



COMMONWEALTH of VIRGINIA

Department of Taxation

September 27, 2018

The Honorable R. Lee Ware, Jr.
Chairman, House Finance Committee
Post Office Box 689
Powhatan, Virginia 23139

The Honorable S. Chris Jones
Chairman, House Appropriations Committee
Post Office Box 5059
Suffolk, Virginia 23435

The Honorable Emmett W. Hanger, Jr.
Co-Chairman, Senate Finance Committee
Post Office Box 2
Mount Solon, Virginia 22843

The Honorable Thomas K. Norment, Jr.
Co-Chairman, Senate Finance Committee
Post Office Box 6205
Williamsburg, Virginia 23188

Dear Chairman Ware, Jr., Chairman Jones, Co-Chairman Hanger, Jr., Co-Chairman Norment, Jr.:

The 1996 General Assembly enacted Chapter 634, 1996 Acts of Assembly (HB 1451), which established the *Virginia Taxpayer Bill of Rights* (TBR). The legislation largely codified the Department of Taxation's existing procedures with respect to audit, collection and appeals processes. The legislation also requires that the Department furnish written explanations of its audit and collections processes to taxpayers, as well as create a formal problem resolution program and designate a Taxpayer Rights Advocate to oversee the program. Finally, the legislation created a requirement under Section 58.1-202 of the *Code of Virginia* for the Tax Commissioner to file an annual report detailing the procedures used in the agency's collection process, and how the TBR is implemented to assist with collections.

General Provisions

The TBR generally provides for rights associated with the Department of Taxation's routine interactions with taxpayers, and the internal controls the agency has in place to ensure that these rights are protected.

The rights specified under the general provisions of the statute are:

Public Contact:

- the right to be treated with dignity and respect;
- the right to prompt, courteous, and accurate responses to questions and requests for tax assistance;

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- the right to record meetings or, if we record the meeting, to purchase a transcript at cost;
- the right to request help from the Taxpayer Rights Advocate when issues have not been resolved through normal administrative processes;
- the right to be advised or represented by counsel or another qualified person;
- the right to receive simple, nontechnical statements that explain the Taxpayer Bill of Rights and the audit, collections, and appeals processes; and
- the right to have tax, penalty and interest abated when the taxpayer relies on binding written advice from a department employee, and that advice is later found to be incorrect.

Internal Controls:

- the right to have property protected during assessment, collection and enforcement processes;
- the right to have tax information kept confidential; and
- the right to procedures that ensure department employees are not paid, evaluated, or promoted based on the amount of assessments or collections made.

Taxpayer Rights Advocate / Problem Resolution Program

As required by the *Code of Virginia*, the Department's Taxpayer Rights Advocate oversees a problem resolution program staffed by the Customer Satisfaction team. The team's goal is to ensure that taxpayers have a clear understanding of Virginia's tax laws, as well as how the laws apply to each individual's case. The team was established to address taxpayer issues that were not resolved through normal administrative channels. The majority of these requests include issues from state, local and federal elected officials, offers in compromise related to requests for waiver based on reasonable cause, and requests for direct assistance from the Taxpayer Rights Advocate. The team also handles customer education functions, and can investigate systemic issues that may hinder the delivery of quality customer service.

In addition to overseeing the operations of the Customer Satisfaction Team, the Taxpayer Rights Advocate ensures resolution of cases, and investigates allegations of rights violations. During the fiscal year 2018, the Taxpayer Rights Advocate investigated two claims of rights violations, and found no evidence of violations in any of those cases. In addition, the team handled 56 dispute resolution cases addressed directly to the Taxpayer Rights Advocate or forwarded to the Advocate's office.

Beyond the scope of the operations and duties of the Taxpayer Rights Advocate and the Customer Satisfaction Team, every employee of the Department of Taxation is required to adhere to the provisions of the Taxpayer Bill of Rights. Routine procedures employed to protect taxpayer rights in customer contacts include stopping collection action on assessments during any appeals process, as well as negotiating installment payment plans and offers in compromise to settle liabilities in an equitable manner. In addition, the agency's published document entitled the *Virginia Taxpayer Bill of Rights* is available to taxpayers as part of every face-to-face audit or collections contact.

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Collection Processes

The Department of Taxation strictly adheres to the provisions of the Virginia Taxpayer Bill of Rights in its collection processes, particularly with respect to confidentiality of taxpayer information. When an assessment tax bill is issued, the taxpayer has 30 days to make payment or protest the assessment. If the taxpayer does not respond within that time, the Department may take collection actions to resolve the account. Examples of typical collection actions may include phone calls, letters, third party liens, and memorandum of liens.

The published *Virginia Taxpayer Bill of Rights* contains a complete description of the agency's collection and audit processes. In addition, the agency contracts with Penn Credit to manage its outsourced collection accounts. Finally, the agency also contracts with Taxing Authority Consulting Services (TACS) to manage all bankruptcy functions.

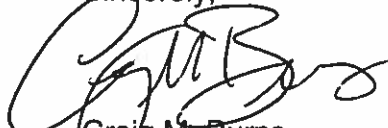
Any outside collection agency receives only limited information about the accounts they collect. In addition, the Department does not report information on outstanding tax liabilities and collection actions to credit bureaus.

Conclusion

The Department of Taxation takes its responsibilities under the Virginia Taxpayer Bill of Rights very seriously, and remains committed to making those rights an integral part of its business practices. A copy of the *Virginia Taxpayer Bill of Rights* booklet is attached. The booklet is also available on our web site at www.tax.virginia.gov, along with most tax forms and information designed to assist taxpayers in understanding and complying with Virginia's tax laws.

Should you or your staff have any questions, please contact me at (804) 786-3332.

Sincerely,



Craig M. Burns
Tax Commissioner

c: The Honorable Aubrey L. Layne, Jr., Secretary of Finance

Attachment: *Virginia Taxpayer Bill of Rights*

VIRGINIA TAXPAYER BILL OF RIGHTS

**Department of Taxation
P.O. Box 1115
Richmond, Virginia 23218-1115
www.tax.virginia.gov**

**Individual (804) 367-8031
Business (804) 367-8037
Collections (804) 367-8045**



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INTRODUCTION

The Virginia Taxpayer Bill of Rights, *Va. Code* § 58.1-1845, guarantees certain rights in the tax assessment, audit and collection processes of the Virginia Department of Taxation (Virginia Tax).

Your Rights in General

Our mission is to serve our customers by delivering an efficient, courteous, confidential and equitable tax revenue system. Our employees honor this mission in performing their duties. We do not compensate, evaluate, or promote employees on the basis of the assessments or collections they make.

You have the right to be treated with dignity and respect, and to receive prompt, courteous and accurate answers to your questions and requests for assistance. When you contact us in writing, you have the right to rely on our written advice.

Your Rights in Contacts with Virginia Tax

You have the right to have someone be present with you or represent you in contacts with Virginia Tax, including an attorney or accountant. To allow another person to represent you in contacts where you are not present, you must sign a power of attorney (POA) to authorize that person to act on your behalf. The POA forms are at the back of this document.

You have the right to make an audio recording of any meeting relating to tax determination and collection actions, using your own equipment. You may suspend certain meetings to seek advice from your representative.

Your Right to Confidentiality

We keep the tax information in our records strictly confidential. This includes tax returns, correspondence, audit reports, and other account information. Virginia law allows only limited release of information. The law prohibits us from giving information to any person or organization that doesn't have the legal right to receive it. This means that we can't speak with anyone acting on your behalf without a power of attorney, even to answer basic questions about your account. When you contact us by phone, we will ask for specific information to confirm your identity before we discuss your account.

Filing and Paying Your Taxes

We want to make meeting tax filing requirements and paying the correct tax due as simple as possible. If you don't agree with the amount owed, the method used to compute the balance due, or our interpretation of tax law or agency policy, you have the right to appeal.

Audits and Examinations

We audit tax returns and business records to make sure taxpayers are complying with the law. If we select your return or business for audit, that does not mean you will owe more tax. You have the right to a fair examination. You also have the right to receive clear, simple explanations of audit procedures, appeal processes, and any changes we make to your tax liability. If we ask for information during the audit, you have the right to know the reason for the request and what will happen if you do not provide the information.

Tax Bills

If you don't pay the amount due with your return, or if we assess an additional amount, we will send you a bill. The bill will clearly state the amount due, including a breakdown of the charges, and the reason for the bill. If you receive a bill because of incorrect written advice from a Virginia Tax employee, you have the right to ask for the bill to be canceled if you meet all of the following conditions:

- you asked for information or guidance in writing, and
- you presented full and accurate facts about your situation, and
- a Virginia Tax employee responded in writing.

Payment Arrangements

If you can't pay the full amount due on your tax return or bill, we'll help you make arrangements for payment, or set up an installment payment plan. We may ask you to provide a financial statement to prove hardship and to help us determine the best payment schedule for you. If your financial statement shows that you can pay the amount due, even if that means using available credit or getting a loan, we will require you to do so.

Collection Actions

If you do not pay a bill or make payment arrangements within 30 days from the date the bill is issued, we may take legal action or assign your account to an outside collector to collect the balance due. If we take collection action, you have the right to receive clear, simple explanations of collection procedures and appeal processes, as well as your rights in those procedures and processes.

Appeals

You have the right to ask for an informal review of any bill that has been issued or any refund that has been denied. You also have the right to file an appeal with the Tax Commissioner within 90 days from the date the bill was issued or the refund was denied. Asking for a review does not extend the time allowed for filing an appeal with the Tax Commissioner. Reviews and appeals are discussed in detail later in this document.

If you have filed an appeal and you do not agree with the Tax Commissioner's ruling, you may apply for a ruling from your local circuit court. If there is already a similar case waiting for a circuit court decision or a ruling from the Tax Commissioner, you may file a protective claim with the Tax Commissioner and ask us to consider your appeal based on the outcome of the other appeal case.

Under certain conditions, you can request an offer in compromise to seek relief from tax, penalty and/or interest charges. Details are provided later in this document.

Taxpayer Rights Advocate

The Taxpayer Rights Advocate ensures that your rights are protected in audit and collection processes. The Taxpayer Rights Advocate also provides prompt review and resolution of cases that have not been resolved through normal channels.

You may contact the Taxpayer Rights Advocate for assistance by sending in a detailed description of the problem or complaint and the steps you have taken to resolve the issue. You should also include your address and a daytime telephone number in your request. Mail the request to:

**Taxpayer Rights Advocate
Virginia Department of Taxation
P.O. Box 546
Richmond, VA 23218-0546**

You may also fax your request to (804) 367-0539. For questions about the Taxpayer Rights Advocate, call (804) 367-8031 (individual) or (804) 367-8037 (business).

AUDITS AND EXAMINATIONS

Your Rights

We routinely review tax returns to make sure that filers have reported their tax liabilities correctly. Audits may conclude with no additional tax due, or with a refund due. Many of our audits are desk examinations that do not require a visit to your home or business. In those cases, we can usually resolve questions about your return by phone or letter. If you are selected for an audit, you have the right to:

- receive information about the audit process and procedures and your appeal rights,
- have the audit conducted at a reasonable place and time except in cases of criminal and/or internal investigations,
- receive a clear, non-technical explanation of any changes made to your tax liability during the audit.

Your Responsibilities

If you receive an audit inquiry letter or a notice of a field audit, it is your responsibility to:

- respond to notices and provide requested documentation by the stated due date. Use the name, address and telephone number provided for all contacts during the audit.
- notify the auditor before the due date if you need additional time to respond.

Desk Audits and Examinations

In a desk audit, the examiner typically will write to you to ask for information about items on your return, or to tell you about errors that we need to adjust. We then give you the opportunity to respond to our letter before we issue a bill.

