CALCULATE PENALTY AND INTEREST

Effective Date

08/16/2005

Overview

Each Locality is required by Virginia law to assess penalties for late filing, late payment, and underpayment of tentative tax (extension penalty) on the Individual income tax returns filed in their office.

- Late Filing Penalty If a customer files a return late and there is a tax due, the return is subject to a late filing penalty. The penalty is 6% of the tax due for every month or a part of a month that the return is late. The maximum penalty is 30% of the tax due. There is no minimum late penalty and no late filing penalty is assessed on zero balance or refund returns.
- Late Payment Penalty If a customer files a return on time but does not pay the tax due until after the due date, the late payment penalty is assessed. The penalty is 6% of the tax due for every month or a part of a month that the return is late. The maximum penalty is 30% of the tax due. The late payment penalty is not applied to any month for which the late filing penalty has already been assessed or paid. The total combined penalties for late filing and late payment cannot exceed 30% of the tax due. The late payment penalty is not applied when additional tax is assessed on return filed in good faith, as the case with most audit adjustments.
- Extension Penalty Virginia law provides only for extensions of time for filing income tax returns only. There is no extension of time for payment of the tax due. Therefore, an application for extension is made in the form of a tentative tax return. At least 90% of the final income tax liability amount must be paid with the application. If an extension is filed but the customer does not meet the 90% payment requirement, the customer will be subject to an extension penalty on the tax due with the return.

The law also requires interest to be assessed on underpayments and late payments of tax, as well as on assessments that remain unpaid for longer than 30 days. Localities must assess interest on any balance of unpaid tax, from the due date for payment through the date the tax is paid. Interest is assessed at the federal underpayment rate established under Internal Revenue Code Section 6621, plus 2%.

Tasks

Calculate Penalty and Interest for Individual Income Tax Returns

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