

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. Patron Michael J. Webert

3. Committee House Finance

4. Title Memorandum of lien for collection of taxes

2. Bill Number HB 1080

House of Origin:

Introduced

Substitute

Engrossed

Second House:

In Committee

Substitute

Enrolled

5. Summary/Purpose:

This bill would prohibit the Department of Taxation (“the Department”) from filing a memorandum of lien until (i) at least 60 days after the Department has requested information from the taxpayer that could eliminate the need for collection of unpaid taxes or fees, and (ii) the Department has fully processed all information submitted by the taxpayer in response to that request.

Under current law, the Tax Commissioner may file a memorandum of lien 30 days after taxes become due in the circuit court clerk's office of the county or city in which the taxpayer's place of business is located, or in which the taxpayer resides. The Department shall provide a taxpayer with at least 10 days' prior notice before filing a memorandum of lien but authorizes the Tax Commissioner to issue notice at the time of filing when advance notice would jeopardize the collection of taxes, penalties, or interest.

If enacted during the regular session of the 2026 General Assembly, this bill would become effective July 1, 2026.

6. Budget amendment necessary: No.

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

8. Fiscal implications:

Administrative Costs

The Department considers this bill as routine, and does not require additional funding.

This legislation does not require significant changes to the Department's systems and is not impacted by the first phase of the Integrated Revenue Management System (IRMS) replacement project. No resource constraints or implementation considerations are anticipated.

Revenue Impact

This bill could result in a minimal unknown state revenue loss.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Background

Virginia Code §58.1-1805 establishes the Commonwealth's authority to secure unpaid state tax liabilities through the filing of a memorandum of lien. This provision allows the Department of Taxation to create a public record of a delinquent tax debt once the liability has remained unpaid for at least 30 days after becoming due. The lien is recorded in the circuit court clerk's office of the locality where the taxpayer resides or maintains a place of business, and it attaches to the taxpayer's real property located in that jurisdiction.

The filing of a memorandum of lien does not immediately result in the seizure of property but instead serves to protect the Commonwealth's interest by establishing priority relative to other creditors. Once recorded, the lien remains in effect until the underlying tax, penalty, and interest are fully satisfied. When the taxpayer pays the outstanding liability, the Department is required to issue a certificate of release, which is then recorded to remove the lien from the public record.

The lien mechanism is typically used when a taxpayer has not responded to notices or payment demands and the Department must secure the debt to prevent the transfer or encumbrance of assets. As a result, the statute plays a central role in ensuring the enforceability of state tax obligations while providing a structured process for both the imposition and release of liens.

Proposal

This bill would prohibit the Department of Taxation ("the Department") from filing a memorandum of lien until (i) at least 60 days after the Department has requested information from the taxpayer that could eliminate the need for collection of unpaid taxes or fees, and (ii) the Department has fully processed all information submitted by the taxpayer in response to that request.

If enacted during the regular session of the 2026 General Assembly, this bill would become effective July 1, 2026.

cc : Secretary of Finance

Date: 01/25/2026 KS
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