a fee for all direct and indirect costs relating to the review of
783 any petition pursuant to this subdivision, to include costs necessary to secure outside experts in
784 evaluating the petition. The Tax Commissioner may condition the review of any petition pursuant to this
785 subdivision upon payment of such fee.

786 No suit for the purpose of contesting any action of the Tax Commissioner under this subdivision
787 shall be maintained in any court of this Commonwealth.

788 c. Nothing in subdivision B 9 shall be construed to limit or negate the Department's authority under
789 § 58.1-446.

790 d. For purposes of subdivision B 9:

791 "Arm's-length rates and terms" means that (i) two or more related members enter into a written
792 agreement for the transaction, (ii) such agreement is of a duration and contains payment terms
793 substantially similar to those that the related member would be able to obtain from an unrelated entity,
794 (iii) the interest is at or below the applicable federal rate compounded annually for debt instruments
795 under § 1274(d) of the Internal Revenue Code that was in effect at the time of the agreement, and (iv)

796 the borrower or payor adheres to the payment terms of the agreement governing the transaction or any
797 amendments thereto.

798 "Valid business purpose" means one or more business purposes that alone or in combination
799 constitute the motivation for some business activity or transaction, which activity or transaction
800 improves, apart from tax effects, the economic position of the taxpayer, as further defined by regulation.

801 10. a. For taxable years beginning on and after January 1, 2009, the amount of dividends deductible
802 under §§ 561 and 857 of the Internal Revenue Code by a Captive Real Estate Investment Trust (REIT).
803 For purposes of this subdivision, a REIT is a Captive REIT if:

804 (1) It is not regularly traded on an established securities market;

805 (2) More than 50 percent of the voting power or value of beneficial interests or shares of which, at
806 any time during the last half of the taxable year, is owned or controlled, directly or indirectly, by a
807 single entity that is (i) a corporation or an association taxable as a corporation under the Internal
808 Revenue Code; and (ii) not exempt from federal income tax pursuant to § 501(a) of the Internal
809 Revenue Code; and

810 (3) More than 25 percent of its income consists of rents from real property as defined in § 856(d) of
811 the Internal Revenue Code.

812 b. For purposes of applying the ownership test of subdivision 10 a (2), the following entities shall
813 not be considered a corporation or an association taxable as a corporation:

814 (1) Any REIT that is not treated as a Captive REIT;

815 (2) Any REIT subsidiary under § 856 of the Internal Revenue Code other than a qualified REIT
816 subsidiary of a Captive REIT;

817 (3) Any Listed Australian Property Trust, or an entity organized as a trust, provided that a Listed
818 Australian Property Trust owns or controls, directly or indirectly, 75 percent or more of the voting or
819 value of the beneficial interests or shares of such trust; and

820 (4) Any Qualified Foreign Entity.

821 c. For purposes of subdivision B 10, the constructive ownership rules prescribed under § 318(a) of
822 the Internal Revenue Code, as modified by § 856(d)(5) of the Internal Revenue Code, shall apply in
823 determining the ownership of stock, assets, or net profits of any person.

824 d. For purposes of subdivision B 10:

825 "Listed Australian Property Trust" means an Australian unit trust registered as a Management
826 Investment Scheme, pursuant to the Australian Corporations Act, in which the principal class of units is
827 listed on a recognized stock exchange in Australia and is regularly traded on an established securities
828 market.

829 "Qualified Foreign Entity" means a corporation, trust, association or partnership organized outside the
830 laws of the United States and that satisfies all of the following criteria:

831 (1) At least 75 percent of the entity's total asset value at the close of its taxable year is represented
832 by real estate assets, as defined in § 856(c)(5)(B) of the Internal Revenue Code, thereby including shares
833 or certificates of beneficial interest in any REIT, cash and cash equivalents, and U.S. Government
834 securities;

835 (2) The entity is not subject to a tax on amounts distributed to its beneficial owners, or is exempt
836 from entity level tax;

837 (3) The entity distributes, on an annual basis, at least 85 percent of its taxable income, as computed
838 in the jurisdiction in which it is organized, to the holders of its shares or certificates of beneficial
839 interest;

840 (4) The shares or certificates of beneficial interest of such entity are regularly traded on an
841 established securities market or, if not so traded, not more than 10 percent of the voting power or value
842 in such entity is held directly, indirectly, or constructively by a single entity or individual; and

843 (5) The entity is organized in a country that has a tax treaty with the United States.

