



SUPPORT HB 2193 (McNamara) / SB 1405 (Barker) Income tax; rolling conformity; report.

BILL SUMMARY

Income tax; rolling conformity; report. Provides that Virginia shall generally conform to federal tax laws on a rolling basis, meaning that Virginia tax laws incorporate changes to federal income tax law as soon as Congress enacts them on or after January 1, 2023. However, the bill provides that Virginia shall not conform to any changes in a single act of Congress with an impact of more than \$50 million on revenues in the year in which the amendment was enacted or any of the next four years.

ADDITIONAL BACKGROUND:

- Conformity deals with aligning Virginia's definitions of income to federal definitions, specifically, how adjusted gross income (individuals) and taxable income (corporations) are calculated
- Conformity DOES NOT impact Virginia's tax rates, brackets, deductions, exemption, etc.
- Virginia generally adopts most, if not all, federal changes
- The current model of fixed-date conformity necessitates annual emergency legislation which is sometimes not passed timely and delays the start of tax season
- Making this change will not limit lawmakers in any way from taking action on tax policy or enacting new legislation
 - Requires annual report on federal changes by the Secretary of Finance to money committees
 - Includes a safeguard revenue impact requiring action from General Assembly in order to adopt larger provisions — \$50 million as introduced
- Does not change any existing exceptions to conformity
- Includes automatic conformity for federal tax extenders to which Virginia already conforms

VSCPA POSITION: SUPPORT

The Virginia Society of CPAs strongly **SUPPORTS** HB 2193 and SB 1405. The adoption of rolling conformity would provide Virginia taxpayers a better ability to plan for and prepare their Virginia taxes, allow more timely updates to tax preparation software and offer potential administrative cost savings to the Commonwealth.

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