

AGREEMENT ON COORDINATION OF TAX ADMINISTRATION

Section 1. Introduction

1.1 The Agency and IRS recognize the mutual benefits to be derived through coordination of their tax administration programs to secure returns, determine tax liability, and effect collection of taxes; and the parties do hereby agree to continue, to the extent permitted by law, the cooperative programs already established and to enter into additional arrangements designed to improve the administration and enforcement of tax laws of their respective jurisdictions. Officials of the Agency, acting under authority vested in or delegated to them to administer State tax laws, and the appropriate officials of IRS will consult from time to time regarding their respective enforcement efforts and will establish mutually agreeable programs for the exchange of information and assistance.

1.2 This agreement provides the general basis for achieving coordination of Federal and State tax administration. Specific arrangements will be initiated in a manner and at such time as are mutually agreeable to Agency and IRS officials. They shall explore and adopt mutually acceptable techniques and modes of exchange which will be most beneficial to improved tax administration with the least possible interruption of their respective operating routines and with strict adherence to laws, regulations, and rules for protecting the confidentiality of returns and return information.

Section 2. Definitions

For purposes of this agreement, the following definitions shall apply:

2.1 Agency. The term "Agency" means Virginia
(Name of State agency,
Department of Taxation
body, or commission)

2.2 IRS. The term "IRS" means the Internal Revenue Service,
U. S. Department of the Treasury.

2.3 State. The term "State" means the Commonwealth
(Name of State,
of Virginia
Commonwealth, etc.)

2.4 Agency Representative. The term "Agency Representative" means an Agency officer or employee designated in writing by the head of the Agency as an individual who is to inspect or receive Federal returns or Federal return information on behalf of the Agency as provided by section 6103(d) of the Code, but only so long as the duties and employment of such officer or employee require access to Federal returns and Federal return information for purposes of State tax administration.

2.5 Federal Return. The term "Federal return" means any tax or information return, declaration of estimated tax, or claim for refund required by, or provided for or permitted under, the provisions of the Code which is filed with the IRS by, on behalf of, or with respect to any person, and any amendment or supplement thereto, including supporting schedules, attachments, or lists which are supplemental to, or part of, the return so filed.

2.6 Federal Return Information. The term "Federal return information" means —

- (a) a taxpayer's identity, the nature, source, or amount of his income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, overassessments, or tax payments, whether the taxpayer's Federal return was, is being, or will be examined or subject to other investigation or processing, or any other data, received by, recorded by, prepared by, furnished to, or collected by IRS with respect to a Federal return or with respect to the determination of the existence, or possible existence, of liability (or the amount thereof) of any person under the Code for any tax, penalty, interest, fine, forfeiture, or other imposition, or offense; and
- (b) any part of any written determination or any background file document relating to such written determination (as such terms are defined in section 6110(b) of the Code) which is not open to public inspection under section 6110 of the Code.

2.7 State Return. The term "State return" means any tax or information return, declaration of estimated tax, or claim for refund required by, or provided for or permitted under, the provisions of the

internal revenue laws, or related statutes, of the State, and any amendment or supplement thereto, including supporting schedules, attachments, or lists which are supplemental to, or part of, the return so filed.

2.8 State Return Information. The term "State return information" means a taxpayer's identity, the nature, source, or amount of his income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, over-assessments, or tax payments, whether the taxpayer's State return was, is being, or will be examined or subject to other investigation or processing, or any other data, received by, recorded by, prepared by, furnished to, or collected by the Agency with respect to a State return or with respect to the determination of the existence, or possible existence, or liability (or the amount thereof) of any person under the internal revenue laws, or related statutes, of the State for any tax, penalty, interest, fine, forfeiture, or other imposition, or offense.

2.9 Inspection. The term "inspection" means any examination of a return or return information.

2.10 Disclosure. The term "disclosure" means the making known to any person in any manner whatever a return or return information.

2.11 State Tax Administration. The term "State tax administration"

(a) means —

(i) the administration, management, conduct, direction, and supervision of the execution and application of the revenue laws, or related statutes of the State, and

(ii) the development and formulation of State tax policy relating to existing or proposed internal revenue laws, or related statutes, of the State, and

(b) includes assessment, collection, enforcement, litigation, and statistical gathering functions under such laws or statutes.

2.12 Code. The term "Code" means the Internal Revenue Code of 1954, as amended.

Section 3. Disclosure of Federal Returns and Federal Return Information

3.1 Under the laws of the State, the Agency is charged with the responsibility for the administration of taxes imposed on income of
(specify)
individuals, corporations, partnerships, fiduciaries, estates and
trusts; taxes imposed on inheritances, gifts, the sale, rental, lease,
or storage for use or consumption of tangible personal property in this
state; and the general fund taxes of capital not otherwise taxed, bank
stock, beer and beverage, license, and tobacco, and the special fund
taxes on aircraft, forest products, eggs, peanuts, slaughter hogs and
feeder pigs, and soy beans.