Automated Audit Programs

The Internal Revenue Service (IRS) and other government agencies share tax return data and other income information with Virginia Tax each year. We compare that information with our records to identify taxpayers who may have underpaid their Virginia income tax or failed to file a Virginia return.

If we find a discrepancy in your Virginia tax return or if it appears that you did not file a return, we will send you a letter to:

- explain the problem and tell you about any proposed changes in your tax liability,
- ask you to provide information or tell us if you disagree with our findings,

- give you a date for responding,
- give you the name and contact information for the employee who is handling your case.

If you don't respond to the letter, or if you can't provide adequate information to show that our proposed changes are not correct, we will issue a bill for the tax due, as well as applicable penalty and interest charges.

Field Audits

A field audit is an on-site examination of returns and records. Virginia Tax auditors based in Virginia and in several locations across the country conduct field audits.

General information about field audits:

- We make arrangements for field audits in advance, by letter or by phone.
- We make audit appointments with the business owner or corporate officer responsible for tax compliance. Once we make an appointment with you, the auditor can work with anyone you choose.
- The audit appointment arrangements will include the date, time and place.
- We usually conduct field audits at your place of business during normal business hours. We will work with you to minimize the impact on your schedule and your business operations.
- We will explain the types of records we need to begin the audit.

Before the audit begins, the auditor will:

- give you information about obtaining a copy of this publication, and discuss your rights in the audit process,
- discuss the operation of your business, ask how you maintain your records, and ask you to identify any issues that might affect the audit,
- discuss the specific process that we will use for your audit,
- tour your place of business, if necessary,
- determine how we will review your records,
- determine the method for the audit. The method the auditor chooses depends on several factors, including the type of tax, the accuracy and availability of records, and the size and complexity of your business. We may conduct a

detail audit, which involves looking at all of your records, or we may select only a sample from your records for review.

- determine the audit period. We usually audit a three-year period, but we may expand the period beyond three years if returns have not been filed or if we find false or fraudulent returns on file.

During the audit, the auditor will:

- review your records and the returns you have filed,
- ask you to sign an extension of time limitation agreement, which allows the auditor and the taxpayer adequate time to respond to inquiries. Agreeing to an extension avoids the issuance of an assessment based on unresolved questions that could otherwise have been handled during the audit or in an informal review.
- explain Virginia law and agency policy and how they apply to your business transactions,
- allow you adequate time to respond to questions that arise during the audit.

In concluding the audit, we will:

- discuss our findings with you, or send you a letter explaining the changes,
- explain any penalties to be billed (see the Use Tax Compliance Ratio Computation in the Appendix for details),
- discuss future filing responsibilities and answer your questions about the audit,
- give you a copy of the audit report identifying any issues that you need to correct for future tax compliance,
- explain your rights to appeal the audit changes if you disagree with our findings.

For income tax audits only: If we find an issue that affects your federal income tax return for the period we are auditing, we may notify the IRS. In that case, we will not issue a bill until the federal issue has been resolved. A manager will discuss the situation with you if we need to use this procedure.

COLLECTION PROCESSES

Your Rights

If your Virginia tax bill remains unpaid for more than 30 days, we may take action to collect the balance due. In that case, you have the right to:

- receive information about our collection procedures and your rights and responsibilities, at or before any meeting regarding the collection of your account balance,
- be notified before we take any collection action that could result in the loss of property, unless we determine that collection of the unpaid balance would be jeopardized by delay,
- request a review of any collection actions by calling or writing to Virginia Tax,
- request a payment plan to pay your bill in installments,
- request procedures for the release of a lien, if you have a basis for such a request,
- have a written notice issued to a credit agency if the lien was placed in error, provided you make the request within three years from the date we released the lien.

Your Responsibilities

When you receive a bill from Virginia Tax, it is your responsibility to:

- review all of the information on the notice, including the time limitations, addresses, telephone numbers and procedures for asking questions, appealing the bill or making arrangements for payment. To allow time for us to review an inquiry and prevent collection action, you should respond within 30 days from the date the bill was issued, even if you plan to file a formal appeal.
- provide any requested documentation, such as copies of canceled checks or current financial information, if we request that information to assist you in resolving your bill. To prevent collection action, you must respond within the time period stated in our request for information, whether the request is made in writing or during a conversation with a Virginia Tax employee.

Collection Actions

When we send a bill, the bill clearly states a date of assessment. Unless you have other unpaid bills, we will not take collection action until at least 30 days

after the date of assessment. If you do not pay the bill or make payment arrangements during that time, we may take one or more of the actions described later in this section to collect the balance due. The bill also states that collection action may begin after 30 days. We may not send out additional notices before we take action to collect a bill.

Payment Plans

If you cannot pay your bill in full, you have the right to request a payment plan that will allow you to pay in installments. In many cases, we will accept payment in 12 monthly installments. If your small business has been in operation for two years or less, you may qualify for waiver of penalty related to your business tax if you are able to arrange for an installment plan to pay the tax on your bill. For purposes of this penalty waiver, a small business must be independently owned, be organized under Virginia law or have a principal place of business here, and have no more than 10 employees.

If you have been contacted by a collection agency or a Virginia Tax Field Agent, you should contact the agency or the Field Agent to make your request. Otherwise, you should contact our office at (804) 367-8045 or use our Teleplan service at (804) 440-5100.

Not all requests for payment plans are approved. If you have not met the terms of a previous plan or if the amount due is not suitable for a routine plan, we may deny your request, ask for a financial statement, propose a different schedule, or make special arrangements, such as a balloon payment provision. Even if we agree to allow a payment plan, we must charge interest until the balance is paid in full. Therefore, setting your plan for the shortest possible period will cost you the lowest amount in added interest.

Once we agree to a payment plan, we will send you a monthly payment reminder. As long as you honor the terms of the agreement, we will not take any collection action while the plan is in effect, except to apply tax refunds and certain other government payments to the outstanding balance. For larger liabilities or extended payment terms, we may place a Memorandum of Lien against your property until you complete your scheduled payments.

To successfully complete your payment plan, you must:

- pay each installment by the due date,
- stay current with your Virginia tax filing requirements, including payments, so that you do not incur any new delinquencies,
- provide correct, complete and current financial information when requested.

Cancellation of payment plans. If you do not honor the terms of your payment plan as listed above, we may cancel your plan and take other actions to collect the balance due. If you cannot make your payments on time, or if you cannot avoid creating new liabilities, it is important for you to contact us immediately to request a change in terms.

Renegotiation of payment plans. If you need to request a change in terms, contact us before missing a payment to prevent collection action. We can often agree to extend the terms of a plan, as long as you have made a good faith effort to pay your bill.

Phone Calls and Letters

Our first effort to collect a balance that is over 30 days old is to try to contact you by telephone or letter. However, if your account has been delinquent in the past, we may proceed with other collection actions.

Collection Agencies

We contract with commercial collection agencies to assist with collecting overdue tax bills. If we assign your account to a collection agency, that agency will send you a notice to provide contact information. You should work directly with the agency until your account is paid in full.

Collection agencies must adhere to the provisions of the Fair Debt Collections Practices Act. If you believe that a collection agency is acting improperly, contact us at (804) 367-8045 or write to the Collections Section, P.O. Box 1880, Richmond, VA 23218-1880

Visits

We generally will not visit your home unless you are operating a home-based business. Visits to businesses are made during normal business hours.

Debt Setoff

Virginia law requires us to hold state tax refunds, lottery prizes, and certain other refunds and payments that may be made to you by state agencies and apply the funds to your unpaid tax bills. We may also hold federal income tax refunds and some other payments from federal agencies after notifying you in writing that your debt has been reported to the federal government. If we hold a refund or payment, we will notify you and allow time for you to protest that action.

Third Party Liens

We may place a lien against your bank account or a garnishment with your employer. This means that funds from your account or your paycheck will be paid directly to Virginia Tax to be applied to your debt.

If this action will cause severe financial hardship, you may contact us at (804) 367-8045 to negotiate a payment arrangement. We may ask you to provide a financial statement as proof of hardship. In the case of a wage garnishment, you may agree to have a set amount taken from your check each pay period until the bill is paid, but you must make sure that your employer will agree to this arrangement and send the payments on your behalf.

We generally will not release a third party lien until the debt is paid or resolved. A third party lien is not a matter of public record, but your bank may report the lien to credit bureaus.

Memorandum of Lien

A Memorandum of Lien is recorded as a judgment against your property in favor of the Commonwealth of Virginia. This means that funds from sale of the property could be applied to your tax debt. A Memorandum of Lien can also affect your ability to refinance or otherwise dispose of the property. Once recorded, the lien remains in effect for 20 years, or until the tax debt is resolved.

Because a Memorandum of Lien is generally filed with the circuit court of the county or city where you live or where your business is located, it is a matter of public record. Although Virginia Tax does not report tax debts to credit bureaus, a judgment is public information and could affect your credit rating.

Liens Placed in Error

If you believe that we have placed a third party lien or recorded a Memorandum of Lien in error, contact us immediately at (804) 367-8045 to request procedures for release of the lien. We will expedite review of your account to correct the error if one has been made.

Conversion of Business Liabilities

If your business has unpaid tax bills, we can transfer the outstanding balances to the responsible officers of the business. Before taking this action, we will notify you in writing and allow time for you to present information to show why you should not be held personally liable for the business tax bills.

Summons/Notice to Appear in Lieu of Summons

A Notice to Appear in Lieu of Summons is a written notice to attend a scheduled meeting with a Virginia Tax representative to answer questions about your tax debt or delinquencies. The notice and meeting are not legal proceedings. If you do not attend, we may seek a legal summons, which is a court order for your appearance, or we may take more severe collection action.

Padlocking

If collection efforts do not resolve your business tax bills, we may padlock the business. If this action is necessary, we will schedule a hearing, giving you at least 10 days' notice, to determine whether the business will be padlocked. You will be able to present evidence to show why the business should not be padlocked, and you will be given the opportunity to negotiate payment arrangements to keep the business open. If we cannot reach an agreement, we may revoke the company's sales tax certificate and business registration and/or padlock the business. If we padlock the business we may have the assets sold.

Revocation of the Certificate of Registration

If you do not pay your business's sales tax as required, we may revoke your certificate of registration, which authorizes the business to make retail sales. If your certificate is revoked, the business must stop making sales. If we are considering revocation, we will schedule a hearing and notify you in writing so that you may present evidence to support your case for retaining your certificate and keeping your business open.

Bonds

If your business tax account is frequently delinquent, we may require you to post a bond to continue operating. We may also take this action if you are or were an officer or owner of another business with a history of delinquency. Once posted, the bond can be seized without notice to pay an outstanding tax liability.

Seizure of Assets

If we cannot collect by any other means, we may direct the sheriff to seize and sell your property to pay your tax debt. Before taking this action, we will send a notice allowing you 10 days to settle your liability. If we cannot reach a settlement, the sheriff will proceed with the sale of the property.

Jeopardy Assessments

A jeopardy assessment is an accelerated assessment and collection process that is used in rare cases where the Tax Commissioner determines that collection of a balance due will be jeopardized by delay. If we issue a jeopardy assessment, you have 14 days to make an oral or written objection, which may include a meeting with a Virginia Tax representative. We will then issue a written determination within 20 days. If we filed a Memorandum of Lien in connection with the assessment process, the lien will remain in effect during the review period.

APPEALS

If you believe that your Virginia tax bill has been incorrectly issued or that your claim for refund has been improperly denied, you have the right to ask Virginia Tax to adjust the bill or issue the refund.

