



copy for  
Tax Policy Staff

COMMONWEALTH of VIRGINIA  
Department of Taxation  
Richmond, Virginia 23282

MEMORANDUM

TO: W. H. Forst  
Tax Commissioner

DATE: December 3, 1986

SUBJECT: Differential Interest Rates

We have discussed with Barbara Rose whether Virginia must conform to the differential interest rates set forth in the new federal tax law. Barbara is of the opinion that Virginia must.

Many sections of the Code of Virginia imposing interest refer to the rate established by Va. Code §58.1-15. That section refers to the interest rate set by §6621 of the Internal Revenue Code. As the federal rate has changed in the past, Virginia has conformed to the rate change. Barbara concludes that even though the Virginia Code refers to one interest rate, the statutory reference to the Internal Revenue Code must prevail, and Virginia must use the two interest rates.

On the basis of the above, it is my recommendation that Virginia adopt a policy of differential interest rates, effective January 1, 1987.

*Danny M. Payne*  
Danny M. Payne, Director  
Tax Policy Division

12/3/86  
Date

APPROVED:

*W. H. Forst*  
W. H. Forst  
Tax Commissioner

12/3/86  
Date

cc: Barbara Rose, Esq.  
Raymond Dobyms  
J. Harris Payne  
Division Directors  
David Burke  
David Jordan