

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

If filing a combined or consolidated return with a telecommunications company, do not enter refundable credits included on Form 500T.

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

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

**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 extended 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% (12% for nonprofit corporations and entities other than C-Corporations) of the tax due. Note: 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. Attach Form 500C.

**Line 21 Total Due**

Enter the total of Lines 17, 18, 19 and 20. This is the total amount due. Payment options: 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 2017**

Enter the amount of overpayment that you want credited to your 2017 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**

---

**FIXED DATE CONFORMITY UPDATE FOR 2016**

Virginia's date of conformity with the Internal Revenue Code (IRC) was advanced from December 31, 2014 to December 31, 2015, with limited exceptions.

**Bonus Depreciation:** Virginia will continue to disallow any bonus depreciation claimed for certain assets under IRC § 168(k) during Taxable Year 2001 and thereafter. Virginia will also continue to disallow bonus depreciation claimed under IRC §§ 168(l), 168(m), 1400L, and 1400N. To the extent that such bonus depreciation was claimed for federal income tax purposes, the depreciation deduction must be recomputed for Virginia income tax purposes. For taxable years when the recomputed Virginia depreciation deduction is less than the federal deduction, the taxpayer must claim a Virginia addition equal to the difference. For taxable years when the recomputed Virginia depreciation deduction is more than the federal deduction, the taxpayer may claim a Virginia subtraction equal to the difference.

**Applicable High Yield Discount Obligations:** Virginia will continue to deconform from IRC § 163(e)(5)(F), which suspends the application of the applicable high yield debt obligation ("AHYDO") rules for certain debts issued between September 30, 2008, and December 31, 2009. For federal purposes, special rules generally apply to computing the interest deduction that applies to certain high-yield original issue discount obligations. Because Virginia will continue to deconform from the federal provision that suspends the AHYDO rules, such rules will continue to apply for Virginia income tax purposes. Any resulting difference in the federal and Virginia deduction should be claimed as a modification on your Virginia return.

**Cancellation of Debt Income:** Under IRC § 108(i), taxpayers were permitted to defer the income realized upon the reacquisition of certain business debt during 2009 and 2010, and instead report such income in Taxable Years 2014 through 2018.

Virginia deconformed from this federal provision and required taxpayers to claim a Virginia addition equal to the amount of the federal exclusion. However, for transactions completed on or before April 21, 2010, taxpayers were permitted to partially defer such income by claiming the Virginia addition over three taxable years.

A taxpayer who previously claimed the Virginia cancellation of debt addition may claim a subtraction on his or her Taxable Year 2016 Virginia income tax return, to the extent such income was reported on his or her 2016 federal income tax return.

At the time these instructions went to print, the only required adjustments for “fixed date conformity” were those mentioned above. However, if federal legislation is enacted that results in changes to the IRC for the 2016 taxable year, taxpayers will be required to make adjustments to their Virginia returns that are not described in the instruction booklet. Information about any such adjustments will be posted on the Department’s website at [www.tax.virginia.gov](http://www.tax.virginia.gov).

## **Section A - Additions to Federal Taxable Income**

### **Line 1 Fixed Date 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 30% or 50% bonus depreciation deduction for federal purposes in any year from 2001 through 2016, then depreciation must be recomputed for Virginia purposes as if such assets did not receive the special 30% or 50% bonus depreciation deduction for federal purposes in any year from 2001 through 2016. If the total 2016 Virginia depreciation is less than 2016 federal depreciation, then the difference must be recognized as an addition on Line 1. For further instructions, see Virginia Tax Bulletins 10-8, 11-1, 12-1, 13-3, 14-1, 15-1 and 16-1 at [www.tax.virginia.gov](http://www.tax.virginia.gov) or call (804) 367-8037.

### **Line 2 Fixed Date Conformity Addition – Other.**

**Disposed Asset** – If an asset was disposed of in 2016 and such asset received the special 30% or 50% bonus depreciation deduction for federal purposes in any year from 2001 through 2016, 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 30% or 50% bonus depreciation deduction for federal purposes in any year from 2001 through 2016. 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 instructions, see Virginia Tax Bulletins 10-8, 11-1, 12-1, 13-3, 14-1, 15-1 and 16-1 which are available on the Department’s website: [www.tax.virginia.gov](http://www.tax.virginia.gov) or call (804) 367-8037.

**Other changes not listed** – Please refer to the Supplemental Fixed Date Conformity Instructions on the Department’s website, [www.tax.virginia.gov](http://www.tax.virginia.gov), for information on any other additions that are necessary due to federal tax legislation passed after the printing deadline for these instructions. The Department’s website will also reflect any action by the Virginia General Assembly to advance the date of conformity to the IRC that may take place before the due date for your return. Enter any amounts described in the Supplemental

Fixed Date Conformity Instructions. Also, please attach a schedule and explanation of such additions.

**Line 3** Enter the amount on Line 10, Schedule 500AB, as the taxable amount of payments to a related entity in connection with trademarks, patents and similar intangible property. Attach Schedule 500AB. (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 two-digit code, listed below, in the boxes followed by the amount of the addition. If you are filing electronically and have more than 3 additions, do not enter “00” in the first box and the amount since all the addition codes and amounts can be entered. If Code 99 is claimed, provide a detailed explanation in the applicable space provided, by the software program.

If you are filing by paper and have more than 3 of the additions listed below, enter “00” and the amount of the total other additions in the first box and attach an explanation of each other addition claimed, including the applicable code. If Code 99 is claimed, attach an explanation and supporting documentation, if applicable.

