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HOUSE BILL NO. 1074

Offered January 14, 2026

Prefiled January 14, 2026

A BILL to amend and reenact §§ 58.1-320, 58.1-322.02, 58.1-322.03, and 58.1-339.8 of the Code of Virginia and to amend the Code of Virginia by adding in Article 3 of Chapter 3 of Title 58.1 sections numbered 58.1-339.15 and 58.1-339.16, relating to state taxation in the Commonwealth.

Patron—Hernandez

Committee Referral Pending

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-320, 58.1-322.02, 58.1-322.03, and 58.1-339.8 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding in Article 3 of Chapter 3 of Title 58.1 sections numbered 58.1-339.15 and 58.1-339.16 as follows:

§ 58.1-320. Imposition of tax.

A tax is hereby annually imposed on the Virginia taxable income for each taxable year of every individual as follows:

~~Two~~ 1. For taxable years beginning before January 1, 2027, two percent on income not exceeding \$3,000;

~~Three~~ three percent on income in excess of \$3,000; but not in excess of \$5,000;

~~Five~~ percent on income in excess of \$5,000; but not in excess of \$12,000 for taxable years beginning before January 1, 1987;

~~Five~~ percent on income in excess of \$5,000 but not in excess of \$14,000 for taxable years beginning January 1, 1987, through December 31, 1987;

~~Five~~ percent on income in excess of \$5,000 but not in excess of \$15,000 for taxable years beginning January 1, 1988, through December 31, 1988;

~~Five~~ percent on income in excess of \$5,000 but not in excess of \$16,000 for taxable years beginning January 1, 1989, through December 31, 1989;

~~Five~~ five percent on income in excess of \$5,000 but not in excess of \$17,000 for taxable years beginning January 1, 1990;

~~Five and three-quarters~~ percent on income in excess of \$12,000 for taxable years beginning before January 1, 1987;

~~Five and three-quarters~~ percent on income in excess of \$14,000 for taxable years beginning January 1, 1987, through December 31, 1987;

~~Five and three-quarters~~ percent on income in excess of \$15,000 for taxable years beginning January 1, 1988, through December 31, 1988;

~~Five and three-quarters~~ percent on income in excess of \$16,000 for taxable years beginning January 1, 1989, through December 31, 1989; and

~~Five and five and three-quarters~~ percent on income in excess of \$17,000 for taxable years beginning on and after January 1, 1990.

2. For taxable years beginning on and after January 1, 2027, two percent on income not exceeding \$3,000; three percent on income in excess of \$3,000 but not in excess of \$5,000; five percent on income in excess of \$5,000 but not in excess of \$17,000; five and three-quarters percent on income in excess of \$17,000 but not in excess of \$1,000,000; and seven and three-quarters percent on income in excess of \$1,000,000.

§ 58.1-322.02. Virginia taxable income; subtractions.

In computing Virginia taxable income pursuant to § 58.1-322, to the extent included in federal adjusted gross income, there shall be subtracted:

1. Income derived from obligations, or on the sale or exchange of obligations, of the United States and on obligations or securities of any authority, commission, or instrumentality of the United States to the extent exempt from state income taxes under the laws of the United States, including, but not limited to, stocks, bonds, treasury bills, and treasury notes but not including interest on refunds of federal taxes, interest on equipment purchase contracts, or interest on other normal business transactions.

2. Income derived from obligations, or on the sale or exchange of obligations, of the Commonwealth or of any political subdivision or instrumentality of the Commonwealth.

3. 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.

4. Up to \$20,000 of disability income, as defined in § 22(c)(2)(B)(iii) of the Internal Revenue Code; however, any person who claims a deduction under subdivision 5 of § 58.1-322.03 may not also claim a

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subtraction under this subdivision.

5. The amount of any refund or credit for overpayment of income taxes imposed by the Commonwealth or any other taxing jurisdiction.

6. The amount of wages or salaries eligible for the federal Work Opportunity Credit which was not deducted for federal purposes on account of the provisions of § 280C(a) of the Internal Revenue Code.

