



This Week in State Tax (TWIST)

November 3, 2025



Virginia: Department issues bulletin providing for allocation of receipts from nonunitary partnership

The Virginia Department of Taxation has issued a Tax Bulletin in response to a recent Virginia Court of Appeals ruling which found that the Department's historical practice of using a blended apportionment fraction for apportioning the income of a corporation with receipts from an interest in a pass-through entity (PTE) is unconstitutional, unless the corporation and PTE have a unitary business relationship. In *Dep't of Taxation v. FJ Mgmt., Inc.*, the appellate court ruled that because the corporate taxpayer and the PTE in which it held an interest did not have a unitary business relationship with one another, the two entities were not permitted to combine apportionment factors to create one blended apportionment fraction. [For details on *Dep't. of Taxation v. FJ Mgmt., Inc.*, see our [TWIST of November 18, 2024](#)]. To conform with the court's decision, the newly issued bulletin provides that the amount of non-unitary PTE income on which a corporate partner can be taxed is equal to its distributive share of PTE income apportioned to Virginia at the PTE-level based solely on the PTE's own apportionment factors.

The bulletin also provides instructions on how this change affects return reporting requirements. Corporate taxpayers receiving income from an interest in non-unitary PTEs must report the income as "allocated dividend income," check the box on Line 3(i) of Form 500A, and include a statement listing the name and FEIN of each non-unitary PTE apportioned on a non-blended basis. The Department will update return instructions to reflect these changes. As to transition relief, for tax years 2024 and before, the Department will not require returns, including amended returns, to be filed in accordance with this new policy. Instead, such returns will be permitted to apply the Department's long-standing blended apportionment policy, even if no unitary relationship exists. At the election of the taxpayer, the Department will allow returns for 2024 and prior years, including amended returns, to be filed in conformity with the instructions described above. However, taxpayers choosing to file amended returns must do so within the applicable statute of limitations. Please contact [Diana Smith](#) with questions on [Va. Tax Bulletin 25-5](#).

Learn about us:



[kpmg.com](https://www.kpmg.com)

The following information is not intended to be "written advice concerning one or more federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

© 2025 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS011027-1AG