

# DEPARTMENT OF TAXATION

## 2021 Fiscal Impact Statement

1. **Patron** Kathleen J. Murphy

3. **Committee** Passed House and Senate

4. **Title** Department of Taxation; Waiver of Interest  
When Governor Declares a State of  
Emergency

2. **Bill Number** HB 1999

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

           **In Committee**

           **Substitute**

  X   **Enrolled**

### 5. **Summary/Purpose:**

This bill would authorize the Tax Commissioner to waive interest for any class of taxpayers when he finds in his discretion that imposing interest has caused, or would cause, undue hardship to the class of taxpayers because of a natural disaster or other reason. This authority to waive interest would be available only to the extent that the Governor has declared a state of emergency to exist in the Commonwealth with respect to such natural disaster or other reason.

If enacted during the 2021 General Assembly, Special Session I, this bill would become effective July 1, 2021.

**This is a Department of Taxation bill.**

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

### 8. **Fiscal implications:**

#### Administrative Costs

The Department ("the Department") considers implementation of this bill as routine, and does not require additional funding.

#### Fiscal Impact

This bill would have no impact on General Fund revenue unless interest is waived during a future state of emergency. The bill would decrease General Fund revenues by an unknown amount in the event that interest is waived. However, the magnitude of the revenue loss would vary depending on the scope of the state of emergency and corresponding waiver.

### 9. **Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary: No.**

**11. Other comments:**

Waivers and Penalties

In response to the coronavirus disease 2019 ("COVID-19") crisis, Governor Ralph Northam requested that the Department extend the due date for Virginia income tax payments due between April 1, 2020 and June 1, 2020. The Department complied by exercising its authority to waive penalties that would have otherwise been imposed on late payments so long as full payment was made by June 1, 2020. See Virginia Tax Bulletin 20-4.

In addition, the Tax Commissioner provided that sales tax dealers could request an extension of the due date for filing and payment of the February 2020 sales tax return due March 20, 2020. If the request was granted, the Department would allow for the filing and payment of such return on April 20, 2020 with a waiver of any applicable penalties that would have otherwise applied. See Virginia Tax Bulletin 20-3.

The Tax Commissioner is explicitly authorized by law to waive penalties and grant extensions of time to make return payments. However, because no similar authority exists for interest payments, the Department was initially unable to administratively provide a corresponding waiver of interest in response to the COVID-19 crisis.

Ultimately, the General Assembly enacted budget language in response to the COVID-19 crisis that waived the accrual of interest on these payments made after the original due date. Announced in Virginia Tax Bulletin 20-5. However, this did not grant the Department general authority to waive interest in future emergencies. If it becomes desirable in the future to provide similar relief to taxpayers due to an emergency, the Department would again have to seek authority to do so through legislation. This may prove difficult to effectuate in a timely manner, as the General Assembly may not be in Session at the time of a given emergency. Waiving interest on a delayed or retroactive basis would be more difficult to administer and confusing for taxpayers.

Proposal

This bill would authorize the Tax Commissioner to waive interest for any class of taxpayers when he finds in his discretion that imposing interest has caused, or would cause, undue hardship to the class of taxpayers because of a natural disaster or other reason. This authority to waive interest would be available only to the extent that the Governor has declared a state of emergency to exist in the Commonwealth with respect to such natural disaster or other reason.

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cc : Secretary of Finance

Date: 2/24/2021 JPJ  
HB1999FER161