Your Rights

In the appeals process, you have the right to:

- receive simple and non-technical information about informal reviews and formal appeals, as well as your rights in those processes,
- receive an informal review when you disagree with a bill or with the denial of a refund,
- appeal your case to the Tax Commissioner and request a formal ruling if you disagree with the finding of an informal review,
- appeal your bill to a circuit court if you disagree with the decision of the Tax Commissioner in your case,
- file a protective claim with the Tax Commissioner to protect your right to claim a refund of taxes paid in error,
- request an offer in compromise to seek full or partial relief from the amount assessed, as discussed later in this section.

Your Responsibilities

To protect your rights of appeal, it is your responsibility to:

- request explanations and informal reviews as early in the assessment process as possible,
- file a formal appeal to the Tax Commissioner, if that action is taken, no later than 90 days after the date of assessment,
- file an appeal with your circuit court, if that action is taken, within the time periods discussed later in this section,
- file a protective claim, if that action is taken, within the time periods specified later in this section,
- file an offer in compromise, if that action is taken, using the forms and instructions provided at the back of this publication.

How Assessments Are Issued

If your return is filed late or contains an obvious error, or if you do not pay your tax by the required due date, we will make adjustments and corrections and issue a Notice of Assessment (bill) when the return is processed.

We also examine returns after processing through a number of compliance programs, and we perform

some on-site audits, as discussed in the Audits and Examinations section of this document. In the case of an audit or examination, we usually send a letter explaining the proposed adjustments before we issue a bill.

Assessment

The assessment of tax, penalty and/or interest is a formal act that starts time limitations on your appeal rights, and allows Virginia Tax to begin collection actions. If you receive a letter stating that we intend to assess additional tax after an audit or other examination and you do not agree with the proposed assessment, request an informal review immediately. If we can resolve your concerns before an assessment is issued, we may be able to assess a lower amount or avoid an assessment entirely.

If you receive a Notice of Assessment (bill), which means that the additional amount has already been assessed, you can still request an informal review. However, this will not extend the time limits for filing a formal appeal or applying to the circuit court for relief.

We strongly recommend that you resolve issues related to audits and examinations informally, before an assessment is made. If the statute of limitations for assessment is about to expire (see Page 4 of this document), it is usually in both parties' best interest agree to an extension of the time limitation, rather than opting to have a bill issued before a review can take place.

Informal Review

You can request an informal review by contacting the Virginia Tax employee named in your adjustment letter. If you have already received a bill, contact Customer Service at (804) 367-8031 (individual) or (804) 367-8037 (business). You may be able to resolve the matter by phone, or we may instruct you to present your case in writing. If you choose to make your request in writing, use the address provided on your letter or bill, explain why you disagree with the assessment, and include any documentation needed to support your position.

In the case of a field audit, which is performed on-site, the auditor will discuss the audit findings with you before issuing an assessment, and will give you the opportunity to present information to support your

position. You may also ask to meet with a manager to address unresolved issues before a bill is issued.

Collection Actions

As described in the Collection Processes section of this document, you have a number of rights related to collection actions that Virginia Tax may take to satisfy an assessment. In addition to those rights, you may question the accuracy of a bill, ask for more information about the charges, or present additional information to dispute a liability at any point during the collection process. You may not, however, file a formal administrative appeal of an assessment more than 90 days after the date of assessment, even if the bill remains unpaid. In addition, your right to appeal to your circuit court will also be affected by the age of the bill.

Appeal to the Tax Commissioner under *Va. Code* § 58.1-1821

If you believe Virginia Tax has incorrectly assessed tax, penalty, and/or interest, or has improperly denied a claim for refund, you have the right to file an appeal directly with the Tax Commissioner. **You must file your appeal no later than 90 days after the date of assessment or the date your refund was denied.** The 90-day limitation is strictly enforced and cannot be extended by other actions, such as requesting an informal review or filing a statement of intent to appeal.

Your appeal should be submitted using the form provided at the end of this document, and must contain a complete statement of the facts involved in your case and the reason for your disagreement, as well as any documentation to support your position. Incomplete filings that must be returned for additional information will not be considered timely filed for purposes of meeting the 90-day deadline. Certain appeals may require a submission fee. Please review the forms and instructions for details.

Send your application and fee payment to:

**Tax Commissioner
Virginia Department of Taxation
P.O. Box 2475
Richmond, VA 23218-2475**

If you are unable to file your appeal within 90 days, you must pay the bill in full and file a protective claim for refund with the same information required for an appeal.

Once we receive your properly filed appeal or protective claim, we will suspend all collection action on your bill until the Tax Commissioner makes a final determination of your case. Interest will continue to

accrue on any balance that is found to be due. If you disagree with only a portion of the assessment, we recommend that you pay the uncontested amount to prevent accrual of interest on that balance. As an alternative, you can pay the full assessment without affecting your appeal rights. If we reduce your liability, a refund will be issued with applicable interest once the final determination is made.

Protective Claim under *Va. Code* § 58.1-1824

A protective claim for refund preserves your right to have a Virginia Tax decision reversed or to amend a return beyond the normal statute of limitations based on actions taken by other taxpayers or other taxing jurisdictions.

When another taxpayer whose liability arises from the same issue as your liability is pursuing an appeal with the Tax Commissioner or is seeking judicial remedy in court, you may file a protective claim. You may also file a protective claim when another state is conducting an examination of a return you filed in that state and the outcome may affect your Virginia return for the same taxable year. In that case, a protective claim will preserve your right to amend your Virginia return, even if the other state does not complete its examination within the three-year period of limitations for filing an amended return.

To file a protective claim you must:

- pay the full amount outstanding on your bill or return as of the date of payment,
- within three years from the date of assessment, or from the due date of the return in the case of a potential amendment, write a letter to the Tax Commissioner (you may use the Appeal form at the end of this document), and furnish the following information:
 - tax type,
 - taxable period,
 - date and amount of your bill, if applicable,
 - payments made,
 - a detailed explanation of the issues you are contesting or other reason for the claim, including documentation showing that the resolution of your case depends on the outcome of another specific case pending with Virginia Tax or the court.
- in your letter, either request a determination based on your submission or ask us to hold your claim until the other case or the other state's examination is resolved.

- Send your claim to:

**Tax Commissioner
Virginia Department of Taxation
P.O. Box 2475
Richmond, VA 23218-2475**

Once we receive your claim, the Tax Commissioner may:

- make a determination based on the facts as submitted, essentially treating the claim as an administrative appeal to the court, *Va. Code § 1821*, or
- hold the claim until the other pending case is resolved or the other state's examination is complete, then take appropriate action to issue a determination and resolve your claim.

If you disagree with the outcome, you may appeal the decision to your circuit court within one year from the Tax Commissioner's decision or within three years from the date of your assessment, whichever is later.

Appeal to the Court under *Va. Code § 58.1-1825*

If you disagree with the decision of the Tax Commissioner in your appeal to the court, *Va. Code § 58.1-1821*, you may apply to a circuit court for a hearing. The law does not require you to automatically pay the bill or post a bond. You should

consult a lawyer for advice and assistance with any application to the court.

If you believe we have collected an assessment improperly from property that is exempt from process, you may apply to a circuit court for relief. You must apply within three years from the date the assessment was made or within one year from the date of the Tax Commissioner's ruling in your process exemption appeal under *Va. Code § 1821*, whichever is later.

Offer in Compromise under *Va. Code § 58.1-105*

An offer in compromise is a proposal from you to settle your tax debt for less than the full amount due.

Penalty may be reduced or waived entirely for good cause. Tax and associated interest may be waived if you can show that the liability itself is doubtful, or that it is doubtful that the bill can be collected because of your financial circumstances.

To file an offer in compromise, use the forms provided at the end of this document. Use the appropriate form for a business or an individual. Doubtful collectibility claims require a financial statement, also provided at the end of this document, and may require a submission fee. Please review the forms and instructions carefully before submitting an offer in compromise.

APPENDIX

Use Tax Compliance Ratio Computation

Offer in Compromise Forms

Form FIN B-1, Financial Statement for Businesses

Form OIC B-2, Business Offer In Compromise: Penalty Waiver/Doubtful Liability

Form OIC B-3, Business Offer In Compromise: Doubtful Collectibility

Form OIC-Fee, Payment for Doubtful Collectibility Offer In Compromise

Form FIN I-1, Financial Statement for Individuals

Form OIC I-2, Individual Offer In Compromise: Penalty Waiver / Doubtful Liability

Form OIC I-3, Individual Offer In Compromise: Doubtful Collectibility

Form OIC-Fee, Payment for Doubtful Collectibility Offer In Compromise

Administrative Appeal for Virginia Code § 58.1-1821

Form Rulings-Fee, Virginia Department of Taxation Fee for Ruling Request or Local Tax Advisory Opinion

Form Filing Status-Fee, Virginia Department of Taxation Fee for Request to Change Corporate Filing Status

PAR 101, Virginia Power of Attorney and Declaration of Representative

Sales and Use Tax Compliance Ratio Computation

Background

The Department of Taxation has revised its policy regarding the application of penalty to audit deficiencies (Title 23 of the Virginia Administrative Code 10-210-2032). The application of audit penalty is based on the level of compliance exhibited by the taxpayer in complying with Virginia tax laws. For retail sales and use tax assessments issued on or after October 1, 1999, the Department will allow the taxpayer to calculate an Alternative Method of computing the use tax ratio that takes into account taxes paid to vendors.

Calculation of Use Tax Compliance Ratio

The department will continue to compute the use tax compliance ratio as follows:

$$\frac{\text{Measure reported}}{\text{Measure reported} + \text{Measure found}} = \text{Compliance ratio}$$

Provided the taxpayer's use tax compliance does not meet 60% for the second generation audits, or 85% for third and all subsequent audits, the audit penalty will be applied.

Alternative Method of Computing Use Tax Compliance as Calculated by the Taxpayer

If penalty is applied based on the department's calculation of the use tax compliance ratio, the taxpayer has the option of calculating the use tax compliance ratio, under the alternative method below.

$$\frac{\text{Measure reported} + \text{Measure paid to vendors}}{\text{Measure reported} + \text{Measure Paid to vendors} + \text{Measure found}} = \text{Compliance ratio}$$

It is the taxpayer's responsibility to compute the above compliance ratio and provide the auditor with documentation supporting the computation. The taxpayer must compute the alternative ratio based on a review of purchases for the same period used by the auditor to compute the traditional compliance ratio. Tolerances for the alternative method will remain the same as those of the traditional compliance ratio.

If it is determined that the use tax audit is applicable based on the traditional compliance ratio calculations, the auditor will advise the taxpayer. If the taxpayer desires to recalculate the compliance under the alternative method, the auditor will separately assess the audit penalty as a contested issue. The taxpayer must complete the alternative method calculations and provide the documentation to the auditor within 60 days of the audit assessment. If the use tax compliance falls within the acceptable tolerances based on the alternative method calculations, the audit penalty will be abated.

