

GUIDELINES FOR THE ACCELERATED SALES TAX PAYMENT

May 3, 2017

These Guidelines are effective for the additional payment made by Dealers who are required to make accelerated sales tax payments in June 2017 and June 2018.

House Bill 1500 (*Acts of Assembly 2017, Chapter 836*) maintains the accelerated sales tax threshold at taxable sales and/or purchases of \$2.5 million or greater in the previous fiscal year for the accelerated sales tax payment due in June 2017. The threshold will increase to taxable sales and/or purchases of \$4 million or greater in the previous fiscal year for the accelerated sales tax payment due in June 2018. Each Dealer meeting this threshold is required to make a payment in June equal to 90 percent of its Retail Sales and Use Tax liability for June of the previous year. Each affected Dealer will be entitled to take a credit for the amount of the accelerated sales tax payment on its payment for June of the current year due July 20. The Department of Taxation (the "Department") will notify each affected Dealer in early May of each year of his obligation to make an accelerated sales tax payment. The Department will provide each affected dealer with payment instructions, a payment voucher for the additional payment, and a worksheet to assist the dealer in reconciling its payment for its June tax liability due in July with the accelerated sales tax payment in late May each year. The previous thresholds for the accelerated sales tax payments and the enacting legislation are provided in the chart below.

Enacting Legislation	Payment in June of	Applied to Dealers with taxable sales and purchases of
House Bill 29 (<i>Acts of Assembly 2010, Chapter 872</i>) House Bill 30 (<i>Acts of Assembly 2010, Chapter 874</i>)	2010	\$1 million or more
House Bill 1500 (<i>Acts of Assembly 2011, Chapter 890</i>)	2011	\$5.4 million or more
House Bill 1300 (<i>Acts of Assembly 2012 Special Session I, Chapter 2</i>)	2012	\$26 million or more
<i>No change</i>	2013	\$26 million or more
House Bill 1500 (<i>Acts of Assembly 2013, Chapter 806</i>) House Bill 5001 (<i>Acts of Assembly 2014 Special Session I, Chapter 1</i>)	2014	\$48.5 million or more
House Bill 1400 (<i>Acts of Assembly 2015, Chapter 665</i>)	2015	\$2.5 million or more
House Bill 1400 (<i>Acts of Assembly 2015, Chapter 665</i>)	2016	\$2.5 million or more
House Bill 1500 (<i>Acts of Assembly 2017, Chapter 836</i>)	2017	\$2.5 million or more
House Bill 1500 (<i>Acts of Assembly 2017, Chapter 836</i>)	2018	\$4 million or more

These guidelines ("Guidelines") are issued by the Department to provide guidance to taxpayers regarding the accelerated sales tax payment. These guidelines are exempt

from the provisions of the Administrative Process Act (*Va. Code § 2.2-4000 et seq.*) and only apply to the additional payment made by Dealers who are subject to the accelerated sales tax payment requirement. Unless noted otherwise below, the applicable Retail Sales and Use Tax Regulations (*23 Virginia Administrative Code (VAC) 10-210-10 et seq.*) continue to apply. To the extent that the legislative change requiring the accelerated sales tax payment conflicts with the regulations, the legislation supersedes the regulations, and these Guidelines, developed pursuant to the legislation, should be followed. As necessary, additional guidelines will be published and posted on the Department's web site, www.tax.virginia.gov.

Accelerated Sales Tax Payment Requirement

Any Dealer having taxable sales and/or purchases of \$2.5 million or greater during the 12-month period beginning July 1, 2015 and ending June 30, 2016 is required to make an accelerated sales tax payment in June 2017 equal to 90 percent of his Retail Sales and Use Tax liability for June 2016. Any Dealer having taxable sales and/or purchases of \$4 million or greater during the 12-month period beginning July 1, 2016 and ending June 30, 2017 is required to make an accelerated sales tax payment in June 2018 equal to 90 percent of his Retail Sales and Use Tax liability for June, 2017.

