VIRGINIA INDIVIDUAL INCOME TAX SUBTRACTIONS AND DEDUCTIONS

Code Section	Title	Description	Date	Date	Date	Rationale	Aggregate Amount of Subtractions and Deductions Claimed		
		·	Enacted	Effective	Amended		2000	2001	2002
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§ 58.1-322(C)(4)	Social Security Subtraction	The taxpayer may subtract benefits received under Title II of the Social Security Act and Tier I Railroad Retirement benefits subject to federal income taxation pursuant to § 86 of the Internal Revenue Code.	1983	July 1, 1983	1984	To prevent the taxation of social security income taxed at the federal level	\$2,257,626,932	\$2,427,025,541	\$2,537,651,121
§ 58.1-322(C)(4b)	Disability Income Subtraction	Taxpayers may subtract up to \$20,000 of disability income.	1984	January 1, 1984	2000	To prevent the taxation of up to \$20,000 of disability income	\$5,304,136	\$60,368,488	\$96,772,866
§ 58.1-322(C)(19)	Retirement Payments Subtraction	The taxpayer may subtract any income received during the taxable year that is derived from a qualified pension, profit-sharing, or stock bonus plan, an individual retirement account or annuity, a deferred compensation plan or any federal government retirement program. The contributions to these plans must be deductible from the taxpayer's federal adjusted gross income; and the subtraction is only available to the extent the contributions were subject to taxation under the income tax in another state.	1996	January 1, 1996	N/A	To prevent the taxation of retirement income by Virginia when such income is taxed by another state	Data Not Available	Data Not Available	Data Not Available
§ 58.1-322(C)(24)	Federal and State Employees Subtraction	A federal or state employee may subtract the first \$15,000 of his salary if his annual salary is \$15,000 or less.	1999	January 1, 2000	N/A	To prevent taxation of the first \$15,000 of wages for certain low salaried federal and state employees	\$43,336,081	\$62,483,842	\$67,422,396

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§ 58.1-322(C)(25)	Unemployment Compensation Benefits Subtraction	The individual may subtract unemployment benefits taxable pursuant to § 85 of the Internal Revenue Code.	1999	January 1, 2000	N/A	To prevent the taxation of Unemployment Compensation Benefits	2000 \$121,019,220	2001 \$270,877,056	2002 \$587,277,586
§ 58.1-322(D)(5)	Age Deduction	Individuals eligible to receive the \$12,000 age deduction prior to taxable year 2004 will continue to receive that deduction. Individuals eligible to receive the \$6,000 age deduction prior to taxable year 2004 will continue to receive that deduction until age 65. At that time, they will receive a \$12,000 age deduction subject to a reduction based on income. Individuals who have not been eligible to receive an age deduction prior to taxable year 2004 will not be eligible to receive an age deduction until age 65. They will then receive a \$12,000 income related age deduction. Individuals who receive a \$12,000 income related age deduction by \$1 for every \$1 of adjusted federal adjusted gross income above \$50,000. Married individuals will reduce the \$12,000 deduction by \$1 for every \$1 of total combined adjusted federal adjusted gross income above \$75,000. Prior to 2004, all taxpayers age 65 and older received a \$12,000 deduction, while taxpayers age 62 to 64 received a \$6,000 deduction.	1993	January 1, 1991	1994, 2001, 2004	To reduce the tax burden on individuals who are age 62 or older	\$6,097,516,497	\$6,592,566,380	\$6,768,211,363

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			Enacted				2000	2001	2002
			ess/Econo	mic Develo	pment				
§ 58.1-322(C)(17)	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 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
§ 58.1-322(C)(27)	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*
§ 58.1-322(C)(29)	Gains from Peanut Quota Buyout Program Subtraction	The taxpayer may subtract any 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 recognized may be subtracted. However, if the payment is received in a lump sum, then 20% of the recognized gain may be subtracted and the taxpayer may then 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

