

# House Bill 1369: Work Group

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Office of Tax Policy

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- ▶ Introductions
- ▶ Statement of Purpose
- ▶ Review of Changes Made by HB 1369
- ▶ Comparison of Virginia Tax and IRS Installment Agreement Policies
- ▶ Practitioner Input
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*The Department shall convene a working group to study current federal and state policies concerning installment agreements and to make recommendations regarding how the Commonwealth's policies may better align with the installment agreement policies adopted by the Internal Revenue Service.*

- ▶ What changes did House Bill 1369 make to Virginia Tax policies concerning installment agreements?
- ▶ What are the current Virginia Tax and IRS policies concerning installment agreements?
- ▶ Which state policies could be changed to better align with IRS policies?

## HB 1369: ‘No-Look’ Agreements

This Act specifically modified ‘no-look’ installment agreements (“payment plans”) for individual income taxpayers.

These are agreements available to taxpayers that do not require the submission of financial information.

Installment agreements with businesses and for tax types other than individual income taxes are unaffected by this change.

VIRGINIA ACTS OF ASSEMBLY -- 2023 SESSION

CHAPTER 643

*An Act to amend and reenact § 58.1-1817 of the Code of Virginia, relating to installment agreements for payment of taxes.*

[H 1369]

Approved March 26, 2023

Be it enacted by the General Assembly of Virginia:

1. That § 58.1-1817 of the Code of Virginia is amended and reenacted as follows:

§ 58.1-1817. Installment agreements for the payment of taxes.

A. 1. The Tax Commissioner is required to offer to enter into a written agreement with any taxpayer filing a return for taxes imposed under Article 2 (§ 58.1-320 et seq.) of Chapter 3 under which such taxpayer is allowed to satisfy his tax liability in installment payments over a payment period of up to five years on petition by the taxpayer, if the Tax Commissioner determines such an agreement will facilitate collection.

The 2. Except as identified in subdivision 1, the Tax Commissioner is authorized to enter into a written agreement with any taxpayer under which such taxpayer is allowed to satisfy his tax liability in installment payments, if the Tax Commissioner determines such an agreement will facilitate collection.

B. Except as otherwise provided in this section, any agreement entered into by the Tax Commissioner under subsection A shall remain in effect for the term of the agreement.

The Tax Commissioner may terminate any installment agreement if:

1. Information which that the taxpayer provided prior to the date such agreement was entered into was inaccurate or incomplete; or
2. The Tax Commissioner determines that the collection of any tax to which an agreement relates is in jeopardy.
3. If the Tax Commissioner makes a determination that the financial condition of a taxpayer who has entered into an installment agreement under this section has significantly changed; the Tax Commissioner may alter, modify, or terminate such agreement. Such action may be taken only if (i) notice of the action is provided to the taxpayer no later than thirty days prior to the date of such action and (ii) such notice includes the reasons why the Tax Commissioner believes a significant change in the financial condition of the taxpayer has occurred.
4. The Tax Commissioner may alter, modify, or terminate an installment agreement in the case of the failure of the taxpayer:
  1. To pay any installment at the time it is due;
  2. To pay any other tax liability at the time it is due;
  3. To provide a financial condition update as requested by the Tax Commissioner; or
  4. 3. To file with the Department any required tax or information return during the time period such agreement is in effect.
5. D. The Tax Commissioner may alter, modify, or terminate an installment agreement under other exceptional circumstances as he deems appropriate.

- ▶ *Virginia Code* § 58.1-1817 authorizes Virginia Tax to accept and establish payment agreements when a taxpayer cannot pay the full amount of a balance due.
- ▶ House Bill 1369 (Chapter 643) modified *Virginia Code* § 58.1-1817 and requires Virginia Tax to offer installment agreements to individual income taxpayers over a term of up to 5 years.
  - ▶ Repeals Virginia Tax's authority to modify or cancel an individual income tax installment agreement if the taxpayer's financial condition has significantly changed or if the taxpayer fails to provide a financial condition update upon request.
  - ▶ Only impacts installment agreements pertaining to the individual income tax and does not affect our authority to enter into installment agreements for any other tax.