The accelerated sales tax payment is due on or before June 30 if paying by electronic funds transfer. If payment is made by another method, the payment must be made on or before June 25. In the event that either June 25 or June 30 falls on a Saturday or Sunday, any payment made on or before the next succeeding business day will be considered timely. For the June 2017 accelerated sales tax payments, payments made by electronic funds transfer are due June 30, all other payments are due June 26. For the June 2018 accelerated sales tax payments, payments made by electronic funds transfer are due July 2, all other payments are due June 25. Dealers who are required to remit the Retail Sales and Use Tax by electronic funds transfer are also required to remit the accelerated sales tax payment for those accounts by electronic funds transfer. Dealers who are not currently required to remit the Retail Sales and Use Tax for specific accounts by electronic funds transfer may remit the accelerated sales tax payment for those accounts by either electronic funds transfer or by mail. (Source: Item § 3-5.06, *Acts of Assembly 2017*, Chapter 836)

Beginning with the July 2012 return, all monthly sales and use tax returns and payments are required to be filed and remitted electronically, unless a hardship waiver has been granted by the Tax Commissioner. Waivers will be granted if the Tax Commissioner finds that this requirement creates an unreasonable burden on the dealer. All requests for waiver must be submitted to the Tax Commissioner in writing. (Source: Item 270 (L), *Acts of Assembly 2017*, Chapter 836)

Affected Dealers

For the purposes of the Accelerated Sales Tax Payment, “Dealer” includes every person who is required to collect and remit sales tax and also every person who is required to remit use tax to the Commonwealth.

Under current law, in general, and with limited exceptions, every Dealer must file his Retail Sales and Use Tax return and remit the tax due for transactions occurring during the month on or before the twentieth day of the following month. (Source: *Va. Code* § 58.1-615)

The applicability of the accelerated sales tax to each Dealer will be determined each year by the Department based on the Dealer’s taxable sales or purchases in the previous fiscal year (July 1 – June 30) without regard to whether the Dealer was subject to the accelerated sales tax payment in the past. Taxable sales or purchases will be computed without regard to the number of certificates of registration held by the Dealer. The accelerated sales tax payment will not apply to persons who are required to file only a Form ST-7, Consumer's Use Tax Return. In addition to the sales and purchases reported by each dealer on his returns, a Dealer's taxable sales and purchases includes those sales and purchases assessed to the Dealer by the Department for the previous fiscal year, including audit assessments and other adjustments to returns for the previous fiscal year.

Example 1:

Dealer is a retailer who holds a certificate of registration for 8 locations and files one consolidated return for all locations. Each location had taxable sales of \$7 million in Fiscal Year 2016 (the 12-month period beginning July 1, 2015, and ending June 30, 2016), for a total of \$56 million in Fiscal Year 2016. Each location had taxable sales of \$250,000 in Fiscal Year 2017 (the 12-month period beginning July 1, 2016, and ending June 30, 2017), for a total of \$2 million in Fiscal Year 2017.

In June 2017, Dealer is required to make an accelerated sales tax payment of 90 percent of his entire Retail Sales and Use Tax liability, less any applicable dealer discount, for June 2016. In June 2018, Dealer would not be required to make an accelerated sales tax payment.

Example 2:

Dealer is a retailer who holds a certificate of registration for 8 locations and files separate returns for each location. Each location had taxable sales of \$7 million in Fiscal Year 2016 (the 12-month period beginning July 1, 2015, and ending June 30, 2016), for a total of \$56 million in Fiscal Year 2016. Each location had taxable sales of \$250,000 in Fiscal Year 2017 (the 12-month period beginning July 1, 2016, and ending June 30, 2017), for a total of \$2 million in Fiscal Year 2017.

Regardless of the number of certificates of registration held by a Dealer, the Department will add together all of the taxable sales and purchases of the Dealer when determining whether the Dealer is subject to the accelerated sales tax payment. In June 2017, Dealer is required to make an accelerated sales tax payment of 90 percent of his entire Retail Sales and Use Tax liability, less any applicable dealer discount, for June 2016. In June 2018, Dealer would not be required to make an accelerated sales tax payment.

Exceptions

A Dealer who would otherwise be required to make an accelerated sales tax payment but is no longer in business, will not be required to make the accelerated sales tax payment. In making the determination regarding whether a Dealer is exempt from the requirement to make an accelerated tax payment, a corporate or similar reorganization that simply results in the use of a new Virginia Retail Sales and Use Tax registration number or Federal Employer Identification Number (FEIN) will not relieve the Dealer from having to make an accelerated sales tax payment. Likewise, Dealers who have filed a petition for a bankruptcy reorganization on or before June 30 would not be exempted from the requirement of making an accelerated sales tax payment.

