

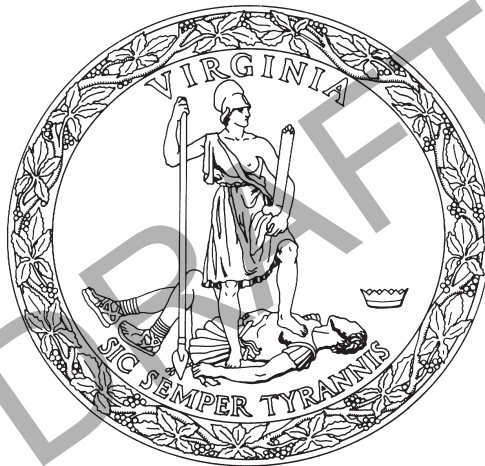
DRAFT FORM — NOT FOR FILING

This draft form has been updated to include the most recent changes effective for Tax Year 2025 Virginia returns. If legislative changes or issues arise, we will post a new version of this draft form.

Please continue to monitor tax.virginia.gov/early-release-forms for future drafts of this form. Once forms are final, we will post them on our website at tax.virginia.gov/forms.

Instructions for Preparing 2025 FORM 500

Virginia Corporation Income Tax Return



**Commonwealth of Virginia
Department of Taxation
Richmond, Virginia**

www.tax.virginia.gov

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What's New

Virginia's Conformity to the Internal Revenue Code

Virginia's rolling conformity with the Internal Revenue Code has been suspended for periods beginning on or after January 1, 2025, and before January 1, 2027. Virginia will continue to conform to the Inflation Reduction Act and the Consolidated Appropriations Act of 2023. Conformity refers to how closely Virginia follows definitions and other provisions of the federal tax code, including the definition of income. The legislation passed by the General Assembly in 2023 sets guidelines for future federal law changes and their impact on Virginia returns. If changes are made to federal law that could impact your return and require adjustments, Virginia Tax will post information about this on its website at www.tax.virginia.gov.

Virginia will continue to deconform from the following: bonus depreciation allowed for certain assets under federal law; the five-year carryback of certain federal net operating loss (NOL) deductions generated in the 2008 or 2009 taxable years; the federal income treatment of applicable high yield discount obligations; and the federal income tax treatment of cancellation of debt income realized in connection with certain business debts. In addition, Virginia will continue to deconform from the following temporary changes made by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act: suspension of certain NOL limitations for Taxable Years 2018, 2019, and 2020 and increasing the business interest limitation for Taxable Year 2019 and 2020.

At the time these instructions were published, the only required conformity adjustments were those mentioned above. However, if legislation is enacted that results in changes to the IRC for the 2025 taxable year, taxpayers may need to make adjustments to their Virginia returns that are not described in these instructions. Information about any such adjustments will be posted on the Department's website at www.tax.virginia.gov.

Historic Rehabilitation Tax Credit Claim Amount Increase

Effective for Taxable Years beginning on and after January 1, 2025, the maximum amount of the Historic Rehabilitation Tax Credit that a taxpayer may claim per taxable year has increased from \$5 million to \$7.5 million. The \$7.5 million annual limitation applies to all Historic Rehabilitation Tax Credits claimed by a taxpayer for a taxable year, including amounts carried over from prior taxable years. See Schedule 500CR Instructions for more information.

Recyclable Materials Processing Equipment Tax Credit Sunset Date Extension

The Recyclable Materials Processing Equipment Tax Credit sunset date has been extended from January 1, 2025, to January 1, 2027.

Virginia Housing Opportunity Tax Credit Sunset Date Extension

The Virginia Housing Opportunity Tax Credit sunset date has been extended from January 1, 2025, to January 1, 2031.

Assistance

Online Resources:

The Department's website, www.tax.virginia.gov, contains valuable information to help you.

- **Online Services for Businesses** – Access online registration, filing, payment, and other electronic services.
- **Laws, Rules, & Decisions** – Access the Code of Virginia, Tax Regulations, Guidance Documents, Legislative Summaries, Rulings by the Tax Commissioner, Tax Bulletins, and Attorney General Opinions.
- **Email Updates** – Sign up and stay informed. By subscribing, you will periodically receive automatic email notifications regarding legislative changes, filing reminders, and other relevant information.

Contact Us:

Customer Service Inquiries

Department of Taxation
P.O. Box 1115
Richmond, Virginia 23218-1115

Phone: (804) 367-8037

Fax: (804) 254-6111

Forms Requests

Department of Taxation
P.O. Box 1317
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Phone: (804) 367-8037
or visit www.tax.virginia.gov

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Instructions for Preparing 2025 Form 500 Virginia Corporation Income Tax Return

(References are to the Code of Virginia, unless otherwise noted)

General Information

Corporations Required to File

Every corporation organized under the laws of Virginia, every foreign corporation registered with the State Corporation Commission for the privilege of doing business in Virginia, and every corporation having income from Virginia sources, aside from corporations that qualify for an exception, must (with the exceptions stated in these instructions) file a return through the Federal/State e-File program. The return should be submitted and accepted on or before the 15th day of the 4th month (15th day of the 6th month for nonprofit corporations) following the close of its taxable year.

Receivers, trustees in dissolution, trustees in bankruptcy, and assignees, operating the property or business of corporations must make returns of income for such corporations. If a receiver has full custody of and control over the business or property of a corporation, he is deemed to be operating such business or property, whether he is carrying on the business for which the corporation was organized or is only in marshaling, selling, or disposing of its assets for purposes of liquidation (*Va. Code* § 58.1-441).

A Foreign Sales Corporation (FSC) and any income attributable to an FSC are exempt under Virginia law; however, it may be necessary for an FSC to file an information return if it meets the provisions of *Va. Code* § 58.1-441 and the regulations thereunder.

Any electric supplier, pipeline distribution company, gas utility, or gas supplier that is subject to federal income tax is also subject to the Virginia corporation income tax and should file a Virginia Corporation Income Tax Return, Form 500.

Electric suppliers may be subject to a minimum tax instead of the corporate tax for any taxable year that their minimum tax liability is greater than their corporate income tax liability. Schedule 500EL is used to compute the minimum tax and determine which tax applies.

Electric cooperatives are subject to tax on all modified net income derived from nonmember sales and must file a Form 500EC even if no tax is due. Electric cooperatives may be subject to a minimum tax instead of the modified net income tax if their minimum tax liability is greater than their modified net income tax liability. See Schedule 500MT.

Home service contract providers are exempt from the insurance premiums license tax and instead will be subject to the corporation income tax or a minimum tax. All home service contract providers must submit Form 500HS with their Form 500. A noncorporate provider must complete Form 502 in addition to Form 500 and Form 500HS.

A Captive REIT is required to add back any federal deduction for dividends paid to its shareholders. It will then allocate and apportion income, and pay Virginia income tax, in the same

manner as other corporations. A Captive REIT is defined as a REIT:

- (i) whose shares are not publicly traded,
- (ii) 50% or more of the shares are owned by a corporate entity, and
- (iii) more than 25% of the income of the REIT consists of rents from real property.

Exceptions are provided to ensure that an affiliated group of REITs will not be considered captive REITs unless the ultimate ownership of the group is by a single corporate entity. Also, entities organized under the laws of Australia and other foreign countries that are similar to REITs will not be considered a captive REIT, if they are widely held. In addition, for taxable years beginning on or after January 1, 2016, any voting power or value of the beneficial interests or shares in a REIT that are held in a separate asset account of a life insurance corporation are excluded from consideration for purposes of determining whether the REIT is a captive REIT for purposes of the addition.

Electing small business corporations, not taxable as corporations under *Va. Code* § 58.1-400, are required to file Form 502, Pass-Through Entity Return of Income and Return of Nonresident Withholding Tax.

Exempt Corporations

Corporations not organized for pecuniary profit, which are also exempt from income tax under IRC § 501(c), are taxed only on their unrelated business taxable income and must report that unrelated business income on Form 500; otherwise, no returns are required.

Public service corporations that pay a state franchise tax or license tax upon gross receipts, insurance companies that pay a state license tax on gross premiums and reciprocal or inter-insurance exchanges that pay a premium tax to the state are not required to file an income tax return. Additionally, state and national banks, banking associations, trust companies, and credit unions organized and conducted as banking institutions are not taxed on their income by Virginia and are not required to file an income tax return. In addition, effective for taxable years beginning on or after January 1, 2014, Interest-Charged Domestic International Sales Corporations (IC-DISCs) are exempt from Virginia corporation income tax and are not required to file an income tax return (*Va. Code* § 58.1-401).

