



TAX BULLETIN 10-8
Virginia Department of Taxation
June 10, 2010

IMPORTANT INFORMATION REGARDING
VIRGINIA FIXED-DATE CONFORMITY

ADDITIONAL INFORMATION REGARDING THE
ADVANCEMENT OF VIRGINIA'S DATE OF CONFORMITY TO
JANUARY 22, 2010

Under legislation (House Bill 30; Chapter 874 of the 2010 Acts of Assembly) approved by the 2010 General Assembly, Virginia's fixed-date of conformity to the terms of the Internal Revenue Code will advance from December 31, 2008, to January 22, 2010. This notice is intended to supplement Tax Bulletin 10-4 (Public Document 10-24, 3/30/2010) and to provide taxpayers with additional information regarding the changes made by this legislation.

This notice only addresses changes affecting taxable year 2010. For information about changes affecting taxable year 2009, refer to Tax Bulletin 10-4.

Domestic Production Deduction

The federal domestic production deduction is equal to 3% of qualified production activities income of the taxpayer in tax years 2005 and 2006, 6% in 2007 through 2009, and 9% in 2010 and thereafter. If taxable income is less than this amount, then the federal deduction is equal to taxable income. Additionally, the federal deduction is limited to 50% of the W-2 wages paid by the taxpayer for that taxable year. Virginia conformed to this provision in 2005.

Virginia will deconform from the domestic production deduction allowed under IRC § 199 for taxable years 2010 and thereafter. Instead of allowing this deduction to flow through, Virginia will allow a deduction equal to two-thirds of the federal deduction. This is equivalent to allowing a deduction of 6% of the qualifying income as has been the practice in the last three taxable years (2007 through 2009).

Other Changes Affecting Taxable Year 2010

For taxable years beginning on or after January 1, 2010, House Bill 30 deconforms from the increase in the federal earned income tax credit under IRC § 32(b)(3). This specific provision will be reviewed in conjunction with the annual process of determining conformity to other federal changes affecting Taxable Year 2010.

Further Information

For further information regarding how to reconcile this legislation on the 2009 Virginia income tax return, please see Tax Bulletin 10-4, which is available in the Tax Policy Library on our website at <http://www.tax.virginia.gov>. If you have any additional questions, contact us at (804) 367-8031 for individual income tax questions or (804) 367-8037 for corporate income tax questions.