



Resources

Senate Finance Committee
Virginia General Assembly

February 6, 2011

**Proposed Changes in Resources to SB 800, as Introduced
February 6, 2011**

	<u>FY 2011</u>	<u>FY 2012</u>	<u>2010-12</u>
Unappropriated Balance, SB 800	\$ 249,675,089	\$ (245,602,347)	\$ 4,072,742
Changes to Resources	54,726,951	122,867,322	177,594,273
Net Spending	<u>(151,417,875)</u>	<u>326,730,836</u>	<u>175,312,961</u>
Ending Balance/Unappropriated Balance	\$ 455,819,915	\$ (449,465,861)	\$ 6,354,054

REVENUES/RESOURCES

Changes to Balances

Reverse VRS 4% Rate Increase	\$ -	\$ 122,866,900	\$ 122,866,900
VRS Repayment: 2.4% over FY 2011 rate	0	(69,302,317)	(69,302,317)
Reflect Savings from Dec 2010 Bonus (GOV)	7,551,951	0	7,551,951
Reverse Judicial Vacancies	0	(4,795,898)	(4,795,898)

Changes to Revenues

Conformity Change (GOV)	(600,000)	(520,000)	(1,120,000)
Conformity - Cancellation of Debt (GOV)	(14,900,000)	7,400,000	(7,500,000)
February Revenue Reforecast (GOV)	65,000,000	87,000,000	152,000,000
SB 1027 Puckett - Tax Credit	0	(3,000,000)	(3,000,000)
SB 972 Whipple - Sales Tax on Hotel Rooms	0	690,000	690,000
SB 1136 Wagner - Ports - Capped Tax Credit	0	50,000	50,000
SB 774 McEachin - District Courts	0	(147,936)	(147,936)

Changes to Transfers

Reverse Employee Retirement Transfer	0	(18,201,242)	(18,201,242)
Proceeds of Detention Ctr Sale (GOV)	175,000	0	175,000
DEQ: Correct Error in SB 800 (GOV)	0	827,815	827,815
State Bar: Restore 1/2 of transfer	<u>(2,500,000)</u>	<u>0</u>	<u>(2,500,000)</u>

Total, Revenues/Resources	\$ 54,726,951	\$ 122,867,322	\$ 177,594,273
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Adjustments And Modifications To Tax Collections

Treatment of Certain Cancellation of Debt Income

Language

Language:

Page 469, after line 40, insert:

"§3-5.10 TREATMENT OF CERTAIN CANCELLATION OF DEBT INCOME

Notwithstanding any other provision of law, income from the discharge of indebtedness in connection with the reacquisition of an "applicable debt instrument" under § 108 (i) of the Internal Revenue Code reacquired in taxable year 2010 may be included in the taxpayer's Virginia taxable income ratably over a 3-taxable-year period beginning with taxable year 2010 for transactions completed in taxable year 2010 on or before April 21, 2010. If the taxpayer does not elect to include such income ratably over the 3-taxable-year period, then such income shall be fully included in the taxpayer's Virginia taxable income for taxable year 2010."

Explanation:

(This amendment extends a provision of tax conformity related to "cancellation of debt" that was adopted last year in Chapter 874 (2010) to a portion of taxable year 2010 income. As part of the American Recovery and Reinvestment Act of 2009, Congress enacted a special treatment for certain "cancellation of debt" income under §108 (i) of the IRC. Under this provision, corporations that had income that would have been recognized and treated as taxable income from certain corporate restructurings were allowed the election to defer recognition of this income for five years and then include it in income over another five years. This special federal treatment was available for taxable years 2009 and 2010, and would have the same affect on taxable income in Virginia, if Virginia elected to conform to this federal change. Introduced SB 30 (2010) included legislation to deconform from this federal treatment to avoid a negative impact on general fund revenue in fiscal years 2010 through 2012. The adopted budget included action to lessen the impact on any company affected by this deconformity for taxable year 2009, thereby allowing the option of spreading the 2009 taxable income over three years. This amendment allows the same taxpayer option for income generated in tax year 2010, up to the point that the matter was finally resolved at the April 2010 reconvened session.)
