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SENATE BILL NO. 108

Offered January 10, 2024

Prefiled January 3, 2024

A BILL to amend and reenact § 58.1-322.03, as it is currently effective and as it may become effective, of the Code of Virginia, relating to Virginia taxable income; standard deduction.

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, of the Code of Virginia is amended and reenacted as follows:

§ 58.1-322.03. (For contingent expiration date, see Acts 2023, Sp. Sess. I, ch. 1, cl. 22) Virginia taxable income; deductions.

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

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

b. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income tax return: (i) for taxable years beginning before January 1, 2019, and on and after January 1, 2026, \$3,000 for single individuals and \$6,000 for married persons (one-half of such amounts in the case of a married individual filing a separate return); (ii) for taxable years beginning on and after January 1, 2019, but before January 1, 2022, \$4,500 for single individuals and \$9,000 for married persons (one-half of such amounts in the case of a married individual filing a separate return); and (iii) for taxable years beginning on and after January 1, 2022, but before January 1, 2026, \$8,000 for single individuals and \$16,000 for married persons (one-half of such amounts in the case of a married individual filing a separate return). 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

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59 Virginia College Savings Plan, pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1. Except as provided in
60 subdivision b, the amount deducted on any individual income tax return in any taxable year shall be limited to
61 \$4,000 per prepaid tuition contract or college savings trust account. No deduction shall be allowed pursuant
62 to this subdivision 7 if such payments or contributions are deducted on the purchaser's or contributor's federal
63 income tax return. If the purchase price or annual contribution to a college savings trust account exceeds
64 \$4,000, the remainder may be carried forward and subtracted in future taxable years until the purchase price
65 or college savings trust contribution has been fully deducted; however, except as provided in subdivision b, in
66 no event shall the amount deducted in any taxable year exceed \$4,000 per contract or college savings trust
67 account. Notwithstanding the statute of limitations on assessments contained in § 58.1-312, any deduction
68 taken hereunder shall be subject to recapture in the taxable year or years in which distributions or refunds are
69 made for any reason other than (i) to pay qualified higher education expenses, as defined in § 529 of the
70 Internal Revenue Code or (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes
71 of this subdivision, "purchaser" or "contributor" means the person shown as such on the records of the
72 Virginia College Savings Plan as of December 31 of the taxable year. In the case of a transfer of ownership of
73 a prepaid 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 limited
75 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 per
78 prepaid tuition contract or college savings trust account in any taxable year. Such taxpayer shall be allowed a
79 deduction for the full amount paid for the contract or contributed to a college savings trust account, less any
80 amounts previously deducted.

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

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

90 10. The amount an individual pays annually in premiums for long-term health care insurance, provided
91 that the individual has not claimed a deduction for federal income tax purposes, or, for taxable years
92 beginning before January 1, 2014, a credit under § 58.1-339.11. For taxable years beginning on and after
93 January 1, 2014, no such deduction for long-term health care insurance premiums paid by the individual
94 during the taxable year shall be allowed if the individual has claimed a federal income tax deduction for such
95 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 the
100 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. The
103 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 (§ 58.1-600 et
105 seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the following items of tangible
106 personal property: (i) any clothes washers, room air conditioners, dishwashers, and standard size refrigerators
107 that meet or exceed the applicable energy star efficiency requirements developed by the U.S. Environmental
108 Protection Agency and the U.S. Department of Energy; (ii) any fuel cell that (a) generates electricity using an
109 electrochemical process, (b) has an electricity-only generation efficiency greater than 35 percent, and (c) has
110 a generating capacity of at least two kilowatts; (iii) any gas heat pump that has a coefficient of performance
111 of at least 1.25 for heating and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that
112 yields an energy factor of at least 1.7; (v) any electric heat pump that has a heating system performance factor
113 of at least 8.0 and a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner
114 that has a cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater
115 that has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual fuel-
116 utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization rating of
117 85; and (x) programmable thermostats.

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

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

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

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

133 a. For taxable years beginning on and after January 1, 2018, but before January 1, 2022, 20 percent of
134 such disallowed business interest;

135 b. For taxable years beginning on and after January 1, 2022, but before January 1, 2024, 30 percent of
136 such disallowed business interest;

137 c. For taxable years beginning on and after January 2, 2024, 50 percent of such disallowed business
138 interest.