Nonprofit Hospitals

Nonprofit hospitals are required to provide the Department with a copy of the hospital's federal Form 990 or Form 990-EZ (or the successor form to such form) that was filed with the Internal Revenue Service for the relevant year. Nonprofit hospitals are not required to file a Form 500; therefore, a paper copy of the federal Form 990 or Form 990-EZ must be

mailed directly to the Department. A paper copy of the form must be provided to the Department within 30 days following the filing of the federal Form 990 or Form 990-EZ tax form with the Internal Revenue Service. In addition, such hospital must provide the Department a copy of any interim tax form, report, or return that the hospital filed with or provided to the Internal Revenue Service for the relevant year pursuant to Title 26 of the United States Code or the rules and regulations thereunder. The copy of the interim tax form, report, or return must be provided to the Department within 30 days following the filing of the same with, or the providing of the same to, the Internal Revenue Service.

Period to be Covered by Return

A corporation's taxable year is the same as its taxable year for federal income tax purposes. If a corporation's taxable year is changed for federal income tax purposes, its taxable year also changes for state income tax purposes (*Va. Code* § 58.1-440).

Accounting Methods

A corporation's method of accounting is the same as its method of accounting for federal income tax purposes. In the absence of any method of accounting for federal income tax purposes, Virginia taxable income must be computed using the accounting method that is regularly used in the corporation's bookkeeping, provided such method clearly reflects income in the opinion of the Department. If a corporation's accounting method changes for federal income tax purposes, it also changes for state income tax purposes (*Va. Code* § 58.1-440).

When to File

Every corporation income tax return must be submitted on or before the 15th day of the 4th month (15th day of the 6th month for nonprofit corporations) following the close of a corporation's taxable year (*Va. Code* § 58.1-441). When the last day on which a tax return must be filed or a tax must be paid falls on a Saturday, Sunday, or legal holiday, you may file and make payment without penalty or interest on the next succeeding business day.

How to File

The Department requires that corporation income tax returns and payments be submitted electronically. There are two options available. Returns may be filed through the Federal/State e-File program, or certain Virginia corporations may qualify to file a Form 500EZ using eForms on the Department's website. See below for more information.

Electronic Filing

The e-File system is supported by numerous commercial software programs. e-File software will automatically check for completeness, correct errors, generate the applicable corporation income tax schedules, and electronically transmit the return and payment to the Federal/State e-File processing systems. A list of approved commercial software is available on the Department's website. If a tax payment is required, the payment can be made through e-File or eForms as a direct debit, or the corporation may pay with an ACH credit

established through the corporation's bank. The e-File program provides many benefits to corporations:

- The federal and state returns may be filed electronically at the same time.
- The federal return is automatically provided to the state electronically.
- Consolidated and combined returns are supported.
- Portable Document Format (PDF) files of required documents may be attached.
- Choice of approved e-File software programs. Corporations may find their current software already supports e-Filing.
- The ability to schedule payment of a tax due through direct debit for a future date when filing before the due date.
- e-File prior year returns for up to 2 tax years.

In order to successfully e-File, the corporation must:

- Use an approved commercial e-File software product. Approved e-File software vendors will be listed on our website.
- Be able to create a readable PDF. This means you must either have a scanner that allows you to scan documents into a PDF file, or software that allows you to save documents as a PDF. This feature will allow you to e-file your state return if the IRS does not support the federal return and/or schedules through the e-File system. You can attach unsupported federal returns and schedules as PDF files to the electronic transmission of the state return.
- The Virginia e-File program has been designed to accept transmission of the federal and state return together or separately. This is often referred to as a state-only transmission which can be used when the federal return being filed is not supported by the federal e-File system. This allows the state return to be e-Filed by itself. Most software vendors support the electronic transmission of the federal and state returns together or separately.
- Large corporations must decide whether to use an Electronic Return Originator (ERO) to electronically file the return or prepare and e-File the return themselves. If a corporation chooses to prepare and e-File the return themselves, they may have to register and apply with the IRS to obtain an Electronic Filing Identification Number (EFIN) and possibly an Electronic Transmitter Identification Number (ETIN) depending upon the e-File option chosen. See our website for detailed information.
- Small corporations should use an online provider to avoid having to register with the IRS for an Electronic Filing Identification Number (EFIN).

eForms (Forms 500EZ, 500CP, 500V, and 500ES)

An online return, Form 500EZ, is available through the eForms application on the Department's website. This return

is a shorter version of the existing Form 500, and is designed to simplify the filing process. You can also submit corporation income tax payments electronically through eForms. This includes return payments (Form 500V), estimated payments (Form 500ES) and extension payments (Form 500CP). Using eForms is a fast and free way to file and pay state taxes.

To be eligible to file Form 500EZ, you must meet all of the criteria below:

- 100% of the corporation's business is in Virginia.
- The total additions to federal taxable income are \$1,000 or less.
- The total subtractions from federal taxable income are \$1,000 or less.
- The corporation may not claim the Savings and Loan Association Bad Debt Deduction.
- The corporation is not included in a consolidated or combined filing of another entity.
- The corporation claims no tax credits other than tentative tax payments or estimated tax payments.
- The taxpayer is not a Telecommunications Corporation required to file Form 500T, an Electric Cooperative required to file Schedule 500EL, or a Home Service Contract Provider required to file a Form 500HS.
- The corporation will not claim a net operating loss deduction for the year being filed.
- The corporation is not a pass-through entity.
- The federal taxable income of the corporation may not exceed \$40,000 for the taxable year of this form.
- The corporation may not have any conformity adjustments or modifications.
- The corporate return is not being amended as a result of a partnership-level federal adjustment.

If the corporation meets the above conditions, complete and file Form 500EZ on the Department's website under eForms at www.tax.virginia.gov.

Note: if the corporation is a Homeowner Association (HOA) with either a refund due or no tax liability owed (\$0) for the year being filed, it is eligible to use the 500EZ.

Waiver Request

If you are unable to file and pay electronically, you may request a waiver. All requests for waivers must be submitted to the Department in writing using the Corporation Income Tax Electronic Filing Waiver Request form on the Department's website at www.tax.virginia.gov. The Department does not acknowledge receipt of paper filed returns and/or payments. If you need confirmation of delivery, consider using USPS Postal Service Tracking.

Extension of Time to File

You are allowed an automatic 7-month extension of time (6 months for nonprofit corporations and entities other than C corporations) to file your corporation income tax return. This provision does not extend the due date for payment of

taxes; and you must pay at least 90% of your tax due by the original due date for filing the return.

If Form 500 is filed within the automatic extension period, but less than 90% of the tax liability was paid by the original due date, an extension penalty will apply. The extension penalty is imposed at the rate of 2% per month or fraction thereof from the original due date through the date of full payment or the extended return due date, whichever occurs first, to a maximum of 14% (12% for nonprofit corporations and entities other than C corporations). If an additional tax payment is needed to ensure that the tax liability has been paid, the extension payment must be made electronically. The Department provides two secure online options for submitting extension payments, eForms (using Form 500CP) and Business Online Services. Corporations can also pay using an ACH credit transaction. Electric cooperatives are required to make sufficient payments based on their estimated modified net income tax liability. **If the return is filed after the extended due date, a 30% late filing penalty will apply on the balance of tax due with the return. The minimum penalty for failure to file timely is \$100.**

If any amount of the tax is underestimated, interest accrues at the underpayment rate set in IRC § 6621, plus 2%.

Penalties and Interest

If the return is filed within the 7-month extension (6 months for nonprofit corporations and entities other than C corporations), but the corporation failed to pay 90% of the tax due by the original due date, then the corporation is subject to an extension penalty of 2% per month or fraction of a month thereof from the original due date to the filing of the corporation income tax return to the date of payment. The penalty is applied to the balance of tax due with the return from the original due date through the date of filing. The maximum extension penalty is 14% (12% for nonprofit corporations and entities other than C corporations) of the tax due. If the return is filed after the extended due date, the extension provisions do not apply and the corporation is subject to the late filing penalty (*Va. Code* § 58.1-455). In no case will the penalty for failure to file timely be less than \$100, and this minimum \$100 penalty applies whether or not tax is due for the period covered by the return. If Form 500 is filed within the extension period and the total amount due is not included with the return, the late payment penalty will be assessed at the rate of 6% per month from the date of filing through the date of payment, up to a maximum of 30% of the tax due. Civil and criminal penalties may be imposed for filing a fraudulent return. The criminal penalty for filing a fraudulent return is a Class 6 felony (*Va. Code* § 58.1-451 and *Va. Code* § 58.1-452). Interest on the unpaid balance of any tax and penalty is charged at the underpayment rate established by IRC § 6621, plus 2%, from the due date until paid.

