



TAX BULLETIN 16-7

Virginia Department of Taxation

December 14, 2016

VIRGINIA'S INTEREST RATES WILL REMAIN THE SAME FOR THE FIRST QUARTER OF 2017

Federal Rates Remain Unchanged: State and certain local interest rates are subject to change every quarter due to changes in federal rates established pursuant to IRC § 6621. IRC § 6621 dictates that the federal underpayment and overpayment rates are three percentage points higher than the federal short-term rate. Federal rates for the first quarter of 2017 will be 4% for tax underpayments (assessments) and 4% for tax overpayments (refunds) by taxpayers other than corporations.

Virginia Code § 58.1-15 provides that the underpayment rate for Virginia taxes will be 2% higher than the corresponding federal rate and the overpayment rate for Virginia taxes will be 2% higher than the corresponding federal rate. Accordingly, the Virginia rates for the first quarter of 2017 will be 6% for tax underpayments (assessments) and 6% for tax overpayments (refunds).

Rate for Addition to Tax for Underpayments of Estimated Tax

Taxpayers whose taxable year ends on December 31, 2016: For the purpose of computing the addition to the tax for underpayment of Virginia estimated income taxes on Form 500C (for corporations), Form 760C (for individuals, estates, and trusts), or Form 760F (for farmers and fishermen), the first quarter 6% underpayment rate will apply through the due date of the return, April 17, 2017 (for corporations) and May 1, 2017 (for individuals and fiduciaries).

Reduced Rate for Certain Assessments in Dispute

For administrative appeals filed with the Department of Taxation on or after July 1, 2011, a reduced interest rate equal to the federal short term rate established pursuant to IRC § 6621(b) applies, beginning nine months after the date of assessment until a determination is issued. The federal short-term rate established pursuant to IRC § 6621(b) for the first quarter of 2017, rounded to the nearest whole percent, is 1%. Accordingly, the reduced rate for the first quarter of 2017 for qualifying assessments in dispute is 1%.

Local Tax

Assessments: Localities that assess interest on delinquent taxes under *Va. Code* § 58.1-3916 may impose interest at a rate not to exceed 10% for the first year of

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delinquency, and at a rate not to exceed 10% or the federal underpayment rate in effect for the applicable quarter, whichever is greater, for the second and subsequent years of delinquency. For the first quarter of 2017, the federal underpayment rate is 4%.

Refunds: Localities that charge interest on delinquent taxes are required to pay interest to taxpayers on all overpayments or erroneously assessed taxes at the same rate as they charge interest on delinquent taxes under *Va. Code* § 58.1-3916.

Recent Interest Rates

Accrual Period Beginning	Through	Overpayment (Refund)	Underpayment (Assessment)	Reduced Rate
1-Jul-04	30-Sept-04	6%	6%	-
1-Oct-04	31-Mar-05	7%	7%	-
1-Apr-05	30-Sept-05	8%	8%	-
1-Oct-05	30-Jun-06	9%	9%	-
1-July-06	31-Dec-07	10%	10%	-
1-Jan-08	31-Mar-08	9%	9%	-
1-Apr-08	30-Jun-08	8%	8%	-
1-Jul-08	30-Sept-08	7%	7%	-
1-Oct-08	31-Dec-08	8%	8%	-
1-Jan-09	31-Mar-09	7%	7%	-
1-Apr-09	31-Dec-10	6%	6%	-
1-Jan-11	31-Mar-11	5%	5%	-
1-Apr-11	30-Sept-11	6%	6%	-
1-Oct-11	31-Mar-16	5%	5%	0%
1-Apr-16	31-Mar-17	6%	6%	1%

Additional Information: Contact Customer Services, Virginia Department of Taxation, P. O. Box 1115, Richmond, Virginia 23218-1115, or call the following numbers for more information about interest rates and penalties.

Individual & Fiduciary Income Tax	(804) 367-8031
Corporation Income Tax	(804) 367-8037
Withholding Tax	(804) 367-8037
Soft Drink Excise Tax	(804) 786-2450
Aircraft Sales & Use Tax	(804) 786-2450
Other Sales & Use Taxes	(804) 367-8037

This Tax Bulletin, along with other reference documents, is available online in the Laws, Rules and Decisions section of the Department of Taxation's website, located at www.tax.virginia.gov.