

VIRGINIA CORPORATE INCOME TAX SUBTRACTIONS AND DEDUCTIONS

Code Section	Title	Description	Date Enacted	Date Effective	Date Amended	Rationale	Aggregate Amount of Subtractions or Deductions Claimed		
							2000	2001	2002
Business/Economic Development									
§ 58.1-402(C)(3)	Domestic International Sales Corporation Subtraction	The taxpayer may subtract the dividends of a Domestic International Sales Corporation if 50% or more of its income was assessable for the preceding year or the last year in which the corporation had income under the income tax laws of Virginia.	1976	January 1, 1976	N/A	This is obsolete as DISC's were replaced by Foreign Sales Corporations in 1985	Data Not Available	Data Not Available	Data Not Available
§ 58.1-402(C)(5)	Foreign Dividend Gross-Up Subtraction	The taxpayer may subtract any amount included because of the operation of the foreign dividend gross-up provision of the Internal Revenue Code. When a domestic corporation elects to take the Foreign Tax Credit, the credit includes a part of foreign taxes paid by a foreign corporation from which it has received dividends. However, the domestic corporation must "gross up" the dividend income by including the foreign taxes paid by the foreign corporation and for which it is claiming a federal credit.	1974	January 1, 1973	N/A	To eliminate "phantom" income not received by the corporation, but included in federal taxable income as a condition of taking the federal credit for foreign income taxes	Data Not Available	Data Not Available	Data Not Available
§ 58.1-402(C)(7)	Subpart F Income Subtraction	The taxpayer may subtract any amount of Subpart F income required to be included in gross income under the Internal Revenue Code. Subpart F income is comprised of income received by certain controlled foreign corporations, such as income from insurance or reinsurance of U.S. risks, foreign base company income and income relating to international boycotts and other violations of public policy.	1981	January 1, 1981	N/A	To eliminate "phantom" income of certain foreign subsidiaries not received by the corporation	Data Not Available	Data Not Available	Data Not Available
§ 58.1-402(C)(8)	Foreign Source Income Subtraction	The taxpayer may subtract any amount included in his federal taxable income that is foreign source income as defined in <i>Va. Code</i> § 58.1-302.	1981	January 1, 1981	1995	To attract corporate headquarters	Data Not Available	Data Not Available	Data Not Available

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							2000	2001	2002
§ 58.1-402(C)(10)	Dividend Subtraction	The amount of any dividends received from corporations may be subtracted when the corporation owns 50% or more of the voting stock.	1981	January 1, 1981	N/A	To relieve multiple taxation of corporate income	Data Not Available	Data Not Available	Data Not Available
§ 58.1-402(C)(14)	Research And Development Expenses Subtraction	A subtraction is allowed for the amount of "qualified research expenses" or "basic research expenses" eligible for deduction for federal purposes, but not deducted, because the taxpayer elected to receive a research tax credit. NOTE: The federal research and development credit expired on June 30, 2004. However, it is likely that Congress will retroactively extend it.	1994	January 1, 1995	N/A	To compensate for the disallowance of certain expenses on the federal return when a federal credit is claimed	Data Not Available	Data Not Available	Data Not Available
§ 58.1-402(C)(18)	Income Received as a Result of Payments Made Under the Tobacco Settlement Subtraction	Income received as a result of the "Master Settlement Agreement," the National Tobacco Grower Settlement Trust and the Tobacco Loss Assistance Program may be subtracted by tobacco farmers, any person holding a tobacco marketing quota or tobacco farm acreage allotment under the Agricultural Adjustment Act of 1938 or any person having the right to grow tobacco pursuant to such a quota or allotment.	2000	January 1, 1999	N/A	To prevent the taxation of income received from payments as a result of the MSA and other programs	Data Not Available	\$32,488,767*	\$28,635,207*
§ 58.1-402(C)(19)	Avian Influenza Indemnification Payments Subtraction	The taxpayer may subtract the indemnification payments received by contract poultry growers and table egg producers from the U.S. Department of Agriculture as a result of the depopulation of poultry flocks because of low pathogenic avian influenza in 2002. This subtraction expires on January 1, 2005.	2003	January 1, 2002	N/A	To prevent the taxation of income received from the U.S. Dept. of Agriculture indemnifying farmers from the avian flu outbreak	Not In Effect	Not In Effect	Data Not Available

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§ 58.1-402(C)(20)	Gains from Peanut Quota Buyout Program Subtraction	The taxpayer may subtract gain recognized as a result of the Peanut Quota Buyout Program of the Farm Security and Rural Investment Act of 2002. If the payment is received in installment payments, the entire gain may be subtracted. However, if the payment is received in a lump sum, 20% of the gain may be subtracted and the taxpayer may deduct an equal amount in each of the 4 succeeding taxable years.	2003	January 1, 2002	N/A	To prevent the taxation of income received from the federal buyout of peanut quotas	Not In Effect	Not In Effect	Data Not Available
Deregulation									
§ 58.1-402(C)(17)	Electric Supplier, Pipeline Distribution Company, Gas Utility and Gas Supplier Subtraction	These taxpayers may reduce their taxable income by their "Virginia Tax Basis." The Virginia Tax Basis is the difference between the total book value and the total tax value of the taxpayer's assets. This amount is determined according to the asset values as of the last day of the taxable year preceding the tax year in which the taxpayer became subject to the corporate income tax. The Virginia Tax Basis will be amortized over 30 years using the straight-line method.	1999	January 1, 2001	N/A	To allow utilities to adjust for federal income tax deductions for depreciation while the utilities paid a Virginia tax on gross receipts in lieu of income tax	Data Not Available	Data Not Available	Data Not Available
Education									
§ 58.1-402(C)(15)	Contributions to Public School Construction Subtraction	The total amount contributed to the Virginia Public School Construction Grants Program and Fund may be subtracted.	1998	January 1, 2000	N/A	To encourage contributions to the Public School Construction Grants Program	Data Not Available	\$10,765*	\$4,824*
Environment									
§ 58.1-402(C)(16)	Gain on the Sale of Land for Open-Space Use Subtraction	The taxpayer may subtract gain derived from the sale or exchange of real property or an easement to real property that results in the property or easement being devoted to open-space use for not less than 30 years.	1999	January 1, 2000	N/A	To prevent the taxation of gain derived from the sale of property that results in a conservation easement	Data Not Available	\$865,818*	\$1,521,466*

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							2000	2001	2002
Other									
§ 58.1-402(C)(2)	Income from Obligations of the Commonwealth Subtraction	The taxpayer may subtract income derived from obligations or the sale or exchange of obligations of Virginia or any political subdivision or instrumentality of Virginia.	Pre-1971	January 1, 1972	1997	To prevent the taxation of income from bonds issued by the Commonwealth	Data Not Available	\$8,870,423*	\$5,632,953*

* Data includes information regarding subtractions or deductions taken by individuals.

NOTE: The estimates contained in these tables show the actual amounts claimed on income tax returns. These amounts do not represent the actual fiscal impact associated with each preference. In order to determine final estimates for any of the items listed, additional analysis would be required.