

## Virginia Tax Penalty and Interest Updates

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### 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.
- ▶ 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. If a taxpayer pays at least 90% of their tax liability by June 1, 2020, no penalties are imposed so long as they file their return and pay the remaining amount of their tax liability by November 1, 2020.
- ▶ 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. If a taxpayer pays at least 90% of their tax liability by June 1, 2020, no penalties are imposed so long as they file their return and pay the remaining amount of their tax liability by November 1, 2020.
- ▶ 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 at the same time.

### Existing Virginia Penalty 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