#### **Code**

- 01** A gas supplier, pipeline distribution company or gas utility shall 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. (Va. Code § 58.1-403 8.)
- 02** A gas supplier, pipeline distribution company or gas utility shall 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. (Va. Code § 58.1-403 9.)
- 03** Unrelated business taxable income as defined by IRC § 512 (to the extent excluded from Line 1, **Form 500**). (Va. Code § 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. (Va. Code § 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. (Va. Code § 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. (Va. Code § 58.1-403 1.)

**14** Enter the amount of dividends deductible under IRC § 561 and IRC § 857 by a REIT. (Va. Code § 58.1-402 B.10.)

**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).)

**18** **Telework Expenses** - Corporations that claim the Virginia Telework Expenses Tax Credit are not allowed to exclude those expenses from Virginia taxable income. To the extent excluded from federal taxable income, any expenses incurred by a taxpayer that are used to claim the Telework Expenses Tax Credit must be added to the Virginia return.

**19** **Food Crop Donation** - To the extent a credit is allowed for growing food crops in the Commonwealth and donating such crops 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.

**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, attach an explanation and supporting documentation, if applicable.

## Line 7 Total Additions

Enter the total of Lines 1 - 5 and all amounts for Line 6(a)-(c) 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 Fixed Date 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 30% or 50% bonus depreciation deduction for federal purposes in any year from 2001 through 2016, then depreciation must be recomputed for Virginia purposes as if such assets did not receive the special 30% or 50% bonus depreciation deduction for federal purposes in any year from 2001 through 2016. If the total 2016 Virginia depreciation is more than 2016 federal depreciation, then the difference must be recognized as a subtraction on Line 1. For further instructions, see Virginia Tax Bulletins 10-8, 11-1, 12-1, 13-3, 14-1, 15-1 and 16-1 at [www.tax.virginia.gov](http://www.tax.virginia.gov) or call (804) 367-8037.

### Line 2 Fixed Date Conformity Subtraction – Other.

**Disposed Asset** - If an asset was disposed of in 2016 and such asset received the special 30% or 50% bonus depreciation deduction for federal purposes in any of the years 2001 through 2016, 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 30% or 50% bonus depreciation deduction for federal purposes in any of the years 2001 through 2016. 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 instructions, see Virginia Tax Bulletins 10-8, 11-1, 12-1, 13-3, 14-1, 15-1 and 16-1 on the Department's website: [www.tax.virginia.gov](http://www.tax.virginia.gov), or call (804) 367-8037.

**Other changes not listed** – Please refer to the Supplemental Fixed Date Conformity Instructions on the Department's website, [www.tax.virginia.gov](http://www.tax.virginia.gov) for information on any other subtractions due to federal tax legislation passed after the printing deadline for these instructions. The Department's website will also reflect any action by Virginia's General Assembly to advance the date of conformity to the IRC that may take place before the due date for your return. Enter any amounts described in the Supplemental Fixed Date Conformity Instructions. Also, please attach 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. (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). (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 two-digit code, listed below, in the boxes followed by the amount of the subtraction. If you are filing electronically and have more than three subtractions, do not enter "00" in the first box with the total amount since all of the subtraction Codes and amounts can be entered. If Code 99 is claimed, provide an explanation in the applicable space provided, by the software program.

If you are filing by paper and have more than three of the subtractions listed below, enter "00" and the amount of the total other subtractions in the first box. If you are filing electronically, provide a detailed explanation in the space provided by the software program. If you are filing by paper, attach an explanation and supporting documentation, if applicable.

**Code**

- 50** The amount of wages and salaries eligible for the federal Work Opportunity Tax Credit that are not deducted for federal tax purposes. (Va. Code § 58.1-402 C.6.)
- 51** The dividends of a Domestic International Sales Corporation, 50% or more of the income of which was assessable for the preceding year, or the last year, in which such corporation has income under Virginia law. (Va. Code § 58.1-402 C.3.)
- 52** The amount of income received as a result of payments made under the Tobacco Master Settlement

Agreement, and the National Tobacco Grower Settlement Trust. (Va. Code § 58.1-402 C.18.)

- 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. (Va. Code § 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. (Va. Code § 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. (Va. Code § 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 attached to the Virginia return filed by such related member. (Va. Code § 58.1-402 C. 21.)
- 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 nine succeeding taxable years. (Va. Code § 58.1-402 (D).) For more information, visit [www.tax.virginia.gov](http://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. (Va. Code § 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. (Va. Code § 58.1-513 (D).)

**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 Va. Code § 58.1-339.4 or any other technology business approved by the Secretary of Technology, it may be allowed as a subtraction. 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 Va. Code § 58.1-339.4, or in any other technology business approved by the Secretary of Technology, 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 Va. Code § 58.1-339.4 shall be eligible for the subtraction under this subdivision for an investment in the same business. (Va. Code § 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.

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

## Line 10 Total Subtractions.

Add Lines 1-8 and 9a-9c. 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. Be sure to fill in the Amended Return section on Page 1, Form 500.

In cases where a Form 500NOLD is filed to carryback 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. Attach a revised Schedule 500CR to 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 Line 15 of Form 500, complete Page 2 of Schedule 500ADJ.

---

### Tax Credits

---

Attach Schedule 500CR to 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 such documentation when filing electronically. If you are filing by paper and claiming a credit(s) that requires documentation, the information must be attached. Missing attachments 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 2016 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.

### Neighborhood Assistance Act Tax Credit

The Virginia Neighborhood Assistance Tax Act provides tax credits to businesses that donate money, marketable securities, property, limited professional services and contracting services directly to pre-approved Neighborhood Assistance Program organizations whose primary function is to provide educational or other qualified services for the benefit of low income families. Licensed veterinarians, physicians, dentists, nurses, nurse practitioners, physician assistants, optometrists, dental hygienists, professional