

DEPARTMENT OF TAXATION 2025 Fiscal Impact Statement

1. **Patron** Emily M. Jordan

3. **Committee** Senate Finance and Appropriations

4. **Title** Estimated Payment; Failure by Individual,
Trust, or Estate to Pay

2. **Bill Number** SB 1410

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would increase the payment threshold for estimated payments of individual or fiduciary income tax from \$150 to \$1,000 for the taxable year.

This bill would be effective for taxable years beginning on and after January 1, 2026.

6. Budget amendment necessary: Yes. The following technical amendment is suggested to correct revenue assumptions in the budget bill related to the timing of revenue impacts associated with this bill. The amendment would increase Fiscal Year 2025 general fund revenues by \$10.4 million and reduce general fund revenues in Fiscal Year 2026 by \$9.3 million, resulting in a net increase in revenues over the biennium of \$1.1 million.

On page 1, line 40:

strike \$30,648,436,462 and insert \$30,658,836,462;

strike \$31,406,549,381 and insert \$31,397,249,381;

strike \$62,054,985,843 and insert \$62,056,085,843.

7. No Fiscal Impact. (See Line 8.)

8. Fiscal implications:

Administrative Costs

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

Revenue Impact

This bill would have a negative General Fund revenue impact of \$10.4 million in FY 2026 and \$1.1 million in FY 2027 and each year thereafter. The revenue impact of this bill is assumed in the Introduced Executive Budget. However, a technical amendment is suggested to correct for the timing of such impact. (See Line 6.)

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Estimated Payments

Taxpayers that are required to file a tax return and whose Virginia income tax liability, after subtracting income tax withheld and any allowable credits, is expected to be more than \$150, must make estimated tax payments or have additional income tax withheld throughout the year from their wages or other income. Taxpayers must pay at least 90 percent of their tax liability during the year by having income tax withheld and/or making timely payments of estimated tax. Generally, estimated payments must be filed quarterly and are due on May 1, June 15, September 15, and January 15 of the following year.

Something known as "addition to tax" is imposed if at least 90 percent (66 2/3 percent for farmers, fishermen, or merchant seamen) of a taxpayer's total tax liability is not paid throughout the year by timely withholding or installments of estimated tax except in certain situations. The "addition to tax" is effectively an interest charge for failing to make timely estimated payments. The addition to tax does not apply if each required installment is paid on time and meets one of the following exceptions:

- Is at least 90 percent (66 2/3 percent for farmers, fishermen or merchant seamen) of amount due based on annualized income
- Is at least 90 percent (66 2/3 percent for farmers, fishermen or merchant seamen) of amount due based on the actual taxable income;
- Is based on a tax computed by using your income for the preceding taxable year and the current year's tax rates and exemptions;
- Is equal to or exceeds the prior year's tax liability for each installment period and the prior year return was for a full year and reflected an income tax liability; or
- The sum of all installment underpayments for the taxable year is \$150 or less.

If a taxpayer does not qualify for an exception, their underpayment computation for the purposes of the addition to tax will be based on 90 percent of the current year's income tax liability or 100 percent of their liability for the preceding year, whichever is less.

Proposal

This bill would increase the payment threshold for estimated payments of individual or fiduciary income tax from \$150 to \$1,000 for the taxable year.

This bill would be effective for taxable years beginning on and after January 1, 2026.

Similar Bills

HB 2643 is identical to this bill.

cc : Secretary of Finance

Date: 01/22/2025 JLOF
SB1410F161