DRAFT FORM — NOT FOR FILING

This draft form has been updated to include the most recent changes effective for Tax Year 2026 Virginia returns. If legislative changes or issues arise, we will post a new version of this draft form.

Please continue to monitor **tax.virginia.gov/early-release-forms** for future drafts of this form. Once forms are final, we will post them on our website at **tax.virginia.gov/forms**.

Instructions for 2026 Form 500C, Underpayment of Virginia Estimated Tax by Corporations and Electing Pass-Through Entities

Purpose of Form

Form 500C is used by corporations filing Form 500 and electing pass-through entities (PTEs) filing Form 502PTET to determine whether they paid enough estimated tax, whether they are subject to the addition to the tax for underpayment of estimated tax, and, if so, the amount of the addition. Estimated tax is the expected income tax liability minus credits. A corporation or electing PTE must make estimated tax payments if it reasonably expects its tax liability to exceed $1,000 for the taxable year.

How to Use This Form

Complete Part I of Form 500C to find out if you have an underpayment for any of the 4 payment periods. If you have an underpayment on Line 8 (Column a, b, c, or d), go to Part II, Exceptions to the Additional Charge. If you do not meet any of the exceptions for a payment period, go to Part III, Computation of the Additional Charge. If you are using Form 500C either to figure the additional charge or to show that you qualify for any exception, include your computation with your Form 500 or Form 502PTET.

Amended Return

If an amended return is filed, there is no adjustment allowed to the amount of addition to tax previously computed and paid.

For additional information, call **(804) 367-8037**, write to **the Virginia Department of Taxation, P.O. Box 1115, Richmond, VA 23218-1115**, or visit the Department's website, **www.tax.virginia.gov.**

Part I – How to Compute the Underpayment

Complete Lines 1 through 8 in Part I. On Line 4, be sure to include any withholding payments made by a pass-through entity on behalf of the corporation. If Line 8 shows an underpayment, complete Part II to see if any of the exceptions apply.

Part II – Exceptions to the Additional Charge

You will not have to pay an additional charge if all of your estimated tax payments (Part II, Line 9) were made on time and were equal to or more than any one of the amounts figured as explained by the exceptions (Lines 10, 11, and 12) for the same payment period (Column a, b, c, or d).The exceptions to the additional charge are:

Line 10 – Exception 1, Prior Year's Tax. Generally, this exception applies if the corporation or electing PTE paid an amount that was equal to or more than the tax shown on its previous (2025) calendar or fiscal year return. However, the corporation or electing PTE must have filed an income tax return showing a tax liability for the preceding taxable year and that taxable year must have consisted of 12 months.

Line 11 – Exception 2, Tax on prior year's income using current year's rates for Form 500 or Form 502PTET. Generally, this exception applies if the amount the corporation or electing PTE paid is equal to or greater than the tax figured by using the current year's rates but based on the facts shown on the prior year's return and the law that applies to the prior year. Your prior year's return does not have to show a tax liability.

Line 12 – Exception 3, Tax on annualized income. This exception applies if the estimated tax paid was equal to or more than 90% of the amount the corporation or electing PTE would owe if estimated tax was figured on annualized taxable income for the months preceding an installment date.

A corporation or electing PTE may annualize its income as follows:

(a) For the 1st 3 months, if the installment was required to be paid in the 4th month.

(b) For the 1st 3 months or for the first 5 months, if the installment was required to be paid in the 6th month.

(c) For the 1st 6 months or for the first 8 months, if the installment was required to be paid in the 9th month.

(d) For the 1st 9 months or for the first 11 months, if the installment was required to be paid in the 12th month.

To annualize income, multiply taxable income for the period by 12 and divide the result by the number of months in the period (3, 5, 6, 8, 9, or 11, as the case may be).

Enclose your computation.

Part III – Computation of the Additional Charge

If no exception applies, complete Lines 13 through 17 to determine the amount of the additional charge. The charge is figured for the period of underpayment at the underpayment rate determined under IRC § 6621, plus 2%.

For the purpose of computing the additional charge, the underpayment rate established for the third month following the close of the taxable year shall also be applied to the first 15 days of the fourth month following the close of the taxable year.

Line 17 – Total Columns 16 (a) through (d). The total on Line 17 should be rounded to the nearest whole dollar amount. Enter the total here and on Form 500, Line 20 or Form 502PTET, Section IV, Line 16.