Penalty for Returned Check or EFT Nonpayment.

If your bank does not honor your payment to the Department, the Department may impose a penalty of \$35, as authorized by *Va. Code* § 2.2-614.1. This penalty will be assessed in addition to other penalties due.

Return Forms and Schedules

Listed below are the available forms and schedules to submit through the Federal/State e-File Program.

- **Form 500 – Corporation Income Tax Return.** Used to compute a corporation's income tax liability and to determine the amount of tax due or the amount of the refund.
- **Schedule 500ADJ – Schedule of Adjustments.** Used to report additions to or to claim subtractions from federal taxable income and to claim withholding reported to a corporation by a pass-through entity on Virginia Schedule VK-1. Also, used to compute the corrected tax liability for an amended Form 500.
- **Schedule 500CR – Credit Computation Schedule for Corporations.** Used to claim both nonrefundable and refundable credits.
- **Schedule 500FED – Schedule of Federal Line Items.** Used to report specific line items from the corporation's federal income tax return.
- **Schedule 500A – Corporation Allocation and Apportionment of Income.** Used to allocate and apportion income by corporations that transact or conduct part of their business within Virginia and part of their business outside Virginia.
- **Schedule 500AB – Schedule of Related Entity Add Backs and Exceptions.** Used to: (i) add back certain deductions that may be taken by a corporation on its federal return for interest, royalties, and other expenses related to intangible property such as trademarks and patents; (ii) report payments; and (iii) identify exceptions.
- **Schedule 500AC – Schedule of Affiliated Corporations.** Corporations filing as Combined or Consolidated are required to submit a Schedule 500AC for each member, including the parent company, that is doing business in Virginia, or that has Virginia source income, and is part of the group included in this tax return. The number of Schedules 500AC enclosed with the return must equal the number of affiliates reported on Form 500, Page 1.
- **Form 500C – Underpayment of Virginia Estimated Tax by Corporations and Electing Pass-Through Entities.** Used to determine if an addition to tax charge is owed for failure by the corporation to pay sufficient estimated tax during the taxable year.
- **Form 500T – Telecommunication Companies Minimum Tax.** Every telecommunications company as defined by statute and certified by the State Corporation Commission must complete and submit Form 500T.
- **Schedule 500EL – Electric Suppliers Corporation Minimum Tax and Credit Schedule.** Every electric supplier as defined by statute and certified by the State Corporation Commission must complete and submit Schedule 500EL.
- **Form 500HS – Home Service Contract Provider Minimum Tax Computation.** Every home service contract provider as defined by statute and certified by

the State Corporation Commission must complete and submit Form 500HS.

- **Form 502FED-1 – Virginia Partnership-Level Federal Adjustments Report.** Used to report partners distributive share of partnership-level federal adjustments. A corporate partner that receives Form 502FED-1 from its partnership and needs to file an amended Virginia return must enclose a copy of Form 502FED-1.

You must also enclose a copy of the federal return. The corporation must submit a copy of the income tax return that it filed with the IRS to the Department.

Not all federal income tax returns are available to electronically file. If the federal income tax return is not available to file electronically, then the federal return can be attached as a PDF file to the Virginia electronic return.

Consolidated or Combined Returns

Affiliated corporations that are subject to Virginia income taxes have the option to file a consolidated or combined return instead of filing separate returns. Two or more corporations are affiliated when one corporation owns 80% or more of the outstanding voting stock of another corporation(s), or 80% or more of the outstanding voting stock of 2 or more corporations is owned by the same interest.

A consolidated return is a single return for an affiliated group of corporations prepared in accordance with the principles of IRC § 1502 and the regulations thereunder;

A combined return is a single return for an affiliated group of corporations in which income or loss is separately determined in accordance with the following:

- a. Virginia taxable income or loss is computed separately for each corporation;
- b. Allocable income is allocated to the state of commercial domicile separately for each corporation;
- c. Apportionable income or loss is computed using separate apportionment factors for each corporation; and
- d. Income or loss computed in accordance with items a through c above is combined and reported on a single return for the affiliated group.

If a corporation elects to file on a separate, consolidated, or combined basis, all returns thereafter must be filed on the same basis, unless the Department grants permission to change the election (Va. Code § 58.1-442). A binding election is made in the first year in which a group of affiliated corporations is eligible to file a consolidated or combined return in Virginia. *Prior elections continue in effect and can be changed only if permission is granted by the Department.*

Returns filed on a consolidated or combined basis must enclose with the group return a completed Schedule of Affiliated Corporations, Schedule 500AC, for each member included in the combined or consolidated Virginia return, including all affiliates and the parent company. All supplementary and supporting schedules filed with a consolidated or combined return should be prepared in columnar form, one column being

provided for each corporation included in the consolidated or combined return. Supporting schedules for consolidated returns should also include a column for totals of like items before adjustments are made, a column for intercompany eliminations and adjustments, and a column for totals of like items after giving effect to the eliminations and adjustments. The items included in the columns for eliminations should be symbolized to readily identify contra items affected, and suitable explanations should be added if necessary.

Prohibition of worldwide consolidation or combination. The Department shall not require, and no corporation may elect, that a consolidation or combination of an affiliated group include any controlled foreign corporation, the income of which is derived from sources outside of the United States (Va. Code § 58.1-443).

Change in Filing Status

Any request to switch from one filing method to another must be submitted **before the due date** for the first return to use the requested filing method. The requests should be mailed to: **Virginia Department of Taxation, P.O. Box 27203, Richmond, VA 23218-7203.**

A \$100 administrative fee, the Form Filing Status-Fee, and a copy of the federal Form 851 must accompany all requests.

The Department will generally grant requests to change a filing status from separate to combined or from combined to separate. Requests to change a filing status from separate or combined to consolidated, or from consolidated to separate or combined will generally be denied. However, a group of affiliated corporations that has filed Virginia income tax returns on the same basis for at least the preceding 12 years will be granted permission to change its filing status (i) from consolidated to separate or (ii) from separate to consolidated if the affiliated group agrees to compute its tax liability under both the new filing status and the former filing status and pay the greater of the two amounts for the first 2 taxable years in which the new filing status is effective.

In-State Corporations

Except as provided in Va. Code § 58.1-405.1, if the entire business of the corporation is transacted or conducted within Virginia, the tax is computed upon the entire Virginia taxable income of the corporation for each taxable year. The entire business of the corporation will be considered to have been transacted or conducted within this state if the corporation is not subject to a net income tax, a franchise tax measured by net income or a franchise tax for the privilege of doing business in another state (Va. Code § 58.1-405).

Multistate Corporations

A corporation having income from business activity that is taxable both within and without Virginia must allocate and apportion its net income as provided in Va. Code §§ 58.1-406 through 58.1-422.4. Such a corporation must complete and enclose Schedule 500A with the return. A corporation is not taxable in another state if that state is prohibited from imposing an income tax on the corporation because its business activity in the state does not exceed the minimum

standards set forth in Public Law 86-272.(15 U.S.C.A. §§ 381 - 384).

Standard Apportionment Method for Corporations

A double-weighted sales factor is used for corporate apportionment. Under this formula, the sales factor is weighted 50% and payroll and property are both weighted 25% in determining the overall corporate income apportionment factor.

Alternative Methods of Apportionment

Motor carriers, financial corporations, construction corporations, railway companies, retail companies, debt buyers, manufacturers who elect the modified apportionment method, and certain enterprise data center operations are required to use a single sales factor method of apportionment as provided in Va. Code §§ 58.1-417 through 58.1-420 and 58.1-422 through 58.1-422.3. See the instructions for Schedule 500A for details on how to compute apportionment factors.

Report of Change in Federal Taxable Income

If the amount of a corporation's federal taxable income as reported on its federal income tax return for any taxable year is changed or corrected by the IRS (or other competent authority), or is changed as the result of a renegotiation of a contract or subcontract with the United States, the taxpayer must report this change to the Department within one year of the final determination date.

The **final determination date** is defined as one of the following:

- If the federal adjustment is the result of an audit or other action by the IRS, the final determination date is defined as the first day on which no federal adjustments arising from that audit or other action remain to be finally determined. For agreements required to be signed by the IRS and the taxpayer, the final determination date is defined as the date on which the last party signed the agreement.
- If the federal adjustment is the result of an audit or other action by the IRS, and the taxpayer filed as a member of a Virginia combined or consolidated return, the final determination date is defined as the first day on which no related federal adjustments arising from that audit remain to be finally determined for the entire group.
- If the federal adjustment results from filing an amended federal return, a federal refund claim, or an administrative adjustment request or if it is a federal adjustment reported on an amended federal return or other similar report, the final determination date is defined as the day on which the amended return, refund claim, administrative adjustment request, or other similar report was filed.