Form FIN B-1

Financial Statement for Businesses

Note: Complete all blocks. Write N/A (not applicable) in those blocks that do not apply.

| | | |
|--|--|--------------------------------|
| 1. Taxpayer Information | | |
| Name and address of business: | Contact Phone Number: | Website: |
| | Entity Type: <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> S Corp <input type="checkbox"/> Partnership <input type="checkbox"/> LLC <input type="checkbox"/> Corporation <input type="checkbox"/> Other (specify) | |
| Name and title of person submitting offer: | Employer Identification Number (EIN): | Locality (City/County): |
| Trade name and description of business: | Number of Employees: | Average Gross Monthly Payroll: |

| 2. Information about owner, partners, officers, majority shareholders, etc. | | | | | | |
|--|----------------|--------------|--------------|------------------------|---------------|--------------------------|
| Name and Title | Effective Date | Home Address | Phone Number | Social Security Number | Annual Salary | Total Shares of Interest |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

| Is this business a member of an affiliated group? If Yes, list the Name(s) and Employer Identification Numbers(s): | | |
|---|--------------|-----|
| Name | Relationship | EIN |
| | | |
| | | |
| | | |

| 3. General Financial Information | | | | |
|---|---------|-----------------|----------------|---------|
| a. Bank accounts (include savings and loans, credit unions, IRA and retirement plans, certificates of deposit, etc.) | | | | |
| Name of Financial Institution | Address | Type of Account | Account Number | Balance |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| b. Bank credit available (lines of credit, credit cards, etc.) | | | | | |
|---|---------|--------------|-------------|------------------|-----------------|
| Name of Financial Institution | Address | Credit Limit | Amount Owed | Credit Available | Monthly Payment |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

| c. Real Property (brief description and address) | | Owner of Record | Used as Collateral | Value | Amount Owed |
|--|--|-----------------|---|-------|-------------|
| 1. | | | <input type="checkbox"/> Yes <input type="checkbox"/> No | | |
| Locality (City/County) | | | | | |
| 2. | | | <input type="checkbox"/> Yes <input type="checkbox"/> No | | |
| Locality (City/County) | | | | | |
| 3. | | | <input type="checkbox"/> Yes <input type="checkbox"/> No | | |
| Locality (City/County) | | | | | |
| 4. | | | <input type="checkbox"/> Yes <input type="checkbox"/> No | | |
| Locality (City/County) | | | | | |

d. Life insurance policies owned with business as beneficiary

| Name of Insured | Company | Policy Number | Type (Whole/Term) | Face Amount | Available Loan Value |
|-----------------|---------|---------------|-------------------|-------------|----------------------|
| | | | | | |
| | | | | | |
| | | | | | |

e. Vehicle Information (enter information about any cars, boats, motorcycles, RV's, etc., owned or leased by the business)

| Vehicle Description | City/State of Registration | Registered Owner | Value | Amount Owed |
|---------------------|----------------------------|------------------|-------|-------------|
| 1. | | | | |
| 2. | | | | |
| 3. | | | | |

f. Machinery and Equipment

| Description | Value | Amount Owed |
|-------------|-------|-------------|
| 1. | | |
| 2. | | |
| 3. | | |

g. Other Assets (include any investments in pass-through entities)

| Description | Value | Amount Owed |
|-------------|-------|-------------|
| 1. | | |
| 2. | | |
| 3. | | |

4. Other information relating to your financial condition. If you check the "Yes" box, please give dates and explain in comments box below

| | | | |
|---------------------------------|--|--|--|
| Court Proceedings: | <input type="checkbox"/> Yes <input type="checkbox"/> No | Bankruptcies: | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Repossessions/Foreclosures: | <input type="checkbox"/> Yes <input type="checkbox"/> No | Recent sale or other transfer of assets for less than full value: | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Anticipated increase in income: | <input type="checkbox"/> Yes <input type="checkbox"/> No | Participant or beneficiary to trust, estate, profit sharing, etc.: | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Delinquent Federal Taxes: | <input type="checkbox"/> Yes | If Yes, outstanding balance: _____ | <input type="checkbox"/> No |

Comments:

5. Asset and Liability Analysis

| Description | | Current Market Value | Liabilities Balance Due | Equity in Asset | Amount of Payment | Name/Address of Lien Holder | Date of Final Payment |
|---|----|----------------------|-------------------------|-----------------|-------------------|-----------------------------|-----------------------|
| Cash on Hand | | | | | | | |
| Bank Accounts | | | | | | | |
| Accounts/Notes Receivable | | | | | | | |
| Life Insurance Loan Value | | | | | | | |
| Real Property (from Item 3 c.) | 1. | | | | | | |
| | 2. | | | | | | |
| | 3. | | | | | | |
| | 4. | | | | | | |
| Vehicles (from Item 3 e.) | 1. | | | | | | |
| | 2. | | | | | | |
| | 3. | | | | | | |
| Machinery and Equipment (from Item 3 f.) | 1. | | | | | | |
| | 2. | | | | | | |
| | 3. | | | | | | |
| Other Assets (from Item 3 g.) | 1. | | | | | | |
| | 2. | | | | | | |
| | 3. | | | | | | |
| Merchandise Inventory | | | | | | | |
| Other Liabilities (including Notes and Judgments) | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Federal Taxes Owed | | | | | | | |
| State Taxes Owed | | | | | | | |
| Local Taxes Owed | | | | | | | |
| Total | | | | | | | |

6. Income and Expense Analysis

Indicate whether reporting: Annually Quarterly Monthly
 Period Beginning _____ Period Ending _____

Accounting method used: Cash Accrual

| Income | | Expenses | |
|---|--|-------------------------|--|
| Gross receipts from sales, services, etc. | | Materials Purchased | |
| Gross rental income | | Net Wages and Salaries | |
| Interest | | Mortgage | |
| Dividends | | Rent | |
| Other income (specify) | | Installment Payments | |
| | | Supplies | |
| | | Utilities/Telephone | |
| | | Gasoline/Oil | |
| | | Repairs and Maintenance | |
| | | Insurance | |
| | | Current Taxes | |
| | | Other (specify) | |
| | | | |
| | | | |
| Total Income | | Total Expenses | |
| Net Difference (total income minus total expenses) | | | |

7. Supplemental Questions

Are you involved in any lawsuits?

No (Skip to Certification) Yes (Answer the questions in this section and provide a brief explanation)

Are you the plaintiff or defendant?

Plaintiff Defendant

Lawsuit Information: Docket Number: _____ Attorney Name: _____ Defendant Name: _____

Date Initiated: _____ Estimated Settlement Date: _____ Expected Award/Penalty: _____

Comments:

Certification:

- Under penalties of law, I/we declare that to the best of my/our knowledge and belief, this statement of assets, liabilities, and other information is true, correct, and complete.
- I/We grant authorization to verify any financial data by use of a credit report.

Taxpayer Signature _____ Title _____

Printed Name _____ Date _____

Authorized Representative Signature _____

Printed Name _____ Date _____

Recommended documentation. Attach all that are applicable:

- Letter of circumstance, explaining your situation.
- A current profit and loss statement covering at least the most recent 12 month period.
- Copies of the three most recent statements for each bank and investment account.
- If an asset is used as collateral on a loan, include copies of the most recent statements from lender(s) on loans, monthly payments, loan payoffs, and balances.
- Copies of the most recent statements of outstanding notes receivable.
- Copies of the most recent statements from lenders on loans, mortgages (including second mortgages), monthly payments, loan payoffs, and balances.

BUSINESS OFFER IN COMPROMISE: PENALTY WAIVER / DOUBTFUL LIABILITY

Please read the instructions carefully before completing this form.

Business Name _____

Trading As _____

Address _____

Contact Name, Title, and Telephone Number _____

Virginia Account Number or Federal Employer Identification Number _____

I/We submit this offer to settle the assessment(s) on the basis of (complete all fields that apply):

Request for waiver of penalty. Attach a detailed explanation.

Doubtful liability. Attach a detailed explanation.

Sales Tax for the period(s) _____

Employer Withholding Tax for the period(s) _____

Corporation Income Tax or Pass-Through Entity for the period(s) _____

Other (specify) for the period(s) _____

I/We offer to pay a total of \$ _____

Full Payment within _____ days

Payments of \$ _____ a month for _____ months

Other _____

I/We hereby grant the power of attorney to act for the business entity with respect to this offer in compromise to:

Name _____

Address _____

Telephone Number _____ Fax Number _____

Under penalties of law I/we, the undersigned, declare that I/we have examined this offer, including accompanying schedules and statements, and to the best of my/our knowledge, it is true, accurate, and complete. I/We grant authorization to verify any financial data by use of a credit report.

Signature of Taxpayer _____ Date _____

Printed Name of Taxpayer _____ Title _____

Signature of Taxpayer's Representative _____ Date _____

Attach all required documentation – see instructions

Instructions and Conditions for Filing an Offer in Compromise

What is an offer in compromise? An offer in compromise is a request to settle an assessment of tax, penalty, and/or interest for less than the amount assessed. Section 58.1-105 of the *Code of Virginia* allows the Tax Commissioner to settle an assessment through an offer in compromise under certain circumstances, such as extenuating circumstances that prevented timely filing or payment, or in cases where the business can demonstrate that it is not liable for the amounts assessed.

DO NOT USE THIS FORM IF YOU ARE SEEKING RELIEF BECAUSE OF FINANCIAL HARDSHIP. Use Form OIC B-3, Business Offer in Compromise: Doubtful Collectibility, available on our website at www.tax.virginia.gov.

DO NOT FILE AN OFFER IN COMPROMISE IF YOUR BILL IS INCORRECT, unless you are disputing a point of law. For routine matters, such as contesting late filing or verifying a payment, contact the Office of Customer Services at: (804) 367-8037 or P.O. Box 1115, Richmond, VA 23218-1115.

If you believe the assessment is erroneous based on an improper application of the law (as opposed to an administrative error), you may file an administrative appeal pursuant to Sec. 58.1-1821. See Title 23 of the Virginia Administrative Code 10-20-165 and the *Virginia Taxpayer Bill of Rights* for specific requirements and time limitations for filing an appeal.

- You are not required to make a payment with your offer. If a check is submitted with the offer, it will be deposited upon receipt. **Depositing the check does not mean that the offer has been accepted.**
- You must include a detailed explanation with your offer in compromise. For a request for waiver of penalty, explain the circumstances that prevented timely filing and/or payment and provide copies of supporting documentation of special circumstances, such as medical conditions, death of a responsible party, etc. For doubtful liability, explain your position and provide supporting documentation, such as applicable provisions of the law, or previous rulings of the Tax Commissioner under similar circumstances.
- **Waiver of penalty.** The Department of Taxation generally will not consider a request for waiver of penalty in cases where the late filing or late payment was caused by the negligence or error of a professional tax preparer. In addition, a good filing history is not a basis for waiver of penalty in and of itself.
- **Waiver of interest.** The Department of Taxation generally will not waive interest charges associated with a tax liability unless the taxpayer can prove that doubtful liability or doubtful collectibility exists with respect to the assessment(s).
- Your attorney, tax preparer, or other representative can submit an offer in compromise on your behalf. Both you and your representative must sign the submitted form.
- You will receive a written response to inform you whether your offer has been accepted as offered, accepted with changes, or denied. You must comply with the terms of acceptance, or the acceptance will be voided. Although there is no right of appeal in the offer in compromise process, in the case of a denial you may submit additional information for reconsideration.

Required Documentation:

- A letter of circumstance providing a complete explanation of the basis for the offer in compromise.
- Documentation to support claims of illness, injury, or other medical conditions related to the request for relief.
- Documentation to support claims of extenuating circumstances, such as death, divorce, criminal activity, or other legal actions related to the request for relief.

Mail the completed form and attachments to:

Tax Commissioner
Offer in Compromise
Virginia Department of Taxation
P.O. Box 2475
Richmond, VA 23218-2475

BUSINESS OFFER IN COMPROMISE: DOUBTFUL COLLECTIBILITY

Please read the instructions carefully before completing this form. A submission fee is required.

