



CPA Assembly Day 2023

January 12, 2023

Today's Agenda

8 – 8:10 a.m.

Welcome & Introductions

George Forsythe, CPA — VSCPA Chair
Emily Walker, CAE — VSCPA Vice President, Advocacy

8:10 – 8:35 a.m.

VSCPA Issues Overview

Emily Walker, CAE — VSCPA Vice President, Advocacy
Patrick Cushing, Esq. — VSCPA Legislative Counsel

8:35 – 8:50 a.m.

Legislator Remarks

The Honorable Joe McNamara, CPA (R) — Member, House Finance

8:50 – 9:05 a.m.

Communicating with Your Legislator

Vivian J. Paige, CPA — Past Chair, VSCPA Tax Advisory Committee

9:05 – 9:30 a.m.

Virginia Budget Overview

The Honorable Charles Kennington — Deputy Secretary of Finance

9:30 – 9:45 a.m.

Legislator Remarks

The Honorable Vivian Watts (D) — Member, House Finance

9:45 – 9:55 a.m.

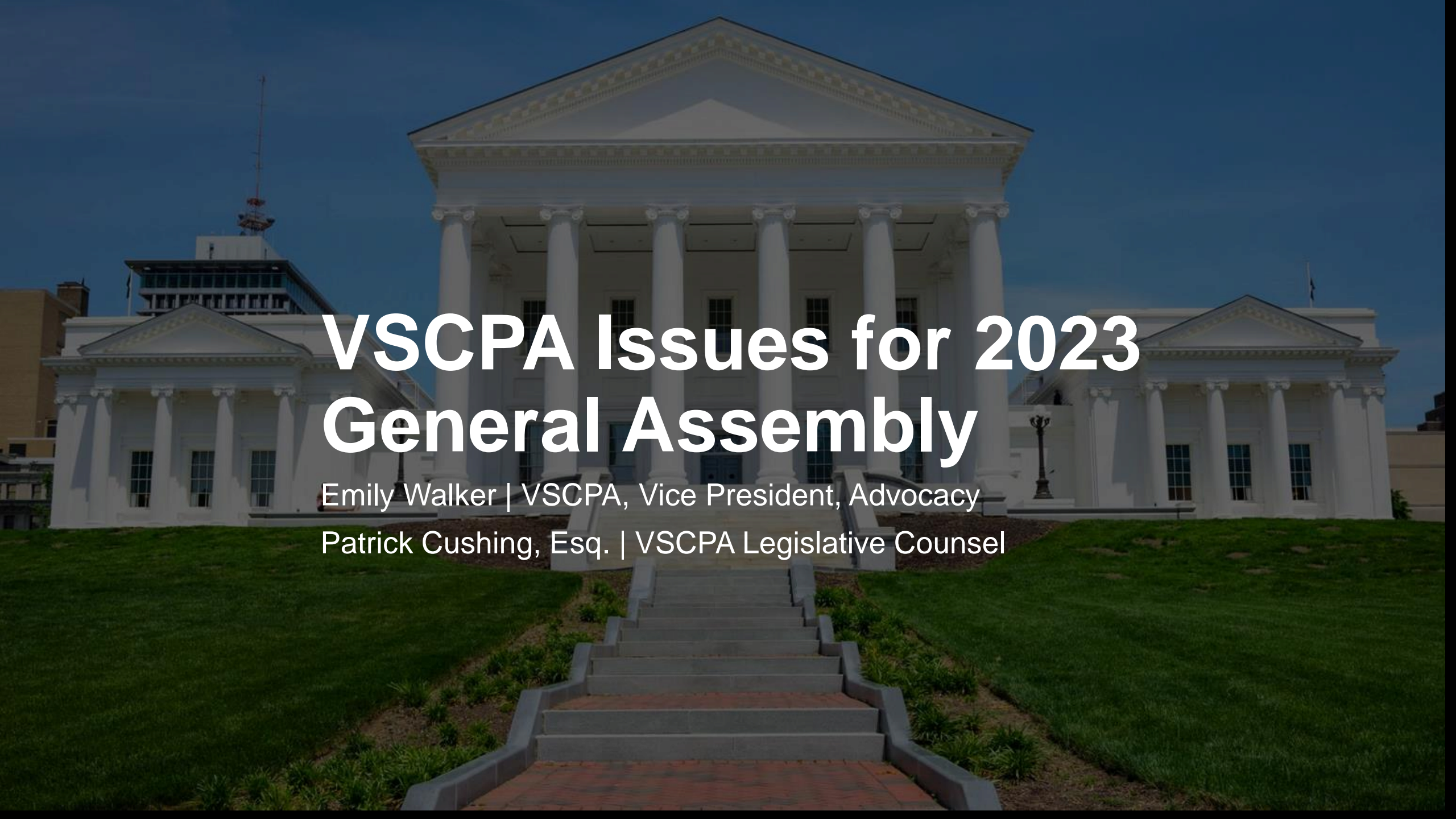
Legislator Remarks

The Honorable Chap Petersen — Member, Senate Finance and Appropriations

9:45 – 10 a.m.