Example 3:

Dealer had taxable sales of \$5 million in Fiscal Year 2016 (the 12-month period beginning July 1, 2015, and ending June 30, 2016) and is required to make the accelerated sales tax payment. Dealer goes out of business effective December 1, 2016.

Dealer would not be required to make the accelerated sales tax payment.

Example 4:

Dealer was organized as a corporation and had taxable sales of \$5 million in Fiscal Year 2016 (the 12-month period beginning July 1, 2015, and ending June 30, 2016) and is required to make the accelerated sales tax payment. Dealer reorganizes his business as a limited liability company effective December 1, 2016.

Dealer would be required to make the accelerated sales tax payment.

Accelerated Sales Tax Payment and Reconciliation

In May of each year that a Dealer is subject to the accelerated sales tax payment requirement, the Department will mail the Dealer a notice and voucher listing the amount of the accelerated payment due. Unless the dealer has received a hardship waiver from the Department (see below), the amount due will be equal to 90 percent of his Retail Sales and Use Tax liability for the previous June. The accelerated sales tax payment will be due on June 25 for Dealers paying by mail and on June 30 for Dealers

Guidelines for the Accelerated Sales Tax Payment
May 3, 2017

paying electronically. In the event that either June 25 or June 30 falls on a Saturday or Sunday, any payment made on or before the next succeeding business day will be considered timely. The Department will not bill an account with a tax liability that is *de minimus*. Each mailing will also contain a reconciliation worksheet (see below). If a Dealer does not receive a mailing and believes that he is liable to make the accelerated sales tax payment, he should contact the Department at (804) 367-8037 for assistance.

In July, Dealers will reconcile their actual tax liability for June against the accelerated payment using their regular filing procedures. If a Dealer files electronically using iFile or Web Upload, the Department will automatically reconcile the Dealer's tax liability. If a Dealer files by mail, the Dealer should fill out his regular June Retail Sales and Use Tax return and compute his **actual tax liability for June** on the return, without regard to the accelerated sales tax payment. The Dealer should then use the reconciliation worksheet to subtract the amount of the accelerated sales tax payment from his actual June Retail Sales and Use Tax liability to determine the amount of the payment due with the return. The Dealer will be responsible for filing his regular June Retail Sales and Use Tax return and paying the amount due on or before July 20. The Department will verify that the accelerated sales tax payment and the payment made with the June return equal the actual tax liability shown on the June return. If the accelerated payment creates an overpayment for June, the Dealer should follow the same procedure for the July return due in August. To the extent that a Dealer is not able to claim the credit in its entirety on the July return, the Department will automatically issue the Dealer a refund.

Example 5:

Dealer had taxable sales of \$52 million in Fiscal Year 2016 (the 12-month period beginning July 1, 2015, and ending June 30, 2016) and is required to make the accelerated sales tax payment. The Dealer's Retail Sales and Use Tax liability for June 2016 was \$5 million. Dealer's actual sales and use tax liability for June 2017 is \$6 million.

In June 2017, Dealer will be required to make an accelerated sales tax payment of \$4.5 million ($\$5 \text{ million} \times 90\%$). By July 20, 2017, Dealer will file his regular June Retail Sales and Use Tax return showing his actual tax liability for June of \$6 million and remit a payment of \$1.5 million, the difference between his actual Retail Sales and Use Tax liability for June 2017 and his accelerated sales tax payment ($\$6 \text{ million} - \$4.5 \text{ million} = \$1.5 \text{ million}$).

Example 6:

Dealer had taxable sales of \$52 million in Fiscal Year 2016 (the 12-month period beginning July 1, 2015, and ending June 30, 2016) and is required to make the accelerated sales tax payment. The Dealer's Retail Sales and Use Tax liability for June 2016 was \$5 million. Dealer's actual sales and use tax liability for June 2017 is

Guidelines for the Accelerated Sales Tax Payment
May 3, 2017

\$4 million. The Dealer's actual sales and use tax liability for July 2017 is \$4.5 million.