7. Any amount included therein less than \$600 from a prize awarded by the Virginia Lottery.

8. The wages or salaries received by any person for active and inactive service in the National Guard of the Commonwealth of Virginia, (i) for taxable years beginning before January 1, 2023, not to exceed the amount of income derived from 39 calendar days of such service or \$3,000, whichever amount is less; however, only those persons in the ranks of O3 and below shall be entitled to the subtractions specified in this clause, and (ii) for taxable years beginning on or after January 1, 2023, not to exceed the amount of income derived from 39 calendar days of such service or \$5,500, whichever amount is less; however, only those persons in the ranks of O6 and below shall be entitled to the subtractions specified in this clause.

9. Amounts received by an individual, not to exceed \$1,000 for taxable years beginning on or before December 31, 2019, and \$5,000 for taxable years beginning on or after January 1, 2020, as a reward for information provided to a law-enforcement official or agency, or to a nonprofit corporation created exclusively to assist such law-enforcement official or agency, in the apprehension and conviction of perpetrators of crimes. This subdivision shall not apply to the following: an individual who is an employee of, or under contract with, a law-enforcement agency, a victim or the perpetrator of the crime for which the reward was paid, or any person who is compensated for the investigation of crimes or accidents.

10. The amount of "qualified research expenses" or "basic research expenses" eligible for deduction for federal purposes, but which were not deducted, on account of the provisions of § 280C(c) of the Internal Revenue Code and which shall be available to partners, shareholders of S corporations, and members of limited liability companies to the extent and in the same manner as other deductions may pass through to such partners, shareholders, and members.

11. Any income received during the taxable year derived from a qualified pension, profit-sharing, or stock bonus plan as described by § 401 of the Internal Revenue Code, an individual retirement account or annuity established under § 408 of the Internal Revenue Code, a deferred compensation plan as defined by § 457 of the Internal Revenue Code, or any federal government retirement program, the contributions to which were deductible from the taxpayer's federal adjusted gross income, but only to the extent the contributions to such plan or program were subject to taxation under the income tax in another state.

12. Any income attributable to a distribution of benefits or a refund from a prepaid tuition contract or savings trust account with the Commonwealth Savers Plan, created pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1. The subtraction for any income attributable to a refund shall be limited to income attributable to a refund in the event of a beneficiary's death, disability, or receipt of a scholarship.

13. All military pay and allowances, to the extent included in federal adjusted gross income and not otherwise subtracted, deducted, or exempted under this section, earned by military personnel while serving by order of the President of the United States with the consent of Congress in a combat zone or qualified hazardous duty area that is treated as a combat zone for federal tax purposes pursuant to § 112 of the Internal Revenue Code.

14. For taxable years beginning before January 1, 2015, the gain derived from the sale or exchange of real property or the sale or exchange of an easement to real property which results in the real property or the easement thereto being devoted to open-space use, as that term is defined in § 58.1-3230, for a period of time not less than 30 years. To the extent that a subtraction is taken in accordance with this subdivision, no tax credit under this chapter for donating land for its preservation shall be allowed for three years following the year in which the subtraction is taken.

15. Fifteen thousand dollars of military basic pay for military service personnel on extended active duty for periods in excess of 90 days; however, the subtraction amount shall be reduced dollar-for-dollar by the amount by which the taxpayer's military basic pay exceeds \$15,000 and shall be reduced to zero if such military basic pay amount is equal to or exceeds \$30,000.

16. The first \$15,000 of salary for each federal and state employee whose total annual salary from all employment for the taxable year is \$15,000 or less.

17. Unemployment benefits taxable pursuant to § 85 of the Internal Revenue Code.

18. a. Any amount received as military retirement income by an individual awarded the Congressional Medal of Honor.

b. For taxable years beginning on and after January 1, 2022, but before January 1, 2023, up to \$10,000 of military benefits; and for taxable years beginning on and after January 1, 2023, but before January 1, 2024, up to \$20,000 of military benefits.

c. For taxable years beginning on and after January 1, 2024, but before January 1, 2025, up to \$30,000 of military benefits; and for taxable years beginning on and after January 1, 2025, but before January 1, 2026, up to \$40,000 of military benefits.

d. For taxable years beginning on and after January 1, 2026, up to \$60,000 of military benefits. For

taxable years beginning on and after January 1, 2027, such amount shall be adjusted annually based on the greater of (i) the change in the United States Average Consumer Price Index for all items, all urban consumers, as published by the Bureau of Labor Statistics for the U.S. Department of Labor for the previous year or (ii) zero.

