

Wage Garnishment & Currently Not Collectible

July 22, 2025

Agenda

- ▶ Introductions
- ▶ Wage Garnishment (HB 1979)
- ▶ Currently Not Collectible (HB 2549)
- ▶ Open Forum: Input and Discussion
- ▶ Next Steps

- ▶ **Kristin Collins**, Deputy Commissioner
- ▶ **Charles Kennington**, Assistant Commissioner
- ▶ **Keven Wright**, Taxpayer Advocate
- ▶ **James Savage**, Director of Tax Legislation
- ▶ **Anna Mucha**, Sales and Local Tax Team Lead
- ▶ **Vivek Bakshi**, Senior Sales and Local Tax Law Analyst
- ▶ **Su Jin Hong**, Income Tax Law Analyst

Wage Garnishment

Current Law

- ▶ *Code of Virginia* § 34-29 limits the maximum wage garnishment for most creditors to the lesser of (i) 25% of disposable earnings or (ii) the amount by which weekly income exceeds 40 times the federal or Virginia minimum hourly wage.
 - ▶ State tax debts are exempted from this limitation.
- ▶ The Department has voluntarily implemented the 25% of disposable earnings limitation on wage garnishments.
 - ▶ Letters reflecting the change began going out on June 16, 2025.

As introduced, this bill would have:

- ▶ Removed the exclusion for state tax debt from limitations on the total amount of wages that may be garnished per pay period

The substitute version of the bill would have:

- ▶ Extended the effective date from July 1, 2025, to January 1, 2026.

The substitute bill passed the House. The Senate Committee on Finance and Appropriations passed by the bill indefinitely with a letter to Virginia Tax to study this issue.

Additional Concerns from Low Income Taxpayers:

- ▶ Leading up to and following the 2025 General Assembly Session, Virginia Tax worked closely with representatives from various Low-Income Taxpayer Clinics to identify priorities as it related to implementation of a 25% limitation.
- ▶ Those priorities were:
 - ▶ Who is responsible for making hardship determinations?
 - ▶ Where will the table outlining income levels for hardship appear?
 - ▶ Who should the taxpayer contact in the event of a hardship?

Wage Garnishment

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The New Letter

- ▶ Rolled out on June 16, 2025.
- ▶ Limits garnishments to 25% of a taxpayer's net pay.



Commonwealth of Virginia
Department of Taxation

WAGE LIEN NOTICE

First payment due: _____
Amount due: _____

Employer/income source: _____

Trade Name (if any): _____
SSN/FEIN (if any): _____

Esta notificación es muy importante. Si necesita ayuda en español, llame al número que aparece a continuación y elija a "opcion 1."

Why you are receiving this letter...

We have not received payment or a response to a notice of assessment (bill) that we sent you.

This letter is to notify you that we have placed a lien on your wages or earnings from the employer or other income source listed above to help pay your tax debt. This means that by law, they are required to send us those funds, up to the amount due, so that we can apply them to your outstanding tax bill (Virginia Code §58.1-1804).

- We have requested that your employer send us 25% of your net income, after deducting taxes, medical insurance premiums, FICA, court-ordered child support payments, or any other existing garnishments.

What you need to do...

Your employer or income source will deduct 25% of your net pay and send that money directly to us. We will apply those payments to your outstanding tax debt, so no action is required of you.

Please note:

- If the garnishment of 25% of your income causes you to suffer adverse impacts, please call us as soon as possible at the number below to discuss your options. If you have questions about income qualifications, visit tax.virginia.gov/collections for more information.

Issuing Office: Office of Compliance
Contact: P.O. Box 27407
Information: Richmond, VA 23261-7407
804.367.8045
lienhelp@tax.virginia.gov
Date: July 16, 2025

Attachment: Detailed Statement of Outstanding Liabilities

Client ID: _____



25% Limitation on Garnishment

- ▶ “We have requested that your employer send us 25% of your net income, after deducting taxes, medical insurance premiums, FICA, court-ordered child support payments, or any other existing garnishments.”

This letter is to notify you that we have placed a lien on your wages or earnings from the employer or other income source listed above to help pay your tax debt. This means that by law, they are required to send us those funds, up to the amount due, so that we can apply them to your outstanding tax bill (Virginia Code §58.1-1804).

- We have requested that your employer send us 25% of your net income, after deducting taxes, medical insurance premiums, FICA, court-ordered child support payments, or any other existing garnishments.

Employees Should Contact Virginia Tax for Hardship Determination

- ▶ “If the garnishment of 25% of your income causes you to suffer adverse impacts, please call us as soon as possible at the number below to discuss your options.”

Your employer or income source will deduct 25% of your net pay and send that money directly to us. We will apply those payments to your outstanding tax debt, so no action is required of you.

Please note:

- If the garnishment of 25% of your income causes you to suffer adverse impacts, please call us as soon as possible at the number below to discuss your options. If you have questions about income qualifications, visit tax.virginia.gov/collections for more information.