If the corporation is an owner of a partnership and receives Form 502FED-1, Virginia Partnership-Level Federal Adjustments Report, from the partnership and needs to file an amended Virginia return in order to report its distributive

share of the partnership-level adjustment, the corporation must enclose a copy of Form 502FED-1 with the amended return.

Any taxpayer filing an amended federal return must also file an amended state return and must pay any additional tax and interest due, if applicable.

Refund of Virginia Tax

A corporation may file an amended return to claim a refund within the later of:

- (1) 3 years from the due date of the return or extended due date (whichever is later);
- (2) 1 year from the final determination date of any change or correction in the liability of the taxpayer for any federal tax upon which the state tax is based, provided that the refund does not exceed the amount of the decrease in Virginia tax attributable to such federal change or correction;
- (3) 2 years from the filing of an amended Virginia return resulting in the payment of additional tax, provided that the amended return raises issues relating only to the prior amended return and the refund does not exceed the amount of the tax payment made with the prior amended return; or
- (4) 2 years from the payment of an assessment, provided that the amended return raises issues relating only to the prior assessment and the refund does not exceed the amount of tax paid on the prior assessment.

Enclose a copy of federal Forms 1120X or 1139, the Revenue Agent's Report, Statement of Adjustment to Your Account, or other forms or statements (including the Form 502FED-1, if applicable) showing the nature of any federal change and the final determination date. For an Electric Cooperative subject to the modified net income tax, an amended return may be filed on Form 500EC.

The Federal/State e-File program only supports amended returns for the current taxable year and the 2 preceding taxable years. Amended returns for prior taxable years must be filed by paper. Amended Forms 500EC will also need to be filed by paper. For the above-mentioned types of amended returns, write to: **Virginia Department of Taxation, P.O. Box 1500, Richmond, Virginia 23218-1500.**

Net Operating Loss Deductions

There is no Virginia net operating loss available for carryback or carryover. However, since the starting point for the Virginia corporation income tax is federal taxable income (Form 500, Line 1), net operating loss deductions are generally taken into account on the Virginia return to the extent that such losses are included in federal taxable income. Effective January 1, 2023, Virginia will conform to the Internal Revenue Code on a rolling basis, subject to certain exceptions. Conformity refers to how closely Virginia follows definitions and other provisions of the federal tax code, including the definition of income. The 2023 General Assembly passed legislation that conforms Virginia's tax law to the federal tax code on a rolling basis, with certain exceptions. The legislation also sets guidelines for future federal law changes and their impact

on Virginia returns. If changes are made to federal law that could impact your return and require adjustments, Virginia Tax will post information about this on its website at **www.tax.virginia.gov**.

Virginia continues to conform to the changes made to the NOL deduction by the federal Tax Cuts and Jobs Act, including the general repeal of NOL carrybacks. For taxable years ending after December 31, 2017, only NOLs from certain farming losses and the losses incurred by certain insurance companies may be carried back as set forth in IRC § 172(b). No other types of NOLs may be carried back for such taxable years.

Since federal income must be modified for Virginia additions and subtractions, the additions and subtractions of the loss year follow the federal loss to the year the loss is used. Thus, if the federal net operating loss is fully used in a carryback or carryover year, the net amount of additions and subtractions will be applied in the same ratio to the applicable year. The federal net operating loss deduction may be used only to reduce federal taxable income, and a federal net operating loss deduction cannot create or increase a federal net operating loss.

Also, due to the reduced tax liability in carryback and carryforward years, any credits previously claimed in those years may need to be adjusted as well as the credit carryover amounts. An amended Form 500 should be filed indicating the change in the amount of credits claimed and the corrected carryover amounts. Enclose a revised Schedule 500CR with the amended returns filed to report the changes to the credit(s) claimed or carryover amount resulting from the net operating loss carryback.

In most cases, Virginia conforms to the federal rules regarding carrybacks that are in effect for a particular taxable year. However, under IRC § 172(b)(1)(H), taxpayers may carry back net operating loss deductions generated in Taxable Years 2008 and 2009 for 5 years for federal purposes. Section 2303 of the federal Coronavirus Aid, Relief, and Economic Security Act, P.L. 116-136 (2020) ("the CARES Act") allowed a similar five-year carryback for net operating losses arising in Taxable Years 2018, 2019, and 2020. Virginia does not conform to these provisions of federal tax law and such losses may generally not be carried back for Virginia purposes. In addition, Section 2303 of the CARES Act temporarily removed the 80%-of-taxable-income limitation for Taxable Years 2018, 2019, and 2020. Virginia does not conform to this provision of federal tax law and the 80%-of-taxable-income limitation applies for Virginia purposes. Consequently, to the extent that federal and Virginia net operating loss carrybacks and carryforwards differ, separate accounting will be required.

IMPORTANT: Form 500NOLD, Corporation Application for Refund Carryback of Net Operating Loss, must be used to carry back a net operating loss. **Do not use Form 500.** Using the incorrect form will delay the processing of your return and may result in having your tax return sent back to you. File Form 500NOLD by paper – the form is not supported by the Federal/State e-File Program.

For a copy of the Virginia regulations, visit www.tax.virginia.gov. For more information, call (804) 367-8037 or write to Virginia Department of Taxation, P.O. Box 1115, Richmond, VA 23218-1115.

Estimated Income Tax

Corporation estimated income taxes must be filed and paid electronically using the Form 500ES. Visit www.tax.virginia.gov for details on electronic payment options which include e-Forms, Business Online Services, and ACH credit EFT.

In case of any underpayment of estimated tax by a corporation, Va. Code § 58.1-504 requires that an addition to tax be made at the established interest rate for underpayments unless one of the exceptions in that section applies. Use **Form 500C** to compute this addition to the tax and/or to indicate that an exception applies.

Calendar Year Filers

Every corporation subject to Virginia income tax that uses a calendar year accounting period is required to make a declaration of estimated tax for the calendar year if its Virginia income tax for that period can reasonably be expected to exceed \$1,000. Payment of the estimated tax must be made to the Department as follows:

- **1st payment** = 25% –by– **April 15.**
- **2nd payment** = 25% –by– **June 15.**
- **3rd payment** = 25% –by– **September 15.**
- **4th payment** = 25% –by– **December 15.**

Fiscal Year Filers

If a corporation's accounting period is a fiscal year, the corporation is required to make a declaration of estimated income tax and pay 25% of the amount due to the Department in 4 payments:

- **1st payment:** **15th day** of the **4th month** following the beginning of its fiscal year.
- **2nd payment:** **15th day** of the **6th month.**
- **3rd payment:** **15th day** of the **9th month.**
- **4th payment:** **15th day** of the **12th month** following the beginning of its fiscal year.

See Va. Code §§ 58.1-500 through 58.1-504.

Virginia Taxable Income

Virginia taxable income for a taxable year means the federal taxable income for such year of a corporation (or the "investment company taxable income" of regulated investment companies, or the "real estate investment trust taxable income" of real estate investment trusts, to which shall be added in each case any amount of capital gains taxable to the corporation under federal law) or the unrelated business taxable income of organizations exempt from income tax under IRC § 501(c), adjusted as provided under Va. Code § 58.1-402; except a corporation subject to the provisions of Va. Code § 58.1-403.

Form 500 Instructions

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Fiscal Year Filers or Short Year Filers

Complete this line **only** if your taxable year is not from January 1 to December 31. You must use the same taxable period on your Virginia return as on your federal return.

Check if:

- **Initial Filer** – This is your first time filing in Virginia.
- **Name Change** – Your name has changed since your last filing.
- **Mailing Address Change** – Your mailing address has changed since your last filing.
- **Physical Address Change** – Your physical address has changed since your last filing.

Be sure that your federal employer identification number, name, mailing address, and physical address are correctly reported. Enter the date and state or country of incorporation.

Entity Type

Enter the entity type code from the list below:

Code	Entity Type
CC	C Corporation
SC	S Corporation
LL	Limited Liability Company
NP	Nonprofit Corporation
BA	Bank
SL	Savings and Loan
CO	Cooperative
PS	Public Service
OB	Other Business

NAICS Code

Enter the 6-digit North American Industry Classification System (NAICS) code. You can access a list of these codes on the Department's website, www.tax.virginia.gov.