Federal returns and Federal return information (whether originals, paper copy, photocopy, microfilm, magnetic tape, or any other form) received

information and solely for purposes of State tax administration and in a manner consistent with the requirements of section 6.4 of this agreement;

- (c) to another person for the purpose of, but only to the extent necessary in, the programming, maintenance, repair, testing, and procurement of equipment used in processing or transmission of such returns and return information; or
- (d) to a legal representative of the Agency, personally and directly engaged in, and solely for use in, preparation for a civil or criminal proceeding (or investigation which may result in a proceeding) before a State administrative body, grand jury, or court in a matter involving State tax administration, but only if --
 - (i) such taxpayer is or may be a party to such proceeding;
 - (ii) the treatment of an item reflected on such return is or may be related to the resolution of an issue in the proceeding or investigation; or
 - (iii) such return or return information relates, or may relate, to a transactional relationship between a person who is or may be a party to the proceeding and the taxpayer which affects, or may affect, the resolution of an issue in such proceeding or investigation.

3.5 A Federal return of a taxpayer or Federal return information relating to a taxpayer may be disclosed in a State judicial or

administrative proceeding pertaining to State tax administration, but only if --

- (a) the taxpayer is a party to such proceeding and the return or return information relates to the resolution of a tax issue in such proceeding;
- (b) the treatment of an item reflected on such return is directly related to the resolution of a tax issue in the proceeding; or
- (c) such return or return information directly relates to a transactional relationship between a person who is a party to the proceeding and the taxpayer which directly affects the resolution of a tax issue in the proceeding.

3.6 Notwithstanding any other provision of this section, IRS will not disclose a Federal return or Federal return information under this section to any person if such disclosure would identify a confidential informant or seriously impair a Federal civil or criminal tax investigation. The Agency agrees that neither it nor its legal representatives will make any further use or disclosure of a Federal return or Federal return information disclosed to an Agency Representative by IRS if IRS notifies the head of the Agency in writing that such further use or disclosure would identify a confidential informant or

seriously impair a Federal civil or criminal tax investigation. The Agency further agrees that prior to disclosure of any Federal return or Federal return information in a State judicial or administrative proceeding as provided by paragraph 3.5 of this agreement, the head or legal representative of the Agency will notify IRS in writing of the intention to make such disclosure. No officer, employee, or legal representative of the Agency shall thereafter so disclose a Federal return or Federal return information in such State judicial or administrative proceeding if, within 30 days following receipt of such written notice of intention to disclose, IRS notifies the head or legal representative of the Agency that such disclosure would identify a confidential informant or seriously impair a Federal civil or criminal tax investigation.

Section 4. Disclosure of State Returns and Return Information

4.1 This agreement constitutes the requisite authorization for the Agency to disclose to, and permit inspection by, officers and employees of IRS of State returns and State return information for the purpose of, and only to the extent necessary in, the administration of the internal revenue laws, or related statutes, of the United States. Any such State returns and State return information so disclosed to, or inspected by, officers or employees of IRS become, in the hands of IRS, "taxpayer return information" as defined by section 6103(b)(3) of the Code and may thereafter be disclosed by IRS only to such persons, for such purposes, and under such conditions as may be prescribed by the Code.

4.2 The District Director(s) at Richmond, Virginia

shall designate in writing to the Agency those officers and employees of IRS who are to inspect or receive State returns and State return information on behalf of IRS.

Section 5. Cooperative Audits and Other Cooperative Activities

5.1 Subject to the restrictions and other provisions of this agreement and within the framework of available enforcement resources, the Agency and IRS will develop cooperative return selection and examination programs with the objective of avoiding unnecessary duplication of Federal and State audit efforts, thereby increasing overall Federal and State audit coverage. Each will furnish to the other, in accordance with mutually agreed schedules and routines, information on audit adjustments made by its offices and such other information as will assist in determining final tax liability.

5.2 Under such arrangements as may be feasible, the Agency and IRS will furnish to each other information which will assist in locating persons whose tax accounts are delinquent or who may be entitled to tax refunds. Additionally, the Agency and IRS will exchange lists of taxpayers and other information relevant to the identification of persons who have failed to file tax returns.

5.3 Information other than Federal or State return information which Agency and Federal tax officials may deem to be relevant or useful to the administration of State and Federal tax laws may be exchanged, if feasible, under arrangements made by the Agency and IRS. Such information may be furnished in the form of lists, magnetic tapes, transcripts, or abstracts.

5.4 In addition to the exchange of tax and other information, the Agency and IRS will, to the extent feasible, extend to each other assistance in other tax administration matters. This may include such activities as taxpayer assistance, stocking tax forms for the public, training of personnel, special statistical studies and compilations of data, development and improvement of tax administration systems and procedures, and such other activities as may improve tax administration.

