

## Virginia clarifies payment extension and interest waiver do not apply to partnership nonresident withholding tax

### Overview

On April 27, 2020, the Virginia Department of Taxation ("Department") published Tax Bulletin 20-5 which addressed 2020 legislation that automatically waives the accrual of interest for certain Virginia income and sales tax payments that have been extended in response to COVID-19. The Department further clarifies that the interest waiver and payment extension previously announced do not apply to pass-through entity nonresident withholding tax.

### Relief under Virginia Tax Bulletin 20-4

Pursuant to the previously issued Tax Bulletin 20-4, on March 19, 2020 Governor Ralph Northam announced an extension of the due date for certain tax payments. Tax Bulletin 20-4 provides that "[a]ny income payments due during the period from April 1, 2020 to June 1, 2020 can now be submitted to the Department at any time on or before June 1, 2020 without penalty."<sup>1</sup> As a result, the Department is automatically waiving any late payment penalties if the tax due is paid in full by June 1, 2020.

### Relief under Virginia Tax Bulletin 20-5

Pursuant to budget amendments enacted by the General Assembly (Item 3-5.23 of House Bill 29, Chapter 1283 of the 2020 Acts of Assembly, and Item 3-5.22 of House Bill 30), Virginia will waive the accrual of interest for certain Virginia income and sales tax payments that are paid on extension in response to the coronavirus disease 2019 (COVID-19) crisis. Tax Bulletin 20-5 explains this relief stating that certain income payments originally due during the period from April 1, 2020 to June 1, 2020 may now be submitted to the Department without the accrual of interest as otherwise required for late payments.<sup>2</sup>

### Clarification relief does not apply to pass-through entity nonresident withholding tax

The interest waiver and payment extension apply to income tax paid with a pass-through entity composite tax return. However, the Department clarified in Tax Bulletin 20-5 the relief does not apply to pass-through entity nonresident withholding tax. As such, interest and penalties may be imposed if the nonresident withholding tax was not paid by the original due date (4/15/2020 for calendar year pass-through entities).

### Considerations

Taxpayers that deferred payment of pass-through entity nonresident withholding tax beyond the original April 15, 2020 due date should discuss with their state tax advisors.

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<sup>1</sup> Tax Bulletin 20-4 can be found [here](#).

<sup>2</sup> Tax Bulletin 20-5 can be found [here](#).

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