

# Virginia Conformity Bill Could Face Pushback From Business Community

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By Lauren Loricchio

A Virginia conformity bill would allow full deductibility of federal Paycheck Protection Program loans for the 2021 tax year but not for 2020, which could prompt pushback from the business community.

[S.B. 94](#), which was introduced ahead of the upcoming legislative session by Senate Finance and Appropriations Committee Chair Janet Howell (D), would update the state's date of conformity with the IRC from December 31, 2020, to December 31, 2021.

The bill, which contains an emergency clause, is being carried by Howell on behalf of the administration of outgoing Gov. Ralph Northam (D); a companion bill is expected to be filed in the House of Delegates.

The bill would provide additional tax relief to businesses for tax year 2021, but not for tax year 2020, according to Emily Walker of the Virginia Society of Certified Public Accountants. It would allow full deductibility of PPP loans, Economic Injury Disaster Loan program grants, and Restaurant Revitalization Fund grants for tax year 2021, she told *Tax Notes*. But she said she doesn't expect the bill to pass as drafted because it has significant equity issues, particularly regarding PPP deductibility.

"That was really the big relief that was available to businesses for 2020 and 2021, so to only allow the full deductibility in 2021, and hold the deductibility for 2020 . . . at where they compromised last year, I think is going to raise a lot of concerns from the business community," Walker said, adding, "I don't know if they're going to end up reaching full deductibility, at least on PPP."

Last year's [conformity bill](#) coupled to the federal tax exemption for loans forgiven under the PPP, but it partially decoupled from the provision of the [Consolidated Appropriations Act, 2021](#) that allowed for the deductibility of expenses that were paid for with the loans.

As part of [a compromise](#) between the House and the Senate, that conformity legislation allowed a deduction for tax year 2020 of up to \$100,000 for business expenses funded by forgiven PPP loans. It also provided an individual and corporate income tax subtraction for up to \$100,000 of all grant funds under the Rebuild Virginia program.

Jared Walczak of the Tax Foundation told *Tax Notes* that he expects there will be separate legislation introduced to address the issue of PPP deductibility for tax year 2020.

“It is important that Virginia treat both tax years the same. There are good reasons for Virginia wanting to provide this deductibility; it should not matter if that took place in 2020 or 2021,” Walczak said.

Walker said conformity legislation has become more of a contentious issue in Virginia after the passage of the [Tax Cuts and Jobs Act](#). She said the Virginia Society of CPAs would like to see more certainty regarding the matter, which is why it has been pushing for legislation that would create partial rolling conformity.

[H.B. 106](#), prefiled January 7 by Del. Joseph McNamara (R), would allow the state to generally conform to federal changes to the IRC on a rolling basis starting with tax year 2022. McNamara introduced a [similar bill](#) last year, which was [tabled by](#) the House Finance Committee.

Virginia's legislative session is scheduled to begin January 12.