Section 6. Safeguards and Other Requirements

6.1 As an express condition for the inspection and disclosure of Federal returns and Federal return information pursuant to this agreement, the Agency agrees to comply with the following safeguards and requirements prescribed by section 6103(p) of the Code and any implementation of such safeguards and requirements as may be provided by regulations and published procedures:

- (a) establish and maintain, to the satisfaction of IRS, a permanent system of standardized records with respect to any request made by the Agency for such inspection or disclosure, the reason for such request, and the date of such request, and, in addition, any disclosure made by or to it under the authority of this agreement;
- (b) establish and maintain, to the satisfaction of IRS, a secure area or place in which such returns or return information shall be stored;
- (c) restrict, to the satisfaction of IRS, access to such returns and return information to persons whose duties

- or responsibilities require access and to whom disclosure may be made under the provisions of this agreement;
- (d) provide such other safeguards as IRS may determine to be necessary or appropriate to protect the confidentiality of such returns and return information;
 - (e) furnish a report by the last day of each calendar quarter to IRS describing the procedures established and utilized by the Agency for ensuring the confidentiality of such returns and return information;
 - (f) upon completion of the use of such returns or return information (1) either return such returns or return information (along with any copies made thereof) to IRS or (2) make such returns, return information, and copies undisclosable in any manner and furnish a written report to IRS describing how this was effected; and
 - (g) permit IRS and, to effectuate the provisions of section 6103(p)(6)(A), the General Accounting Office to audit the extent to which the Agency is complying with the requirements of this paragraph.

The conditions of subparagraphs (a), (b), (c), and (d) above shall cease to apply with respect to any Federal return or Federal return information if, and to the extent that, such return or return information is disclosed in the course of any State judicial or administrative proceeding and made a part of the public record thereof.

6.2 The Agency further agrees to inform in writing all Agency Representatives and other persons to or by whom disclosure or inspection

of Federal returns or Federal return information is authorized by section 3 of this agreement of the criminal penalties and civil liability provided by sections 7213 and 7217 of the Code for a disclosure of such returns and return information which is unauthorized by the Code.

6.3 In recognition of their responsibilities under this agreement, each party to the agreement shall, when requested by the other party, review with the other party its safeguard measures for protecting the confidentiality of returns and return information. The District Director(s) or his delegate at Richmond, Virginia and the head of the Agency or his delegate will represent their respective organizations for the purpose of such reviews.

6.4 Processing of Federal return information received by the Agency from IRS on magnetic tape (including tape reformatting or reproduction, or conversion to punch cards or hard copy printout) shall be performed only by use of State owned or operated computer facilities and under the immediate supervision and control of Agency Representatives or other authorized employees of the Agency and in a manner which meets the requirements of paragraph 6.1 of this agreement. In those cases where such computer facilities used by the Agency are shared with other State agencies, the Agency will assure that only those persons described in section 3 of this agreement will have access to such return information.

6.5 Because some taxpayers may be unaware that Agency tax officials are authorized under Federal law to obtain Federal returns or Federal return information for State tax administration purposes, the Agency shall publicize, in a manner satisfactory to IRS, that such returns or return information was obtained pursuant to specific authority granted by the Code.

Section 7. Limitations

7.1 Subject to manpower and time considerations, IRS may in its discretion prepare and furnish to the Agency, upon written request by the head of the Agency, special tabulations or compilations of Federal returns or Federal return information to which the Agency is granted access pursuant to section 6103(d) of the Code and the terms of this agreement.

7.2 Pursuant to the provisions of section 6103(p)(2) of the Code, IRS may charge the Agency a reasonable fee for furnishing Federal returns and Federal return information under the terms of this agreement.

7.3 Under no circumstances shall the Agency permit any Federal return or Federal return information to be inspected by, or disclosed to, an individual who is the chief executive officer of the State or any person other than one described in section 3 of this agreement.

7.4 Notwithstanding any other provision of this agreement, IRS shall not disclose or make known in any manner whatever to any person described in section 3 of this agreement —

- (a) any original, copy, or abstract of any return, payment, or registration made pursuant to chapter 35 of the Code (relating to taxes on wagering);
- (b) any record required for making any such return, payment, or registration made or required pursuant to chapter 35, which IRS is permitted by the taxpayer to examine or which is produced pursuant to section 7602 of the Code (relating to the examination of books and witnesses); or

(c) any information obtained by the exploitation of any such return, payment, registration, or record made or required pursuant to chapter 35.

7.5 Notwithstanding any other provision of this agreement, IRS shall not disclose or make known in any manner to any person described in section 3 of this agreement information which was obtained pursuant to a tax convention between the United States and a foreign government.

