

## **Questions and Issues Raised at the May 20, 2019 Work Group Meeting**

What if there is sufficient income at the federal consolidated group level such that there is no federal limitation? Are members of the group subject to the limitation at the state level if it is recomputed on a separate entity or Virginia consolidated group basis? If so, can these members benefit from Virginia's deduction equal to 20 percent of the interest deduction limited by IRC 163(j). (Note: Pennsylvania recently issued guidance to address this issue, although they are a separate entity state and so the approach may be different from Virginia.)

If a particular affiliated group has hundreds of entities included in a Virginia combined return, it would be administratively difficult to determine the limitation on a separate company basis. Is there an administratively simple way to address this issue?

How will Virginia's additional deduction related to IRC 163(j) apply in future taxable years when taxpayers claim interest carryforwards for federal purposes, but have already fully claimed a deduction for such interest for Virginia purposes? Will Virginia require taxpayers to addback such amounts for Virginia purposes?

What if the Virginia affiliated group is made up of businesses in two different federal affiliated groups and one entity makes a particular election and the other does not?

Will there be penalty and/or interest relief for companies that filed on extension for Taxable Year 2018?

Does the small business limitation apply on a per taxpayer basis for state purposes? If so, would you ignore the limitation for an entity that falls below that threshold amount?

How do the limitations interact with Virginia's intercompany interest addback and NOL provisions? What is the order of operations? Is the Virginia 20% deduction a fixed date conformity adjustment?

What will happen if there is no federal limit due to offsets, but in Virginia there would be a limitation because the entities providing the offsets do not have nexus with Virginia? Or what if the Virginia limitation is greater than the federal limitation? Will there be a cap on the Virginia limitation so it does not exceed the federal?

Are composite returns eligible for the 20% deduction? What is the impact on pass-through entity withholding and pass-through entities in general?

Can we provide examples in the Guidelines?