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Information on Income Levels for Hardship Determination

- ▶ The new letter now directs taxpayers with questions about income qualifications to a specific page dedicated to Collection Actions on the Virginia Tax website (www.tax.virginia.gov/collections).

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Please note:

- If the garnishment of 25% of your income causes you to suffer adverse impacts, please call us as soon as possible at the number below to discuss your options. If you have questions about income qualifications, visit tax.virginia.gov/collections for more information.

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That link takes Taxpayers to a page entitled “Collection Actions (Liens)”, and contains information on Wage Liens, Bank Liens, Financial Hardship and Funds Exempt from Liens, and a link to the IRS Taxpayer Advocate Low Income Taxpayer Clinics page.

Collection Actions (Liens)

Financial Hardship

If you believe a lien creates severe financial hardship, we may be able to adjust the terms based on your circumstances.

- To be eligible for a hardship adjustment, you generally must have filed your taxes for the last 3 years.
- To request consideration, complete a [financial statement](#).
- Send it to us by email, fax, or mail with your account number, collection ID, and all required documentation:

lienhelp@tax.virginia.gov
804.254.6112 (fax)

Virginia Tax
Office of Compliance
P.O. Box 27407
Richmond, VA 23261-7407

You can also always call us at [804.367.8045](tel:804.367.8045) to discuss your options.

Low-Income Considerations - Hardship Table

If your income is below 250% of Poverty Guidelines, call us at 804.367.8045 to discuss your options, which may include a significantly reduced payment plan. Refer to the table at the bottom of the [IRS Taxpayer Advocate Low Income Taxpayer Clinics page here](#) for current Income Ceiling Guidelines.

Funds Exempt From Liens

Under state and federal law, certain property and funds can't be taken by the lien process.

The IRS Taxpayer Advocate Low Income Taxpayer Clinics Page contains a table with 250% poverty guidelines based on household size.

This table is used as an instructive guide for both the taxpayer and Virginia Tax in determining whether hardship exists.

Income Ceiling (250% of Poverty Guidelines)

Size of Family	48 Contiguous States, and D.C.	Alaska	Hawaii
1	\$ 39,125	\$ 48,875	\$ 44,975
2	\$ 52,875	\$ 66,075	\$ 60,800
3	\$ 66,625	\$ 83,275	\$ 76,625
4	\$ 80,375	\$ 100,475	\$ 92,450
5	\$ 94,125	\$ 117,675	\$ 108,275
6	\$ 107,875	\$ 134,875	\$ 124,100
7	\$ 121,625	\$ 152,075	\$ 139,925
8	\$ 135,375	\$ 169,275	\$ 155,750
For each additional person, add	\$ 13,750	\$ 17,200	\$ 15,825

Currently Not Collectible

As introduced, this bill would have:

- ▶ Directed Virginia Tax to create a program through which taxpayers may apply for currently not collectible (“CNC”) status.
- ▶ Allowed taxpayers who faced an undue hardship caused by a tax collection action to apply for a Virginia version of CNC.

The Senate Finance and Appropriations substitute would:

- ▶ Have Expanded the parameters of the CNC program to direct Virginia Tax as to the timeframe for review and reapplication, restricted the ability to file a tax lien, and did not toll the statute of limitations.

The Senate Committee on Finance and Appropriations passed by the bill indefinitely with a letter to Virginia Tax to study this issue.

- ▶ When facing difficulties paying their federal tax liabilities, taxpayers have several options for resolution, including installment agreements, offers in compromise, currently not collectible (“CNC”) status, and relief from penalties and interest charges.

**Installment
Agreements**

**Offers in
Compromise**

**Currently Not
Collectible**

**Relief from
Penalties/Interest**

Installment Agreement

- Allows taxpayers to repay delinquent taxes through structured monthly payments

Offers in Compromise

- Settles tax debt for less than the full amount if the taxpayer proves inability to pay in full

Currently Not Collectible

- Temporarily suspends IRS collection when the taxpayer cannot make any payments due to undue hardship
- Statute of Limitations is not tolled
- Annual review requirement
- Interest and penalties continue to accrue
- Tax liens are filed in any case where the liability exceeds \$10,000.

- ▶ While federal law offers a range of resolution options for taxpayers facing difficulties paying their tax liabilities, the availability and implementation of these options may vary at the state level.
- ▶ The concept of CNC status, which allows for the temporary suspension of collection activities, is not extensively developed or utilized at the state level.

- ▶ Virginia has remedies for doubtful collectibility similar to the IRS (Installment agreement, OIC, and relief from penalties).

**Installment
Agreement**

**Offers in
Compromise**

**Relief from
Penalties/Interest**

- ▶ Virginia does not have a formal CNC status, and we generally reduce interest only when the underlying assessment is reduced.

**Currently Not
Collectible**

Funding Issue:

The Department requested six positions for the introduced version of the bill.

We expect a larger volume of calls from taxpayers regarding eligibility determination.

Memorandum of Lien Issue:

At the federal level, tax liens are filed in any case where the liability exceeds \$10,000.

