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INTRODUCED

HB97

**HOUSE BILL NO. 977**

Offered January 14, 2026

Prefiled January 13, 2026

**A BILL to amend and reenact § 58.1-301 of the Code of Virginia, relating to conformity of the tax laws of the Commonwealth to the Internal Revenue Code.**

7 Patron—Watts

8 Committee Referral Pending

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**Be it enacted by the General Assembly of Virginia:**10 **1. That § 58.1-301 of the Code of Virginia is amended and reenacted as follows:****11 § 58.1-301. Conformity to Internal Revenue Code.**12 A. Any term used in this chapter shall have the same meaning as when used in a comparable context in  
13 the laws of the United States relating to federal income taxes, unless a different meaning is clearly required.14 B. Any reference in this chapter to the laws of the United States relating to federal income taxes shall  
15 mean the provisions of the Internal Revenue Code of 1954, and amendments thereto, and other provisions of  
16 the laws of the United States relating to federal income taxes, *as they existed on December 31, 2024*, except  
17 for:18 1. The special depreciation allowance for certain property provided for under §§ 168(k), 168(l), 168(m),  
19 1400L, and 1400N of the Internal Revenue Code;20 2. The carry-back of certain net operating losses for five years under § 172(b)(1)(H) of the Internal  
21 Revenue Code;22 3. The original issue discount on applicable high yield discount obligations under § 163(e)(5)(F) of the  
23 Internal Revenue Code;24 4. The deferral of certain income under § 108(i) of the Internal Revenue Code. For Virginia income tax  
25 purposes, income from the discharge of indebtedness in connection with the reacquisition of an "applicable  
26 debt instrument" (as defined under § 108(i) of the Internal Revenue Code) reacquired in the taxable year shall  
27 be fully included in the taxpayer's Virginia taxable income for the taxable year, unless the taxpayer elects to  
28 include such income in the taxpayer's Virginia taxable income ratably over a three-taxable-year period  
29 beginning with taxable year 2009 for transactions completed in taxable year 2009, or over a three-taxable-  
30 year period beginning with taxable year 2010 for transactions completed in taxable year 2010 on or before  
31 April 21, 2010. For purposes of such election, all other provisions of § 108(i) of the Internal Revenue Code  
32 shall apply mutatis mutandis. No other deferral shall be allowed for income from the discharge of  
33 indebtedness in connection with the reacquisition of an "applicable debt instrument";34 5. For taxable years beginning on and after January 1, 2019, the suspension of the overall limitation on  
35 itemized deductions under § 68(f) of the Internal Revenue Code;36 6. For taxable years beginning on and after January 1, 2017, but before January 1, 2018, and for taxable  
37 years beginning on and after January 1, 2019, the 7.5 percent of federal adjusted gross income threshold set  
38 forth in § 213(a) of the Internal Revenue Code that is used for purposes of computing the deduction allowed  
39 for expenses for medical care pursuant to § 213 of the Internal Revenue Code. For such taxable years, the  
40 threshold utilized for Virginia income tax purposes to compute the deduction allowed for expenses for  
41 medical care pursuant to § 213 of the Internal Revenue Code shall be 10 percent of federal adjusted gross  
42 income;43 7. The provisions of §§ 2303(a) and 2303(b) of the federal Coronavirus Aid, Relief, and Economic  
44 Security Act, P.L. 116-136 (2020), related to the net operating loss limitation and carryback;45 8. The provisions of § 2304(a) of the federal Coronavirus Aid, Relief, and Economic Security Act, P.L.  
46 116-136 (2020), related to a loss limitation applicable to taxpayers other than corporations;47 9. The provisions of § 2306 of the federal Coronavirus Aid, Relief, and Economic Security Act, P.L.  
48 116-136 (2020), related to the limitation on business interest; *and*49 10. For taxable years beginning before January 1, 2021, the provisions of §§ 276(a), 276(b)(2), 276(b)(3),  
50 278(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  
51 Consolidated Appropriations Act, P.L. 116-260 (2020), and §§ 9672(2), 9672(3), 9673(2), and 9673(3) of the  
52 federal American Rescue Plan Act, P.L. 117-2 (2021) related to deductions, tax attributes, and basis increases  
53 for certain loan forgiveness and other business financial assistance; *and*54 11. a. (1) Any amendment enacted on or after January 1, 2023, with a projected impact that would  
55 increase or decrease general fund revenues by greater than \$15 million in the fiscal year in which the  
56 amendment was enacted or any of the succeeding four fiscal years. The provisions of this subdivision shall  
57 not apply to any amendment to federal income tax law that is either subsequently adopted by the General  
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59     Assembly or a federal tax extender as defined in subdivision b.

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

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

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

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

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

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

90       **2. That an emergency exists and this act is in force from its passage.**

91       **3. That the provisions of this act shall apply to taxable years beginning on and after January 1,  
92       2025.**

93       **4. That the provisions of this act shall prevail over any conflicting provisions of the twelfth enactment  
94       of Chapter 725 of the Acts of Assembly of 2025, and that § 4-13.00 of Chapter 725 of the of the Acts of  
95       Assembly of 2025 shall not be applicable with respect to any such conflict.**