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SENATE BILL NO. 1423

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 may become effective, and 58.1-400 of the Code of Virginia, relating to income tax; rates and deductions for businesses.

Patron—Suetterlein

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 may become effective, and 58.1-400 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 the Virginia College Savings Plan, pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1. Except as provided in subdivision b, the amount deducted on any individual income tax return in any taxable year

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

151 **§ 58.1-322.03. (Effective pursuant to Va. Const. Art. IV, § 13; contingent expiration date)**
 152 **Virginia taxable income; deductions.**

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 154 adjusted gross income as defined in § 58.1-321:

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 156 taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the
 157 amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted
 158 on such federal return and increased by an amount that, when added to the amount deducted under
 159 § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for
 160 such purposes at a rate of 18 cents per mile; or

161 b. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income
 162 tax return: (i) for taxable years beginning before January 1, 2019, and on and after January 1, 2026,
 163 \$3,000 for single individuals and \$6,000 for married persons (one-half of such amounts in the case of a
 164 married individual filing a separate return) and (ii) for taxable years beginning on and after January 1,
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 167 section, any person who may be claimed as a dependent on another taxpayer's return for the taxable year
 168 may compute the deduction only with respect to earned income.

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 170 federal income tax purposes.

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

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

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 177 based under § 21 of the Internal Revenue Code for expenses for household and dependent care services
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 180 permanent foster care placement as defined in § 63.2-908, provided that the taxpayer can also claim the
 181 child as a personal exemption under § 151 of the Internal Revenue Code.

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184 attained the age of 65. This deduction shall be reduced by \$1 for every \$1 that the taxpayer's adjusted
185 federal adjusted gross income exceeds \$50,000 for single taxpayers or \$75,000 for married taxpayers.
186 For married taxpayers filing separately, the deduction shall be reduced by \$1 for every \$1 that the total
187 combined adjusted federal adjusted gross income of both spouses exceeds \$75,000.

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

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

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

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

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

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

229 10. The amount an individual pays annually in premiums for long-term health care insurance,
230 provided that the individual has not claimed a deduction for federal income tax purposes, or, for taxable
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232 and after January 1, 2014, no such deduction for long-term health care insurance premiums paid by the
233 individual during the taxable year shall be allowed if the individual has claimed a federal income tax
234 deduction for such taxable year for long-term health care insurance premiums paid by him.

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

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

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

243 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6

244 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the
 245 following items of tangible personal property: (i) any clothes washers, room air conditioners,
 246 dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency
 247 requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of
 248 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an
 249 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least
 250 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating
 251 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of
 252 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and
 253 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a
 254 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that
 255 has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual
 256 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization
 257 rating of 85; and (x) programmable thermostats.

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

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

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

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

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

286 18. For taxable years beginning on and after January 1, 2022, but before January 1, 2025, the lesser
 287 of \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes of
 288 this subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable
 289 year in which the credit under this section is claimed served as a teacher licensed pursuant to Chapter
 290 15 (§ 22.1-289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel,
 291 or student aide serving accredited public or private primary and secondary school students in Virginia,
 292 and "qualifying expenses" means 100 percent of the amount paid or incurred by an eligible educator
 293 during the taxable year for participation in professional development courses and the purchase of books,
 294 supplies, computer equipment (including related software and services), other educational and teaching
 295 equipment, and supplementary materials used directly in that individual's service to students as an
 296 eligible educator, provided that such purchases were neither reimbursed nor claimed as a deduction on
 297 the eligible educator's federal income tax return for such taxable year.

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

302 **§ 58.1-322.03. (Contingently effective pursuant to Acts 2022, Sp. Sess. I, c. 2, cl. 7) Virginia**
 303 **taxable income; deductions.**

304 In computing Virginia taxable income pursuant to § 58.1-322, there shall be deducted from Virginia

305 adjusted gross income as defined in § 58.1-321:

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307 taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the
308 amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted
309 on such federal return and increased by an amount that, when added to the amount deducted under
310 § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for
311 such purposes at a rate of 18 cents per mile; or

312 b. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income
313 tax return: (i) for taxable years beginning before January 1, 2019, and on and after January 1, 2026,
314 \$3,000 for single individuals and \$6,000 for married persons (one-half of such amounts in the case of a
315 married individual filing a separate return); (ii) for taxable years beginning on and after January 1, 2019,
316 but before January 1, 2022, \$4,500 for single individuals and \$9,000 for married persons (one-half of
317 such amounts in the case of a married individual filing a separate return); and (iii) for taxable years
318 beginning on and after January 1, 2022, but before January 1, 2026, \$8,000 for single individuals and
319 \$16,000 for married persons (one-half of such amounts in the case of a married individual filing a
320 separate return). For purposes of this section, any person who may be claimed as a dependent on
321 another taxpayer's return for the taxable year may compute the deduction only with respect to earned
322 income.