Business Name _____

Trading As _____

Address _____

Contact Name, Title, and Telephone Number _____

Virginia Account Number or Federal Employer Identification Number _____

I/We submit this offer to settle tax, penalties, and/or interest for assessment(s) as follows: (complete all that apply):

Sales Tax for the period(s) _____

Employer Withholding Tax for the period(s) _____

Corporation Income Tax or Pass-Through Entity for the period(s) _____

Other (specify) for the period(s) _____

I/We offer to pay a total of \$ _____ through:

- Full Payment within _____ days
- Payments of \$ _____ a month for _____ months
- Other _____

I/We hereby grant the power of attorney to act for the business entity with respect to this offer in compromise to:

Name _____

Address _____

Telephone Number _____ Fax Number _____

Under penalties of law I/we, the undersigned, declare that I/we have examined this offer, including accompanying schedules and statements, and to the best of my/our knowledge, it is true, accurate, and complete. I/We grant authorization to verify any financial data by use of a credit report.

Signature of Taxpayer _____ Date _____

Printed Name of Taxpayer _____ Title _____

Signature of Taxpayer's Representative _____ Date _____

Attach all required documentation, including the FIN B-1: Financial Statement for Businesses and Form OIC-Fee, Payment for Doubtful Collectibility Offer In Compromise - see instructions

Instructions and Conditions for Filing an Offer in Compromise

What is an offer in compromise? An offer in compromise is a request to settle an assessment of tax, penalty, and/or interest for less than the amount assessed. Section 58.1-105 of the *Code of Virginia* allows the Tax Commissioner to settle an assessment through an offer in compromise under certain circumstances, including potential inability to collect the balance due. If you are currently experiencing financial hardship, doubtful collectibility may exist if you can demonstrate that you cannot pay your tax liabilities in full. To enable us to consider a claim of doubtful collectibility, you must provide a completed financial statement using the FIN B-1: Financial Statement for Businesses. You are encouraged to provide any other supporting documentation, such as a letter of circumstance, that will help us evaluate your claim. See Recommended Documentation below.

DO NOT USE THIS FORM if you are seeking relief because of doubtful liability, or if you are only requesting waiver of penalty for reasonable cause. Use Form OIC B-2, Business Offer in Compromise: Penalty Waiver/ Doubtful Liability, available on our website at www.tax.virginia.gov.

DO NOT FILE AN OFFER IN COMPROMISE IF YOUR BILL IS INCORRECT. To protest the bill, contact the Office of Customer Services at: (804) 367-8037 or P.O. Box 1115, Richmond, VA 23218-1115.

If you believe the assessment is erroneous based on an improper application of the law (as opposed to an administrative error), you may file an administrative appeal pursuant to Sec. 58.1-1821. See Title 23 of the Virginia Administrative Code 10-20-165 and the *Virginia Taxpayer Bill of Rights* for specific requirements and time limitations for filing an appeal.

CONDITIONS FOR SUBMITTING AN OFFER IN COMPROMISE

- Your account must be in a current status before an offer in compromise can be considered, which means that all returns due as of the date the offer is submitted must be **filed and processed**.
- You are not required to make a payment with your offer. If a check is submitted with the offer, it will be deposited upon receipt. **Depositing the check does not mean that the offer has been accepted.**
- Your attorney, tax preparer, or other representative can submit an offer in compromise request form on your behalf. Both you and your representative must sign the submitted form.
- You will receive a written response to inform you whether your offer has been accepted as offered, accepted with changes, or denied. You must follow the terms of acceptance, or the acceptance will be voided. Although there is no right of appeal in the offer in compromise process, in the case of a denial you may submit additional information for reconsideration.

Required Documentation:

- Current FIN B-1: Financial Statement for Businesses *fully completed*.
- Form OIC-Fee, Payment for Doubtful Collectibility Offer In Compromise, with payment.

Recommended Documentation. Attach all that are applicable:

- A letter of circumstance, explaining your situation.
- A current profit and loss statement covering at least the most recent 6-12 month period.
- Copies of the three most recent statements for each bank and investment account.
- If an asset is used as collateral on a loan, include copies of the most recent statements from lender(s) on loans, monthly payments, loan payoffs, and balances.
- Copies of the most recent statements of outstanding notes receivable.
- Copies of the most recent statements from lenders on loans, mortgages (including second mortgages), monthly payments, loan payoffs, and balances.

Mail the completed form and attachments to:

Tax Commissioner
Virginia Department of Taxation
P.O. Box 2475
Richmond, VA 23218-2475

Form OIC-Fee Virginia Department of Taxation

Fee for Doubtful Collectibility Offer In Compromise

Name(s) _____

Virginia Account Number (SSN or FEIN) _____

Address _____

Daytime Telephone Number(s) _____

For Businesses, Contact Name _____

Payment of \$50.00 submission fee attached.

Submission Fee Waiver Request

- For individuals only:** I/We certify that the below conditions for exemption from the submission fee have been met. I/ We understand that the fee will be required before consideration of this offer in compromise if the Department of Taxation finds that this certification is incorrect.
- For businesses:** If you believe the business is unable to pay the submission fee, check this waiver request box. Waiver of the submission fee is not automatic. If the Department of Taxation determines that you can pay the submission fee, payment will be required before your offer in compromise can be considered.

Instructions

In general, a submission fee of \$50.00 must be paid when you file for an offer in compromise based on doubtful collectibility.

Waiver of Fee for Individuals

The fee does not apply if:

- You are an individual, or the offer in compromise is for a sole proprietorship or a disregarded single-member limited liability company, **AND**
- Your gross monthly household income meets the Low Income Certification Guidelines shown below.

Low Income Certification Guidelines

Individuals and Sole Proprietors Only

| Family Size | Gross Monthly Income |
|---------------------------------|----------------------|
| 1 | \$2,513 |
| 2 | \$3,383 |
| 3 | \$4,254 |
| 4 | \$5,125 |
| 5 | \$5,996 |
| 6 | \$6,867 |
| 7 | \$7,738 |
| 8 | \$8,608 |
| For each additional person add: | \$871 |

Waiver of Fee for Businesses

If you believe the business is unable to pay the submission fee, check the Submission Fee Waiver Request box above. Waiver of the submission fee is not automatic. If the Department of Taxation determines that you can pay the submission fee, payment will be required before your offer in compromise can be considered.

What to File

Attach your payment to Form OIC-Fee and place at the front of the package that you submit.

Individual Filers: File Form OIC-Fee, Form OIC I-3, and FIN I-1.

Business Filers: File Form OIC-Fee, Form OIC B-3, and FIN B-1.

Where to File and Pay

Make check payable to the Virginia Department of Taxation

Mail with your completed offer package to:

**Virginia Department of Taxation
 P.O. Box 2475
 Richmond, Virginia 23218-2475**

Form FIN I-1

Financial Statement for Individuals

Note: Complete all blocks. Write N/A (not applicable) in blocks that do not apply.

| | | | |
|--|-------------------------|----------------|-------------------------|
| 1. Taxpayer Information | | | |
| Primary Taxpayer Name: | Social Security Number: | Date of Birth: | Contact Phone Number: |
| Spouse Name (required if married): | Social Security Number: | Date of Birth: | Contact Phone Number: |
| Mailing Address: | | | Locality (City/County): |
| Ages and relationships of dependents claimed on last return and/or living in your household (exclude yourself and spouse): | | | |

| | | | |
|--|---|--|-------------|
| 2. Sources of Income | | | |
| a. Employment Information | | | |
| Primary Taxpayer Employer: (Name and Address) | How long employed: | Business Phone Number: | Occupation: |
| | How often paid: _____ Payday/date: _____ | Check appropriate box: <input type="checkbox"/> Wage/Salary <input type="checkbox"/> Bonus/Commission <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Other: _____ <input type="checkbox"/> Partner | |
| Spouse Employer: (Name and Address) | How long employed: | Business Phone Number: | Occupation: |
| | How often paid: _____ Payday/date: _____ | Check appropriate box: <input type="checkbox"/> Wage/Salary <input type="checkbox"/> Bonus/Commission <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Other: _____ <input type="checkbox"/> Partner | |

| | |
|--|---------------------------------------|
| b. Self-Employment Information | |
| Is your business a sole proprietorship? <input type="checkbox"/> Yes <input type="checkbox"/> No | Employer Identification Number (EIN): |
| Name and Address of Business: | Number of Employees: |
| | Business Description: |

| | |
|---|---|
| c. Investments in Pass-Through Entities | |
| Name and Address of Business: | Employer Identification Number (EIN): |
| | Annual Income \$ |
| | Percentage of Ownership |
| Type of Business: <input type="checkbox"/> Partnership <input type="checkbox"/> LLC <input type="checkbox"/> S Corporation <input type="checkbox"/> Other | Number of Owners/Shareholders: _____ Number of Employees: _____ |
| Name and Address of Business: | Employer Identification Number (EIN): |
| | Annual Income \$ |
| | Percentage of Ownership |
| Type of Business: <input type="checkbox"/> Partnership <input type="checkbox"/> LLC <input type="checkbox"/> S Corporation <input type="checkbox"/> Other | Number of Owners/Shareholders: _____ Number of Employees: _____ |

| | | | | |
|---|--------|------------|----------|--------|
| d. All Other Income Source(s) (unemployment, pensions, social security, disability, annuities, etc.) | | | | |
| | Source | Begin Date | End Date | Amount |
| Primary Taxpayer | | | | |
| Spouse | | | | |
| Other Household Member | | | | |
| Other Household Member | | | | |
| Other Household Member | | | | |

3. General Financial Information (attach extra sheets as needed for each section)

a. Cash on Hand \$ _____

b. Bank accounts (include savings and loans, credit unions, IRA and retirement plans, certificates of deposit, etc.)

| Name of Financial Institution | Address | Type of Account | Account Number | Balance |
|-------------------------------|---------|-----------------|----------------|---------|
| | | | | |
| | | | | |
| | | | | |

c. Securities (stocks, bonds, mutual funds, money market funds, government securities, etc.)

| Type of Security | Quantity or Denomination | Current Value | Where Located | Owner of Record |
|------------------|--------------------------|---------------|---------------|-----------------|
| | | | | |
| | | | | |

d. Life Insurance (Name and Company) Policy Number Type (Whole/Term) Face Amount Loan Value

| Name and Company | Policy Number | Type (Whole/Term) | Face Amount | Loan Value |
|------------------|---------------|-------------------|-------------|------------|
| | | | | |
| | | | | |

e. Credit cards and lines of credit from banks, credit unions, and savings and loans

| Type of Account or Card | Name of Financial Institution | Address | Monthly Payment | Credit Limit | Amount Owed | Credit Available |
|-------------------------|-------------------------------|---------|-----------------|--------------|-------------|------------------|
| | | | | | | |
| | | | | | | |

f. Real Property (brief description and address) Mortgage Holder/Account Number Value Amount Owed

| Real Property (brief description and address) | Mortgage Holder/Account Number | Value | Amount Owed |
|---|--------------------------------|-------|-------------|
| Locality (City/County) | | | |
| Locality (City/County) | | | |
| Locality (City/County) | | | |

g. Vehicle Information (enter information about any cars, boats, motorcycles, RV's, etc.)

| Vehicle Description Year/Make/Model | City/State of Registration | Owned or Leased | Registered Owner | Value | Amount Owed |
|-------------------------------------|----------------------------|-----------------|------------------|-------|-------------|
| | | | | | |
| | | | | | |

4. Other information relating to your financial condition. If you check the "YES" box, please give dates and explain in comments box below:

| | | | |
|---------------------------------|--|--|--|
| Court Proceedings: | <input type="checkbox"/> Yes <input type="checkbox"/> No | Bankruptcies: | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Repossessions/Foreclosures: | <input type="checkbox"/> Yes <input type="checkbox"/> No | Recent sale or other transfer of assets for less than full value: | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Anticipated increase in income: | <input type="checkbox"/> Yes <input type="checkbox"/> No | Participant or beneficiary to trust, estate, profit sharing, etc.: | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Delinquent Federal Taxes: | <input type="checkbox"/> Yes If Yes, outstanding balance: _____ | | <input type="checkbox"/> No |
| Safe Deposit Box: | <input type="checkbox"/> Yes If Yes, attach listing of contents | | <input type="checkbox"/> No |

