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SENATE BILL NO. 224

Offered January 14, 2026

Prefiled January 10, 2026

A BILL to amend the Code of Virginia by adding a section numbered 58.1-1803.1, relating to tax administration; award for tax underpayment detection assistance.

Patron—Surovell

Referred to Committee on Finance and Appropriations

Be it enacted by the General Assembly of Virginia:**1. That the Code of Virginia is amended by adding a section numbered 58.1-1803.1 as follows:****§ 58.1-1803.1. Awards for tax underpayment detection assistance.**

A. 1. In accordance with the provisions of this section, the Tax Commissioner is hereby authorized to award monetary compensation to individuals who provide information that assists the Department in the successful collection of delinquent taxes owed by other individuals or business taxpayers to the Commonwealth.

2. The provisions of this section shall apply only if (i) an action described in subsection B is brought against an individual taxpayer with gross income exceeding \$100,000 or a business taxpayer with gross income exceeding \$500,000 and (ii) the tax, penalties, interest, additions to tax, and additional amounts in dispute exceed \$50,000.

3. Any amount payable under this section shall be paid from the proceeds of the state taxes collected by reason of the provided information.

4. An individual who receives an award shall be exempt from the provisions of § 58.1-3 but only with respect to the information provided to the Tax Commissioner on which such award is based.

B. If the Tax Commissioner proceeds with any administrative or judicial action described in this chapter based upon information provided to the Tax Commissioner by an individual described in subsection A, such individual shall receive:

1. A monetary award for such informational assistance in an amount equal to at least 15 percent, but not more than 30 percent, of the collected proceeds, including penalties, interest, additions to tax, and additional amounts, that result from such action or from a settlement in response to such action. The determination of such award amount shall depend on the extent to which the individual informant substantially assisted or contributed to such action; or

2. A discretionary award in an appropriate amount determined by the Tax Commissioner, in the event that the Tax Commissioner determines the action is principally based on disclosures of specific allegations from some source other than information provided by the individual. However, such discretionary award amount may not exceed 10 percent of the collected proceeds, including penalties, interest, additions to tax, and additional amounts, resulting from such action or from a settlement in response to such action.

C. The Tax Commissioner may deny or reduce an award with respect to an action described in subsection B subject to the following:

1. If an award is sought by an individual who is a federal, state, or local tax official who obtained the information provided in the course of such individual's official duties, then the Tax Commissioner may deny the award.

2. If two or more individuals seek an award with respect to the same action described in subsection B, then the Tax Commissioner shall divide any award in proportion to the significance of each individual's information and the role played by each individual or his legal representative in assisting such action. In no event shall the total of all awards to such individuals exceed the amount authorized by this section.

3. If the information provided by the individual claiming an award is information that the Department routinely receives from other sources, such as through an information exchange with the Internal Revenue Service, other state agencies, or local commissioners of the revenue, then the Tax Commissioner may deny the award.

4. If any portion of the amount collectible as a result of the action described in subsection B will be collected over time under an installment plan or restitution order, then no award shall be paid until all such amounts have been collected. The award may be paid based on amounts collected to date if the Tax Commissioner and the individual agree that the collection of additional amounts is unlikely.

5. If an award is sought by an individual who planned or initiated actions that led to the underpayment of taxes, then the Tax Commissioner may reduce the award amount.

6. If an award is sought by an individual who is convicted of criminal conduct arising from the role in subdivision 5, then the Tax Commissioner shall deny any award.

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59 *D. Any individual informant dissatisfied with a determination regarding an award made by the Tax*
60 *Commissioner under subsection B or C may bring an action in the circuit court within 30 days of such*
61 *determination. In such action, the burden of proof shall be on such individual to show by a preponderance of*
62 *the evidence that (i) the information he provided substantially contributed to the collection of the additional*
63 *tax proceeds and (ii) the Tax Commissioner abused his discretion in determining the amount of the award.*
64 *Any information provided to the individual, his representative, or the court about an action described in*
65 *subsection B shall be considered tax information protected from further disclosure pursuant to § 58.1-3*
66 *unless the person who was the subject of such action is a party to the circuit court action. The Tax*
67 *Commissioner may require individuals to submit information in the form of an affidavit under oath in*
68 *contemplation of prospective proceedings.*
69 *E. The Tax Commissioner shall develop guidelines and forms implementing the provisions of this section.*
70 *Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).*