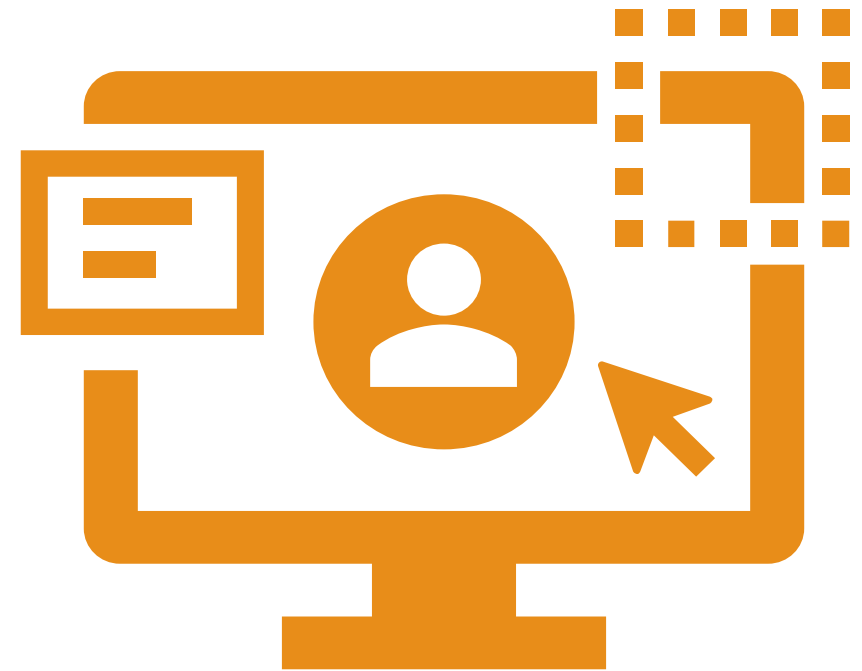
We may need a similar safeguard to secure future recovery if the taxpayer's financial circumstances substantially improve.

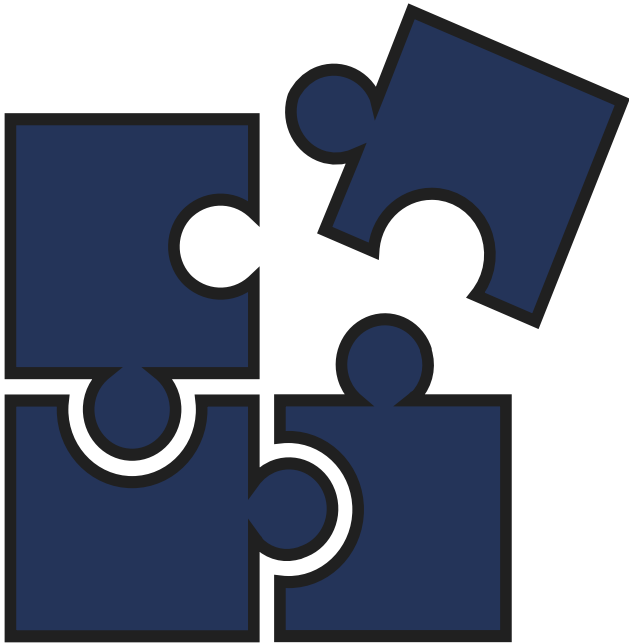
Statute of Limitation Issue:

IRS does not toll SOL, but their scale, data integration, and longer statute of limitation time period may mitigate risks.

State may need to develop similar scale and data integration.

- The IRMS replacement project is expected to launch September 2028 for individual taxpayers.
- This will present new capabilities, which could reduce the cost of implementing a new CNC program.





In the meantime, our agency could explore providing collections relief for taxpayers whom the IRS has approved for CNC status based on their current financial situation.

Taxpayer
applies for VA
CNC

Place a temporary hold
on collection activities
until a decision is made

Taxpayer's IRS
CNC Transcript is
verified

Open Forum

Questions and Comments

- ▶ Presentations will be made available on the Virginia Tax webpage: <https://www.tax.virginia.gov/> (coming soon)
- ▶ Please provide written comments on both Wage Garnishment and Currently Not Collectible to sujin.hong@tax.virginia.gov by August 5.
- ▶ A draft of both Reports will be circulated by August 31.
- ▶ Written comments on either Report must be provided by September 15, to be included as an exhibit with the Final Report.
- ▶ Final Reports will be submitted by November 1, 2025, to the following:
 - ▶ The Chairperson of the House Committee on Finance;
 - ▶ The Chairperson of the House Committee on Appropriations; and
 - ▶ The Chairperson of the Senate Committee on Finance and Appropriations.

Thank You!



James Savage

Tax Legislation Director

james.savage@tax.virginia.gov



Anna Mucha

Sales and Local Tax Team Lead

anna.mucha@tax.virginia.gov



Vivek Bakshi

Senior Sales and Local Tax Analyst

vivek.bakshi@tax.virginia.gov



Su Jin Hong

Income Tax Law Analyst

sujin.hong@tax.virginia.gov