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					Amended		2000	2001	2002
§ 58.1-322(C)(30)	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
			Educ	cation					
§ 58.1-322(C)(20)	Virginia College Savings Plan Subtraction	The taxpayer may subtract any income attributable to a distribution of benefits or a refund from a prepaid tuition contract or savings trust account with the Virginia College Savings Plan. The subtraction for any income attributable to a refund shall be limited to a refund in the event of a beneficiary's death, disability, or receipt of a scholarship.	1997	January 1, 1997	1999, 2000	To prevent the taxation of benefits received from a distribution from a prepaid tuition contract with the Virginia College Savings Plan	Data Not Available	\$1,519,121	\$1,626,243
§ 58.1-322(D)(7)	Virginia Education Savings Trust Deduction	Purchasers or contributors may deduct the amount paid or contributed during the taxable year for a prepaid tuition contract or savings trust account entered into with the Virginia College Savings Plan. However, the deduction in any taxable year is limited to \$2,000 per contract or account. No deduction is allowed if such payments or contributions are deducted on the purchaser's or contributor's federal income tax return. A purchaser or contributor who has attained age 70 is not subject to the \$2,000 limitation.	1998	January 1, 1996	1999, 2000	To encourage individuals to contribute to a prepaid tuition contract	Data Not Available	\$58,335,801	\$73,778,667
§ 58.1-322(D)(8)	Contributions to Public School Construction Grants Program Deduction	The taxpayer may deduct the total amount he contributed to the Virginia Public School Construction Grants Program and Fund provided the individual has not claimed a deduction for such amount on his federal income tax return.	1998	January 1, 2000	N/A	To encourage contributions to the Public School Construction Grants Program	Data Not Available	\$10,765*	\$4,824*

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			Enacted		Amended		2000	2001	2002
§ 58.1-322(D)(9)	Primary and Secondary School Teacher Deduction	The taxpayer may deduct an amount equal to 20% of the tuition costs incurred by an individual employed as a primary or secondary school teacher to attend continuing teacher education courses that are required as a condition of employment. However, the deduction is only available if the individual is not reimbursed for such tuition costs and the individual has not claimed a deduction for the payment of such tuition costs on his federal income tax return.	1999	January 1, 1999	N/A	To help alleviate the costs of continuing education incurred by primary and secondary school teachers	Data Not Available	\$354,843	\$178,639
			Enviro	nment					
§ 58.1-322(C)(22)	Land Conservation Subtraction	The taxpayer may subtract the 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*
			Med	dical	•				
§ 58.1-322(D)(6)	Bone Marrow Screening Fee Deduction	A deduction is available for the amount an individual pays as a fee for an initial screening to become a possible bone marrow donor if the individual is not reimbursed for such fee or the individual has not claimed a deduction for the payment of such fee on his federal income tax return.	1997	January 1, 1997	N/A	To encourage individuals to have a bone marrow screening	Data Not Available	\$34,090	\$75,008
§ 58.1-322(D)(10)	Long-Term Health Care Premiums Deduction	An individual may deduct the amount he pays annually in premiums for long-term health care insurance, provided the individual has not claimed a deduction for federal income tax purposes.	1999	January 1, 2000	N/A	To help alleviate the costs of long term health care premiums	\$4,350,760	\$40,776,405	\$48,470,919

