

February 2, 2025

SUMMARY OF

Committee Resource Adjustments

House Bill 1600



VIRGINIA HOUSE
APPROPRIATIONS
COMMITTEE

CHAIRMAN LUKE E. TORIAN

COMMITTEE REVENUE AND RESOURCE ADJUSTMENTS

Revenue and Resource Changes	FY 2025	FY 2026	Biennial
Additions to Balance			
Revert Blue Star Talent Funding	1,987,000	0	1,987,000
DCP and Capitol Square Found. Balances	3,017,615	0	3,017,615
JLARC and DLS Balances	1,500,000	0	1,500,000
Auxiliary Grant Balances	1,000,000	0	1,000,000
Transfer Portion Transformation Funding for K-12	1,000,000	0	1,000,000
SCC Reinsurance Balances	20,000,000	0	20,000,000
Changes to Revenues			
Sports Betting Forecast Adjustment	2,200,000	2,200,000	4,400,000
Remove assumed revenue loss of HB 1965	0	35,000,000	35,000,000
Remove assumed revenue loss of HB 1550	0	10,000,000	10,000,000
EITC - Expand refundability to 20%	0	-35,000,000	-35,000,000
Standard Deduction - Increase \$250/\$500	0	-78,800,000	-78,800,000
Reflect Racing Commission Revenue	31,700,000	33,200,000	64,900,000
Correct Impact of HB 2643	10,400,000	-9,300,000	1,100,000

COMMITTEE REVENUE AND RESOURCE ADJUSTMENTS

Revenue and Resource Changes	FY 2025	FY 2026	Biennial
TRANSFERS			
OAG: Consumer Affairs Revolving Fund	5,314,002	0	5,314,002
Increase Transfer to DWR	-775,000	0	-775,000
Unappropriated Balance – as Introduced	7,052,154	7,770,080	14,752,234
HAC Changes to Resources	77,343,617	-42,700,000	34,643,617
HAC Changes to Spending	51,634,120	-10,743,298	40,890,822
HAC Ending Balance/Unappropriated Balance	32,761,651	-24,256,622	8,505,029

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Item 0 #1h

Revenues

Revenues

Language

Language:

Page 1, strike lines 36 through 48, and insert:

	"First Year	Second Year	Total
Unreserved Balance	\$12,757,442,466	\$0	\$12,757,442,466
Additions to Balance	(\$8,229,230,452)	(\$500,000)	(\$8,229,730,452)
Official Revenue Estimates	\$30,692,736,462	\$31,363,849,381	\$62,056,585,843
Transfers	\$1,359,219,476	\$1,541,043,937	\$2,900,263,413
Total General Fund Resources Available for Appropriation	\$36,580,167,952	\$32,904,393,318	\$69,484,561,270"

Page 2, strike lines 2 through 19, and insert:

	"First Year	Second Year	Total
Balance, June 30, 2024	\$12,329,216,528	\$0	\$12,329,216,528
Official Revenue Estimates	\$55,907,896,328	\$57,386,605,811	\$113,294,502,139
Lottery Proceeds Fund	\$943,824,250	\$875,335,350	\$1,819,159,600
Internal Service Fund	\$2,548,392,953	\$2,661,451,414	\$5,209,844,367
Bond Proceeds	\$866,029,060	\$406,085,243	\$1,272,114,303
Total Nongeneral Fund Revenues Available for Appropriation	\$72,595,359,119	\$61,329,477,818	\$133,924,836,937
TOTAL PROJECTED REVENUES	\$109,175,527,060	\$94,233,871,136	\$203,409,398,207"

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Explanation:

(This amendment adjusts the front page revenue assumptions based on the Committees amendments.)

	Item 255 #1h	
Finance	FY24-25	FY25-26
Department of Accounts Transfer Payments	(\$1,103,000,000)	\$0 GF

Language:

Page 308, line 41, strike "\$2,053,000,000" and insert "\$950,000,000".

Page 309, strike lines 52 through 57.

Page 310, strike lines 1 through 3.

Explanation:

(This amendment redirects the \$1.1 billion from the general fund included in the introduced budget pursuant to the Governor's proposal to provide an income tax credit for car tax payments to support the House Tax reduction package which includes a one-time tax rebate for all Virginian's who pay income tax, an expansion in the earned income tax credit and an adjustment in the standard deduction.)

	Item 258 #2h	
Finance	FY24-25	FY25-26
Department of Taxation	\$977,780,000	\$0 GF

Language:

Page 312, line 17, strike "\$70,323,247" and insert "\$1,048,103,247".

Page 317, after line 10, insert:

“GG.1. There is hereby established in the state treasury and on the books of the State Comptroller a special nonreverting fund known as the Income Tax Rebate Fund. Interest earned on moneys in the Fund shall be credited to the general fund.

2. Out of this appropriation, \$977,780,000 the first year from the general fund shall be deposited into the Income Tax Rebate Fund. Moneys in the Fund shall be used solely for the purpose of providing the tax rebate authorized in subparagraph 3 below.