Closing Remarks

Stephanie Peters, CAE — VSCPA President & CEO



VSCPA Issues for 2023 General Assembly


Emily Walker | VSCPA, Vice President, Advocacy

Patrick Cushing, Esq. | VSCPA Legislative Counsel


Looking Ahead to 2023 General Assembly

- ❖ 46-day session beginning Jan. 11
 - ❖ Crossover Feb. 8
 - ❖ New Senate makeup following Rouse win on Tuesday (22–18)
 - ❖ Provides Democrats additional insulation from tie votes, which are broken by Lt. Gov (R).
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VSCPA 2023 Legislative Priorities

- Timely static conformity
 - Rolling conformity
 - Fixes to Pass-through Entity Tax (PTET) – i.e. SALT cap workaround
 - Watching for
 - Regulatory reform
 - Tax reform
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Tax Conformity

HB 1595 (Robinson) / SB 882 (Howell)

- ❖ Advances date for conformity to Dec. 31, 2022 with no new exceptions
- ❖ Conforms Virginia to Inflation Reduction Act
- ❖ Continues existing exceptions to conformity for various provisions, including:
 - ✓ Bonus depreciation
 - ✓ NOL carrybacks
 - ✓ Various CARES Act provisions
 - ✓ Permanent reduction in medical expense floor
 - ✓ PPP and EIDL deductibility for 2020
- ❖ Early passage critical — emergency legislation (retroactively effective immediately upon Governor's approval)
- ❖ VSCPA position: **SUPPORT**

VSCPA Position

The Society supports efforts to establish rolling conformity of Virginia's tax laws to the Internal Revenue Code. Until rolling conformity can be accomplished, the Society supports timely conformity of Virginia's tax laws with federal tax laws.

Challenges of Static Conformity

- Static conformity requires retroactive emergency legislation every year which creates uncertainty for Virginia taxpayers (and preparers) — requires 80% approval by the General Assembly.
- Virginia's short legislative session coincides with the beginning of tax season, leading to anxiety and delay.

Benefits of Rolling Conformity

DOES

- Rolling conformity does
 - Provide certainty about how the amount of taxable income is determined,
 - Aid in tax planning and reduce costs associated with it,
 - Reduce or remove the burden on the legislature to enact emergency legislation every session.

DOES NOT

- Rolling conformity does not
 - Prohibit the legislature from enacting legislation to decouple from federal law,
 - Require any action by the legislature if no changes are made federally.

HB 2193 (McNamara) / SB 1405 (Barker)

- ❖ Beginning Jan. 1, 2023, automatically conforms Virginia to changes to Internal Revenue Code unless revenue impact is > \$50 million
- ❖ Rolling conformity for all federal tax extenders
- ❖ Requires Secretary of Finance to report on fiscal impact of IRC amendments prior to each regular General Assembly session
- ❖ VSCPA position: **SUPPORT**

Rolling Tax Conformity



Youngkin Tax Policy Proposals

Increase to standard deduction for individuals***

- \$9,000 for individuals
- \$18,000 for married couples

Individual rate reduction to 5.5% for top bracket

Remove age limit on military retirement subtraction

Decrease corporate income tax rate to 5%

QBI 10% deduction***

Increase business interest deduction to 50%

***** VSCPA supports**

Governor's Tax Bills

HB 2138 (McNamara) / SB 1423 (Suetterlein) —
Income tax; business interest; qualified business
income deduction; corporate rate reduction

TBD Bills on Standard Deduction — May be
dealt with exclusively through the budget
(increasing to \$9,000/\$18,000)

PTET (SALT Cap Workaround)

HB 1456 (McNamara) / SB XXX (Petersen)

- Replaces qualifying entity definition with eligible owner
- Addresses apportionment issues

Other Tax Bills

HB 1368 (Coyner) — Advisory Tax Administration Commission; established, report

HB 1369 (Coyner) — Income tax, state; installment agreements for payment of taxes

HB 1405 (McNamara) / SB 796 (Surovell) — Income tax, corporate; returns, affiliated corporation

HB 1621 (Wright) / SB 996 (Ruff) — State taxes; notice before penalty and interest

