



CORRECTED
TAX BULLETIN 16-2
Virginia Department of Taxation

March 16, 2016

CORRECTED TO REFLECT CHANGE IN IRS REVENUE RULING

**VIRGINIA'S SECOND QUARTER 2016
INTEREST RATES WILL CHANGE**

Federal Rates To Change: 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 second quarter of 2016 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 second quarter of 2016 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, 2015: 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 5% underpayment rate will apply through the due date of the return, April 15, 2016 (for corporations), and May 2, 2016 (for individuals and fiduciaries).

Taxpayers whose taxable year ends on March 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 second quarter 6% underpayment rate will apply through the due date of the return, July 15, 2016.

Reduced Rate for Certain Assessments in Dispute

Assessments in Dispute: During the 2011 session, the General Assembly passed Senate Bill 1152 (Chapter 295, 2011 Acts of Assembly), which created a reduced rate for certain assessments in dispute. If a taxpayer files an administrative appeal with the

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Department of Taxation on or after July 1, 2011, interest begins accruing at the standard underpayment rate until nine months from the date of assessment. From nine months after the date of assessment until a determination is issued, interest accrues at the federal short-term rate established pursuant to IRC § 6621(b).

The federal short-term rate established pursuant to IRC § 6621(b) for the second quarter of 2016, rounded to the nearest whole percent, is 1%. Accordingly, the reduced rate for the second quarter of 2016 for qualifying assessments in dispute is 1%. This rate applies only to contested assessments for which an administrative appeal was filed on or after July 1, 2011 and the Department has not made a determination within nine months from the date of assessment. See *Va. Code* § 58.1-1822 for more information.

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 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 second quarter of 2016, 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		Overpayment (Refund)	Underpayment (Assessment)	Reduced Rate
Beginning	Through			
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	30-Jun-16	6%	6%	1%

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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.