

Income/Franchise:

Virginia: New Law Generally Updates State Conformity to Internal Revenue Code

H.B. 971, signed by gov. 2/23/22. Effective immediately, new law generally updates state corporate and individual income tax statutory references to federal income tax law as it existed on December 31, 2021 (previously, December 31, 2020). Under the new law, Virginia continues to decouple from some provisions of federal tax law such as i) bonus depreciation allowed for certain assets under federal income taxation; ii) the five-year carryback of certain net operating losses (NOLs) generated in taxable years 2008 and 2009; iii) certain tax exclusions related to cancellation of debt income; and iv) certain provisions of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (*i.e.*, P.L. 116-136). A subsequently issued administrative bulletin [Tax Bulletin 22-1] explains the adjustments that may be necessary on taxable year 2021 income tax returns to address conformity and the Virginia tax law changes affecting businesses. Please contact us with any questions or comments.

URL: <https://lis.virginia.gov/cgi-bin/legp604.exe?ses=221&typ=bil&val=hb971&submit=GO>

URL: <https://www.tax.virginia.gov/sites/default/files/inline-files/tb-22-1-irc-conformity-advanced.pdf>

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