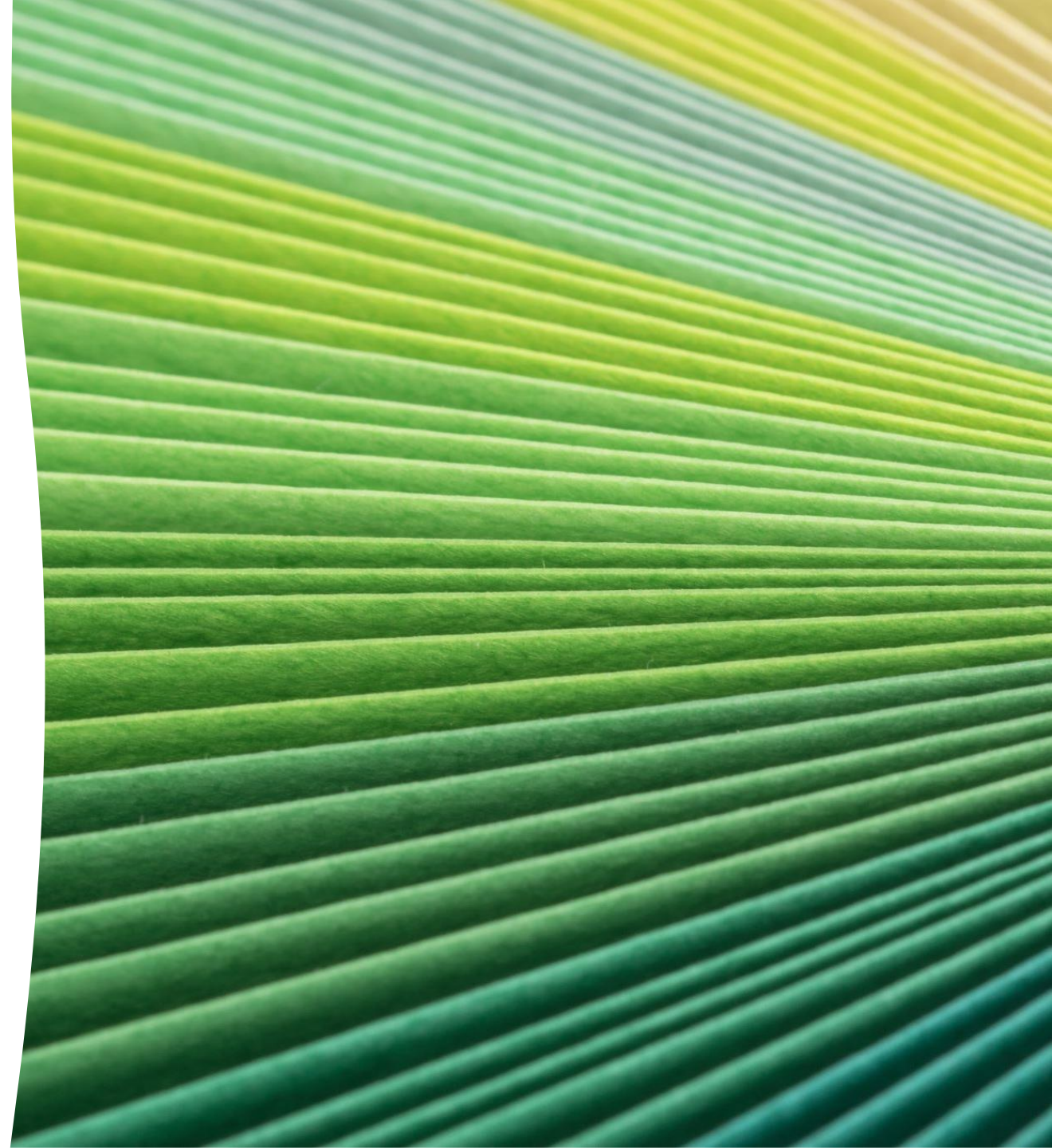
HB 1863 (Scott, P.A.) — Taxation in the Commonwealth

HB 1927 (Durant) — Filing of tax returns or payment of taxes by mail

SB 950 (Petersen) — Taxable income; Paycheck Protection Program loans

SB 1346 (Barker) — Taxable income apportionment; retail companies

SB 1349 (Barker) — Taxable income apportionment; Internet root infrastructure providers



Regulatory Reform Bills

HB 1638 (Walker) — DPOR, DHP and health regulatory boards; disclosure of information regarding examinations, licensure, certification, registration, or permitting

HB 1758 (Webert) — Creates Department of Regulatory Innovation and Virginia Regulatory Sandbox Program

HB1934 (Fowler) — Administrative Process Act; certain regulations to require legislative approval

SB 1213 (McDougle) — Department of Professional and Occupational Regulation; universal license recognition



What
questions do
you have?