844 e. For taxable years beginning on or after January 1, 2016, for purposes of subdivision B 10, any
845 voting power or value of the beneficial interests or shares in a REIT that is held in a segregated asset
846 account of a life insurance corporation as described in § 817 of the Internal Revenue Code shall not be
847 taken into consideration when determining if such REIT is a Captive REIT.

848 11. For taxable years beginning on or after January 1, 2016, to the extent that tax credit is allowed
849 for the same donation pursuant to § 58.1-439.12:12, any amount claimed as a federal income tax
850 deduction for such donation under § 170 of the Internal Revenue Code, as amended or renumbered.

851 C. There shall be subtracted to the extent included in and not otherwise subtracted from federal
852 taxable income:

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

- 858 2. Income derived from obligations, or on the sale or exchange of obligations of this Commonwealth
859 or of any political subdivision or instrumentality of this Commonwealth.
- 860 3. Dividends upon stock in any domestic international sales corporation, as defined by § 992 of the
861 Internal Revenue Code, 50 percent or more of the income of which was assessable for the preceding
862 year, or the last year in which such corporation has income, under the provisions of the income tax laws
863 of the Commonwealth.
- 864 4. The amount of any refund or credit for overpayment of income taxes imposed by this
865 Commonwealth or any other taxing jurisdiction.
- 866 5. Any amount included therein by the operation of the provisions of § 78 of the Internal Revenue
867 Code (foreign dividend gross-up).
- 868 6. The amount of wages or salaries eligible for the federal Targeted Jobs Credit which was not
869 deducted for federal purposes on account of the provisions of § 280C(a) of the Internal Revenue Code.
- 870 7. Any amount included therein by the operation of § 951 of the Internal Revenue Code (subpart F
871 income) or, for taxable years beginning on and after January 1, 2018, § 951A of the Internal Revenue
872 Code (Global Intangible Low-Taxed Income).
- 873 8. Any amount included therein which is foreign source income as defined in § 58.1-302.
- 874 9. [Repealed.]
- 875 10. The amount of any dividends received from corporations in which the taxpaying corporation
876 owns 50 percent or more of the voting stock.
- 877 11. [Repealed.]
- 878 12, 13. [Expired.]
- 879 14. For taxable years beginning on or after January 1, 1995, the amount for "qualified research
880 expenses" or "basic research expenses" eligible for deduction for federal purposes, but which were not
881 deducted, on account of the provisions of § 280C(c) of the Internal Revenue Code.
- 882 15. For taxable years beginning on or after January 1, 2000, the total amount actually contributed in
883 funds to the Virginia Public School Construction Grants Program and Fund established in Chapter 11.1
884 (§ 22.1-175.1 et seq.) of Title 22.1.
- 885 16. For taxable years beginning on or after January 1, 2000, but before January 1, 2015, the gain
886 derived from the sale or exchange of real property or the sale or exchange of an easement to real
887 property which results in the real property or the easement thereto being devoted to open-space use, as
888 that term is defined in § 58.1-3230, for a period of time not less than 30 years. To the extent a
889 subtraction is taken in accordance with this subdivision, no tax credit under this chapter for donating
890 land for its preservation shall be allowed for three years following the year in which the subtraction is
891 taken.
- 892 17. For taxable years beginning on and after January 1, 2001, any amount included therein with
893 respect to § 58.1-440.1.
- 894 18. For taxable years beginning on and after January 1, 1999, income received as a result of (i) the
895 "Master Settlement Agreement," as defined in § 3.2-3100; and (ii) the National Tobacco Grower
896 Settlement Trust dated July 19, 1999, by (a) tobacco farming businesses; (b) any business holding a
897 tobacco marketing quota, or tobacco farm acreage allotment, under the Agricultural Adjustment Act of
898 1938; or (c) any business having the right to grow tobacco pursuant to such a quota allotment.
- 899 19, 20. [Repealed.]
- 900 21. For taxable years beginning on and after January 1, 2004, any amount of intangible expenses and
901 costs or interest expenses and costs added to the federal taxable income of a corporation pursuant to
902 subdivision B 8 or B 9 shall be subtracted from the federal taxable income of the related member that
903 received such amount if such related member is subject to Virginia income tax on the same amount.
- 904 22. For taxable years beginning on and after January 1, 2009, any gain recognized from the sale of
905 launch services to space flight participants, as defined in 49 U.S.C. § 70102, or launch services intended
906 to provide individuals the training or experience of a launch, without performing an actual launch. To
907 qualify for a deduction under this subdivision, launch services must be performed in Virginia or
908 originate from an airport or spaceport in Virginia.
- 909 23. For taxable years beginning on and after January 1, 2009, any gain recognized as a result of
910 resupply services contracts for delivering payload, as defined in 49 U.S.C. § 70102, entered into with the
911 Commercial Orbital Transportation Services division of the National Aeronautics and Space
912 Administration or other space flight entity, as defined in § 8.01-227.8, and launched from an airport or
913 spaceport in Virginia.
- 914 24. For taxable years beginning on or after January 1, 2011, any income taxed as a long-term capital
915 gain for federal income tax purposes, or any income taxed as investment services partnership interest
916 income (otherwise known as investment partnership carried interest income) for federal income tax
917 purposes. To qualify for a subtraction under this subdivision, such income must be attributable to an
918 investment in a "qualified business," as defined in § 58.1-339.4, or in any other technology business