e. For purposes of subdivisions b ~~and~~, c, and d, "military benefits" means any (i) military retirement income received for service in the Armed Forces of the United States, (ii) qualified military benefits received pursuant to § 134 of the Internal Revenue Code, (iii) benefits paid to the surviving spouse of a veteran of the Armed Forces of the United States under the Survivor Benefit Plan program established by the U.S. Department of Defense, and (iv) military benefits paid to the surviving spouse of a veteran of the Armed Forces of the United States. The subtraction allowed by subdivision b shall be allowed only for military benefits received by an individual age 55 or older. The subtraction allowed by ~~subdivision~~ subdivisions c and d shall be allowed for military benefits received by an individual of any age. No subtraction shall be allowed pursuant to subdivisions b ~~and~~, c, or d if a credit, exemption, subtraction, or deduction is claimed for the same income pursuant to subdivision a or any other provision of Virginia or federal law.

19. Items of income attributable to, derived from, or in any way related to (i) assets stolen from, hidden from, or otherwise lost by an individual who was a victim or target of Nazi persecution or (ii) damages, reparations, or other consideration received by a victim or target of Nazi persecution to compensate such individual for performing labor against his will under the threat of death, during World War II and its prelude and direct aftermath. This subtraction shall not apply to assets acquired with such items of income or with the proceeds from the sale of assets stolen from, hidden from, or otherwise lost to, during World War II and its prelude and direct aftermath, a victim or target of Nazi persecution. The provisions of this subdivision shall only apply to an individual who was the first recipient of such items of income and who was a victim or target of Nazi persecution, or a spouse, surviving spouse, or child or stepchild of such victim.

As used in this subdivision:

"Nazi regime" means the country of Nazi Germany, areas occupied by Nazi Germany, those European countries allied with Nazi Germany, or any other neutral European country or area in Europe under the influence or threat of Nazi invasion.

"Victim or target of Nazi persecution" means any individual persecuted or targeted for persecution by the Nazi regime who had assets stolen from, hidden from, or otherwise lost as a result of any act or omission in any way relating to (i) the Holocaust, (ii) World War II and its prelude and direct aftermath, (iii) transactions with or actions of the Nazi regime, (iv) treatment of refugees fleeing Nazi persecution, or (v) the holding of such assets by entities or persons in the Swiss Confederation during World War II and its prelude and aftermath. A "victim or target of Nazi persecution" also includes any individual forced into labor against his will, under the threat of death, during World War II and its prelude and direct aftermath.

20. The military death gratuity payment made after September 11, 2001, to the survivor of deceased military personnel killed in the line of duty, pursuant to 10 U.S.C. Chapter 75; however, the subtraction amount shall be reduced dollar-for-dollar by the amount that the survivor may exclude from his federal gross income in accordance with § 134 of the Internal Revenue Code.

21. The death benefit payments from an annuity contract that are received by a beneficiary of such contract, provided that (i) the death benefit payment is made pursuant to an annuity contract with an insurance company and (ii) the death benefit payment is paid solely by lump sum. The subtraction under this subdivision shall be allowed only for that portion of the death benefit payment that is included in federal adjusted gross income.

22. Any gain recognized from the sale of launch services to space flight participants, as defined in 49 U.S.C. § 70102, or launch services intended to provide individuals with the training or experience of a launch, without performing an actual launch. To qualify for a deduction under this subdivision, launch services must be performed in Virginia or originate from an airport or spaceport in Virginia.

23. Any gain recognized as a result of resupply services contracts for delivering payload, as defined in 49 U.S.C. § 70102, entered into with the Commercial Orbital Transportation Services division of the National Aeronautics and Space Administration or other space flight entity, as defined in § 8.01-227.8, and launched from an airport or spaceport in Virginia.

24. Any income taxed as a long-term capital gain for federal income tax purposes, or any income taxed as investment services partnership interest income (otherwise known as investment partnership carried interest income) for federal income tax purposes. To qualify for a subtraction under this subdivision, such income shall be attributable to an investment in a "qualified business," as defined in § 58.1-339.4, or in any other technology business approved by the Secretary of Administration, provided that the business has its principal office or facility in the Commonwealth and less than \$3 million in annual revenues in the fiscal year prior to the investment. To qualify for a subtraction under this subdivision, the investment shall be made between the dates of April 1, 2010, and June 30, 2020. No taxpayer who has claimed a tax credit for an investment in a "qualified business" under § 58.1-339.4 shall be eligible for the subtraction under this subdivision for an investment in the same business.

