

COMMONWEALTH of VIRGINIA

Department of Taxation  
Richmond, Virginia 23282

MEMORANDUM

TO: Ron Holt, Supervisor  
Technical Services Section  
Office Services Division

DATE: November 24, 1986

SUBJECT: Form 760C (Individual underpayment of estimated tax)

We have reviewed your memorandum of November 10, 1986, requesting authorization to follow the federal procedure for computing the addition to tax for failure to pay estimated tax.

As you know, the Tax Reform Act of 1986 has changed I.R.C. § 6621 (to which Va. Code § 58.1-15 refers) to provide for an "underpayment rate" and an "overpayment rate" which will change quarterly. The change is effective for all interest accruing after December 31, 1986.

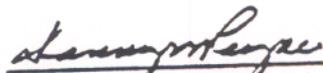
The Act provides a special exception for the individual estimated tax which extends the rate for January through March to April 15 for purposes of computing the addition for failure to pay estimated tax. Act § 1511 amending I.R.C. § 6621(b)(2)(B). The exception is clearly intended to avoid major compliance problems for both the individual and the I.R.S. which would be caused by publishing a form for millions of individuals without all applicable interest rates stated.

The printing of our Form 760C has been delayed pending official confirmation of the federal rates for the first quarter of 1987. Last week we received confirmation that the federal underpayment rate will be 9% effective January 1, 1987, (the overpayment rate for refunds will be 8%). The federal rates for the second quarter of 1987 will not be known until February.

Although the federal law only extends the interest rate for 15 days, the language which creates the exception is the same language used elsewhere in the Internal Revenue Code to define the due date of the federal income tax return. Compare I.R.C. § 6621(b)(2)(B), as amended, with § 6072. Therefore, I interpret the federal exception as extending the interest rate until the due date of the income tax return.

MEMORANDUM  
Ron Holt  
November 24, 1986  
Page 2

In order to implement the policy behind the federal extension, and to avoid the compliance problems which would be caused by printing Form 760C without all applicable interest rates, I construe the federal exception as authorizing Virginia to extend until the due date of Virginia's income tax return, May 1, 1987, Virginia's underpayment interest rate for the purpose of computing the addition for failure to pay the individual estimated tax.



Danny M. Payne, Director  
Tax Policy Division

11/24/86

Date

APPROVED:



W. H. Forst  
Tax Commissioner

11/25/86

Date

cc: Raymond Dobyns  
Harris Payne  
Division Directors  
David Burke  
David Jordan