

Virginia's Fixed Date Conformity with the Internal Revenue Code Taxable Year 2017

Under emergency legislation enacted by the 2018 General Assembly, Virginia's date of conformity to the terms of the Internal Revenue Code (IRC) will advance from December 31, 2016 to February 9, 2018. This allows Virginia to conform to the Disaster Tax Relief and Airport and Airway Extension Act of 2017, as well as most provisions of the Tax Cuts and Jobs Act (TCJA) and the Bipartisan Budget Act of 2018 that are effective for Taxable Year 2017. However, there is an exception for the TCJA provision related to the medical expenses deduction.

While Virginia will continue to allow the federal itemized deduction for medical expenses, Virginia will not conform to the TCJA provision that temporarily increases the medical expenses deduction. The TCJA lowers the percentage used to compute the deduction floor from 10% to 7.5% of federal adjusted gross income. As a result, taxpayers claiming a medical expenses deduction will be required to report an addition on the Virginia return that is equal to the difference between the amount of the medical expenses deduction reported on their federal income tax return and the amount computed using a deduction floor equal to 10% of federal adjusted gross income. This addition must be reported on Line 2b of Virginia Schedule ADJ, Schedule 760PY ADJ or Schedule 763 ADJ using addition code "99". See the worksheet below to compute the Virginia medical expenses addition.

Worksheet: Virginia Medical Expenses Addition

1	Medical and dental expenses from federal Form 1040, Schedule A, Line 1.....	
2	Enter the amount of federal adjusted gross income from Form 1040, Line 38.....	
3	Enter the net amount of any fixed date conformity additions and subtractions reported on Lines 2a and 6a of Schedule ADJ, Schedule 760PY ADJ or Schedule 763 ADJ	
4	Add Lines 2 and 3.....	
5	Multiply Line 4 by 10% (0.10).....	
6	Subtract Line 5 from Line 1. If Line 5 is more than Line 1, enter 0....	
7	Deductible medical and dental expenses from Form 1040, Schedule A, Line 4.....	
8	Subtract Line 6 from Line 7. This is your Virginia medical expense addition. Enter this amount and the code "99" on Line 2b of Schedule ADJ, Schedule 760PY ADJ or Schedule 763 ADJ.....	

Taxpayers should consult the instruction booklets to determine whether they are required to make any fixed date conformity adjustments on their Virginia return. After consulting the instruction booklets, many taxpayers will find that they do not have any fixed date conformity adjustments, and those taxpayers should enter 0 in Line 3 above. For those taxpayers required to make fixed date conformity modifications, they should enter the net amount of the modifications in Line 3 above. They should also use 7.5% as the multiplier on Line 8 of the FDC worksheet in the instruction booklet.

Refer to Tax Bulletin 18-1 for more information on this legislation.