


ACCELERATED FEDERAL WITHHOLDING PAYMENTS

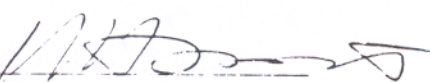
ISSUE: For Social Security taxes and withheld federal income taxes required to be deposited after July 31, 1990, employers currently subject to eighth-monthly withholding will be required to make deposits of federal income tax withholding and FICA taxes on the first banking day after any day that they have \$100,000 or more in federal income tax withholding and FICA taxes to deposit. For 1991, they will have two banking days to make the deposit, for 1992, they will have 3 banking days. For 1993 and 1994, they will have one banking day. After 1994, the time limitations may be set by regulation.

RECOMMENDATION: Virginia filing days are tied to the federal filing periods. Therefore, if a Virginia employer is required to make a federal payment for a period other than one of the eighth-monthly periods, because his federal combined FICA tax and income tax withholding is \$100,000 or more, a Virginia payment should be required within three banking days from the day that the federal accumulated taxes are \$100,000 or more.



Janie E. Bowen, Director
Tax Policy Division

8/26/90
Date

APPROVED: 
W. H. Forst
Tax Commissioner

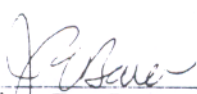
8/28/90
Date

WITHHOLDING FROM EMPLOYEE BUSINESS EXPENSE REIMBURSEMENTS
RECEIVED AFTER JULY 1, 1990
ISSUE 1

ISSUE: Pursuant to Federal Temporary Regulation Section 31.3401(a)-2T, the appropriate tax treatment of employee business expense reimbursements received after 1988 depends upon whether the reimbursements were received under an accountable or nonaccountable plan, as defined by the regulations. Reimbursements made under a nonaccountable plan on or after July 1, 1990, for expenses paid or incurred after that day, are included in wages and are subject to withholding taxes when paid.

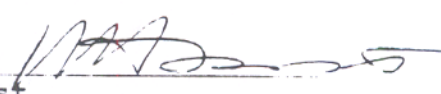
RECOMMENDATION: Based on the following considerations, conformity to the federal changes is recommended:

- ◆ Virginia Code § 58.1-460, defining wages subject income tax withholding does not provide an exclusion for such income.
- ◆ Conforming to the federal change would make the administration of income tax withholding easier for employers, i.e., by not requiring a separate set of payroll records for Virginia withholding purposes.



Janie E. Bowen, Director
Tax Policy Division

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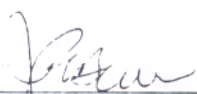
W. H. Forst
Tax Commissioner

8/25/90
Date

WITHHOLDING FROM EMPLOYEE BUSINESS EXPENSE REIMBURSEMENTS
RECEIVED AFTER JULY 1, 1990
ISSUE 2


ISSUE: IRS withholding regulations pertaining to supplemental wage payments provide an employer with the option of using a flat 20% rate, without allowance for exemptions and without reference to any regular payment of wages. Should Virginia follow the federal approach?

RECOMMENDATION: Previous policy with respect to lottery winnings imposed a flat rate of Virginia withholding of 4% when the federal withholding rate of 20% applied. Therefore, for consistency and ease of administration, the use of a 4% flat rate, without allowance for personal exemptions and without reference to any regular payment of wages, should be used as an alternative to the withholding tables when the 20% federal withholding rate is used.



Janie E. Bowen, Director
Tax Policy Division

8/26/90
Date

APPROVED: 

W. H. Forst
Tax Commissioner

8/28/90
Date