



# TAX BULLETIN 11 - 11

## *Virginia Department of Taxation*

December 19, 2011

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### **VIRGINIA'S FIRST QUARTER 2012 INTEREST RATES WILL REMAIN THE SAME**

**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 2012 will be 3% for tax underpayments (assessments) and 3% for tax overpayments (refunds) by taxpayers other than corporations.

*Virginia Code* § 58.1-15 provides that underpayment rate for Virginia taxes will be 2% higher than the corresponding federal rate and overpayment rate for Virginia taxes will be 2% higher than the corresponding federal rate. Accordingly, the Virginia rates for the first quarter of 2012 will be 5% for tax underpayments (assessments) and 5% for tax overpayments (refunds).

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#### **Rate for Addition to Tax for Underpayments of Estimated Tax**

**Taxpayers whose taxable year ends on December 31, 2011:** 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 16, 2012 (for corporations) and May 1, 2012 (for individuals and fiduciaries).

#### **Legislative Change: 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 creates a reduced rate for certain assessments in dispute. If a taxpayer files an administrative appeal with the 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). Because the new rate is effective for administrative appeals filed on or after July 1, 2011, this legislation could potentially impact interest rates during the first quarter of 2012.

The federal short-term rate established pursuant to IRC § 6621(b) for the first quarter of 2012 is 0%. Accordingly, the reduced rate for the first quarter of 2012 for qualifying

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assessments in dispute is 0%. 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 first quarter of 2012, the federal underpayment rate is 3%.

**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	Underpayment	Reduced
Beginning	Through	(Refund)	(Assessment)	Rate
1-Apr-00	31-Mar-01	11%	11%	-
1-Apr-01	30-Jun-01	10%	10%	-
1-Jul-01	31-Dec-01	9%	9%	-
1-Jan-02	31-Dec-02	8%	8%	-
1-Jan-03	30-Sep-03	7%	7%	-
1-Oct-03	31-Mar-04	6%	6%	-
1-Apr-04	30-Jun-04	7%	7%	-
1-Jul-04	30-Sep-04	6%	6%	-
1-Oct-04	31-Mar-05	7%	7%	-
1-Apr-05	30-Sep-05	8%	8%	-
1-Oct-05	30-Jun-06	9%	9%	-
1-Jul-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-Sep-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-12	5%	5%	0%

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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

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