



COMMONWEALTH of VIRGINIA

Department of Taxation

November 1, 2026

The Honorable Abigail Spanberger
Governor of Virginia

The Honorable L. Louise Lucas
Chairwoman, Senate Finance and Appropriations Committee

The Honorable Luke E. Torian
Chairman, House Appropriations Committee

Dear Governor Spanberger, Chair Lucas, and Chair Torian:

During the 2025 Session, the General Assembly enacted Item 260E of the 2025 Appropriation Act (Chapter 725, 2025 Acts of Assembly), which appropriated funds to replace the Virginia Department of Taxation's Integrated Revenue Management System (IRMS). Pursuant to Item 263(D) of the 2026 Appropriation Act (Chapter 1, 2026 Acts of Assembly, Special Session I), the Department of Taxation is required to report to the Governor and the Chairs of the House Appropriations and Senate Finance and Appropriations Committees by November 1 of each year until implementation of the new system is complete. Such report shall include information regarding the current status of the project, the funding expended, project milestones, and any potential concerns that may impact the project's timeline and success.

The report for November 1, 2025, through October 31, 2026, is enclosed. If you have any questions or comments regarding the implementation or the enclosed report, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Kristin L. Collins".

Kristin L. Collins
Tax Commissioner

C: The Honorable Mark D. Sickles, Secretary of Finance
 The Honorable Traci J. DeShazor, Secretary of Administration
 Ms. Anne Oman, Staff Director, House Appropriations Committee
 Ms. April Kees, Staff Director, Senate Finance and Appropriations Committee
 Mr. Michael Maul, Director, Virginia Department of Planning and Budget
 Mr. Mike Watson, Commonwealth Chief Information Officer

Executive Summary

The Integrated Revenue Management System (IRMS) is the Virginia Department of Taxation's ("Virginia Tax's") legacy core tax processing and accounting system that administers 36 tax types, processing approximately 12 million tax returns and \$30 billion in payments annually. During the 2025 Session, the General Assembly enacted Item 260E of the 2025 Appropriation Act (Chapter 725, 2025 Acts of Assembly), which appropriated funds for costs associated with the replacement of IRMS.

In July 2024, Virginia Tax issued a Request for Proposal for the replacement of IRMS. A Notice of Intent to Award was posted in June 2025 and a contract for the replacement of IRMS was signed in July 2025. The selected vendor, FAST Enterprises, is the leading integrated tax solution vendor in the market, currently providing a Commercial Off The Shelf ("COTS") solution called GenTax that is used by 34 other states. Implementation of the project began in August 2025.

The project, referred to as Project Lighthouse, is scheduled to occur in four phases, with each rollout encompassing different tax types and occurring in September of each year. See Appendix A. On September 8, 2026, Virginia Tax successfully completed Rollout 1 of Project Lighthouse. The first rollout was completed on time and slightly under budget, with Rollout 1 tax types successfully processing in GenTax.

The project team is now focused on Rollout 2, which includes the implementation of a new set of tax types. Rollout 2 is progressing on schedule and on budget and is well-positioned to go live as scheduled on September 7, 2027.

Status Update

The implementation of GenTax began August 11, 2025, and the first rollout was completed on schedule on September 8, 2026. The first rollout consisted of the following tax types, which are now implemented in GenTax:

- Sales and Use Tax,
- Employer Withholding,
- The Digital Media Fee,
- Prepaid Wireless E-911 Tax,
- Plastic Bag Tax,
- Vending Machine Sales Tax, and
- The Tire Recycling Fee.

The project team focused on rollout and production support to assist agency business users with the transition to the new system throughout September and into October. Beginning in mid-October, the project team began work on Rollout 2, which includes the following tax types:

- Corporate Income
- Pass-Through Entity (including informational returns, non-resident withholding, and PTET)

- Insurance Premium License (including the retaliatory tax)
- Communications Sales and Use
- E-911 Post Paid
- Litter
- Motor Vehicle Rental
- Peer-to-Peer Vehicle Sharing
- Bank Franchise

Virginia Tax and FAST mutually agreed to move the Pass-Through Entity Tax and informational returns filed by pass-through entities to R2 to complete implementation for all major business taxes a year sooner, which is beneficial for taxpayers and Virginia Tax employees. Because the Pass-Through Entity taxes were originally scheduled for implementation as part of Rollout 3 and the change was mutually agreed on by the agency and the vendor, this did not alter the scope of the project or require a change request. Rollout 2 tax types are expected to go live on September 7, 2027. The project is on track for another on-time rollout.

The project is staffed with full-time vendor and agency team members co-located in the agency's Richmond office. As of November 1, the project team consists of 50 vendor staff onsite (with 3 additional team members joining by the end of the year) as well as 25 agency staff fully dedicated to the project and more than 75 agency subject matter experts contributing to the identification of business requirements, training, and testing. It is anticipated that the project will continue at similar staffing levels throughout the remaining three rollouts.