919 approved by the Secretary of Administration, provided the business has its principal office or facility in
920 the Commonwealth and less than \$3 million in annual revenues in the fiscal year prior to the
921 investment. To qualify for a subtraction under this subdivision, the investment must be made between
922 the dates of April 1, 2010, and June 30, 2020. No taxpayer who has claimed a tax credit for an
923 investment in a "qualified business" under § 58.1-339.4 shall be eligible for the subtraction under this
924 subdivision for an investment in the same business.

925 25. a. Income, including investment services partnership interest income (otherwise known as
926 investment partnership carried interest income), attributable to an investment in a Virginia venture
927 capital account. To qualify for a subtraction under this subdivision, the investment shall be made on or
928 after January 1, 2018, but before December 31, 2023. No subtraction shall be allowed under this
929 subdivision for an investment in a company that is owned or operated by an affiliate of the taxpayer. No
930 subtraction shall be allowed under this subdivision for a taxpayer who has claimed a subtraction under
931 subdivision C 24 for the same investment.

932 b. As used in this subdivision 25:

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

938 "Virginia venture capital account" means an investment fund that has been certified by the
939 Department as a Virginia venture capital account. In order to be certified as a Virginia venture capital
940 account, the operator of the investment fund shall register the investment fund with the Department prior
941 to December 31, 2023, (i) indicating that it intends to invest at least 50 percent of the capital committed
942 to its fund in qualified portfolio companies and (ii) providing documentation that it employs at least one
943 investor who has at least four years of professional experience in venture capital investment or
944 substantially equivalent experience. "Substantially equivalent experience" includes, but is not limited to,
945 an undergraduate degree from an accredited college or university in economics, finance, or a similar
946 field of study. The Department may require an investment fund to provide documentation of the
947 investor's training, education, or experience as deemed necessary by the Department to determine
948 substantial equivalency. If the Department determines that the investment fund employs at least one
949 investor with the experience set forth herein, the Department shall certify the investment fund as a
950 Virginia venture capital account at such time as the investment fund actually invests at least 50 percent
951 of the capital committed to its fund in qualified portfolio companies.