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			Enacted	Effective	Amended		2000	2001	2002	
			Mil	itary						
§ 58.1-322(C)(11)	National Guard Salary Subtraction	The wages or salaries received by any person for active and inactive service in the National Guard of Virginia, not to exceed the lesser of the amount of income derived from 39 calendar days of such service or \$3,000, may be subtracted. However, only those persons in the ranks of O3 and below are eligible.	1987	January 1, 1989	N/A	To prevent the taxation of the first \$3,000 of wages from National Guard duty	Data Not Available	\$10,665,944	\$5,422,328	
§ 58.1-322(C)(21)	Military Pay Subtraction	An individual may subtract all military pay and allowances, to the extent included in federal adjusted gross income and not otherwise subtracted, deducted or exempted under this section, earned by military personnel while serving in a combat zone or qualified hazardous duty area treated as a combat zone for federal tax purposes.	1998	January 1, 1998	N/A	To prevent the taxation of military pay earned in a combat zone	Data Not Available	\$10,609,552	\$5,523,356	
§ 58.1-322(C)(23)	Basic Military Pay Subtraction	An individual may subtract \$15,000 of military basic pay for military service personnel on extended active duty for periods in excess of 90 days. However, the subtraction amount is reduced dollar-for-dollar by the amount that the taxpayer's military basic pay exceeds \$15,000 and is reduced to zero if the military basic pay is equal to or exceeds \$30,000.	1999	January 1, 2000	N/A	To prevent the taxation of the first \$15,000 of wages for certain low salaried military personnel	\$113,605,981	\$158,630,195	\$160,231,693	
§ 58.1-322(C)(26)	Congressional Medal of Honor Recipient Retirement Income Subtraction	The taxpayer may subtract any amount received as military retirement income by an individual awarded the Congressional Medal of Honor.	2000	January 1, 2001	N/A	To prevent the taxation of retirement income of CMH recipients	Not In Effect	\$1,602,649	\$402,696	
§ 58.1-322(C)(31)	Military Death Gratuity Payments Subtraction	An individual may subtract the military death gratuity payment made after September 11, 2001, to the survivor of deceased military personnel killed in the line of duty.	2003	January 1, 2001	N/A	To prevent the taxation of military death gratuity payments	Not In Effect	Data Not Available	Data Not Available	

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			Enacted	Effective	Amended		2000	2001	2002
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§ 58.1-322(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*
§ 58.1-322(C)(10)	State Lottery Prize Subtraction	The taxpayer may subtract any amount included less than \$600 from a prize awarded by the State Lottery Department.	1987	December 1, 1987	N/A	To promote the lottery by forgoing the taxation of small lottery prizes	Data Not Available	\$1,252,243	\$652,992
§ 58.1-322(C)(12)	Crime Solver Reward Subtraction	Taxpayers may subtract amounts received, not to exceed \$1,000 in any taxable year, as a reward for information provided to a law-enforcement official or agency or to a nonprofit corporation created exclusively to assist such law-enforcement official or agency in the apprehension and conviction of perpetrators of crimes. However, this subtraction will not apply to individuals employed by or under contract with a law-enforcement agency, victims or perpetrators of the crime for which the reward was paid or persons who are compensated for the investigation of crimes or accidents.	1988	January 1, 1988	N/A	To forego the taxation of rewards received for providing information to combat crime	Data Not Available	Data Not Available	Data Not Available
§ 58.1-322(C)(28)	Income Received by Holocaust Victims Subtraction	An individual may subtract items of income attributable to assets stolen from, hidden from or lost by an individual who was a victim or target of Nazi persecution or damages, reparations or other consideration received by a victim or target of Nazi persecution to compensate such individual for performing labor against his will under the threat of death during World War II, its prelude and direct aftermath. This subtraction applies only to an individual who was the first recipient of such income and who was a victim or target of Nazi persecution or a spouse, widow(er), child or stepchild of such victim.	2000	January 1, 1999	N/A	To prevent the taxation of income attributable to asset recovery due to Nazi persecution	Data Not Available	\$48,987	\$9,903

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Code Section	Title	Description	Date Date		Date	Rationale	Aggregate Amount of Subtractions and Deductions Claimed		
		·	Enacted	Effective	Amended		2000	2001	2002
§ 58.1-322(D)(3)	Child and Dependent Care Expenses Deduction	The taxpayer may claim a deduction equal to the amount of expenses upon which the Child and Dependent Care Credit is based under § 21 of the Internal Revenue Code. That credit is available for taxpayers who have dependents and who must pay for household services or dependent care services in order to work or look for work.	1979	January 1, 1979	N/A	To reduce the tax burden on individuals who must incur the cost of dependent care services in order to seek employment	\$379,607,420	\$382,698,749	\$397,587,745
§ 58.1-322(D)(4)	Foster Child Deduction	A \$1,000 deduction is available for each child residing for the entire taxable year in a home under permanent foster care placement if the taxpayer can also claim the child as a personal exemption under the Internal Revenue Code.	1986	January 1, 1986	N/A	To reduce the tax burden on individuals who provide foster care	Data Not Available	\$849,000	\$210,000

^{*} Data includes information regarding subtractions or deductions taken by corporations.

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.