

Income/Franchise:

Virginia: New Law Moves from Fixed Date to Rolling Conformity with Internal Revenue Code

H.B. 2193 / S.B. 1405, signed by gov. 4/12/23. Effective July 1, 2023 and applicable to taxable years beginning on and after January 1, 2023, new law generally updates state corporate and individual income tax statutory references to federal income tax law as it exists as soon as any federal tax law changes are enacted on or after January 1, 2023. However, Virginia will not conform to certain federal law changes enacted on or after January 1, 2023 that increase or decrease its general fund revenues by certain delineated threshold amounts. Regarding legislation enacted earlier this year that generally updates Virginia corporate and individual income tax statutory references to federal income tax law as it existed on December 31, 2022 (previously, December 31, 2021) [see S.B. 882, signed by gov. 2/27/23, and *State Tax Matters*, Issue 2023-9, for more details on this law change, as well as H.B. 1595, signed by gov. 4/12/23, for an identical bill], this newly signed bill provides that such legislation “shall apply only to taxable years beginning on or after January 1, 2022, but before January 1, 2023.”

URL: <https://lis.virginia.gov/cgi-bin/legp604.exe?ses=231&typ=bil&val=hb2193>

URL: <https://lis.virginia.gov/cgi-bin/legp604.exe?ses=231&typ=bil&val=sb1405>

URL: <https://lis.virginia.gov/cgi-bin/legp604.exe?ses=231&typ=bil&val=sb882>

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/STM/230303_5.html

URL: <https://lis.virginia.gov/cgi-bin/legp604.exe?ses=231&typ=bil&val=hb1595>

Note that Virginia continues to decouple from some provisions of federal tax law such as:

1. Bonus depreciation allowed for certain assets under federal income taxation;
2. The five-year carryback of certain net operating losses (NOLs) generated in taxable years 2008 and 2009;
3. Certain tax exclusions related to cancellation of debt income; and
4. Certain provisions of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (i.e., P.L. 116-136).

Please contact us with any questions or comments.

— Joe Carr (McLean)
Managing Director
Deloitte Tax LLP
josecarr@deloitte.com

Jennifer Alban Paschall (McLean)
Senior Manager
Deloitte Tax LLP
jalbanbond@deloitte.com

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