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

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

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

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331 based under § 21 of the Internal Revenue Code for expenses for household and dependent care services
332 necessary for gainful employment.

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

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

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

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

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

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

367 limited to, carryover and recapture of deductions.

368 b. A purchaser of a prepaid tuition contract or contributor to a college savings trust account who has
 369 attained age 70 shall not be subject to the limitation that the amount of the deduction not exceed \$4,000
 370 per prepaid tuition contract or college savings trust account in any taxable year. Such taxpayer shall be
 371 allowed a deduction for the full amount paid for the contract or contributed to a college savings trust
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 374 Construction Grants Program and Fund, established in Chapter 11.1 (§ 22.1-175.1 et seq.) of Title 22.1,
 375 provided that the individual has not claimed a deduction for such amount on his federal income tax
 376 return.

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

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

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

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

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

397 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6
 398 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the
 399 following items of tangible personal property: (i) any clothes washers, room air conditioners,
 400 dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency
 401 requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of
 402 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an
 403 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least
 404 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating
 405 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of
 406 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and
 407 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a
 408 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that
 409 has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual
 410 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization
 411 rating of 85; and (x) programmable thermostats.

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

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

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

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

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

440 18. For taxable years beginning on and after January 1, 2022, but before January 1, 2025, the lesser
441 of \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes of
442 this subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable
443 year in which the credit under this section is claimed served as a teacher licensed pursuant to Chapter
444 15 (§ 22.1-289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel,
445 or student aide serving accredited public or private primary and secondary school students in Virginia,
446 and "qualifying expenses" means 100 percent of the amount paid or incurred by an eligible educator
447 during the taxable year for participation in professional development courses and the purchase of books,
448 supplies, computer equipment (including related software and services), other educational and teaching
449 equipment, and supplementary materials used directly in that individual's service to students as an
450 eligible educator, provided that such purchases were neither reimbursed nor claimed as a deduction on
451 the eligible educator's federal income tax return for such taxable year.

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

456 **§ 58.1-322.03. (Contingently effective pursuant to Acts 2022, Sp. Sess. I, c. 2, cl. 8) Virginia**
457 **taxable income; deductions.**

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

460 1. a. The amount allowable for itemized deductions for federal income tax purposes where the
461 taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the
462 amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted
463 on such federal return and increased by an amount that, when added to the amount deducted under
464 § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for
465 such purposes at a rate of 18 cents per mile; or

466 b. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income
467 tax return: (i) for taxable years beginning before January 1, 2019, and on and after January 1, 2026,
468 \$3,000 for single individuals and \$6,000 for married persons (one-half of such amounts in the case of a
469 married individual filing a separate return); (ii) for taxable years beginning on and after January 1, 2019,
470 but before January 1, 2022, \$4,500 for single individuals and \$9,000 for married persons (one-half of
471 such amounts in the case of a married individual filing a separate return); and (iii) for taxable years
472 beginning on and after January 1, 2022, but before January 1, 2026, \$8,000 for single individuals and
473 \$16,000 for married persons (one-half of such amounts in the case of a married individual filing a
474 separate return). For purposes of this section, any person who may be claimed as a dependent on
475 another taxpayer's return for the taxable year may compute the deduction only with respect to earned
476 income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

551 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6
552 (§ 58.1-600 et seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the
553 following items of tangible personal property: (i) any clothes washers, room air conditioners,
554 dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency
555 requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of
556 Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an
557 electricity-only generation efficiency greater than 35 percent, and (c) has a generating capacity of at least
558 two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating
559 and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of
560 at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and
561 a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a
562 cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that
563 has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual
564 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization
565 rating of 85; and (x) programmable thermostats.

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

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

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

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

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

594 18. For taxable years beginning on and after January 1, 2022, but before January 1, 2025, the lesser
595 of \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes of
596 this subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable
597 year in which the credit under this section is claimed served as a teacher licensed pursuant to Chapter
598 15 (§ 22.1-289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel,
599 or student aide serving accredited public or private primary and secondary school students in Virginia,
600 and "qualifying expenses" means 100 percent of the amount paid or incurred by an eligible educator
601 during the taxable year for participation in professional development courses and the purchase of books,
602 supplies, computer equipment (including related software and services), other educational and teaching
603 equipment, and supplementary materials used directly in that individual's service to students as an
604 eligible educator, provided that such purchases were neither reimbursed nor claimed as a deduction on
605 the eligible educator's federal income tax return for such taxable year.

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

610 **§ 58.1-400. Imposition of tax.**

611 A tax at the rate of six percent is hereby annually imposed on the Virginia taxable income for each
612 taxable year of every corporation organized under the laws of the Commonwealth and every foreign

- 613** corporation having income from Virginia sources. *The tax rate shall be:*
614 1. *For taxable years beginning before January 1, 2023, six percent; and*
615 2. *For taxable years beginning on and after January 1, 2023, five percent.*