25. For taxable years beginning on and after January 1, 2014, any income of an account holder for the

183 taxable year taxed as (i) a capital gain for federal income tax purposes attributable to such person's first-time
184 home buyer savings account established pursuant to Chapter 12 (§ 36-171 et seq.) of Title 36 and (ii) interest
185 income or other income for federal income tax purposes attributable to such person's first-time home buyer
186 savings account.

187 Notwithstanding the statute of limitations on assessments contained in § 58.1-312, any subtraction taken
188 under this subdivision shall be subject to recapture in the taxable year or years in which moneys or funds
189 withdrawn from the first-time home buyer savings account were used for any purpose other than the payment
190 of eligible costs by or on behalf of a qualified beneficiary, as provided under § 36-174. The amount subject to
191 recapture shall be a portion of the amount withdrawn in the taxable year that was used for other than the
192 payment of eligible costs, computed by multiplying the amount withdrawn and used for other than the
193 payment of eligible costs by the ratio of the aggregate earnings in the account at the time of the withdrawal to
194 the total balance in the account at such time.

195 However, recapture shall not apply to the extent of moneys or funds withdrawn that were (i) withdrawn by
196 reason of the qualified beneficiary's death or disability; (ii) a disbursement of assets of the account pursuant
197 to a filing for protection under the United States Bankruptcy Code, 11 U.S.C. §§ 101 through 1330; or (iii)
198 transferred from an account established pursuant to Chapter 12 (§ 36-171 et seq.) of Title 36 into another
199 account established pursuant to such chapter for the benefit of another qualified beneficiary.

200 For purposes of this subdivision, "account holder," "eligible costs," "first-time home buyer savings
201 account," and "qualified beneficiary" mean the same as those terms are defined in § 36-171.

202 26. For taxable years beginning on and after January 1, 2015, any income for the taxable year attributable
203 to the discharge of a student loan solely by reason of the student's death. For purposes of this subdivision,
204 "student loan" means the same as that term is defined under § 108(f) of the Internal Revenue Code.

205 27. a. Income, including investment services partnership interest income (otherwise known as investment
206 partnership carried interest income), attributable to an investment in a Virginia venture capital account. To
207 qualify for a subtraction under this subdivision, the investment shall be made on or after January 1, 2018, but
208 before December 31, 2023. No subtraction shall be allowed under this subdivision for an investment in a
209 company that is owned or operated by a family member or an affiliate of the taxpayer. No subtraction shall be
210 allowed under this subdivision for a taxpayer who has claimed a subtraction under subdivision 24 or a tax
211 credit under § 58.1-339.4 for the same investment.

212 b. As used in this subdivision 27:

213 "Qualified portfolio company" means a company that (i) has its principal place of business in the
214 Commonwealth; (ii) has a primary purpose of production, sale, research, or development of a product or
215 service other than the management or investment of capital; and (iii) provides equity in the company to the
216 Virginia venture capital account in exchange for a capital investment. "Qualified portfolio company" does not
217 include a company that is an individual or sole proprietorship.

218 "Virginia venture capital account" means an investment fund that has been certified by the Department as
219 a Virginia venture capital account. In order to be certified as a Virginia venture capital account, the operator
220 of the investment fund shall register the investment fund with the Department prior to December 31, 2023, (i)
221 indicating that it intends to invest at least 50 percent of the capital committed to its fund in qualified portfolio
222 companies and (ii) providing documentation that it employs at least one investor who has at least four years
223 of professional experience in venture capital investment or substantially equivalent experience. "Substantially
224 equivalent experience" includes, but is not limited to, an undergraduate degree from an accredited college or
225 university in economics, finance, or a similar field of study. The Department may require an investment fund
226 to provide documentation of the investor's training, education, or experience as deemed necessary by the
227 Department to determine substantial equivalency. If the Department determines that the investment fund
228 employs at least one investor with the experience set forth herein, the Department shall certify the investment
229 fund as a Virginia venture capital account at such time as the investment fund actually invests at least 50
230 percent of the capital committed to its fund in qualified portfolio companies.