Check the Applicable Boxes to indicate any of the following:

- Consolidated – Schedule 500AC Enclosed
- Combined – Schedule 500AC Enclosed
- Change in Filing Status (Do not check this box unless you have prior approval from the Department to change your filing status. See Page 7 of these instructions for more information.)
- Schedule 500A Enclosed
- Schedule 500AB Enclosed
- Nonprofit Corporation
- Amended Return. Check the box and enter the amended return reason code in the space provided. See table below.

If the box for either the consolidated or combined return is checked, enter the number of affiliates included in the return on the line provided. Enclose a Schedule 500AC for each member included in the combined/consolidated return, including the parent company.

Amended Return

If amending a return, mark the amended return check box and enter the reason code in the space provided. Use the reason code that best describes why the return is being amended and enclose the appropriate documentation.

Code	Amended Return Reason
01	Net operating loss
02	Partnership-level federal adjustment – Enclose Form 502FED-1
03	Federal return amended or adjusted – Enclose copy of IRS final determination
04	Virginia return changes to subtractions, deductions, additions, and credits.
05	Capital loss carryback
10	Allocation and apportionment changes – Enclose Schedule 500A
11	Schedule 500AB Changes
12	Other income reported on Schedule 500A
30	Other – Enclose Explanation

Complete Form 500, Schedule 500ADJ, Schedule 500CR, and all other applicable forms and schedules. If the corporation is an owner of a partnership and it amends its corporate return in order to report a partnership-level federal adjustment, the corporation must enclose with the amended return a copy of the Form 502FED-1 that it received from the partnership. Complete the amended Form 500 using the corrected figures, as if it were the original return. Do not make any adjustments to the amended return to show that you received a refund or paid a balance due as a result of the original return. This computation is made on Schedule 500ADJ, Section C. Include any original schedules filed (as adjusted) as well as any new or added schedules. You must also enclose an explanation of changes to income and modifications with your return. Provide the line reference from the Form 500 for which a change is reported, and give the reason for each change. Show any computation in detail and include any applicable schedules. Also, include federal Form 1120X if an amended federal return was filed.

The Federal/State e-File program only supports amended returns for the current taxable year and the 2 preceding taxable years. Amended returns for prior taxable years must be filed by paper. Amended Forms 500EC will also need to be filed by paper. **Do not file Form 500 to carry back a net operating loss. Use Form 500NOLD, Corporation Application for Refund Carryback of Net Operating Loss.** Be sure to file using the correct form. Using the incorrect form will delay the processing of your return and may result in having your tax return sent back to you. File Form 500NOLD by paper – the form is not supported by the

Federal/State e-File Program.

Final Return / Close Account

If this is the final return and the corporation income tax account needs to be closed, check the applicable boxes and provide the requested information.

Corporate Telecommunications Company

Complete **Form 500T** and enter the amount from **Form 500T**, Line 7 on Page 1 of Form 500 in the Telecommunications Company section and Line 11 on Page 2 of Form 500.

Noncorporate Telecommunications Companies

Complete Form 500T, check the Noncorporate Telecommunications Company box, and enter the amount from Form 500T, Line 10 on Form 500 on Page 1 in the Noncorporate Telecommunications section and Line 11 on Page 2 of Form 500.

Electric Supplier Company

Complete Schedule 500EL and enter the amount from Schedule 500EL, Line 7 or 14.

Home Service Contract Provider

Complete Form 500HS and enter the amount from Form 500HS, Line 10. Noncorporate home service contract providers must also check the box in this section.

Questions and Related Information

Complete questions A–F.

Line Instructions

Line 1 – Federal Taxable Income

Enter taxable income after net operating loss deductions and special deductions for dividends as it appears on the federal income tax return filed with the Internal Revenue Service. Line 1 may not be less than zero except to report a net operating loss in the current year. Any corporation that is included in a consolidated return for federal income tax purposes, but files separate or combined Virginia returns or files a consolidated Virginia return with fewer than all of the members included in the federal return, must include with the Virginia return, schedules and statements necessary to reconcile actual consolidated federal taxable income to the federal taxable income reported on the Virginia return.

Line 2 – Total Additions from Schedule 500ADJ

Enter the total additions reported on Schedule 500ADJ, Section A, Line 7.

Line 3 – Total

Add Line 1 and Line 2.

Line 4 – Total Subtractions from Schedule 500ADJ

Enter the total subtractions reported on Schedule 500ADJ, Section B, Line 10.

Line 5 – Balance

Subtract Line 4 from Line 3.

Line 6 – Savings and Loan Bad Debt Deduction

If a Savings and Loan Association used the percentage of income method to compute its federal deduction for bad debts, then it must add the federal bad debt deduction and recompute the bad debt deduction for Virginia purposes by multiplying the amount on Line 5 by 40%. If the Savings and Loan Association used the percentage of loans method or the experience method, enter the amount claimed for addition Code 13 on Schedule 500ADJ (Va. Code § 58.1-403).

Line 7 – Virginia Taxable Income

Subtract Line 6 from Line 5. This is your Virginia taxable income if the entire business of the corporation is transacted or conducted within Virginia. Corporations other than multistate corporations, skip to Line 9.

Line 8 – Apportionable Income (Schedule 500A Filers)

Multistate corporations with no Virginia income must enter zeroes in 8(a) and 8(b). Otherwise, follow the instructions for Lines 8(a) through 8(d) below.

Line 8(a) – Income Subject to Virginia Tax

A corporation with income from business activity that is taxable both within and without Virginia should enter its multistate income that is subject to Virginia tax from Schedule 500A, Section B, Line 3(j).

Line 8(b) – Apportionment Factor

Enter the apportionment factor from the appropriate line from Schedule 500A, Section B, Line 1 or 2(f).

Line 8(c) and 8(d) – Nonapportionable Investment

Nonapportionable Investment Function Net Income and Loss (applicable only to multistate corporations):

Virginia law does not provide for an addition or subtraction of this income, nor does the law provide for the allocation of any income other than dividends. Lines 8(c) and 8(d) on the Form 500 recognize that some taxpayers may be entitled to an alternative method of allocation and apportionment if they can demonstrate that the application of Virginia's apportionment law to their particular facts for the taxable year would be contrary to the principles set forth in *Allied Signal, Inc. v. Director, Div. of Taxation*, 504 U.S. 768 (1992).

In *Allied Signal, Inc.*, the Court reaffirmed the continued validity of apportionment of any income received directly by the taxpayer, including investment income such as capital gains, unless the capital transaction serves an investment function that is completely unrelated to any operational activities carried on in the state. The Court also reinforced the principle that investment income may be included in apportionable income if there is a unitary relationship between the taxpayer and the entity in which the taxpayer has invested. However, the Court made it clear that the absence of a unitary relationship does not necessarily preclude apportionment.

These adjustments are only available to those multistate corporations that file a Virginia Schedule 500A to apportion and allocate their income, and provide clear and cogent

evidence that the asset producing the income serves an investment function that is unrelated to operational functions. The denominator of the relevant apportionment factors must also be adjusted to exclude items related to the investment assets.

Any taxpayer who qualifies for an alternative method of allocation and apportionment for this type of income is required to add back any loss included in federal taxable income that is attributable to the acquisition, ownership, management, stewardship, sale, or exchange of investment assets that are unrelated to the taxpayer's operational function on Line 8(d). If the taxpayer has previously claimed a subtraction for nonapportionable investment function income with respect to any investment assets, the addition is required for any subsequent losses generated by such assets.

Burden of Proof: As a prerequisite to the ability to claim an adjustment on Lines 8(c) and 8(d) (which effectively allocates income other than dividends) the taxpayer must be able to demonstrate that the application of Virginia law to their particular facts will be unconstitutional. The burden is on the taxpayer to provide clear and cogent evidence that the capital investment was completely separate from its operations, and that the taxpayer's investment function was located outside of Virginia. The taxpayer must also demonstrate that the classification of the capital asset and its income for Virginia purposes is consistent with the manner in which the income has been allocated and apportioned with other state tax authorities. The taxpayer will be under a particularly heavy burden of proof in cases where the asset was clearly operational at any time. Objective evidence is required; an unsubstantiated statement as to the taxpayer's intent, purpose, or state of mind will be insufficient to meet the burden.

Taxpayers claiming an adjustment for nonapportionable income on the 2025 corporate tax returns must enclose a statement with the return stating the nature of the adjustment and the basis for the position that relief is provided under the Constitution. Supplemental evidence should be clearly referenced and included with the return. The taxpayer should submit all evidence considered necessary to support the taxpayer's position. For additional information, see Virginia Tax Bulletin 93-4 (4/6/93).

Line 9 – Income Tax

Multiply the income (Line 7 or Line 8(a), whichever applies) by 6%.