Comments:

5. Income and Expenses

Monthly Income and Expense Worksheet

| Net Household Income (include spouse, children, and any others that contribute to the household) | | Expenses (actual expenses) | |
|---|-------------------------------------|--|----------|
| Wages/Salary (including bonuses and commissions): | Primary: | Mortgage: | Primary: |
| | Spouse: | | Spouse: |
| Pension: | Primary: | Secondary Mortgage: | Primary: |
| | Spouse: | | Spouse: |
| Annuity: | Primary: | Rent: | Primary: |
| | Spouse: | | Spouse: |
| Social Security: | Primary: | Bank Credit Card Payments: | Primary: |
| | Spouse: | | Spouse: |
| Alimony: End date: | Primary: | Department Store Card Payments: | Primary: |
| | Spouse: | | Spouse: |
| Child Support: End date: | Primary: | Vehicle Payment: | Primary: |
| | Spouse: | | Spouse: |
| Rental Income: | Primary: | Vehicle Payment: | Primary: |
| | Spouse: | | Spouse: |
| Business Income: | Primary: | Groceries: | Primary: |
| | Spouse: | | Spouse: |
| Distributions from pass-through entities, trusts, and estates (including K-1 amounts): | Primary: | Utilities (phone, gas, electric, water): | Primary: |
| | Spouse: | | Spouse: |
| Other Income (list and explain): | | Auto Insurance: | Primary: |
| | | | Spouse: |
| | | Out of Pocket Health Insurance: | Primary: |
| | | | Spouse: |
| | | Out of Pocket Healthcare Expenses: | Primary: |
| | | Spouse: | |
| | Life Insurance: | Primary: | |
| | | Spouse: | |
| | Child Support Payments End date: | Primary: | |
| | | Spouse: | |
| Income from Other Household Members (include names): | | Court Ordered Payments (explain) End date: | Primary: |
| | | | Spouse: |
| | | Transportation (fuel, maintenance, tolls, mass transit, etc.): | Primary: |
| | | | Spouse: |
| | | IRS Payment Plan: | Primary: |
| | | Spouse: | |
| | State Tax Payment Plan: | Primary: | |
| | | Spouse: | |
| | Other Expenses (list and explain): | Primary: | |
| | | Spouse: | |
| TOTAL MONTHLY INCOME: | | TOTAL MONTHLY EXPENSES: | |

6. Supplemental Questions

Are you or your spouse involved in any lawsuits?

No (Skip to Certification) Yes (Answer the questions in this section and provide a brief explanation)

Are you the plaintiff or defendant?

Plaintiff
 Defendant

Primary Taxpayer: Docket Number: _____ Attorney Name: _____ Other Parties Involved: _____

Date Initiated: _____ Estimated Settlement Date: _____ Expected Award/Penalty: _____

Comments:

Spouse: Docket Number: _____ Attorney Name: _____ Other Parties Involved: _____

Date Initiated: _____ Estimated Settlement Date: _____ Expected Award/Penalty: _____

Comments:

Certification:

- Under penalties of law, I/we declare that to the best of my/our knowledge and belief, this statement of assets, liability, and other information is true, correct, and complete.
- I/We grant authorization to verify any financial data by use of a credit report.

Taxpayer Signature _____ Date _____

Spouse Signature _____ Date _____

Authorized Representative Signature _____

Printed Name _____ Date _____

Recommended documentation. Attach all that are applicable:

- Letter of circumstance, explaining your situation.
- Copies of the 2 most recent pay stubs, earnings statements, etc., from each employer.
- Copies of the most recent statements for each investment and retirement account.
- Copies of the most recent statements from all other sources of income such as pensions, social security, disability, rental income, interest and dividends (including any received from a related partnership, corporation, LLC, etc.), court order for child support, alimony, rent subsidies, and SNAP (food stamp) benefits.
- Documentation to support any special circumstances.
- Copies of the most recent statements from lender(s) on loans such as mortgages, second mortgages, vehicles, etc. showing monthly payments, loan payoffs, and balances.
- List of notes receivable.
- Verification of federal tax liability.

INDIVIDUAL OFFER IN COMPROMISE: PENALTY WAIVER / DOUBTFUL LIABILITY

Please read the instructions carefully before completing this form.

Name(s) _____

Address _____

Daytime Telephone Number(s) _____

Social Security Number(s) _____

I/We submit this offer to settle the assessment(s) on the basis of (complete all fields that apply):

Request for waiver of penalty. Attach a detailed explanation.

Doubtful liability. Attach a detailed explanation.

___ Individual Income for the taxable year(s) _____

___ Fiduciary Income for the taxable year(s) _____

___ Taxes converted from a business

I/We offer to pay a total of \$ _____

Full Payment within _____ days of acceptance of the offer

Payments of \$ _____ a month for _____ months

Other _____

I/We hereby grant the power of attorney to act for me/us with respect to this offer in compromise to:

Name _____

Address _____

Telephone Number _____ Fax Number _____

Under penalties of law I/we, the undersigned, declare that I/we have examined this offer, including accompanying schedules and statements, and to the best of my/our knowledge, it is true, accurate, and complete. I/We grant authorization to verify any financial data by use of a credit report.

Signature(s) of Taxpayer(s) _____ Date _____

_____ Date _____

Signature of Representative/Power of Attorney _____ Date _____

Attach all required documentation – see instructions

Instructions and Conditions for Filing an Offer in Compromise

What is an offer in compromise? An offer in compromise is a request to settle an assessment of tax, penalty, and/or interest for less than the amount assessed. Section 58.1-105 of the *Code of Virginia* allows the Tax Commissioner to settle an assessment through an offer in compromise under certain circumstances, such as extenuating circumstances that prevented timely filing or payment, or in cases where an individual can demonstrate that he or she is not liable for the amounts assessed.

DO NOT USE THIS FORM IF YOU ARE SEEKING RELIEF BECAUSE OF FINANCIAL HARDSHIP. Use Form OIC I-3, Individual Offer in Compromise: Doubtful Collectibility, available on our website at www.tax.virginia.gov.

DO NOT FILE AN OFFER IN COMPROMISE IF YOUR BILL IS INCORRECT, unless you are disputing a point of law. For routine matters, such as contesting late filing or verifying a payment, contact the Office of Customer Services at: (804) 367-8031 or P.O. Box 1115, Richmond, VA 23218-1115.

If you believe the assessment is erroneous based on an improper application of the law (as opposed to an administrative error), you may file an administrative appeal pursuant to Sec. 58.1-1821. See Title 23 of the Virginia Administrative Code 10-20-165 and the *Virginia Taxpayer Bill of Rights* for specific requirements and time limitations for filing an appeal.

- You are not required to make a payment with your offer. If a check is submitted with the offer, it will be deposited upon receipt. **Depositing the check does not mean that the offer has been accepted.**
- You must include a detailed explanation with your offer in compromise. For a request for waiver of penalty, explain the circumstances that prevented timely filing and/or payment and provide copies of supporting documentation of special circumstances, such as medical conditions, death of a responsible party, etc. For doubtful liability, explain your position and provide supporting documentation, such as applicable provisions of the law, or previous rulings of the Tax Commissioner under similar circumstances.
- **Waiver of penalty.** The Department of Taxation generally will not consider a request for waiver of penalty in cases where the late filing or late payment was caused by the negligence or error of a professional tax preparer. In addition, a good filing history is not a basis for waiver of penalty in and of itself.
- **Innocent Spouse Relief.** Virginia law does not make a specific provision for relief on the basis of claiming innocent spouse status. If you are making an innocent spouse claim, you need to furnish a detailed explanation of your circumstances, as well as the IRS final determination letter for your corresponding federal liability.
- **Waiver of interest.** The Department of Taxation generally will not waive interest charges associated with a tax liability unless the taxpayer can prove that doubtful liability or doubtful collectibility exists with respect to the assessment(s).
- Your attorney, tax preparer, or other representative can submit an offer in compromise on your behalf. Both you and your representative must sign the submitted form.
- You will receive a written response to inform you whether your offer has been accepted as offered, accepted with changes, or denied. You must comply with the terms of acceptance, or the acceptance will be voided. Although there is no right of appeal in the offer in compromise process, in the case of a denial you may submit additional information for reconsideration.

Required Documentation:

- A letter of circumstance providing a complete explanation of the basis for the offer in compromise.
- Documentation to support claims of illness, injury, or other medical conditions related to the request for relief.
- Documentation to support claims of extenuating circumstances, such as death, divorce, criminal activity, or other legal actions related to the request for relief.
- Documentation, such as an IRS final determination letter, to support a claim of innocent spouse.

Mail the completed form and attachments to:

Tax Commissioner
Offer in Compromise
Virginia Department of Taxation
P.O. Box 2475
Richmond, VA 23218-2475

INDIVIDUAL OFFER IN COMPROMISE: DOUBTFUL COLLECTIBILITY

Please read the instructions carefully before completing this form. A submission fee may be required.

Name(s) _____

Address _____

Daytime Telephone Number(s) _____

Social Security Number(s) _____

I/We submit this offer to settle tax, penalties and/or interest for the assessment(s) as follows (check all that apply):

__ Individual Income __ Fiduciary income __ Taxes converted from a business for the year(s):

I/We offer to pay a total of \$ _____ through:

- Full Payment within _____ days of acceptance of the offer
- Payments of \$ _____ a month for _____ months
- Other _____

I/We hereby grant the power of attorney to act for me/us with respect to this offer in compromise to:

Name _____

Address _____

Telephone Number _____ Fax Number _____

Under penalties of law I/we, the undersigned, declare that I/we have examined this offer, including accompanying schedules and statements, and to the best of my/our knowledge, it is true, accurate and complete. I/We grant authorization to verify any financial data by use of a credit report.

Signature of Taxpayer _____ Date _____

Printed Name _____

Signature of Taxpayer _____ Date _____

Printed Name _____

Signature of Representative/Power of Attorney _____ Date _____

Attach all required documentation, including the FIN I-1: Financial Statement for Individuals and Form OIC-Fee, Payment for Doubtful Collectibility Offer In Compromise - see instructions

Instructions and Conditions for Filing an Offer in Compromise

What is an offer in compromise? An offer in compromise is a request to settle an assessment of tax, penalty, and/or interest for less than the amount assessed. Section 58.1-105 of the *Code of Virginia* allows the Tax Commissioner to settle an assessment through an offer in compromise under certain circumstances, including potential inability to collect the balance due. If you are currently experiencing financial hardship, doubtful collectibility may exist if you can demonstrate that you cannot pay your tax liabilities in full. To enable us to consider a claim of doubtful collectibility, you must provide a completed financial statement using the FIN I-1: Financial Statement for Individuals. You are encouraged to provide any other supporting documentation, such as a letter of circumstance, that will help us evaluate your claim. See Recommended Documentation below.

DO NOT USE THIS FORM if you are seeking relief because of doubtful liability, or if you are only requesting waiver of penalty for reasonable cause. Use Form OIC I-2, Individual Offer In Compromise: Penalty Waiver/Doubtful Liability, available on our website at www.tax.virginia.gov.

DO NOT FILE AN OFFER IN COMPROMISE IF YOUR BILL IS INCORRECT. To protest the bill, contact the Office of Customer Services at: (804) 367-8031 or P.O. Box 1115, Richmond, VA 23218-1115.