Section 8. Officials to Contact for Obtaining Information

8.1 Requests by the Agency for Federal return information in magnetic tape mode should be made to the Commissioner of Internal Revenue, Attention ACTS:A. Requests for physical inspection or copying of Federal returns showing addresses within the State should be made to the Director, Internal Revenue Service Center, Memphis, Tennessee
(address)

_____ ;
and requests for inspection and copying of audit abstracts and reports pertaining to such returns should be made to the District Director(s) at Richmond, Virginia, who will be responsible for making the proper arrangements for such inspection.

8.2 Requests by the head of the Agency for Federal returns of taxpayers or Federal return information relating to taxpayers showing addresses outside the State should be made to the appropriate District Director.

8.3 Requests by authorized officers and employees of the IRS for inspection or copying of State returns and State return information

should be made to State Tax Commissioner
(title of agency official)

Section 9. Termination or Modification of Agreement

9.1 The provisions of this agreement are subject to the provisions of the Code and implementing regulations and published procedures and to the provisions of State statutes and regulations, and this agreement may be terminated or modified at the discretion of IRS or the Agency on account of changes in Federal or State statutes and regulations or whenever in the administration of Federal or State tax laws that action seems appropriate.

9.2 Any unauthorized use or disclosure of Federal returns or Federal return information furnished pursuant to this agreement, or inadequate procedures for safeguarding the confidentiality of such returns or return information, also constitutes grounds for termination of this agreement and the exchange of information thereunder, subject to the rights of administrative appeal as provided by regulations prescribed by section 6103(p)(7) of the Code.

9.3 Notwithstanding any other provision of this agreement, no Federal return or Federal return information shall be disclosed after December 31, 1978, by IRS to any person described in section 3 of this agreement if the requirements of section 6103(p)(8) of the Code are not met.

APPROVED:

[Signature]
(signature)
State Tax Commissioner, W. H. Forst
(title of agency official)

Signed at Richmond, Virginia
this 17th day of December, 1976.

[Signature]
Commissioner of Internal Revenue

Signed at Washington, D. C., this
14 day of January, 1977.

* * * * *

APPROVED, on behalf of the
Commonwealth of Virginia
(official name of the State)

and its officers and employees:

[Signature]
Governor
Mills E. Godwin, Jr.

Signed at Richmond, Virginia
this 17th day of December, 1976.

It is my opinion that under
applicable law of the _____
(official name
of the State), the

(title of the agency official)

[OR]

is duly empowered and authorized to
bind to the terms and conditions
of this agreement all officers
and employees of the _____
(official name
of the State), to whom
Federal returns and Federal return
information may be disclosed as
provided herein.

Attorney General

Signed at _____
this ___ day of _____, 197 .

AMENDMENT
TO
AGREEMENT ON COORDINATION OF TAX ADMINISTRATION

Section 6.4 of the Agreement on Coordination of Tax Administration, signed by the Commissioner of Internal Revenue on January 14, 1977, by the State Tax Commissioner, on May 9, 1977, and (title of agency official) by the Governor of the Commonwealth of (Governor or Attorney General) (State or Commonwealth) of Virginia is hereby amended to read as follows: (name of State)

6.4 Processing of Federal returns or Federal return information received by the Agency from IRS in the form of microfilms, photoimpressions, magnetic tapes, or other format (including reformatting or reproduction, or conversion to magnetic tapes, punch cards, or hard copy printout) and transmission and storage of such Federal returns or Federal return information by or on behalf of the Agency shall be performed only by use of State owned or operated computer or other facilities. In those cases where such facilities used by the Agency are shared with other State agencies, the Agency will assure that only those persons described in section 3 of this agreement will have access to Federal returns or Federal return information, that, in the case of processing of Federal returns and Federal return information, such processing is conducted under the immediate supervision and control of Agency Representatives or other authorized employees of the Agency, and that the processing, transmission, or storage of Federal returns or Federal return information by use of such shared facilities is performed in a manner which meets the requirements of section 6.1 of this agreement.

APPROVED:

W. H. Forst
W. H. Forst
State Tax Commissioner
(title of agency official)

Signed at Richmond, Virginia
this 9th day of May, 1977.

James K. ...
Commissioner of Internal Revenue

Signed at Washington, D. C., this
15th day of June, 1977.

APPROVED, on behalf of the

Commonwealth of Virginia
(official name of the State)

and its officers and employees:

It is my opinion that under applicable

law of the _____
(official name of the State)

_____, the

(title of the agency official)

(OR)

Miller G. Ford
Governor

Signed at Richmond, Virginia

this 10 day of May, 1977.

is duly empowered and authorized to
bind to the terms and conditions of
this amendment to the Agreement on
Coordination of Tax Administration
all officers and employees of the

(official name of the State)

to whom Federal returns and Federal
return information may be disclosed
as provided herein.

Attorney General
Signed at _____

this ___ day of _____, 197__.