Line 10 – Nonrefundable Tax Credits

Enter the total nonrefundable credit amount allowable this year from Schedule 500CR, Section 2, Line 1B.

Line 11 – Adjusted Corporate Tax

Subtract Line 10 from Line 9. Telecommunication companies should refer to Form 500T; electric supplier companies should refer to Schedule 500EL; and home service contract providers should refer to Form 500HS.

Line 12 – Estimated Income Tax Credits

Enter the total amount paid as estimated income tax. Include the amount of overpayment for the taxable year 2024, elected as a credit against 2025 estimated tax.

Line 13 – Extension Payments

Enter the amount of any extension payments.

Line 14 – Total Refundable Tax Credits

Enter the amount from Schedule 500CR, Section 4, Line 1A.

If filing a combined or consolidated return with a home service contract provider or telecommunications company, do not enter refundable credits included on Forms 500HS or 500T.

Line 15 – Pass-Through Entity Withholding from Schedule 500ADJ

Enter the total amount of Virginia income tax withheld from Schedule 500ADJ, Page 2, Section D.

Line 16 – Total Payments and Credits

Add Lines 12 through 15.

Line 17 – Tax Owed

If Line 11 is greater than Line 16, subtract Line 16 from Line 11.

Line 18 – Penalty for Return Filed After the Original Due Date With or Without Payment of Amount Due

(a) If filed within the extension period and the balance of tax due exceeds 10% of the actual tax liability (Line 9), enter 2% per month or fraction thereof of the balance (Line 17).

The maximum extension penalty is 14% of the tax due (12% for nonprofit corporations and entities other than C corporations). In addition, if the tax is not paid in full when the return is filed, a late payment penalty will be assessed on the amount of tax due (Line 17) at the rate of 6% per month or part of a month from the date the return is filed through the date the tax is paid, up to a maximum of 30%. If the return is filed during the extension period, but the tax due is not paid when the return is filed, both the extension penalty and the late payment penalty may apply. The extension penalty will apply from the due date of the return through the date the return is filed, and the late payment penalty will apply from the date the return is filed through the date of payment. To avoid paying the late payment penalty during the extension period, the tax owed must be paid when the return is filed; OR

(b) If filed after the extended due date, enter 30% of Line 17 or \$100, whichever is greater.

Line 19 – Interest

Enter the amount due at the underpayment rate established by IRC § 6621, plus 2%, from the due date of the return until payment. This underpayment rate is subject to quarterly adjustment. When penalty is entered under 18(a) above, interest is added from the due date to the date of payment.

Line 20 – Additional Charge

Enter the amount from Line 17, Form 500C. Enclose Form 500C.

Line 21 – Total Due

Enter the total of Lines 17, 18, 19, and 20. This is the total amount due. The following payment options are available:

- Direct debit through the e-File system, or
- ACH credit transaction.

If you choose direct debit, you can schedule to pay your tax due for a future date, when filing before the due date. In addition, payment may be made using eForms (Form 500V).

Line 22 – Overpayment

If Line 16 is greater than Line 11, subtract Line 11 from Line 16.

Line 23 – Amount to be Credited to 2026

Enter the amount of overpayment that you want credited to your 2026 estimated tax, if any.

Line 24 – Amount to be Refunded

Subtract Line 23 from Line 22 and enter the amount to be refunded.

Instructions for Schedule 500ADJ**Virginia's Conformity Update for 2025**

Virginia's rolling conformity with the Internal Revenue Code has been suspended for periods beginning on or after January 1, 2025, and before January 1, 2027. Virginia will continue to conform to the Inflation Reduction Act and the Consolidated Appropriations Act of 2023. Conformity refers to how closely Virginia follows definitions and other provisions of the federal tax code, including the definition of income. The legislation passed by the General Assembly in 2023 sets guidelines for future federal law changes and their impact on Virginia returns. If changes are made to federal law that could impact your return and require adjustments, Virginia Tax will post information about this on its website at www.tax.virginia.gov.

Virginia will continue to deconform from the following: bonus depreciation allowed for certain assets under federal law; the five-year carryback of certain federal net operating loss (NOL) deductions generated in the 2008 or 2009 taxable years; the federal income treatment of applicable high yield discount obligations; and the federal income tax treatment of cancellation of debt income realized in connection with certain business debts. In addition, Virginia will continue to deconform from the following temporary changes made by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act: suspension of certain NOL limitations for Taxable Years 2018, 2019, and 2020 and increasing the business interest limitation for Taxable Year 2019 and 2020.

If legislation is enacted that results in changes to the IRC for the 2025 taxable year, taxpayers may need to make

adjustments to their Virginia returns that are not described in these instructions. Information about any such adjustments will be posted on the Department's website at www.tax.virginia.gov.

Section A – Additions to Federal Taxable Income

Line 1 – Conformity Addition – Depreciation

Enter the amount that should be added to federal taxable income based upon the recomputation of allowable depreciation. If depreciation was included in the computation of your federal taxable income and one or more of the depreciable assets received the special bonus depreciation deduction for federal purposes in any year from 2001 through 2025, then depreciation must be recomputed for Virginia purposes as if such assets did not receive the special bonus depreciation deduction for federal purposes in any year from 2001 through 2025. If the total 2025 Virginia depreciation is less than 2025 federal depreciation, then the difference must be recognized as an addition on Line 1. For further information, visit www.tax.virginia.gov.

Line 2 – Conformity Addition – Other

Disposed Asset – If an asset was disposed of in 2025 and such asset received the special bonus depreciation deduction for federal purposes in any year from 2001 through 2025, and a gain or loss was recognized for federal purposes, then the gain or loss must be recomputed as if such asset did not receive the special bonus depreciation deduction for federal purposes in any year from 2001 through 2025. The adjustment will be the difference in the federal and Virginia basis of the asset when sold. If the federal basis of the asset is greater than the Virginia basis, (resulting in a lower gain reported for federal purposes), then the difference between the bases is an addition on the Virginia return. For further information, visit www.tax.virginia.gov.

Other conformity additions – If you are required to make any other conformity additions listed in the Virginia's Conformity Update for 2025 section above, enter the total amount of such additions. Also, enclose a schedule and explanation of such additions.

Line 3

Enter the amount on Schedule 500AB, Line 10, as the taxable amount of payments to a related entity in connection with trademarks, patents and similar intangible property. Enclose Schedule 500AB. See *Va. Code* § 58.1-402 B.8 and *Va. Code* § 58.1-402 B.9.

Line 4

Net income taxes and other taxes, including franchise and excise taxes, which are based on, measured by, or computed with reference to net income, imposed by this state or any other taxing jurisdiction to the extent deducted in determining federal taxable income (*Va. Code* § 58.1-402 B.4).

Line 5

Interest, less related expenses to the extent not deducted in determining federal taxable income, on obligations of any state other than Virginia or of a political subdivision of any

state other than Virginia unless it was created by a compact or agreement to which this state is a party (*Va. Code* § 58.1-402 B.1).

Line 6 – Other Additions to Federal Taxable Income

On Lines 6a-6c, enter the 2-digit code, listed below, in the boxes followed by the amount of the addition. If Code 99 is claimed and you are filing electronically, provide a detailed explanation in the space provided by the software program. If Code 99 is claimed and you are filing by paper, enclose an explanation and supporting documentation, if applicable.

If you are filing by paper and have more than 3 of the additions listed below or in the supplemental instructions, check the box on Schedule 500ADJ and use the supplemental Schedule 500ADJS to provide information on additions in excess of three.

Addition Codes for Use on Schedule 500ADJ	
Code	Description
01	A gas supplier, pipeline distribution company, or gas utility must add to federal taxable income any amount that was deducted in determining taxable income as a net operating loss carryover from any taxable year beginning on or before December 31, 2000 (<i>Va. Code</i> § 58.1-403 8).
02	A gas supplier, pipeline distribution company or gas utility must add to federal taxable income any amount that was actually deducted in determining taxable income as a net operating loss carryover or net capital loss carryover which would have been an allowable deduction as a net operating or net capital loss carryover in computing taxable income for a year beginning after December 31, 2000, except that such loss had been carried back for a taxable year beginning prior to January 1, 2001 (<i>Va. Code</i> § 58.1-403 9).
03	Unrelated business taxable income as defined by IRC § 512, to the extent excluded from Form 500, Line 1 (<i>Va. Code</i> § 58.1-402 B.5).
05	The amount required to be included in income for the purpose of computing the partial tax on an accumulation distribution under IRC § 667 (<i>Va. Code</i> § 58.1-402 B.7).
10	Interest or dividends, less related expenses to the extent not deducted in determining federal taxable income, on obligations or securities of any authority, commission or instrumentality of the United States, which the laws of the United States exempt from federal income tax, but not from state income taxes (<i>Va. Code</i> § 58.1-402 B.2).
13	The deduction for bad debts allowed in computing federal taxable income for a state or federal savings and loan association (<i>Va. Code</i> § 58.1-403 1).
14	Enter the amount of dividends deductible under IRC § 561 and IRC § 857 by a REIT (<i>Va. Code</i> § 58.1-402 B.10).