231 28. a. Income attributable to an investment in a Virginia real estate investment trust. To qualify for a
232 subtraction under this subdivision, the investment shall be made on or after January 1, 2019, but before
233 December 31, 2024. No subtraction shall be allowed for an investment in a trust that is managed by a family
234 member or an affiliate of the taxpayer. No subtraction shall be allowed under this subdivision for a taxpayer
235 who has claimed a subtraction under subdivision 24 or 27 or a tax credit under § 58.1-339.4 for the same
236 investment.

237 b. As used in this subdivision 28:

238 "Distressed" means satisfying the criteria applicable to a locality described in subdivision E 2 of
239 § 2.2-115.

240 "Double distressed" means satisfying the criteria applicable to a locality described in subdivision E 3 of
241 § 2.2-115.

242 "Virginia real estate investment trust" means a real estate investment trust, as defined in 26 U.S.C. § 856,
243 that has been certified by the Department as a Virginia real estate investment trust. In order to be certified as
244 a Virginia real estate investment trust, the trustee shall register the trust with the Department prior to

December 31, 2024, indicating that it intends to invest at least 90 percent of trust funds in Virginia and at least 40 percent of trust funds in real estate in localities that are distressed or double distressed. If the Department determines that the trust satisfies the preceding criteria, the Department shall certify the trust as a Virginia real estate investment trust at such time as the trust actually invests at least 90 percent of trust funds in Virginia and at least 40 percent of trust funds in real estate in localities that are distressed or double distressed.

29. For taxable years beginning on and after January 1, 2019, any gain recognized from the taking of real property by condemnation proceedings.

30. For taxable years beginning before January 1, 2021, up to \$100,000 of all grant funds received by the taxpayer under the Rebuild Virginia program established by the Governor and administered by the Department of Small Business and Supplier Diversity.

31. For taxable years beginning on and after January 1, 2022, any compensation for wrongful incarceration awarded pursuant to the procedures established under Article 18.2 (§ 8.01-195.10 et seq.) of Chapter 3 of Title 8.01.

§ 58.1-322.03. 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, 2027~~, \$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); (iii) for taxable years beginning on and after January 1, 2022, but before January 1, 2024, \$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); (iv) for taxable years beginning on and after January 1, 2024, but before January 1, 2025, \$8,500 for single individuals and \$17,000 for married persons (one-half of such amounts in the case of a married individual filing a separate return); ~~and~~ (v) for taxable years beginning on and after January 1, 2025, but before January 1, ~~2027~~ 2026, \$8,750 for single individuals and \$17,500 for married persons (one-half of such amounts in the case of a married individual filing a separate return); *and (vi) for taxable years beginning on and after January 1, 2026, \$10,000 for single individuals and \$20,000 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 Commonwealth Savers 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 shall be limited to \$4,000 per prepaid tuition contract or college savings trust account. No deduction shall be allowed pursuant to this subdivision 7 if such payments or contributions are deducted on the purchaser's or contributor's federal income tax return. If the purchase price or annual contribution to a college savings trust account exceeds \$4,000, the remainder may be carried forward and subtracted in future taxable years until the purchase price or college savings trust contribution has been fully deducted; however, except as provided in subdivision b, in no event shall the amount deducted in any taxable year exceed \$4,000 per contract or college savings trust account. Notwithstanding the statute of limitations on assessments contained in § 58.1-312, any deduction taken hereunder shall be subject to recapture in the taxable year or years in which distributions or refunds are made for any reason other than (i) to pay qualified higher education expenses, as defined in § 529 of the Internal Revenue Code or (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes of this subdivision, "purchaser" or "contributor" means the person shown as such on the records of the Commonwealth Savers Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a prepaid tuition contract or college savings trust account, the transferee shall succeed to the transferor's tax attributes associated with a prepaid tuition contract or college savings trust account, including, but not limited to, carryover and recapture of deductions.

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

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

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

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

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

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

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

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

of 85; and (x) programmable thermostats.

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

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

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

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

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

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

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

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

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

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

19. For taxable years beginning on and after January 1, 2026, the amount paid or cost incurred for installing a qualifying upgrade required to interconnect a triggering project. No deduction shall be allowed under this section for a taxpayer who has claimed a deduction under subsection I of § 58.1-402 for the same amount paid or cost incurred to install such qualifying upgrade.

