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SENATE BILL NO. 662

Offered January 14, 2026

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A BILL to amend and reenact §§ 58.1-322.03 and 58.1-339.8 of the Code of Virginia, relating to taxation and revenues of the Commonwealth.

Patron—Lucas

Referred to Committee on Finance and Appropriations

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-322.03 and 58.1-339.8 of the Code of Virginia are amended and reenacted as follows:

§ 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 2029, \$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 2029, \$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). 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.

59 7. a. A deduction shall be allowed to the purchaser or contributor for the amount paid or contributed
60 during the taxable year for a prepaid tuition contract or college savings trust account entered into with the
61 Commonwealth Savers Plan, pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1. Except as provided in
62 subdivision b, the amount deducted on any individual income tax return in any taxable year shall be limited to
63 \$4,000 per prepaid tuition contract or college savings trust account. No deduction shall be allowed pursuant
64 to this subdivision 7 if such payments or contributions are deducted on the purchaser's or contributor's federal
65 income tax return. If the purchase price or annual contribution to a college savings trust account exceeds
66 \$4,000, the remainder may be carried forward and subtracted in future taxable years until the purchase price
67 or college savings trust contribution has been fully deducted; however, except as provided in subdivision b, in
68 no event shall the amount deducted in any taxable year exceed \$4,000 per contract or college savings trust
69 account. Notwithstanding the statute of limitations on assessments contained in § 58.1-312, any deduction
70 taken hereunder shall be subject to recapture in the taxable year or years in which distributions or refunds are
71 made for any reason other than (i) to pay qualified higher education expenses, as defined in § 529 of the
72 Internal Revenue Code or (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes
73 of this subdivision, "purchaser" or "contributor" means the person shown as such on the records of the
74 Commonwealth Savers Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a
75 prepaid tuition contract or college savings trust account, the transferee shall succeed to the transferor's tax
76 attributes associated with a prepaid tuition contract or college savings trust account, including, but not limited
77 to, carryover and recapture of deductions.

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

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

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

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

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

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

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

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

120 13. The lesser of \$5,000 or the amount actually paid by a living donor of an organ or other living tissue

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

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

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

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

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

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

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

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

147 17. For taxable years beginning before January 1, 2021, up to \$100,000 of the amount that is not
 148 deductible when computing federal adjusted gross income solely on account of the portion of subdivision B
 149 10 of § 58.1-301 related to Paycheck Protection Program loans.

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

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

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

168 **§ 58.1-339.8. Income tax credit for low-income taxpayers.**

169 A. For purposes of this section:

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

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

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

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

180 B. 1. For taxable years beginning on and after January 1, 2000, any individual or married individuals
 181 filing jointly whose family Virginia adjusted gross income does not exceed 100 percent of the poverty
 182 guideline amount corresponding to a household of an equal number of persons as listed in the poverty

183 guidelines published during such taxable year, shall be allowed a nonrefundable credit against the tax levied
184 pursuant to § 58.1-320 in an amount equal to \$300 each for the individual, the individual's spouse, and any
185 person claimed as a dependent on the individual's or married individuals' income tax return for the taxable
186 year. For any taxable year in which married individuals file separate Virginia income tax returns, the credit
187 provided under this section shall be allowed against the tax for only one of such two tax returns. Additionally,
188 the credit provided under this section shall not be allowed against such tax of a dependent of the individual or
189 of married individuals.

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

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

203 b. For taxable years beginning on and after January 1, 2025 but before January 1, ~~2027~~ 2029, any
204 individual or married individuals filing jointly may, for the taxable year, in lieu of the credit authorized under
205 subdivision 1 or 2, claim a refundable credit against the tax imposed pursuant to § 58.1-320 in an amount
206 equal to 20 percent of the credit claimed by the individual or married individuals for federal individual
207 income taxes pursuant to § 32 of the Internal Revenue Code for the taxable year.

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

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

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

218 1. The subtraction under subdivision 8 of § 58.1-322.02;

219 2. The subtraction under subdivision 15 of § 58.1-322.02;

220 3. The subtraction under subdivision 16 of § 58.1-322.02;

221 4. The deduction for the additional personal exemption for blind or aged taxpayers under subdivision 2 b
222 of § 58.1-322.03; or

223 5. The deduction under subdivision 5 of § 58.1-322.03.