In June 2017, Dealer will be required to make an accelerated sales tax payment of \$4.5 million (\$5 million x 90%). By July 20, 2017, Dealer will file his June Retail Sales and Use Tax return showing his actual tax liability of \$4 million and remit no payment with the June return, as his accelerated sales tax payment was greater than his actual Retail Sales and Use Tax liability for June 2017 by \$500,000. On his July Retail Sales and Use Tax return, the Dealer would show his actual tax liability of \$4.5 million and remit a payment of \$4 million, the difference between his actual Retail Sales and Use Tax liability for July 2017 and the remaining credit from the accelerated sales tax payment (\$4.5 million -\$500,000).

Beginning with the July 2012 return, all monthly sales and use tax returns and payments are required to be filed and remitted electronically, unless a hardship waiver has been granted by the Tax Commissioner. Dealers may remit the accelerated sales tax payment online through Business iFile or by contacting their banks to initiate an ACH Credit and Dealers may file returns online through eForms, Business iFile or Web Upload. Please refer to the Electronic Payments Guide available on our website, www.tax.virginia.gov, for details. Payments and returns may also be mailed.

Penalties and Interest

Except with respect to fraudulent returns, the failure to make a timely and full payment of the accelerated sales tax will subject the Dealer to a penalty of six percent of the amount of tax underpayment. No other penalty for delinquent returns or payments will apply. (Source: Item § 3-5.06, *Acts of Assembly* 2017, Chapter 836)

In the case of a false or fraudulent return where willful intent exists to defraud the Commonwealth of this tax, or in the case of a willful failure to file a return with the intent to defraud the Commonwealth of this tax, a penalty of 50 percent of the amount of the proper tax shall be assessed. (Source: *Va. Code* § 58.1-635(A))

The rate of interest on omitted taxes and assessments is the "Underpayment Rate" established pursuant to *Va. Code* § 58.1-15. (Source: Item § 3-5.06, *Acts of Assembly* 2017, Chapter 836)

Dealers are also responsible for timely filing their return and paying the tax due for May on or before June 20 and their return for June on or before July 20. In the event that either June 20 or July 20 falls on a Saturday or Sunday, any payment made on or before the next succeeding business day will be considered timely. Failure to file or pay the full amount of tax due by the due date will result in the assessment of a penalty of six percent per month in addition to the tax owed. The maximum penalty is 30 percent, and the minimum penalty is \$10.00. The minimum penalty applies to late returns even if there is no tax owed.

Hardship Exceptions

The Tax Commissioner may waive the requirement for Dealers to make the accelerated sales tax payment or allow the Dealer to pay a lesser amount upon a finding that the accelerated payment requirement would cause an undue hardship. Any Dealer otherwise required to make an accelerated sales tax payment must request a waiver from the Tax Commissioner in writing and clearly demonstrate the nature of the hardship with documentation and financial records. In general, if the Dealer can show an undue hardship, the Tax Commissioner will allow the Dealer to make an accelerated sales tax payment equal to 90 percent of the Dealer's average monthly Retail Sales and Use Tax liability for the first quarter of the current calendar year. Undue hardship would include, but is not limited to:

- The selling or closing of a significant part of the Dealer's business that results in the Dealer's sales and use tax liability in current months being substantially lower than his liability for the previous June;
- A substantial decline in sales since the previous June;
- Extenuating circumstances, such as a major change in the Dealer's business model, such that the accelerated payment amount would cause a financial hardship on the Dealer;
- Out-of-state Dealers who no longer make sales in Virginia;
- A Dealer who is primarily eligible for the accelerated sales tax payment because of a one-time extraordinary event in the previous fiscal year;
- A Dealer whose tax liability for the previous June included a one-time extraordinary event.

The Tax Commissioner will not waive the requirement for payment of the accelerated sales tax payment except for in extraordinary circumstances.

Example 7:

In June 2016, Dealer was a retailer and had a Retail Sales and Use Tax liability for the month of \$3 million. However, sales for the Dealer have significantly dropped and Dealer's average monthly sales and use tax liability for the first quarter of calendar year 2017 was \$250,000.

Dealer may request in writing a waiver from the Tax Commissioner and provide any necessary documentation to demonstrate the drop in taxable sales. The Tax Commissioner may grant the Dealer a waiver and Dealer's accelerated sales tax payment will be \$225,000 ($\$250,000 \times 90\%$).

