



# TAX BULLETIN 18-5

## *Virginia Department of Taxation*

September 21, 2018

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### **VIRGINIA'S INTEREST RATES WILL REMAIN THE SAME FOR THE FOURTH QUARTER OF 2018**

**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 Internal Revenue Code ("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 fourth quarter of 2018 will be 5% for tax underpayments (assessments) and 5% for tax overpayments (refunds) by noncorporate taxpayers.

*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 federal overpayment rate for noncorporate taxpayers. Accordingly, the Virginia rates for the fourth quarter of 2018 will be 7% for tax underpayments (assessments) and 7% for tax overpayments (refunds).

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

**Taxpayers whose taxable year ends on September 30, 2018:** 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 fourth quarter 7% underpayment rate will apply through the due date of the return, January 15, 2019.

#### **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 fourth quarter of 2018, rounded to the nearest whole percent, is 2%. Accordingly, the reduced rate for the fourth quarter of 2018 for qualifying assessments in dispute is 2%.

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**Fourth Quarter 2018 Interest Rates**  
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**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 fourth quarter of 2018, the federal underpayment rate is 5%.

**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-18	6%	6%	1%
1-Apr-18	31-Dec-18	7%	7%	2%

**Additional Information:** This Tax Bulletin, along with other reference documents, is available online in the Laws, Rules and Decisions section of the Department's website, located at [www.tax.virginia.gov](http://www.tax.virginia.gov). If you have questions about interest rates, please visit Virginia Tax's website or contact the Department at 804.367.8031 (for individuals), 804.786.2450 (for Soft Drink Excise Tax and Aircraft Sales and Use Tax), or 804.367.8037 (for all other business taxes).