## 'No-Look' Individual Income Taxpayer Installment Agreements

	Virginia Policies and Procedures	IRS Policies and Procedures
Financial Documentation	None	None
Eligibility	Individual income tax liability only;  Non-habitual taxpayer: 1. No prior defaults due to nonpayment 2. Current in all tax filings	Individual income tax liability only;  Current in tax filings over preceding 5 years;  No Installment agreements over preceding 5 years
Maximum Balance	\$25,000 total liabilities	\$10,000 tax liability only
Minimum Payment	\$25/month or a balance due of \$1,500	Total balance over 3 years or CSED expiration; whichever is shorter

## 'No Look' Individual Income Taxpayer Installment Agreements

	Virginia Policies and Procedures	IRS Policies and Procedures
Maximum Length	5 years (or 60 months)	3 years (or 36 months)
Collection Statute of Limitations	Tolled during term of installment agreement	Statute of Limitations continues to run
Collection Statute Expiration Date	Approaching Collection Statute Expiration Date (CSED) does not affect 5-year repayment option	Length of agreement is limited by CSED date
Down Payment	Preferred 10%, but not required	None, but fees must be paid up front

## 'No Look' Individual Income Taxpayer Installment Agreements

	Virginia Policies and Procedures	IRS Policies and Procedures
How to apply	In person Telephone Online Portal	In person U.S. Mail Telephone Online Portal
Fee	None	Graduated based on set-up method (\$31 online; \$225 by phone or in person)  Reduced fee if payment set up as direct debit
Required Form	None	Form 9465

## What policies, if any, should be changed to align with the federal?

- ▶ The IRS does not allow installment agreement terms to extend beyond the expiration date (CSED) period. Should Virginia implement a similar policy?
- ▶ The IRS requires a graduated fee based on method of submission of the installment agreement application. Should Virginia require a fee?
- ▶ The IRS limits no-look installment agreements to \$10,000 or less. Should Virginia reduce the maximum balance from \$25,000 to \$10,000?

- ▶ Presentation will be made available on the Tax Practitioner Feedback Work Group webpage: <https://www.tax.virginia.gov/installment-agreement-work-group>
- ▶ Survey for participants – email with link to follow
- ▶ Additional feedback opportunity to be included in our report of findings and recommendations by November 15, 2023, to the Chairperson of the following:
  - ▶ House Committee on Finance;
  - ▶ House Committee on Appropriations; and
  - ▶ Senate Committee on Finance and Appropriations.

# Additional Resources

## Online Resources

- ▶ Virginia Tax Homepage: <https://www.tax.virginia.gov>
- ▶ Laws, Rules, and Decisions: <https://www.tax.virginia.gov/laws-rules-decisions>
- ▶ Legislative Summaries: <https://www.tax.virginia.gov/legislative-summary-reports>
- ▶ Guidance Documents: <https://www.tax.virginia.gov/guidance-documents>
- ▶ Virginia Regulatory Town Hall: <https://www.townhall.virginia.gov>
- ▶ Taxpayer Bill of Rights <https://www.tax.virginia.gov/taxpayer-rights>

## Sign up for Email Updates

- ▶ Get monthly filing reminders and updates about tax law changes and new services
  - ▶ Under “Connect with Us” on the Virginia Tax website, select “Sign Up for Email Updates”
  - ▶ Subscribe to “Tax Preparers” topic

The screenshot shows a web form titled "Email Updates" with the Virginia Tax logo at the top. The form includes a dropdown menu for "Subscription Type" with "Email" selected, and a text input field for "Email Address" with a red asterisk indicating a required field. Below the input fields are "SUBMIT" and "CANCEL" buttons. A disclaimer at the bottom states, "Your contact information is used to deliver requested updates or to access your subscriber preferences." with links for "Privacy Policy" and "Help".

## Follow Us on Social Media



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▶ Virginia Department of Taxation

# Thank you



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