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

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

145 17. For taxable years beginning before January 1, 2021, up to \$100,000 of the amount that is not
146 deductible when computing federal adjusted gross income solely on account of the portion of subdivision B
147 10 of § 58.1-301 related to Paycheck Protection Program loans.

148 18. For taxable years beginning on and after January 1, 2022, but before January 1, 2025, the lesser of
149 \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes of this
150 subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable year in
151 which the credit under this section is claimed served as a teacher licensed pursuant to Chapter 15 (§ 22.1-
152 289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel, or student aide
153 serving accredited public or private primary and secondary school students in Virginia, and "qualifying
154 expenses" means 100 percent of the amount paid or incurred by an eligible educator during the taxable year
155 for participation in professional development courses and the purchase of books, supplies, computer
156 equipment (including related software and services), other educational and teaching equipment, and
157 supplementary materials used directly in that individual's service to students as an eligible educator, provided
158 that such purchases were neither reimbursed nor claimed as a deduction on the eligible educator's federal
159 income tax return for such taxable year.

160 **§ 58.1-322.03. (For contingent effective date, see Acts 2023, Sp. Sess. I, ch. 1, cl. 22) Virginia taxable**
161 **income; deductions.**

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

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

170 b. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income tax
171 return: (i) for taxable years beginning before January 1, 2019, ~~and on and after January 1, 2026~~, \$3,000 for
172 single individuals and \$6,000 for married persons (one-half of such amounts in the case of a married
173 individual filing a separate return); (ii) for taxable years beginning on and after January 1, 2019, but before
174 January 1, 2022, \$4,500 for single individuals and \$9,000 for married persons (one-half of such amounts in
175 the case of a married individual filing a separate return); (iii) for taxable years beginning on and after January
176 1, 2022, but before January 1, 2024, \$8,000 for single individuals and \$16,000 for married persons (one-half
177 of such amounts in the case of a married individual filing a separate return); and (iv) for taxable years
178 beginning on and after January 1, 2024, ~~but before January 1, 2026~~, \$8,500 for single individuals and \$17,000
179 for married persons (one-half of such amounts in the case of a married individual filing a separate return). For
180 purposes of this section, any person who may be claimed as a dependent on another taxpayer's return for the

181 taxable year may compute the deduction only with respect to earned income.

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

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

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

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

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

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

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

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

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

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

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

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

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

239 10. The amount an individual pays annually in premiums for long-term health care insurance, provided
240 that the individual has not claimed a deduction for federal income tax purposes, or, for taxable years
241 beginning before January 1, 2014, a credit under § 58.1-339.11. For taxable years beginning on and after

242 January 1, 2014, no such deduction for long-term health care insurance premiums paid by the individual
 243 during the taxable year shall be allowed if the individual has claimed a federal income tax deduction for such
 244 taxable year for long-term health care insurance premiums paid by him.

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

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

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

253 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6 (§ 58.1-600 et
 254 seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the following items of tangible
 255 personal property: (i) any clothes washers, room air conditioners, dishwashers, and standard size refrigerators
 256 that meet or exceed the applicable energy star efficiency requirements developed by the U.S. Environmental
 257 Protection Agency and the U.S. Department of Energy; (ii) any fuel cell that (a) generates electricity using an
 258 electrochemical process, (b) has an electricity-only generation efficiency greater than 35 percent, and (c) has
 259 a generating capacity of at least two kilowatts; (iii) any gas heat pump that has a coefficient of performance
 260 of at least 1.25 for heating and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that
 261 yields an energy factor of at least 1.7; (v) any electric heat pump that has a heating system performance factor
 262 of at least 8.0 and a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner
 263 that has a cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater
 264 that has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual fuel-
 265 utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization rating of
 266 85; and (x) programmable thermostats.

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

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

284 b. For taxable years beginning on and after January 1, 2022, but before January 1, 2024, 30 percent of
 285 such disallowed business interest;

286 c. For taxable years beginning on and after January 2, 2024, 50 percent of such disallowed business
 287 interest.

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

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

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

297 18. For taxable years beginning on and after January 1, 2022, but before January 1, 2025, the lesser of
 298 \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes of this
 299 subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable year in
 300 which the credit under this section is claimed served as a teacher licensed pursuant to Chapter 15 (§ 22.1-
 301 289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel, or student aide
 302 serving accredited public or private primary and secondary school students in Virginia, and "qualifying

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