



TAX BULLETIN 20-1
Virginia Department of Taxation
February 18, 2020

**IMPORTANT INFORMATION REGARDING
2019 VIRGINIA INCOME TAX RETURNS**

**VIRGINIA'S CONFORMITY TO THE INTERNAL REVENUE CODE ADVANCED TO
DECEMBER 31, 2019**

Under emergency legislation enacted by the 2020 General Assembly (Senate Bill 582, Chapter 1 of the 2020 Acts of Assembly), Virginia's date of conformity to the terms of the Internal Revenue Code will advance from December 31, 2018 to December 31, 2019. This bulletin is intended to provide taxpayers with guidance on reconciling this legislation with their 2019 Virginia income tax returns.

Virginia's Conformity Legislation

During the 2020 General Assembly Session, legislation was enacted to advance Virginia's date of conformity to the Internal Revenue Code from December 31, 2018 to December 31, 2019. This legislation allows Virginia to generally conform to the Further Consolidated Appropriations Act, 2020. However, this legislation specifically deconforms Virginia from a provision that reduces the medical expense deduction threshold for Taxable Year 2019 and Taxable Year 2020. This bulletin explains the conformity adjustments that may be necessary on Taxable Year 2019 income tax returns.

Further Consolidated Appropriations Act

On December 20, 2019, Congress enacted the Further Consolidated Appropriations Act, 2020 (H.R. 1865). The legislation provides tax relief to victims of certain 2018 and 2019 disasters, makes significant changes to several retirement tax provisions, and repeals unrelated business income tax on specified fringe benefits. Advancing the date of conformity to December 31, 2019, will allow Virginia to conform to these provisions.

The federal legislation also extends for three years over 30 tax provisions, commonly known as "extenders," which generally expired at the end of 2017. These provisions include the following:

- The above-the-line deduction for qualified tuition and related expenses for higher education;
- Exclusion from gross income of a discharge of qualified principal residence indebtedness; and
- Treatment of qualified mortgage insurance premiums as interest for purposes of the mortgage interest deduction.

Advancing the date of conformity to December 31, 2019, will allow Virginia to conform to these extenders.

Virginia's Deconformity from the Increased Medical Expense Deduction

Although Virginia generally conforms to the terms of the Internal Revenue Code, it deconforms from select provisions of federal tax law. For Taxable Year 2019, Virginia will specifically deconform from the provision of the Further Consolidated Appropriations Act, 2020 that increases the amount of the medical expense deduction.

Virginia generally allows taxpayers to claim a deduction on their Virginia return for most itemized deductions that were claimed for federal income tax purposes, including the medical expense deduction. Such deduction is equal to the amount of a taxpayer's eligible medical expenses in excess of a deduction floor. The deduction floor was set to increase from 7.5 percent of federal adjusted gross income to 10 percent for Taxable Year 2019. The Further Consolidated Appropriations Act, 2020 extended the 7.5 percent deduction floor for Taxable Year 2019 and Taxable Year 2020.

While taxpayers may continue to claim an itemized deduction for medical expenses on their Virginia returns, Virginia will deconform from the reduction of the deduction floor. As a result, taxpayers currently preparing and filing their Virginia income tax returns for Taxable Year 2019 are required to report an addition equal to the difference between the amount of the medical expense deduction reported on their federal income tax return and the amount of such deduction computed using a floor equal to 10 percent of federal adjusted gross income. See the Department's website for additional information regarding the calculation of such addition.

Virginia Beach Strong Act

On December 20, 2019, Congress enacted the Virginia Beach Strong Act (H. R. 4566). This federal legislation clarifies that the Virginia Beach Tragedy Fund is entitled to federal tax-exempt status. In addition, this legislation ensures that cash contributions made specifically for the relief of families of the dead or wounded victims of the Virginia Beach tragedy qualify for the charitable contributions deduction. Advancing the date of conformity to December 31, 2019, will allow Virginia to conform to these provisions.

Existing Exceptions to Conformity for Taxable Year 2019

Virginia will continue to deconform from the following provisions of federal tax law:

- Bonus depreciation allowed for certain assets under federal income taxation;
- Five-year carry back of certain net operating losses (“NOLs”) generated in Taxable Years 2008 and 2009;
- Tax exclusions related to cancellation of debt income;
- Tax deductions related to the application of the applicable high yield debt obligation rules; and
- The suspension of the federal overall limitation on itemized deductions

Virginia's deconformity from these provisions is explained in [prior tax bulletins](#).

Instructions for Taxpayers

Taxpayers should consult the instructions for the appropriate 2019 Virginia income tax return for information regarding how to make adjustments related to bonus depreciation, the carry back of certain NOLs, cancellation of debt income, applicable high yield discount obligations, and the suspension of the federal overall limitation on itemized deductions. In addition, individual taxpayers should consult the Department's website for guidance on how to make adjustments related to Virginia's deconformity from the increased medical expense deduction.

Taxpayers who have already filed a 2019 Virginia income tax return but need to make an adjustment should consult the instructions for the appropriate income tax return and the Department's website for further information about filing an amended return. If you have additional questions, please visit <https://www.tax.virginia.gov>, or contact the Department at 804.367.8031 for individual income tax questions or 804.367.8037 for corporate income tax questions.