3. In addition to any refund due pursuant to § 58.1-309 of the Code of Virginia, and for taxable years beginning on and after January 1, 2024, but before January 1, 2025, an individual filing a

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return on or before November 3, 2025 or married persons filing a joint return on or before November 3, 2025 shall be issued a refund in an amount up to \$200 for an individual, or \$400 for married persons filing a joint return. An individual shall only be allowed a refund pursuant to this enactment up to the amount of such individual's tax liability after the application of any deductions, subtractions, or credits to which the individual is entitled pursuant to Chapter 3 (§ 58.1-300 et seq.) of Title 58.1 of the Code of Virginia. Married persons filing a joint return shall only be allowed a refund pursuant to this enactment up to the amount of such married persons tax liability after the application of any deductions, subtractions, or credits to which the married persons are entitled pursuant to Chapter 3 of Title 58.1 of the Code of Virginia. Any refund issued pursuant to this enactment shall be subject to collection under the provisions of the Setoff Debt Collection Act (§ 58.1-520 et seq. of the Code of Virginia). For taxpayers filing a return before July 1, 2025, refunds due pursuant to this enactment shall be issued on or before October 15, 2025. In no case shall any interest be paid on any refund due pursuant to this enactment.”

Explanation:

(This amendment provides \$977.8 million from the general fund in the first year to effectuate an income tax rebate of \$200 for single files and \$400 for married filers to be paid during fiscal year 2026.)

Item 3-5.23 #1h

Adjustments and Modifications to Tax Collections

Retail Sales and Use Tax Exemption for Certain Drilling
Equipment

Language

Language:

Page 664, line 49, after "July 1," strike "2025" and insert "2026".

Explanation:

(This amendment extends the sunset date for the Code provision providing a sales tax exemption for certain drilling equipment from July 1, 2025 to July 1, 2026.)

Item 3-5.25 #2h

Adjustments and Modifications to Tax Collections

Extend Sunset Date for Data Center Sales and Use Tax Exemption

Language

Language:

Page 665, after line 4, insert:

"Notwithstanding any other provision of law or regulation, the retail sales and use tax exemption provided for in subdivision 18 of § 58.1-609.3 of the Code of Virginia, applicable to

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computer equipment or enabling software purchased or leased for the processing, storage, retrieval or communication of data, including but not limited to servers, routers, connections, and other enabling hardware, including chillers and backup generators used or to be used in the operation of a data center shall remain in effect effect through June 30, 2050."

Explanation:

(This amendment extends the sunset date for the sales tax exemption for data centers from 2035 to 2050.)

Item 4-1.01 #1h

Appropriations

Prerequisites for Payment

Language

Language:

Page 668, after line 21, insert:

"c) 1. Within 30 business days after the enactment of amendments to federal income taxes, the Department of Taxation shall provide the estimated fiscal impacts to general fund revenue from such amendments to federal income tax law to the Governor and the Chairs of the Senate Committee on Finance and Appropriations and the House Committees on Appropriations.

2. Within 20 business days of receiving the estimated fiscal impacts from the Department of Taxation in subsection c) 1., the Governor shall submit a budget bill in accordance with § 2.2-1509, notwithstanding any conflicting requirements in § 2.2-1509, if the cumulative projected impact of such amendments, except any amendment to federal income tax law that is a federal tax extender as defined under subdivision B 11 of § 58.1-301, would decrease general fund revenues by more than \$100.0 million in the fiscal year in which the amendments were enacted or the succeeding fiscal year.

3. Notwithstanding c) 2., if the requirements in subsection c) 1., are met on or after November 1 but before the date on which the Governor submits a budget bill in accordance with § 2.2-1509, the Governor shall not be required to submit a budget within 15 business days but instead shall include the estimated fiscal impacts in the budget bill introduced in accordance with § 2.2-1509. If the requirements in subsection c) 2. are met on or after the date on which the Governor submits a budget bill in accordance with § 2.2-1509 but before the adjournment of a regular session of the General Assembly in the following year, the Governor shall not be required to submit a budget within 15 business days."

Explanation:

(This amendment directs the Department of Taxation to produce estimated revenue impact from federal income tax law changes impacting the general fund and communicate those within 30 business days to the Governor and General Assembly. After 15 business days, the Governor is to submit an introduced budget bill if the cumulative impact of federal amendments, except any

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amendment that is a federal tax extender, would decrease general fund revenue by more than \$100.0 million in the fiscal year in which the amendments were enacted or the succeeding fiscal year.)

Item 4-14 #3h

Effective Date

Effective Date

Language

Language:

Page 723, strike lines 12 through 50.

Page 724, strike lines 1 through 56.

Page 725, strike lines 1 through 53.

Page 726, strike lines 1 through 54.

Page 727, strike lines 1 through 53.

Page 728, strike lines 1 through 50.

Page 729, strike lines 1 through 51.

Page 730, strike lines 1 through 52.

Page 731, strike lines 1 through 49.

