

## Tax Bulletins

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### TAX BULLETIN

*Virginia Department of Taxation*

June 10, 2010

#### **IMPORTANT INFORMATION REGARDING VIRGINIA FIXED-DATE CONFORMITY**

#### **ADDITIONAL INFORMATION REGARDING THE ADVANCEMENT OF VIRGINIA'S DATE OF CONFORMITY TO JANUARY 22, 2010**

*Under legislation (House Bill 30; Chapter 874 of the 2010 Acts of Assembly) approved by the 2010 General Assembly, Virginia's fixed-date of conformity to the terms of the Internal Revenue Code will advance from December 31, 2008, to January 22, 2010. This notice is intended to supplement Tax Bulletin 10-4 (Public Document 10-24, 3/30/2010) and to provide taxpayers with additional information regarding the changes made by this legislation.*

*This notice only addresses changes affecting taxable year 2010. For information about changes affecting taxable year 2009, refer to Tax Bulletin 10-4.*

#### **Domestic Production Deduction**

The federal domestic production deduction is equal to 3% of qualified production activities income of the taxpayer in tax years 2005 and 2006, 6% in 2007 through 2009, and 9% in 2010 and thereafter. If taxable income is less than this amount, then the federal deduction is equal to taxable income. Additionally, the federal deduction is limited to 50% of the W-2 wages paid by the taxpayer for that taxable year. Virginia conformed to this provision in 2005.

Virginia will deconform from the domestic production deduction allowed under IRC § 199 for taxable years 2010 and thereafter. Instead of allowing this deduction to flow through, Virginia will allow a deduction equal to two-thirds of the federal deduction. This is equivalent to allowing a deduction of 6% of the qualifying income as has been the practice in the last three taxable years (2007 through 2009).

#### **Other Changes Affecting Taxable Year 2010**

For taxable years beginning on or after January 1, 2010, House Bill 30 deconforms from the increase in the federal earned income tax credit under IRC § 32(b)(3). This specific provision will be reviewed in conjunction with the annual process of determining conformity to other federal changes affecting Taxable Year 2010.

#### **Further Information**

For further information regarding how to reconcile this legislation on the 2009 Virginia income tax return, please see Tax Bulletin 10-4, which is available in the Tax Policy Library on our website at <http://www.tax.virginia.gov>. If you have any additional questions, contact us at (804) 367-8031 for individual income tax questions or (804) 367-8037 for corporate income tax questions.

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**Related Policy Documents:** VTB 10-4, PD 10-24