Addition Codes for Use on Schedule 500ADJ	
Code	Description
16	Income from Dealer Disposition of Property – Enter the amount that would be reported under the installment method from certain dispositions of property. If, in a prior year, the taxpayer was allowed a subtraction for certain income from dealer dispositions of property made on or after January 1, 2009, in the years following the year of disposition, the taxpayer is required to add back the amount that would have been reported under the installment method. Each disposition must be tracked separately for purposes of this adjustment (Va. Code § 58.1-402 F).
19	Food Donation Tax Credit – To the extent a credit is allowed for growing food crops or producing wholesome foods in the Commonwealth and donating the crops or wholesome foods to a nonprofit food bank, an addition to the taxpayer's federal taxable income is required for any amount claimed by the taxpayer as a federal income tax deduction for such donation.
20	Addition Related to the Business Interest Deduction – For taxable years beginning on and after January 1, 2024, a corporate income tax deduction is allowed in an amount equal to 50% of the business interest that is disallowed for federal income tax purposes. If (i) you claimed a Virginia Business Interest Deduction on prior year Virginia return(s) and (ii) you are able to fully utilize your federal carryover of business interest from those prior year(s) on your current year federal return, you must report an addition on your current year Virginia return equal to the amount of the Virginia Business Interest Deduction claimed on the prior year Virginia return(s). However, if you are able to only partially utilize your federal carryover of business interest from the prior year(s) on your current year federal return, the Business Interest Addition will be applied in the same proportion as the amount of federal carryover that is utilized. If reporting this addition, enclose a copy of federal Form 8990. Under prior law, the amount of the deduction was limited to 30% of business interest disallowed.
21	Partnership-Level Federal Adjustments Income Addition – Income related to certain partnership adjustments that result from federal tax changes and other changes to federal taxable income must be added to the owner's income tax return if the income was not previously reported on the original Virginia return. The amount of the addition is equal to the income that was not included in Virginia taxable income. When reporting this addition, enclose the partnership's completed Form 502FED-1.

Addition Codes for Use on Schedule 500ADJ	
Code	Description
99	Other – Enter the amount of any other income not included in federal taxable income, which is taxable in Virginia. If you are filing electronically, provide a detailed explanation in the space provided by the software program. If you are filing by paper, enclose an explanation and supporting documentation, if applicable.

Line 7 – Total Additions

Add Lines 1-5, all amounts for Line 6(a)-(c), and the total of additions listed on the supplemental Schedule(s) 500ADJS, if applicable. Enter the result here and on Form 500, Line 2.

Section B – Subtractions from Federal Taxable Income

Enter the amount by which any of the following changes increased your federal taxable income.

Line 1 – Conformity Subtraction – Depreciation

Enter the amount that should be subtracted from federal taxable income based upon the recomputation of allowable depreciation. If depreciation was included in the computation of your federal taxable income and one or more of the depreciable assets received the special bonus depreciation deduction for federal purposes in any year from 2001 through 2025, then depreciation must be recomputed for Virginia purposes as if such assets did not receive the special bonus depreciation deduction for federal purposes in any year from 2001 through 2025. If the total 2025 Virginia depreciation is more than 2025 federal depreciation, then the difference must be recognized as a subtraction on Line 1. For further information, visit www.tax.virginia.gov.

Line 2 – Conformity Subtraction – Other

Disposed Asset – If an asset was disposed of in 2025 and such asset received the special bonus depreciation deduction for federal purposes in any of the years 2001 through 2025, and a gain or loss was recognized for federal purposes, then the gain or loss must be recomputed as if such asset did not receive the special bonus depreciation deduction for federal purposes in any of the years 2001 through 2025. The adjustment will be the difference in the federal and Virginia basis of the asset when sold. If the federal basis of the asset is lower than the Virginia basis (resulting in a greater gain for federal purposes), then the difference between the two bases is included as a subtraction on the Virginia return. For further information, visit www.tax.virginia.gov.

Other conformity subtractions – If you are required to make any other conformity subtractions listed in the Virginia's Conformity Update for 2025 section above, enter the total amount of such subtractions on this line. Also, enclose a schedule and explanation of such subtractions.

Line 3

Enter the amount of income (interest, dividends, and gain) derived from obligations or the sale or exchange of obligations of the United States and on obligations or securities of any authority, commission or instrumentality of the United States to the extent included in federal taxable income, but exempt from state income taxes under the laws of the United States. This includes, but is not limited to, stocks, bonds, treasury bills, and treasury notes. It does not include interest on refunds of federal taxes, equipment purchase contracts, or normal business transactions. See *Va. Code* § 58.1-402 C.1.

Line 4

Any amounts included under the provisions of IRC § 78 (*Va. Code* § 58.1-402 C.5).

Line 5

The amount of any refund or credit for overpayment of income taxes imposed by this state or any other taxing jurisdiction (*Va. Code* § 58.1-402 C.4).

Line 6

Any amount included therein by the operation of IRC § 951 (subpart F income) and/or, for taxable years beginning on and after January 1, 2018, IRC § 951A (Global Intangible Low-Taxed Income). (*Va. Code* § 58.1-402 C.7.)

Line 7

Any amount included in federal taxable income which is foreign source income and defined as follows:

1. Interest other than interest derived from sources within the United States;
2. Dividends other than dividends derived from sources within the United States;
3. Rents, royalties, license, and technical fees from property located or services performed without the United States or from any interest in such property, including rents, royalties, or fees for the use of or the privilege of using without the United States any patents, copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, and other like properties; and
4. Gains, profits, or other income from the sale of intangible or real property located without the United States (*Va. Code* § 58.1-402 C.8).

Line 8

The amount of any dividends received from corporations in which the taxpaying corporation owns 50% or more of the voting stock, to the extent they are included in federal taxable income and to the extent not otherwise subtracted from federal taxable income (*Va. Code* § 58.1-402 C.10).

Line 9 – Other Subtractions from Federal Taxable Income

On Lines 9a-9c, enter the 2-digit code, listed below, in the boxes followed by the amount of the subtraction. If Code 99 is claimed and you are filing electronically, provide an

explanation in the space provided, by the software program. If you are filing by paper, enclose an explanation and supporting documentation, if applicable.

If you are filing by paper and have more than 3 of the subtractions listed below or in the supplemental instructions, check the box and use the supplemental Schedule 500ADJS to provide information on subtractions in excess of three.

Subtraction Codes for Use on Schedule 500ADJ	
Code	Description
50	The amount of wages and salaries eligible for the federal Work Opportunity Tax Credit that are not deducted for federal tax purposes (<i>Va. Code</i> § 58.1-402 C.6).
54	The amount contributed to the Virginia Public School Construction Grants Program and Fund that has not been claimed as a deduction on the corporation's federal income tax return (<i>Va. Code</i> § 58.1-402 C.15).
55	There shall be subtracted from federal taxable income, by a gas supplier, pipeline distribution company or gas utility company, the amount that could have been deducted as a net operating loss carryover or net capital loss in arriving at taxable income except that such loss or portion thereof had been carried back for federal purposes (<i>Va. Code</i> § 58.1-403 9).
56	A subtraction for gas suppliers, pipeline distribution companies, gas utility companies, and electric suppliers, except cooperatives, for the amortization of the Virginia tax basis of assets that are recoverable for financial accounting and/or income tax purposes placed in service prior to the first day of the taxable year that the company became subject to Virginia corporate income tax (adjustment date). "Virginia tax basis" means the aggregate adjusted book basis less the aggregate adjusted tax basis of such assets as recorded on the company's books of accounts as of the last day of the taxable year immediately preceding the adjustment date. The amortization of the Virginia tax basis shall be computed using the straight-line method over a period of thirty years, beginning on the adjustment date. Gain or loss on the disposition or retirement of any such asset shall be computed using its adjusted federal tax basis, and the amortization of the Virginia tax basis shall continue thereafter without adjustment. See <i>Va. Code</i> § 58.1-440.1.
57	A subtraction for intangible expenses and costs added to the federal taxable income of a related member as shown on the Schedule 500AB enclosed with the Virginia return filed by such related member (<i>Va. Code</i> § 58.1-402 C.21).

