

Virginia Tax Penalty and Interest Updates

Payment Extension and Penalty Waiver Pursuant to Tax Bulletin 20-4

- ▶ In response to the COVID-19 crisis, the due date for individual, corporate, and fiduciary income tax payments otherwise due in April or May 2020 is extended to June 1, 2020
- ▶ Penalties will be waived on final payments made by June 1, provided at least 90% of the tax is paid
- ▶ Penalties will also be waived for estimated payments otherwise due in April or May that are paid in full by June 1
- ▶ If the required payment is not submitted by June 1, the penalty waiver will not apply and penalties will accrue from the original payment due date
- ▶ Because Virginia Tax does not have the authority to waive interest, any interest will continue to accrue from the original due date of such payment
- ▶ The filing deadlines remain May 1 for individuals and April 15 for most corporations
- ▶ Taxpayers may still utilize Virginia's automatic filing extension - no application is required
- ▶ However, taxpayers using the filing extension are required to pay at least 90% of the final tax liability by June 1 or they will incur penalties
- ▶ For taxpayers who do not pay by June 1, but make full payment with their return by the extended due date, the lower 2% extension penalty applies instead of the higher 6% late payment penalty

Automatic Extension of Income Tax Returns

- ▶ Virginia law provides an automatic extension for filing income tax returns
- ▶ This extension is 6 months for individuals and 7 months for most corporations
- ▶ However, there is no extension of time granted for paying taxes due
- ▶ Taxpayers are generally required to pay at least 90% of the final tax liability by the original filing due date (May 1 for most individuals, April 15 for most corporations)
- ▶ An extension penalty of 2% of tax due per month (up to 12% total) is assessed for taxpayers who file by the extended due date but do not pay at least 90% of their tax liability by the original due date
- ▶ Late payment penalty and extension penalty will not apply to the same month

Existing Virginia Penalty and Interest Provisions

- ▶ Late Payment Penalty: 6% of tax due per month (up to 30% total)
- ▶ Late Filing Penalty: 6% of tax due per month (up to 30% total)
- ▶ Either payment or filing penalty applies each month; up to 30% total combined
- ▶ Interest: 2% higher than the federal interest rate; currently 7% annually in Virginia
- ▶ Both interest and penalties accrue from the original due date, regardless of whether a return is filed on extension
- ▶ Virginia Tax has the statutory authority to extend the payment deadline and to waive penalties, but not interest