Project Budget

The General Assembly appropriated \$131 million for the full implementation. The agency has expended a total of \$36,351,451 of this appropriation as of October 1, 2026. System acceptance for the first rollout is complete, and all associated vendor payments have been made. Spending continues on track, and the project is slightly under budget. The contract with FAST is fixed price for the full implementation (through September 2029) and no change orders are anticipated with the current scope of the project.

Expenditures are tracked in Cardinal and actual project spend vs. budgeted monthly spend is tracked monthly in VITA's Commonwealth Technology Portfolio ("CTP") Planview system. The project budget includes contingency funds for each fiscal year of implementation to align with VITA requirements and mitigate budget risks. No contingency funds were expended in FY 2026. The project budget for FY 2027 totals \$36,721,072, which includes contingency funds for this fiscal year.

Governance

The project's Internal Agency Oversight Committee (IAOC) (Appendix B) is chaired by the Tax Commissioner and includes the Secretary of Finance, agency and project leadership, VITA representatives, and Independent Verification and Validation ("IV&V") representatives. The group meets monthly to review updates on key performance indicators, project status, project risks, and budget from the project team. This group also reviews any change control requests or

major project decisions escalated by the project team. The Secretariat Oversight Committee (Appendix B), chaired by the Secretary of Finance, meets as needed to review significant change control requests and issues escalated by the IAOC. To date, there have been no change control requests or significant change control requests.

The project team completed detailed planning documentation within the first 6 months of the project in adherence with Commonwealth requirements. VITA approved the project's detailed planning documentation in February. The project team also created a governance plan that details processes and decision escalation paths (Appendix C) for project decisions. There are also configuration management, risk management, operations and support, and application security plans in place.

This project has strong leadership in place and is subject to multiple Commonwealth controls. The Executive Sponsor of the project is the agency's Chief Information Officer, and the Deputy Commissioner of Operations is the Business Owner. In addition to the Virginia Tax project management team, which consists of a Project Director, a Product Director, and a Project Manager, FAST has provided a Project Director and Project Manager who each have extensive experience implementing GenTax in other state revenue agencies. Gartner, Inc. conducted the initial IV&V review of the project following project initiation and concluded that the project is progressing well. The Rollout 1 IV&V review, also conducted by Gartner, is in progress. VITA provides additional oversight with monthly status reports and bi-weekly meetings with the agency project manager. The project team includes a dedicated Risk Manager who monitors project risks and conducts monthly risk meetings with VITA and project leadership.

Conclusion and Next Steps

Project Lighthouse continues to progress on schedule and under budget. While the project team and Gartner actively monitor potential risks, there are currently no concerns that may impact the project's timeline and success. The first rollout was successful and went live on time. Agency business users and taxpayers are using GenTax for processing and accounting functions for Sales and Use Tax, Employer Withholding, and other Rollout 1 tax types. The project team is now working to define Virginia's system requirements and the configuration of GenTax to support Virginia's business processes for Rollout 2.

Rollout 2 tax types, which include Corporate Income, Pass-Through Entity, Communications, and Bank Franchise, are scheduled to go live in GenTax on September 7, 2027. User testing for Rollout 2, which will be conducted by agency testers, is expected to begin in March 2027, with End User training anticipated to begin by early July. Rollout 2 is progressing well and the agency anticipates another on-time and on-budget go-live.

Appendices

Appendix A: Implementation Timeline by Tax Type

Appendix B: Governance Committee Membership

Appendix C: Project Decision Escalation paths

Appendix B

PROJECT LIGHTHOUSE IAOC MEMBERSHIP

Voting Members	Name	Non-Voting Members	Name
Virginia Tax Agency Head – Chair	Commissioner Collins	Virginia Secretary of Finance	Secretary Sickles
Virginia Tax Business Owner	Kevin Hopkins (Deputy Commissioner)	Virginia Deputy Secretary of Finance	Deputy Secretary Heo
Virginia Tax Project Sponsor	Vengatesh Agaram (CIO)	Virginia Deputy Secretary of Finance	Deputy Secretary Mejia
Virginia Tax Project Director	Lee Mikelson (Agency Project Director)	Virginia Tax Product Director	Nancy Chen
Virginia Tax Finance Representative	Karen Schettino (CAO)	Virginia Tax Project Manager	Kathryn Paxton
Virginia Tax Executives or Designees	Charles Kennington (Asst. Commissioner) Andrew Blake (Asst. Commissioner)	Communications and Training Director	Heather Cooper
		HR Director	Karen Doty
		Budget Director	Rose Curtin
		Risk Manager	Ed Cooper
		VITA Project Management Division	Donny Oakes
		FAST Project Director	Sarah Enoch
		FAST Project Manager	Ranjani Sarma
		Program Assurance/IV&V Representative	Gartner



PROJECT LIGHTHOUSE SOC MEMBERSHIP

Voting Members	Name
Proponent Secretary – Chair Ex Officio	Secretary Mark Sickles
Proponent Deputy Secretary	Deputy Secretary James Heo
Virginia Secretary of Finance Representative	Amruta Binoy, DPB Budget Analyst
VITA CIO Representative	Melissa Mutter, VITA PMD Director
Proponent Agency Head	Commissioner Kristin Collins



Appendix C