952 26. a. Income attributable to an investment in a Virginia real estate investment trust. To qualify for a
953 subtraction under this subdivision, the investment shall be made on or after January 1, 2019, but before
954 December 31, 2024. No subtraction shall be allowed for an investment in a trust that is managed by an
955 affiliate of the taxpayer. No subtraction shall be allowed under this subdivision for a taxpayer who has
956 claimed a subtraction under subdivision C 24 or 25 for the same investment.

957 b. As used in this subdivision 26:

958 "Distressed" means satisfying the criteria applicable to a locality described in subdivision E 2 of
959 § 2.2-115.

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

962 "Virginia real estate investment trust" means a real estate investment trust, as defined in 26 U.S.C.
963 § 856, that has been certified by the Department as a Virginia real estate investment trust. In order to be
964 certified as a Virginia real estate investment trust, the trustee shall register the trust with the Department
965 prior to December 31, 2024, indicating that it intends to invest at least 90 percent of trust funds in
966 Virginia and at least 40 percent of trust funds in real estate in localities that are distressed or double
967 distressed. If the Department determines that the trust satisfies the preceding criteria, the Department
968 shall certify the trust as a Virginia real estate investment trust at such time as the trust actually invests
969 at least 90 percent of trust funds in Virginia and at least 40 percent of trust funds in real estate in
970 localities that are distressed or double distressed.

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

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

976 D. For taxable years beginning on and after January 1, 2006, there shall be subtracted from federal
977 taxable income contract payments to a producer of quota tobacco or a tobacco quota holder as provided
978 under the American Jobs Creation Act of 2004 (P.L. 108-357) as follows:

979 1. If the payment is received in installment payments, then the recognized gain, including any gain
980 recognized in taxable year 2005, may be subtracted in the taxable year immediately following the year

981 in which the installment payment is received.

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

985 E. Adjustments to federal taxable income shall be made to reflect the transitional modifications
986 provided in § 58.1-315.

987 F. Notwithstanding any other provision of law, the income from any disposition of real property
988 which is held by the taxpayer for sale to customers in the ordinary course of the taxpayer's trade or
989 business, as defined in § 453(l)(1)(B) of the Internal Revenue Code, of property made on or after
990 January 1, 2009, may, at the election of the taxpayer, be recognized under the installment method
991 described under § 453 of the Internal Revenue Code, provided that (i) the election relating to the dealer
992 disposition of the property has been made on or before the due date prescribed by law (including
993 extensions) for filing the taxpayer's return of the tax imposed under this chapter for the taxable year in
994 which the disposition occurs, and (ii) the dealer disposition is in accordance with restrictions or
995 conditions established by the Department, which shall be set forth in guidelines developed by the
996 Department. Along with such restrictions or conditions, the guidelines shall also address the recapture of
997 such income under certain circumstances. The development of the guidelines shall be exempt from the
998 Administrative Process Act (§ 2.2-4000 et seq.).

999 G. ~~For taxable years beginning on and after January 1, 2018, but before January 1, 2022, there~~ *There*
1000 shall be deducted to the extent included in and not otherwise subtracted from federal taxable income ~~20~~
1001 ~~percent~~ *a percentage* of the business interest disallowed as a deduction pursuant to § 163(j) of the
1002 Internal Revenue Code *in the amount of:-*

1003 1. *20 percent for* ~~For~~ taxable years beginning on and after *January 1, 2018, but before* January 1,
1004 2022;

1005 2. ~~;~~ *there shall be deducted to the extent included in and not otherwise subtracted from federal*
1006 *taxable income 30 percent for taxable years beginning on and after January 1, 2022, but before January*
1007 *1, 2024; and*

1008 3. *50 percent for taxable years beginning on and after January 1, 2024. of business interest*
1009 *disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code.*

1010 For purposes of ~~this~~ subsection G, "business interest" means the same as that term is defined under
1011 § 163(j) of the Internal Revenue Code.

1012 H. For taxable years beginning before January 1, 2021, there shall be deducted to the extent not
1013 otherwise subtracted from federal taxable income up to \$100,000 of the amount that is not deductible
1014 when computing federal taxable income solely on account of the portion of subdivision B 10 of
1015 § 58.1-301 related to Paycheck Protection Program loans.