If you believe the assessment is erroneous based on an improper application of the law (as opposed to an administrative error), you may file an administrative appeal pursuant to Sec. 58.1-1821. See Title 23 of the Virginia Administrative Code 10-20-165 and the *Virginia Taxpayer Bill of Rights* for specific requirements and time limitations for filing an appeal.

CONDITIONS FOR SUBMITTING AN OFFER IN COMPROMISE

- Your account must be in a current status before an offer in compromise can be considered, which means that all returns due as of the date the offer is submitted must be **filed and processed**.
- You are not required to make a payment with your offer. If a check is submitted with the offer, it will be deposited upon receipt. **Depositing the check does not mean that the offer has been accepted.**
- Monthly expenses should be actual and necessary living expenses. There is no table or standard to use in place of your actual monthly expenses. To be necessary, expenses must provide for the health and welfare of you and your family and/or provide for the production of income, and must be reasonable in amount.
- All household income and expenses should be included regardless of relationship of other members of the household and whether they are responsible for the tax debt.
- Your attorney, tax preparer, or other representative can submit an offer in compromise request form on your behalf. Both you and your representative must sign the submitted form.
- You will receive a written response to inform you whether your offer has been accepted as offered, accepted with changes, or denied. You must follow the terms of acceptance, or the acceptance will be voided. Although there is no right of appeal in the offer in compromise process, in the case of a denial you may submit additional information for reconsideration.

Required Documentation:

- Current FIN I-1: Financial Statement for Individuals *fully completed*.
- Form OIC-Fee, Payment for Doubtful Collectibility Offer In Compromise, with payment.

Recommended Documentation, attach all that are applicable:

- A letter of circumstance, explaining your situation.
- Copies of the two most recent pay stubs or earnings statements received from each current employer.
- Copies of the most recent statements for each investment and retirement account listed on the financial statement.
- Copies of the most recent statements from all other sources of income, including but not limited to: pensions, social security, disability, rental income, interest and dividends (including any received from a related partnership, corporation, LLC, etc.), court order for child support, alimony, rent subsidies, and SNAP (food stamp) benefits.
- Copies of the most recent statements from lenders on loans such as mortgages, second mortgages, vehicles, etc. showing monthly payments, loan payoffs, and balances.
- Verification of federal tax liability and status of any federal offer in compromise.

Mail the completed form and attachments to:

Tax Commissioner
Virginia Department of Taxation
P.O. Box 2475
Richmond, VA 23218-2475

Form OIC-Fee Virginia Department of Taxation

Fee for Doubtful Collectibility Offer In Compromise

Name(s) _____

Virginia Account Number (SSN or FEIN) _____

Address _____

Daytime Telephone Number(s) _____

For Businesses, Contact Name _____

Payment of \$50.00 submission fee attached.

Submission Fee Waiver Request

- For individuals only:** I/We certify that the below conditions for exemption from the submission fee have been met. I/ We understand that the fee will be required before consideration of this offer in compromise if the Department of Taxation finds that this certification is incorrect.
- For businesses:** If you believe the business is unable to pay the submission fee, check this waiver request box. Waiver of the submission fee is not automatic. If the Department of Taxation determines that you can pay the submission fee, payment will be required before your offer in compromise can be considered.

Instructions

In general, a submission fee of \$50.00 must be paid when you file for an offer in compromise based on doubtful collectibility.

Waiver of Fee for Individuals

The fee does not apply if:

- You are an individual, or the offer in compromise is for a sole proprietorship or a disregarded single-member limited liability company, **AND**
- Your gross monthly household income meets the Low Income Certification Guidelines shown below.

**Low Income Certification
 Guidelines
 Individuals and Sole Proprietors Only**

| Family Size | Gross Monthly Income |
|---------------------------------|----------------------|
| 1 | \$2,513 |
| 2 | \$3,383 |
| 3 | \$4,254 |
| 4 | \$5,125 |
| 5 | \$5,996 |
| 6 | \$6,867 |
| 7 | \$7,738 |
| 8 | \$8,608 |
| For each additional person add: | \$871 |

Waiver of Fee for Businesses

If you believe the business is unable to pay the submission fee, check the Submission Fee Waiver Request box above. Waiver of the submission fee is not automatic. If the Department of Taxation determines that you can pay the submission fee, payment will be required before your offer in compromise can be considered.

What to File

Attach your payment to Form OIC-Fee and place at the front of the package that you submit.

Individual Filers: File Form OIC-Fee, Form OIC I-3, and FIN I-1.

Business Filers: File Form OIC-Fee, Form OIC B-3, and FIN B-1.

Where to File and Pay

Make check payable to the Virginia Department of Taxation

Mail with your completed offer package to:

**Virginia Department of Taxation
 P.O. Box 2475
 Richmond, Virginia 23218-2475**

**Virginia Department of Taxation
Administrative Appeal Pursuant To Virginia Code § 58.1-1821**

Taxpayer Information

Name of Taxpayer _____

Mailing Address _____

Administrative Appeal Information

Tax Contested (Check All That Apply)

Tax Type

Tax Period(s) or Taxable Year(s)

Individual Income Tax

Corporate Income Tax

Retail Sales And Use Tax

Other (Specify) _____

Virginia Department Of Taxation Account Number _____

FEIN Or SSN _____

Date(s) Of Assessment(s)

Bill Number(s)

Issue(s) - State In As Few Words As Possible The Issue(s) You Are Contesting

Controlling Legal Authority (Please Cite Specific Relevant Authorities)

Virginia Code _____

Regulations (Virginia Administrative Code) _____

Prior Ruling Of The Tax Commissioner (Public Documents) _____

Other _____

On attached sheets, please fully describe the issue(s) contested. Please note that this appeal will be decided based on the facts before the Department of Taxation. If additional information is needed or requested, it must be furnished within the prescribed time period or the case will be decided based on the available facts.

Submitted By* _____

*A Power of Attorney must be provided authorizing representation of the Taxpayer.

Address _____

Telephone _____ Date _____

Fax Number _____ E-mail Address _____

Form Rulings-Fee

Virginia Department of Taxation Fee for Ruling Request or Local Tax Advisory Opinion

Name(s) _____

Virginia Account Number (SSN or FEIN) _____

Address _____

Daytime Telephone Number(s) _____

For Businesses, Contact Name _____

Payment of \$275.00 administrative fee attached.

Administrative Fee Waiver Request

For individuals only: I/We certify that the below conditions for exemption from the administrative fee have been met. I/ We understand that the fee will be required before consideration of this ruling request or local tax advisory opinion if the Department of Taxation finds that this certification is incorrect.

For other waiver requests: If you are requesting a waiver for any other reason, attach an explanation.

Instructions

In general, an administrative fee of \$275.00 must be paid when you file for a ruling request or local tax advisory opinion.

Waiver of Fee for Individuals

The fee does not apply if:

- You are an individual, or the ruling request or local tax advisory opinion is for a sole proprietorship or a disregarded single-member limited liability company, **AND**
- Your gross monthly household income meets the Low Income Certification Guidelines shown below.

Low Income Certification Guidelines Individuals and Sole Proprietors Only

| Family Size | Gross Monthly Income |
|---------------------------------|----------------------|
| 1 | \$2,513 |
| 2 | \$3,383 |
| 3 | \$4,254 |
| 4 | \$5,125 |
| 5 | \$5,996 |
| 6 | \$6,867 |
| 7 | \$7,738 |
| 8 | \$8,608 |
| For each additional person add: | \$871 |

Other Waiver Requests

If you are requesting a waiver of the administrative fee for any reason other than income, attach an explanation. The Department will consider waiver requests on a case-by-case basis.

What to File

Attach your payment to Form Rulings-Fee and place at the front of the package that you submit.

Where to File and Pay

Make check payable to the Virginia Department of Taxation

Mail to:

Virginia Department of Taxation
P.O. Box 27203
Richmond, Virginia 23218-7203

Form Filing Status-Fee

Virginia Department of Taxation Fee for Request to Change Corporate Filing Status

An administrative fee of \$100.00 must be paid when you request a change of corporate filing status.

Name of Parent or Lead Corporation _____

Virginia Account Number (FEIN) _____

Address _____

Daytime Telephone Number(s) _____

Contact Name _____

Payment of \$100.00 administrative fee attached.

Requesting a fee waiver (attach an explanation).

Instructions

General

Any request to switch from one filing method to another must be submitted before the original or extended due date for the first return to use the requested filing status. Effective July 1, 2017, a \$100 administrative fee, Form Filing Status-Fee, and a copy of federal Form 851 must accompany all requests. The administrative fee must be paid, even if the requested change is not granted.

Waivers

Waivers will be granted only if the fee creates an unreasonable burden. If the Department of Taxation determines that a waiver is not warranted, payment will be required before the request to change the corporate filing status is reviewed

Affiliated Corporations

Affiliated corporations that are subject to Virginia income taxes may file separate returns, a combined return, or a consolidated return. This election is made in the first year in which a group of affiliated corporations becomes eligible to file a consolidated or combined return in Virginia. This election is binding for any members that later join the affiliated group. Corporations making the initial election do not need permission from the Department. However, once the election is made, subsequent returns must be

filed on the same basis unless the Department grants permission to change the election.

Generally, the Department will grant requests to change an affiliated group's filing status from separate to combined or from combined to separate. Requests to change to or from a consolidated filing status will generally be denied absent extraordinary circumstances. However a group of affiliated corporations that has filed Virginia income tax returns on the same basis for at least the preceding 20 years will be granted permission to change its filing status from consolidated to separate or from separate or combined to consolidated if: (1) the tax computed under the requested filing status would be equal to or greater than the tax for the preceding taxable year; and (2) the affiliated group agrees to compute its tax liability under both the new filing status and the former filing status and pay the greater of the two amounts for the first two taxable years in which the new filing status is effective.

Where to File and Pay

Attach your payment to Form Filing Status-Fee.

Make check payable to the Virginia Department of Taxation

Mail to: **Virginia Department of Taxation**
P.O. Box 27203
Richmond, Virginia 23218-7203

**Form PAR 101
Virginia Power of Attorney and
Declaration of Representative**

**Virginia Tax
P. O. Box 1115
Richmond, VA 23218-1115
Individual fax: (804) 254-6113
Business fax: (804) 254-6111**

This is a legal document.

If this Form PAR 101, Power of Attorney and Declaration of Representative is not signed and dated, lacks complete information, or is illegible, it will be denied.