For purposes of this subdivision, "qualifying upgrade" and "triggering project" have the same meanings as provided for those terms in § 56-596.5.

§ 58.1-339.8. Income tax credit for low-income taxpayers.

A. For purposes of this section:

"Family Virginia adjusted gross income" means the combined Virginia adjusted gross income of an individual, the individual's spouse, and any person claimed as a dependent on the individual's or his spouse's income tax return for the taxable year.

"Household" means an individual, or in the case of married individuals, an individual and his spouse, regardless of whether or not the individual and his spouse file combined or separate Virginia individual income tax returns.

"Poverty guidelines" means the poverty guidelines for the 48 contiguous states and the District of Columbia updated annually in the Federal Register by the U.S. Department of Health and Human Services under the authority of § 673(2) of the Omnibus Budget Reconciliation Act of 1981.

"Virginia adjusted gross income" has the same meaning as the term is defined in § 58.1-321.

B. 1. For taxable years beginning on and after January 1, 2000, any individual or married individuals

filing jointly whose family Virginia adjusted gross income does not exceed 100 percent of the poverty guideline amount corresponding to a household of an equal number of persons as listed in the poverty guidelines published during such taxable year, shall be allowed a nonrefundable credit against the tax levied pursuant to § 58.1-320 in an amount equal to \$300 each for the individual, the individual's spouse, and any person claimed as a dependent on the individual's or married individuals' income tax return for the taxable year. For any taxable year in which married individuals file separate Virginia income tax returns, the credit provided under this section shall be allowed against the tax for only one of such two tax returns. Additionally, the credit provided under this section shall not be allowed against such tax of a dependent of the individual or of married individuals.

2. For taxable years beginning on and after January 1, 2006, any individual or married individuals filing jointly, eligible for a tax credit pursuant to § 32 of the Internal Revenue Code, may for the taxable year, in lieu of the credit authorized under subdivision 1, claim a nonrefundable credit against the tax imposed pursuant to § 58.1-320 in an amount equal to 20 percent of the credit claimed by the individual or married individuals for federal individual income taxes pursuant to § 32 of the Internal Revenue Code for the taxable year. In no case shall a household be allowed a credit pursuant to this subdivision and subdivision 1 or 3 for the same taxable year.

3. a. For taxable years beginning on and after January 1, 2022, but before January 1, 2025 any individual or married individuals filing jointly, eligible for a tax credit pursuant to § 32 of the Internal Revenue Code, may for the taxable year, in lieu of the credit authorized under subdivision 1 or 2, claim a refundable credit against the tax imposed pursuant to § 58.1-320 in an amount equal to 15 percent of the credit claimed by the individual or married individuals for federal individual income taxes pursuant to § 32 of the Internal Revenue Code for the taxable year.

b. For taxable years beginning on and after January 1, 2025 but before January 1, 2027 2026, any individual or married individuals filing jointly may, for the taxable year, in lieu of the credit authorized under subdivision 1 or 2, claim a refundable credit against the tax imposed pursuant to § 58.1-320 in an amount equal to 20 percent of the credit claimed by the individual or married individuals for federal individual income taxes pursuant to § 32 of the Internal Revenue Code for the taxable year.

c. *For taxable years beginning on and after January 1, 2026, any individual or married individuals filing jointly may, for the taxable year, in lieu of the credit authorized under subdivision 1 or 2, claim a refundable credit against the tax imposed pursuant to § 58.1-320 in an amount equal to 25 percent of the credit claimed by the individual or married individuals for federal individual income taxes pursuant to § 32 of the Internal Revenue Code for the taxable year.*

d. The refundable credit claimed pursuant to this subdivision 3 shall be claimed on the Virginia income tax return and redeemed by the Tax Commissioner. In no case shall a household be allowed a credit pursuant to this subdivision 3 and subdivision 1 or 2 for the same taxable year.

C. The amount of the credit claimed pursuant to subdivision B 1 and B 2, or in the case of a nonresident or a person to which § 58.1-303 applies, subdivision B 3, for any taxable year shall not exceed the individual's or married individuals' Virginia income tax liability.