Page 732, strike lines 1 and insert:

"7. That §§ 58.1-322.03, 58.1-339.8, and 58.1-390.3 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 \$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

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(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, \$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.

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

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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

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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 §

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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.

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

A. *For purposes of this section, :*

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"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*, 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, any individual or married individuals 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

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an amount equal to 20 percent of the credit claimed by the individual or married persons for federal individual income taxes pursuant to § 32 of the Internal Revenue Code for the taxable year.

1. 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.

§ 58.1-390.3. Elective income tax on pass-through entities.

A. 1. For taxable years beginning on and after January 1, 2021, but before January 1, 2022, a pass-through entity may make an election, in a format and according to such requirements and procedures to be established by the Department, to pay the tax levied by this section at the entity level for the taxable year. Such election shall be made on or before a date to be determined by the Department, which shall be set no earlier than one year after the extended due date for filing the applicable return. Notwithstanding §§ 58.1-1812 and 58.1-1833, no interest shall accrue on underpayments or overpayments solely attributable to such election.

2. For taxable years beginning on and after January 1, 2022, but before January 1, 2027, a pass-through entity may make an annual election, on its timely filed return pursuant to § 58.1-392, to pay the tax levied by this section at the entity level for the taxable period covered by such return. Such election shall be made on or before the due date for filing the applicable return, including any extensions that have been granted.

B. A tax at the rate of 5.75 percent is hereby annually imposed on the Virginia taxable income, as calculated pursuant to § 58.1-391 but taking into account only the pro rata or distributive share of each item of income, gain, loss, or deduction attributable to eligible owners, for each

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taxable year of every pass-through entity that makes the election provided under subsection A.

C. In computing the tax imposed by this section, the pro rata or distributive share of the Virginia taxable income of each nonresident eligible owner shall be limited to income that is attributable to Virginia sources and shall be subject to the modifications to income as described in §§ 58.1-322.01 through 58.1-322.04.

D. A pass-through entity that elects to pay the tax levied by subsection B shall be eligible for all credits, deductions, or other adjustments to taxable income under § 58.1-391, provided that a pass-through entity's taxable income shall be adjusted to eliminate any federal deduction for state and local income taxes.

E. Any person that is subject to the tax imposed under § 58.1-320 or 58.1-360 and is an eligible owner of a pass-through entity making the election pursuant to this section shall be entitled to a credit against the tax imposed, provided that taxable income has been adjusted to add back any deduction for state and local income taxes paid by the pass-through entity. Such credit shall be in an amount equal to such person's pro rata share of the tax paid under this section by any pass-through entity of which such person is an owner. If the amount of the credit allowed pursuant to this subsection exceeds such person's tax liability for the tax imposed under § 58.1-320 or 58.1-360, as applicable, such excess shall be treated as an overpayment and refundable pursuant to § 58.1-499.

F. If any pass-through entity makes an election pursuant to this section, the Department shall assess and collect tax, interest, and penalties as if such tax is a corporate income tax imposed pursuant to the provisions of Article 10 (§ 58.1-400 et seq.).

G. The Department shall develop and make publicly available guidelines implementing the provisions of this section and the credit authorized by subdivision C 2 of § 58.1-332.

"8. That the second enactment of Chapter 763 of the Acts of Assembly of 2023 and the second enactment Chapter 791 of the Acts of Assembly of 2023 are amended and reenacted as follows:

2. Notwithstanding subdivision B 11 of § 58.1-301, as amended by this or any other act, Virginia shall not conform to (i) any amendment enacted on or after January 1, 2025, with a projected impact that would increase or decrease general fund revenues by any amount in the fiscal year in which the amendment was enacted or any of the succeeding four fiscal years and (ii) all amendments enacted on or after January 1, 2025 if the cumulative projected impact of such amendments would increase or decrease general fund revenues by any amount in the fiscal year in which the amendments were enacted or any of the succeeding four fiscal years. The provisions of this enactment shall not apply to any amendment to federal income tax law that is either subsequently adopted by the General Assembly or a federal tax extender as defined under subdivision B 11 of § 58.1-301, as created by this act."

Page 732, line 2 strike "17" and insert "9".

Page 732, line 3 strike "18" and insert "10".

Committee Approved Amendments to House Bill 1600, as Introduced

Page 732, line 3, after "*seventh*," insert "*and*".

Page 732, line 3, after "*eighth*" strike the remainder of line 3.

Page 732, line 4, strike "*fifteenth, and sixteenth*".

Page 732, line 5, strike "*19*" and insert "*11*".

Explanation:

(This amendment extends the expiration date on the standard deduction, refundable earned income tax credit, and the pass-through entity elective tax until January 1, 2027. Additionally, it increases the standard deduction for tax year 2025 and 2026 to \$8,750 for single filers and \$17,500 for joint filers, a \$250 and \$500 increase respectively, and increases the refundability of the earned income tax credit from 15.0 to 20.0 percent of the federal earned income tax credit.)