Guidelines for the Accelerated Sales Tax Payment
May 3, 2017

Example 8:

In June 2016, Dealer was both a wholesaler and a retailer and had a Retail Sales and Use Tax liability for the month of \$3 million. In January 2015, Dealer closed down his retail locations and now only sells at wholesale. Dealer has had no sales tax liability since December 2016.

Dealer may request in writing a waiver from the Tax Commissioner and provide any necessary documentation to show the change in his business structure. The Tax Commissioner may grant the Dealer a waiver, and the Dealer will be relieved of his responsibility to make an accelerated sales tax payment.

Hardship waiver requests must be accompanied by full and complete documentation containing sufficient information so that the grounds upon which the Dealer relies in requesting a hardship waiver are fully set forth to allow the Tax Commissioner to make an informed determination.

Dealers should make every effort to submit requests for waivers as soon as possible in order to receive a timely decision from the Department. However, all requests for hardship waivers must be received by the Department by June 8. Applications for hardship waivers should be mailed to:

Tax Commissioner
Virginia Department of Taxation
Post Office Box 5771
Richmond, Virginia 23220-0771

Applications for hardship waivers may also be sent by fax to (804) 225-3376. The Department is not responsible for delays resulting from a Dealer using other addresses or fax numbers.

Until a Dealer who is otherwise required to make an accelerated sales tax payment is notified by the Department that he may pay a different amount or is not required to make an accelerated sales tax payment, the Dealer must make an accelerated sales tax payment equal to 90 percent of his Retail Sales and Use Tax liability for the previous June on or before June 25 if paying by mail and on or before June 30 if paying electronically.

Requests for Reconsideration

In cases where a Dealer is able to demonstrate that the Department's determination on its request for a hardship exception was not based on correct or complete facts, the Dealer may request reconsideration of the Department's determination. Requests for reconsideration should be mailed to:

Guidelines for the Accelerated Sales Tax Payment
May 3, 2017

Tax Commissioner
Virginia Department of Taxation
Post Office Box 5771
Richmond, Virginia 23220-0771

Requests for reconsideration may also be sent by fax to (804) 225-3376.

In order for the Tax Commissioner to grant a request for reconsideration, the dealer must demonstrate one of the following:

- The facts upon which the original determination is based are misstated by the Tax Commissioner or are inaccurate, and the determination would have a different result based on a correction of the Tax Commissioner's misstatement of the facts presented or a clarification of the original facts presented in the taxpayer's request for a hardship waiver; or
- The Dealer has discovered additional evidence or documentation that was not available to the Dealer at the time the original request for a hardship waiver was filed with the Department, and the additional evidence or documentation would produce a result different from the original determination.

Requests for reconsideration will be reviewed as time permits. Although the Department will make every effort to answer each request for reconsideration in a timely fashion, until a Dealer who is otherwise required to make an accelerated sales tax payment is notified by the Department that he may pay a different amount or is not required to make an accelerated sales tax payment, the Dealer must make an accelerated sales tax payment equal to 90 percent of his Retail Sales and Use Tax liability for the previous June by June 25 if paying by mail and on June 30 if paying electronically.

Disposition of Revenues

With the exception of revenues distributed under the provisions of *Va. Code* §§ 58.1-605, 58.1-606, 58.1-638(A), 58.1-638(G)-(H), 58.1-638.2, and 58.1-638.3, all revenues collected from the accelerated sales tax payment will be considered General Fund revenue. However, no distribution of the state or local Retail Sales and Use Tax revenues will be made until the Tax Commissioner certifies the revenues. The Tax Commissioner shall certify the Retail Sales and Use Tax revenues generated by the accelerated sales tax payments as soon as practicable after the funds have been paid into the state treasury in any month for the preceding month. If the Governor determines on July 31 of each year that funds are available to transfer the state Retail Sales and Use Tax revenues in accordance with *Va. Code* §§ 58.1-638(B)-(F) and 58.1-638.1, he shall direct the State Comptroller to make such allocation. (Source: Item § 3-5.06, *Acts of Assembly* 2017, Chapter 836)

Additional Information

These Guidelines are available on-line in the Laws, Rules & Decisions section of the Department's website, located at www.tax.virginia.gov/content/welcome-laws-rules-decisions. For additional information, please contact the Department at (804) 367-8037 or visit www.tax.virginia.gov.

Approved:

A handwritten signature in black ink, appearing to read "Craig M. Burns". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Craig M. Burns
Tax Commissioner