D. Notwithstanding any other provision of this section, no credit shall be allowed pursuant to subsection B in any taxable year in which the individual, the individual's spouse, or both, or any person claimed as a dependent on such individual's or married individuals' income tax return, claims one or any combination of the following on his or their income tax return for such taxable year:

1. The subtraction under subdivision 8 of § 58.1-322.02;
2. The subtraction under subdivision 15 of § 58.1-322.02;
3. The subtraction under subdivision 16 of § 58.1-322.02;
4. The deduction for the additional personal exemption for blind or aged taxpayers under subdivision 2 b of § 58.1-322.03; or
5. The deduction under subdivision 5 of § 58.1-322.03.

§ 58.1-339.15. Health insurance premium tax credit.

A. *For purposes of this section:*

"Eligible taxpayer" means a taxpayer that has a Virginia adjusted gross income equal to or less than 250 percent of the poverty guidelines

"Enhanced premium credit" means the difference between (i) the amount of credit the individual or married individuals filing jointly would have been eligible to claim for federal individual income taxes pursuant to § 36 of the Internal Revenue Code for taxable year 2025 and (ii) the amount of credit the individual or married individuals would have been eligible to claim for federal individual income taxes pursuant to § 36 of the Internal Revenue Code for taxable year 2020.

"Poverty guidelines" means the poverty guidelines of the 48 contiguous states and the District of Columbia updated annually in the Federal Register by the U.S. Department of Health and Human Services under the authority of § 673(2) of the Omnibus Budget Reconciliation Act of 1981.

B. *For taxable years beginning on and after January 1, 2026, but before January 1, 2031, a taxpayer eligible for a tax credit pursuant to § 36 of the Internal Revenue Code as it existed on December 31, 2025,*

may for the taxable year claim a refundable credit against the tax imposed pursuant to § 58.1-320. A taxpayer may claim a credit in an amount equal to 100 percent of such taxpayer's enhanced premium credit. For the taxable years beginning on and after January 1, 2026, but before January 1, 2027, the aggregate amount of credits allowable under this section shall not exceed \$50 million per taxable year.

C. 1. If the taxpayer is a resident of Virginia and not a person to whom § 58.1-303 applies, and if the amount of the credit exceeds the taxpayer's liability for such taxable year, the excess shall be refunded by the Tax Commissioner within 90 days after the filing date of the income tax return on which the individual applies for the refund. Tax credits shall be refunded by the Tax Commissioner on behalf of the Commonwealth for 100 percent of face value.

2. If the taxpayer is a nonresident or a person to whom § 58.1-303 applies, the credit shall be nonrefundable and the amount of the credit claimed pursuant to this section for any taxable year shall not exceed the individual's or married individuals' Virginia income tax liability.

D. No credit shall be allowed under this section during any taxable year in which § 36B of the Internal Revenue Code, or any successor provision, is in effect.

E. The Tax Commissioner shall develop guidelines for claiming the credit provided by this section. Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

§ 58.1-339.16. Child tax credit.

A. For taxable years beginning on and after January 1, 2026, but before January 1, 2031, an individual or married individuals filing jointly shall be allowed a one-time credit against the tax levied pursuant to § 58.1-320 for each dependent member of the taxpayer's household who is younger than 6 years of age. The amount of the credit shall be equal to \$400 for each such dependent household member. Only one credit may be claimed per such dependent household member. The credit allowed by this section shall be allowed only for an individual or married individuals whose family Virginia adjusted gross income does not exceed \$100,000. For purposes of this section, "Virginia adjusted gross income" means federal adjusted gross income for the taxable year with the modifications specified in §§ 58.1-322.01 and 58.1-322.02.

B. 1. If the taxpayer is a resident of Virginia and not a person to whom § 58.1-303 applies, and if the amount of the credit exceeds the taxpayer's liability for such taxable year, the excess shall be refunded by the Tax Commissioner. Tax credits shall be refunded by the Tax Commissioner on behalf of the Commonwealth for 100 percent of face value. The Department shall establish a process to allow taxpayers to elect to receive one or more payments of any such refund of the credit under this section. The Department shall not distribute multiple payments to a taxpayer who does not elect to receive multiple payments.

2. If the taxpayer is a nonresident or a person to whom § 58.1-303 applies, the credit shall be nonrefundable and the amount of the credit claimed pursuant to this section for any taxable year shall not exceed the individual's or married individuals' Virginia income tax liability.

C. The Tax Commissioner shall develop guidelines for claiming the credit provided by this section. Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).