Subtraction Codes for Use on Schedule 500ADJ

Code	Description
58	For taxable years beginning on and after January 1, 2006, there shall be subtracted from federal taxable income contract payments to a producer of quota tobacco or a tobacco quota holder as provided under the American Jobs Creation Act of 2004 (P.L. 108-357). If the payment is received in installment payments, then the recognized gain may be subtracted in the taxable year immediately following the year in which the installment payment is received. If the payment is received in a single payment, then 10% of the recognized gain may be subtracted in the taxable year immediately following the year in which the single payment is received. The taxpayer may then deduct an equal amount in each of the 9 succeeding taxable years. See <i>Va. Code</i> § 58.1-402 D. For more information, visit www.tax.virginia.gov .
59	Income from Dealer Disposition of Property – An adjustment is available for certain income from dealer dispositions of property made on or after January 1, 2009. In the year of disposition the adjustment will be a subtraction for gain attributable to installment payments to be made in future taxable years provided that (i) the gain arises from an installment sale for which federal law does not permit the dealer to elect installment reporting of income, and (ii) the dealer elects installment treatment of the income for Virginia purposes on or before the due date prescribed by law for filing the taxpayer's income tax return. In subsequent taxable years, the adjustment will be an addition for gain attributable to any payments made during the taxable year with respect to the disposition. Each disposition must be tracked separately for purposes of this adjustment. See <i>Va. Code</i> § 58.1-402 F.
60	Gains from Land Preservation Tax – Enter the amount of federal gain or income recognized as a result of the sale of Land Preservation Tax Credits. See <i>Va. Code</i> § 58.1-513 D.

Subtraction Codes for Use on Schedule 500ADJ

Code	Description
61	Certain Long-Term Capital Gains – Provided the long-term capital gain or investment services partnership qualified income is attributable to an investment in a “qualified business” as defined in <i>Va. Code</i> § 58.1-339.4 or any other technology business approved by the appropriate Secretariat, it may be allowed as a subtraction. Under current law, Secretary of Administration is the Secretariat charged with this approval. For taxable years beginning on or after January 1, 2011, enter any qualified income taxed as a long-term capital gain for federal income tax purposes, or any income taxed as investment services partnership interest income (otherwise known as investment partnership carried interest income) for federal income tax purposes. To qualify for this subtraction, the income must be attributable to an investment in a “qualified business,” as defined in <i>Va. Code</i> § 58.1-339.4, or in any other technology business approved by the appropriate Secretariat, provided that the business has its principal office or facility in the Commonwealth and less than \$3 million in annual revenues in the fiscal year prior to the investment. The investment must be made between the dates of April 1, 2010, and June 30, 2020. No taxpayer that has claimed a tax credit for an investment in a “qualified business” under <i>Va. Code</i> § 58.1-339.4 shall be eligible for the subtraction under this subdivision for an investment in the same business. See <i>Va. Code</i> § 58.1-402 C.24.
62	Historic Rehabilitation – To the extent included in federal taxable income, any amount of gain or income recognized by a taxpayer in connection with the Historic Rehabilitation Tax Credit is allowed as a subtraction on the Virginia return.
65	Business Interest Deduction – For taxable years beginning on and after January 1, 2024, corporations may claim a deduction of 50% of business interest disallowed pursuant to § 163(j) of the Internal Revenue Code, to the extent included in and not otherwise subtracted from federal taxable income. If claiming this deduction, enclose a copy of federal Form 8990. Under prior law, the deduction was limited to 30% of business interest disallowed.
66	Gain from Eminent Domain – For taxable years beginning on or after January 1, 2019, taxpayers may claim a subtraction for any gain recognized from the taking of real property by condemnation proceedings.

Subtraction Codes for Use on Schedule 500ADJ

Code	Description
67	Partnership-Level Federal Adjustments Income Subtraction – Income related to certain partnership adjustments that result from federal tax changes and other changes to federal taxable income may be subtracted from Virginia taxable income if the income was previously reported on the owner's Virginia return. The amount of the subtraction is equal to the federal taxable income that was included in the owner's Virginia original income tax return but should not have been reported. When claiming this subtraction, include a copy of the partnership's Form 502FED-1.
99	Other – Enter the amount of any other income included in federal taxable income, which is not taxable in Virginia. If you are filing electronically, provide a detailed explanation in the space provided by the software program. If you are filing by paper, enclose an explanation and supporting documentation, if applicable.

Line 10 – Total Subtractions.

Add Lines 1-8, 9a-9c, and the total of subtractions from the supplemental Schedule(s) 500ADJS, if applicable. Enter here and on Form 500, Line 4.

Section C – Amended Return

If you are filing an amended return, complete a new return using the corrected figures, as if it were the original return. Do not make any adjustments to the amended return to show that you received a refund or paid a balance due as the result of the original return. Check the Amended Return checkbox on Form 500, Page 1 and enter the appropriate amended return reason code from the list provided on Page 10 of these instructions in the space provided.

If the corporation is an owner of a partnership and it amends its corporate return in order to report a partnership-level federal adjustment, the corporation must enclose with the amended return a copy of Form 502FED-1 that it received from the partnership.

In cases where a Form 500NOLD is filed to carry back or carry forward a net operating loss, an amended Form 500 should be filed indicating the change in the amount of credits claimed and the corrected carryover amounts. Enclose a revised Schedule 500CR with the amended returns filed to report the changes to the credit(s) claimed or carryover amount resulting from the NOL carryback.

The Federal/State e-File program only supports amended returns for the current taxable year and the 2 preceding taxable years. Amended returns for prior taxable years must be filed by paper. Amended Forms 500EC will also need to be filed by paper.

Section D – Schedule of VK-1 Withholding

If you are claiming withholding on Form 500, Line 15, complete Schedule 500ADJ, Page 2.

**About Virginia Schedule 500CR
Credit Computation Schedule**

Complete Schedule 500CR and enclose it with your return when claiming a credit(s). See the instructions below for additional requirements. When claiming a credit(s) that requires documentation, you will need to attach a PDF of the documentation when filing electronically. If you are filing by paper and claiming a credit(s) that requires documentation, the information must be enclosed. Missing enclosures may cause delays in processing the return and may cause a credit to be disallowed.

The following rules apply when claiming credits on Schedule 500CR.

- Nonrefundable credits without a carryover provision are claimed first.
- Carryover credits must be fully used before any 2025 credits (current year credits) are allowed.
- To maximize allowable credit, carryover credits may be claimed in their order of expiration, regardless of the order shown on Schedule 500CR.

Many of the credits may not be claimed on your return until after you have submitted an application and have been notified in writing that you are allowed to claim the credit. If your return is due and you have not yet been notified, you have the option to either:

- Pay at least 90% of your tax liability by the return due date and file your return on extension after receiving notification, or
- File your return by the due date without claiming the credit, and file an amended return after you have received notification.

The credits that can be claimed against corporate income tax are listed below.

- Neighborhood Assistance Act Tax Credit
- Enterprise Zone Act Tax Credit
- Conservation Tillage Equipment Tax Credit
- Biodiesel and Green Diesel Fuels Tax Credit
- Precision Fertilizer and Pesticide Application Equipment Tax Credit
- Recyclable Materials Processing Equipment Tax Credit
- Vehicle Emissions Testing Equipment Tax Credit
- Major Business Facility Tax Credit
- Historic Rehabilitation Tax Credit
- Waste Motor Oil Burning Equipment Tax Credit

- Riparian Waterway Buffer Tax Credit
- Land Preservation Tax Credit
- Virginia Coal Employment and Production Incentive Tax Credit
- Communities of Opportunity Tax Credit
- Green and Alternative Energy Job Creation Tax Credit
- Farm Wineries and Vineyards Tax Credit
- International Trade Facility Tax Credit
- Port Volume Increase Tax Credit
- Barge and Rail Usage Tax Credit
- Livable Home Tax Credit
- Major Research and Development Expenses Tax Credit
- Education Improvement Scholarships Tax Credit
- Food Donation Tax Credit
- Virginia Housing Opportunity Tax Credit

- Worker Training Tax Credit
- Motion Picture Production Tax Credits
- Agricultural Best Management Practices Tax Credit
- Conservation Tillage and Precision Agriculture Equipment Tax Credit

For detailed credit descriptions and information on how to claim tax credits, refer to the Instructions for Schedule 500CR.

Donations to the General Fund

You may make donations directly to Virginia's General Fund by writing a check payable to the State Treasurer and designating it as a donation to the Commonwealth's General Fund. To ensure proper accounting for these donations, you must enclose your payment with **Form GFD**. Visit www.tax.virginia.gov or call **(804) 367-8037** to obtain this form.

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