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## VIRGINIA ACTS OF ASSEMBLY — CHAPTER

2 *An Act to amend and reenact § 58.1-301 of the Code of Virginia, relating to income tax; rolling*  
 3 *conformity; report.*

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[S 1405]

Approved

6 **Be it enacted by the General Assembly of Virginia:**7 **1. That § 58.1-301 of the Code of Virginia is amended and reenacted as follows:**8 **§ 58.1-301. Conformity to Internal Revenue Code.**

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

12 B. Any reference in this chapter to the laws of the United States relating to federal income taxes  
 13 shall mean the provisions of the Internal Revenue Code of 1954, and amendments thereto, and other  
 14 provisions of the laws of the United States relating to federal income taxes, as they existed on  
 15 December 31, 2024, except for:

16 1. The special depreciation allowance for certain property provided for under §§ 168(k), 168(l),  
 17 168(m), 1400L, and 1400N of the Internal Revenue Code;

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

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

22 4. The deferral of certain income under § 108(i) of the Internal Revenue Code. For Virginia income  
 23 tax purposes, income from the discharge of indebtedness in connection with the reacquisition of an  
 24 "applicable debt instrument" (as defined under § 108(i) of the Internal Revenue Code) reacquired in the  
 25 taxable year shall be fully included in the taxpayer's Virginia taxable income for the taxable year, unless  
 26 the taxpayer elects to include such income in the taxpayer's Virginia taxable income ratably over a  
 27 three-taxable-year period beginning with taxable year 2009 for transactions completed in taxable year  
 28 2009, or over a three-taxable-year period beginning with taxable year 2010 for transactions completed in  
 29 taxable year 2010 on or before April 21, 2010. For purposes of such election, all other provisions of  
 30 § 108(i) of the Internal Revenue Code shall apply mutatis mutandis. No other deferral shall be allowed  
 31 for income from the discharge of indebtedness in connection with the reacquisition of an "applicable  
 32 debt instrument";

33 5. For taxable years beginning on and after January 1, 2019, the suspension of the overall limitation  
 34 on itemized deductions under § 68(f) of the Internal Revenue Code;

35 6. For taxable years beginning on and after January 1, 2017, but before January 1, 2018, and for  
 36 taxable years beginning on and after January 1, 2019, the 7.5 percent of federal adjusted gross income  
 37 threshold set forth in § 213(a) of the Internal Revenue Code that is used for purposes of computing the  
 38 deduction allowed for expenses for medical care pursuant to § 213 of the Internal Revenue Code. For  
 39 such taxable years, the threshold utilized for Virginia income tax purposes to compute the deduction  
 40 allowed for expenses for medical care pursuant to § 213 of the Internal Revenue Code shall be 10  
 41 percent of federal adjusted gross income;

42 7. The provisions of §§ 2303(a) and 2303(b) of the federal Coronavirus Aid, Relief, and Economic  
 43 Security Act, P.L. 116-136 (2020), related to the net operating loss limitation and carryback;

44 8. The provisions of § 2304(a) of the federal Coronavirus Aid, Relief, and Economic Security Act,  
 45 P.L. 116-136 (2020), related to a loss limitation applicable to taxpayers other than corporations;

46 9. The provisions of § 2306 of the federal Coronavirus Aid, Relief, and Economic Security Act, P.L.  
 47 116-136 (2020), related to the limitation on business interest; and

48 10. For taxable years beginning before January 1, 2021, the provisions of §§ 276(a), 276(b)(2),  
 49 276(b)(3), 278(a)(2), 278(a)(3), 278(b)(2), 278(b)(3), 278(c)(2), 278(c)(3), 278(d)(2), and 278(d)(3) of  
 50 the federal Consolidated Appropriations Act, P.L. 116-260 (2020), and §§ 9673(2), 9673(3), 9672(2),  
 51 and 9672(3) of the federal American Rescue Plan Act, P.L. 117-2 (2021) related to deductions, tax  
 52 attributes, and basis increases for certain loan forgiveness and other business financial assistance; and

53 11. a. (1) Any amendment enacted on or after January 1, 2023, with a projected impact that would  
 54 increase or decrease general fund revenues by greater than \$15 million in the fiscal year in which the  
 55 amendment was enacted or any of the succeeding four fiscal years. The provisions of this subdivision  
 56 shall not apply to any amendment to federal income tax law that is either subsequently adopted by the

57 General Assembly or a federal tax extender as defined in subdivision b.

58 (2) All amendments enacted on or after January 1, 2023, and occurring between adjournment sine  
59 die of the previous regular session of the General Assembly and the first day of the subsequent regular  
60 session of the General Assembly if the cumulative projected impact of such amendments would increase  
61 or decrease general fund revenues by greater than \$75 million in the fiscal year in which the  
62 amendments were enacted or any of the succeeding four fiscal years. The provisions of this subdivision  
63 shall not apply to any amendment to federal income tax law that is (i) subsequently adopted by the  
64 General Assembly, (ii) a federal tax extender as defined in subdivision b, or (iii) enacted before the date  
65 on which the cumulative projected impact is met. However, any amendment conformed to pursuant to  
66 clause (iii) shall be included in the calculation of the \$75 million threshold for purposes of determining  
67 whether such threshold has been met.

68 (3) Beginning January 1, 2024, the threshold provided by subdivision (1) shall be adjusted annually  
69 based on the preceding change in the Chained Consumer Price Index for All Urban Consumers  
70 (C-CPI-U), as published by the Bureau of Labor Statistics for the U.S. Department of Labor or any  
71 successor index for the previous year.

72 b. For purposes of this subdivision 11, "amendment" means a single amendment to federal income  
73 tax law or a group of such amendments enacted in the same act of Congress that collectively surpass  
74 the threshold impact, and "federal tax extender" means an amendment to federal tax law that extends  
75 the expiration date of a federal tax provision to which Virginia conforms or has previously conformed.

76 c. The Secretary of Finance, in consultation with the Chairmen of the Senate Committee on Finance  
77 and Appropriations and the House Committees on Appropriations and Finance, shall be responsible for  
78 determining whether the criteria of subdivision a are met.

79 d. The Secretary of Finance shall annually provide a report on or before November 15 of each year  
80 on the fiscal impact of amendments to federal income tax law occurring since the adjournment sine die  
81 of the preceding regular session of the General Assembly to the Chairmen of the Senate Committee on  
82 Finance and Appropriations and the House Committees on Appropriations and Finance. The Secretary  
83 of Finance shall also provide updates to the same Chairmen on any further amendments to federal  
84 income tax law occurring between submission of the required report and the first day of the subsequent  
85 regular session of the General Assembly.

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