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**SENATE BILL NO. 1426**

Offered January 16, 2025

A *BILL to amend and reenact § 58.1-301 of the Code of Virginia, relating to corporate income tax; Virginia taxable income; definitions.*

\_\_\_\_\_  
 Patron—Bagby  
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Referred to Committee on Finance and Appropriations

**Be it enacted by the General Assembly of Virginia:****1. That § 58.1-301 of the Code of Virginia is amended and reenacted as follows:****§ 58.1-301. (Applicable to taxable years beginning on or after January 1, 2022, but before January 1, 2023) Conformity to Internal Revenue Code.**

A. 1. Any term used in this chapter shall have the same meaning as when used in a comparable context in the laws of the United States relating to federal income taxes, unless a different meaning is clearly required.

2. For purposes of this chapter, "net operating loss" means the excess of any allowable income tax deductions over the gross income used in computing entire net income. "Entire net income" means total net income from all sources, which is the same as the taxable income before net operating loss deduction and special deductions, that the taxpayer is required to report to the U.S. Department of the Treasury for purposes of the federal income tax imposed by Chapter 1 of the Internal Revenue Code, 26 U.S.C. § 1 et seq., with the adjustments required by Article 10 (§ 58.1-400 et seq.).

B. Any reference in this chapter to the laws of the United States relating to federal income taxes shall mean the provisions of the Internal Revenue Code of 1954, and amendments thereto, and other provisions of the laws of the United States relating to federal income taxes, as they existed on December 31, 2022, except for:

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

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

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

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

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

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

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

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

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

10. For taxable years beginning before January 1, 2021, the provisions of §§ 276(a), 276(b)(2), 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 the federal Consolidated Appropriations Act, P.L. 116-260 (2020), and §§ 9672(2), 9672(3), 9673(2), and 9673(3) of the

59 federal American Rescue Plan Act, P.L. 117-2 (2021) related to deductions, tax attributes, and basis increases  
60 for certain loan forgiveness and other business financial assistance.

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

64 **§ 58.1-301. (Applicable to taxable years beginning on and after January 1, 2023) Conformity to**  
65 **Internal Revenue Code.**

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

68 B. Any reference in this chapter to the laws of the United States relating to federal income taxes shall  
69 mean the provisions of the Internal Revenue Code of 1954, and amendments thereto, and other provisions of  
70 the laws of the United States relating to federal income taxes, except for:

71 1. The special depreciation allowance for certain property provided for under §§ 168(k), 168(l), 168(m),  
72 1400L, and 1400N of the Internal Revenue Code;

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

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

77 4. The deferral of certain income under § 108(i) of the Internal Revenue Code. For Virginia income tax  
78 purposes, income from the discharge of indebtedness in connection with the reacquisition of an "applicable  
79 debt instrument" (as defined under § 108(i) of the Internal Revenue Code) reacquired in the taxable year shall  
80 be fully included in the taxpayer's Virginia taxable income for the taxable year, unless the taxpayer elects to  
81 include such income in the taxpayer's Virginia taxable income ratably over a three-taxable-year period  
82 beginning with taxable year 2009 for transactions completed in taxable year 2009, or over a three-taxable-  
83 year period beginning with taxable year 2010 for transactions completed in taxable year 2010 on or before  
84 April 21, 2010. For purposes of such election, all other provisions of § 108(i) of the Internal Revenue Code  
85 shall apply mutatis mutandis. No other deferral shall be allowed for income from the discharge of  
86 indebtedness in connection with the reacquisition of an "applicable debt instrument";

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

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

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

98 8. The provisions of § 2304(a) of the federal Coronavirus Aid, Relief, and Economic Security Act, P.L.  
99 116-136 (2020), related to a loss limitation applicable to taxpayers other than corporations;

100 9. The provisions of § 2306 of the federal Coronavirus Aid, Relief, and Economic Security Act, P.L.  
101 116-136 (2020), related to the limitation on business interest;

102 10. For taxable years beginning before January 1, 2021, the provisions of §§ 276(a), 276(b)(2), 276(b)(3),  
103 278(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 the federal  
104 Consolidated Appropriations Act, P.L. 116-260 (2020), and §§ 9672(2), 9672(3), 9673(2), and 9673(3) of the  
105 federal American Rescue Plan Act, P.L. 117-2 (2021) related to deductions, tax attributes, and basis increases  
106 for certain loan forgiveness and other business financial assistance; and

107 11. a. (1) Any amendment enacted on or after January 1, 2023, with a projected impact that would  
108 increase or decrease general fund revenues by greater than \$15 million in the fiscal year in which the  
109 amendment was enacted or any of the succeeding four fiscal years. The provisions of this subdivision shall  
110 not apply to any amendment to federal income tax law that is either subsequently adopted by the General  
111 Assembly or a federal tax extender as defined in subdivision b.

112 (2) All amendments enacted on or after January 1, 2023, and occurring between adjournment sine die of  
113 the previous regular session of the General Assembly and the first day of the subsequent regular session of  
114 the General Assembly if the cumulative projected impact of such amendments would increase or decrease  
115 general fund revenues by greater than \$75 million in the fiscal year in which the amendments were enacted or  
116 any of the succeeding four fiscal years. The provisions of this subdivision shall not apply to any amendment  
117 to federal income tax law that is (i) subsequently adopted by the General Assembly, (ii) a federal tax extender  
118 as defined in subdivision b, or (iii) enacted before the date on which the cumulative projected impact is met.  
119 However, any amendment conformed to pursuant to clause (iii) shall be included in the calculation of the \$75

120 million threshold for purposes of determining whether such threshold has been met.

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

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

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

132 d. The Secretary of Finance shall annually provide a report on or before November 15 of each year on the  
133 fiscal impact of amendments to federal income tax law occurring since the adjournment sine die of the  
134 preceding regular session of the General Assembly to the Chairmen of the Senate Committee on Finance and  
135 Appropriations and the House Committees on Appropriations and Finance. The Secretary of Finance shall  
136 also provide updates to the same Chairmen on any further amendments to federal income tax law occurring  
137 between submission of the required report and the first day of the subsequent regular session of the General  
138 Assembly.

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

**INTRODUCED**

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