Asterisks denote required fields. Read the instructions carefully before completing this form.

| 1. Taxpayer Information | | | |
|---|--|---|---|
| Taxpayer Name (Individual, Business, or Fiduciary)* | | | SSN, ITIN, or FEIN* |
| Spouse Name (For joint representation only. See instructions.) | | | Spouse SSN or ITIN |
| Address* | | | Daytime Telephone Number () |
| Address | | | Alternative Telephone Number () |
| City* | State* | ZIP Code* | Email Address |
| 2. Maintain or Revoke Prior Authorization | | | |
| <input type="checkbox"/> Maintain authorization for the agent listed below. This form automatically revokes all earlier powers of attorney on file with Virginia Tax for the same tax matters covered by this form. | | | |
| _____ (Specify agent name, address, ZIP Code, and date granted. Attach copy of the power of attorney form.) | | | |
| <input type="checkbox"/> Revoke prior authorization(s). To revoke a prior power of attorney without naming another representative, send a copy of the power of attorney form to Virginia Tax at the address above and write "REVOKE" across the top. If you do not have a copy of the power of attorney form, provide the agent's name, address, ZIP Code, and date granted: | | | |
| _____ | | | |
| 3. Tax Matters – Taxable years or periods may not extend more than 3 years into the future. You must designate at least one tax type and taxable year period.* | | | |
| Annual Income Taxes Only – Individual, Corporate, Pass-through Entity, Fiduciary, or Estate Tax Type | | | |
| Tax Type | Taxable Years Do Not Enter "All Years" – Must be Specific | | |
| | | | |
| | | | |
| Business, Excise, Commodity, and Other Taxes | | | |
| Tax Type | 15-Character Virginia Tax Account Number REQUIRED: See Instructions | Do Not Enter "All Periods" – Must be Specific | |
| | | Beginning Period (MM/YYYY) | Ending Period (MM/YYYY) |
| | | | |
| | | | |
| | | | |
| | | | |

4. Authorized Agent /Representative Information. Additional representatives should be listed on an attached list and may not receive copies of correspondence.

| | | | |
|--|-------------------|----------|--|
| Primary Representative – Must be a person; cannot be a business | | | <p>Automatic Correspondence An Authorized Agent will automatically be mailed copies of correspondence regarding the tax matters.</p> <p>Authorized Agent Number A - _____</p> <input type="checkbox"/> Do NOT mail copies of any correspondence to agent. <input type="checkbox"/> Mail copies of email communications to agent. <p>Email Address _____</p> |
| First Name* | Last Name* | | |
| Address | | | |
| Address | | | |
| City | State | ZIP Code | |
| Daytime Telephone Number () | Fax Number () | | |

| | | | |
|---|-------------------|----------|--|
| Additional Representative – Must be a person; cannot be a business | | | <p>Automatic Correspondence An Authorized Agent will automatically be mailed copies of correspondence regarding the tax matters.</p> <p>Authorized Agent Number A - _____</p> <input type="checkbox"/> Do NOT mail copies of any correspondence to agent. <input type="checkbox"/> Mail copies of email communications to agent. <p>Email Address _____</p> |
| First Name | Last Name | | |
| Address | | | |
| Address | | | |
| City | State | ZIP Code | |
| Daytime Telephone Number () | Fax Number () | | |

5. Signature of Taxpayer(s) and Acknowledgment of Authorized Acts

By signing this form, I am granting the representative(s) listed in Section 4 the authority to:

- Receive and inspect my confidential tax information for the tax matters listed in Section 3,
- Perform all acts that I can perform with respect to the specified tax matters, and
- Represent me before Virginia Tax, including consenting to extend the time to assess tax and executing consents that agree to a tax adjustment.
- In addition, I understand that the acts of my Authorized Agent may increase or decrease my tax liabilities and legal rights.

The authority does not, however, include the power to receive refund checks, substitute another representative, request a copy of a tax return, sign certain returns, or consent to a disclosure of tax information.

For joint representation, both the taxpayer and the spouse listed in Section 1 must sign and date this form. If this form is signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, they certify that they have the authority to execute this form on behalf of the taxpayer. This power of attorney will remain in effect until it is revoked by either the taxpayer or the agent.

| | | | |
|-------------|------------|-------|-------|
| Print Name* | Signature* | Title | Date* |
| Print Name | Signature | Title | Date |

6. Representative Signature: Under penalties of perjury, I declare I am authorized to represent the taxpayer(s) listed in Section 1.

A.) Attorney B.) Certified Public Accountant C.) Enrolled Agent D.) Family member or Other (provide relationship below):
Relationship: _____

| Representative | Designation Letter from Above List | Print Name * | Representative Signature* | Date* |
|----------------|------------------------------------|--------------|---------------------------|-------|
| Primary | | | | |
| Additional | | | | |

INSTRUCTIONS FOR VIRGINIA FORM PAR 101 POWER OF ATTORNEY AND DECLARATION OF REPRESENTATIVE

Form Purpose

Use Form PAR 101 to:

- Authorize a person to represent you before Virginia Tax with respect to the tax matters you specify, or
- Revoke a prior power of attorney authorization.

THIS IS A LEGAL DOCUMENT: When you submit Form PAR 101, you are authorizing the person you name in Section 4 to be your representative. For the tax matters you specify in Section 3, your representative will be able to receive and inspect your confidential tax information and perform any and all acts you can perform, including consenting to extend the time to assess tax or executing consents that agree to a tax adjustment. The acts of your representative may increase or decrease your tax liabilities and legal rights. Certain exceptions apply. See below.

When to submit Form PAR 101:

The following are examples of when you need to complete and submit Form PAR 101:

1. You are disputing an assessment of tax and a third party is representing you before Virginia Tax,
2. You have been notified that we will be conducting an audit of your account and you have engaged the services of a third party to assist with the audit, or
3. You are the administrator of a deceased individual's estate and you need to grant access to the decedent's confidential tax information to a third party in order to perform your duties.

The above list is not all-inclusive. There are other similar situations that may require you to grant a person the authority to act on your behalf, including the authority to obligate and bind you to agreements and to receive and inspect your confidential tax information.

When a Form PAR 101 is NOT required:

Form PAR 101 is not required when a person merely furnishes information or prepares a report or return for you or your business. For example, you do not need to submit Form PAR 101 to:

1. Authorize a tax professional (CPA, Enrolled Agent, tax preparer, or payroll service provider) to discuss routine issues regarding return filings and payments the tax professional submitted on your behalf,
2. Authorize an employee or officer of your business to discuss routine issues regarding return filings and payments submitted by your business, or
3. Authorize a fiduciary (trustee, receiver, or guardian) to act as Authorized Agent, because a fiduciary already stands in the position of the taxpayer.

Virginia Tax will discuss routine issues regarding return filings and payments and related assessments and adjustments with your designated tax professionals and the

employees and officers of a business, provided we are able to verify the person and the person's relationship to you or your business.

Exceptions - The power of attorney you grant to your representative using Form PAR 101 does not include the power to receive refund checks, the power to substitute another representative, the authority to execute a request for a tax return, the power to sign certain returns for you, or the power to consent to a disclosure of tax information.

Section 1 - Taxpayer Information

Individual - If the tax matter involves a joint return and you and your spouse are designating the same representative, provide your spouse's name and social security number.

Sole Proprietor - For business tax matters, enter your name and the federal employer identification number for your business.

Corporations, Partnerships, or Associations - Enter the legal name of the organization and the organization's federal employer identification number. If the tax matter involves a consolidated or a combined tax return filed for a corporation, do not attach a list of subsidiaries or affiliated corporations to this form. Only the parent corporation's information is required in Section 1. A subsidiary or affiliate must file its own PAR 101 for returns that it files separately.

Fiduciary/Trust - Enter the name and federal employer identification number of the trust, and the telephone number and email address of the trustee. The trustee must sign the form.

Estate or Inheritance Tax - Applicable only for decedents whose date of death was prior to July 1, 2007. Enter the name and the social security number of the deceased taxpayer and provide the address, telephone number, and email address of the decedent's personal representative. The taxpayer's personal representative must sign and date the form.

Section 2 - Revoking or Maintaining Prior Authorization

Check the box that applies. If you are naming a representative, any prior power of attorney on file with Virginia Tax for the same tax matters covered by the Form PAR 101 you are submitting will be automatically revoked unless you attach a copy of any power of attorney you want to remain in effect.

Either the taxpayer or their representative may revoke the power of attorney. This must be done in writing by submitting a copy of Form PAR 101 with "REVOKE" written on the top of the form or by sending a written request. If you wish to revoke the power of attorney for only one spouse on a joint power of attorney, this should be done by a submitting a letter to indicate which spouse is no longer represented.

Section 3 - Tax Matters

Be specific. You should only grant a person your power of attorney for taxable periods for which you have a tax matter.

You may specify taxable periods no more than 3 years into the future. Future periods are determined starting after Dec. 31 of the year in which we receive Form PAR 101. You may list the current taxable year or period and any taxable years or periods that have already ended as of the date you sign Form PAR 101.

Annual Income Taxes - If the tax matter involves individual, corporate, pass-through entity, or fiduciary income tax, enter the name of the tax under "Tax Type." Also use this section for composite/unified filing tax matters. If the tax matter involves estate tax or inheritance tax for a taxpayer whose **date of death was prior to July 1, 2007**, enter the date of death of the taxpayer in the taxable year field.

Business, Excise, Commodity, and Other Taxes - You must enter the tax type and the beginning and ending periods covered by this form. For each tax type, you must also provide your assigned 15-character Virginia Tax Account Number. If you have multiple locations, be sure to list the account number for each location. If you do not enter your account number(s), the form will be returned.

Exceptions - For the following tax types, leave the Virginia Tax Account Number field blank: Apple Excise Tax, Bank Franchise Tax, and Rolling Stock Tax on Railroads and Freight Car Companies.

Section 4 - Authorized Agent/Representative Information

You must provide complete information for each representative listed on the form. You cannot name a business as your representative. Your representative must be a person. In addition, each representative must sign and date the form. The signature must be an actual signature and cannot be an electronic signature or rubber stamp.

Virginia Tax will automatically mail copies of all outgoing correspondence sent to you regarding the tax matters listed in Section 3 to your Authorized Agent provided that:

- Your Authorized Agent is registered with Virginia Tax, and
- You provide the Authorized Agent's number, a unique 9-character identification number assigned by us that begins with "A."

Virginia Tax will not automatically mail correspondence to your Authorized Agent in the following situations:

- You do not provide your Authorized Agent's number, or
- You check the box indicating that you do not want correspondence automatically mailed to your Authorized Agent.

We will automatically mail copies of secure email to your Authorized Agent if you have opted to have copies of email communications sent to your agent.

Taxpayers may use secure email to discuss specific questions related to their account. The authorized representative(s) will receive copies of this secure email communication through the U.S mail. To use secure email on Virginia Tax's website at www.tax.virginia.gov, log in to iFile (business or individual) or iReg, select Secure Message to send and receive secure email.

To register as an Authorized Agent, your representative must submit Virginia Form R-7. If Form R-7 is submitted with Form PAR 101, enter "Applied For" in the Registered Authorized Agent Number field. Form R-7 is available at www.tax.virginia.gov.

Sections 5 and 6 - Signature of Taxpayer(s), Acknowledgment of Authorized Acts, and Representative Signature

Individuals - You must sign and date the form. If the tax matter involves a joint return and you and your spouse are designating the same Authorized Agent(s), your spouse must also sign and date the form.

Corporations or Associations - An officer having authority to bind the taxpayer must sign and date the form.

Partnerships - All partners should sign unless only one partner is authorized to act in the name of the partnership. A partner is authorized to act in the name of the partnership if, under state law, the partner has authority to bind the partnership. A copy of such authorization should be attached. For dissolved partnerships, see 26 CFR 601.503(c)(6).

All others - If the taxpayer is a dissolved corporation, decedent, insolvent, or a person for whom or by whom a fiduciary (a trustee, guarantor, receiver, executor, or administrator) has been appointed, see 26 CFR 601.503(d).

The representative(s) must sign and date the form.

Note - Generally, the taxpayer signs first, granting the authority and then the Authorized Agent signs, accepting the authority granted. The date for both the taxpayer and the representative must be within 45 days for domestic authorizations and within 60 days for authorization from taxpayers residing abroad. If the taxpayer signs last, then there is no timeframe requirement.

All signatures on the form must be actual and cannot be electronic or rubber stamps.

Mail or fax the completed form and enclosures to:

**Virginia Tax
P.O. Box 1115
Richmond, Virginia 23218-1115**

Business fax: (804) 254-6111

Individual fax: (804) 254-6113

For individual assistance call: (804) 367-8031

For business assistance call: (804) 367-8037