



Commonwealth of Virginia

Department of Taxation

December 31, 2025

The Honorable Glenn Youngkin
Governor of Virginia
Patrick Henry Building, 3rd Floor
1111 East Broad Street
Richmond, Virginia 23219

Members of the Virginia General Assembly
General Assembly Building
Richmond, Virginia 23219

Dear Governor Youngkin and Members of the Virginia General Assembly:

In 2020, the General Assembly enacted House Bill 1407 (2020 Acts of Assembly, Chapter 681) and Senate Bill 744 (2020 Acts of Assembly, Chapter 682) which established the Virginia standard for classifying workers performing services for remuneration as employees or independent contractors. The provisions of this legislation had an effective date of January 1, 2021. The legislation also requires the Department of Taxation (Virginia Tax) to publish an annual report regarding its activities regarding the misclassification of workers. The report is due on or before the end of the calendar year.

Calendar Year 2025 Program Activity

The program is in year five of operation. During the calendar year of 2025 (through November), 21 audits were completed, resulting in total assessments of \$839,914.09. This amount is comprised of \$661,019.37 in tax, \$101,140.77 in interest, \$4,310.00 in compliance penalty and \$73,443.95 in civil penalty. A total of 192 workers were found to be misclassified. A total of 1,694 hours were dedicated to the 21 completed audits.

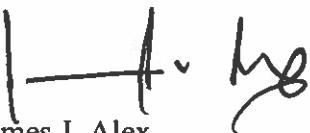
Education & Outreach Strategy

Our taxpayer outreach strategy for this program continues to be focused on driving education and awareness among business owners and tax professionals preventing misclassification before it occurs. To date, our outreach materials have included social media posts, articles in Virginia Chamber of Commerce publications and educational material on Virginia Tax's website. Virginia Tax also provided DPOR with a PowerPoint presentation to be used in their remedial training classes. We continue to share a dedicated email address, misclassificationofworkers@tax.virginia.gov, for any worker misclassification inquiries.

Conclusion

Virginia Tax continues to administer the worker misclassification audit program that complies with House Bill 1407 and Senate Bill 744. We appreciate the assistance of all state agencies involved in the effort.

Sincerely,



James J. Alex
Tax Commissioner
Commonwealth of Virginia

C: The Honorable Stephen E. Cummings, Secretary of Finance