

COMMONWEALTH OF VIRGINIA TAXES

Registration

Every business operating in the Commonwealth of Virginia must register with the agency that administers the taxes which may apply to the operation of the business. All corporations and partnerships must obtain an Employee Identification Number (EIN) from the Internal Revenue Service (IRS) for use as a taxpayer identification number. Sole proprietors are also required to obtain an EIN if they pay wages to one or more employees or if they file an excise tax return.

Virginia Department of Taxation

The major state income and general business taxes administered by the Virginia Department of Taxation include the following:

- C Corporate Income Tax
- C Individual Income Tax
- C Employer Income Tax Withholding
- C Retail Sales and Use Tax
- C Litter Tax
- C Motor Vehicle Fuel Tax

Corporate Income Tax

All domestic and foreign corporations registered with the State Corporation Commission must file corporate income tax with the Virginia Department of Taxation, if required to file a federal income tax return. Exceptions include non-profit corporations, public service corporations and insurance companies. If the corporation is involved in business activities in several states and its income is subject to tax by both Virginia and other states, Virginia levies a tax on only the portion of its income generated in Virginia. Every corporation subject to the state income tax must make a declaration of its estimated income for the year, and submit installment payments if its tax can be expected to exceed \$1,000.

Individual Income Tax

The Virginia individual income tax applies to all taxable income received by Virginia residents and to taxable income from Virginia sources received by non-resident individuals.

Employer Income Tax Withholding

An employer who pays wages to one or more employees must deduct and withhold state income tax from such wages. A return must be filed regardless of whether any tax is due.

Retail Sales and Use Tax

Retail sales are defined as sales to a consumer or any person for purposes, other than for resale. The use tax applies to tangible personal property used consumed or stored in Virginia but purchased out of state that would have otherwise been subject to sales tax. A return must be filed even if no tax is due.

Litter Tax

A litter tax is imposed on every business operating as a manufacturer, wholesaler, distributor, or retailer of certain enumerated products.

Motor Vehicle Fuel Tax

This tax is imposed in each city or county which is a member of a transportation district in which a rapid rail or bus commuter transport system exists.

Contact: For more detailed information about state income tax and state general business tax, contact the *Virginia Department of Taxation, Regional Office at (703) 359-6715*. See the appendix for the address of the Virginia Department of Taxation.

Virginia Employment Commission

The Virginia Employment Commission (VEC) administers the Employer Unemployment Tax. Virginia levies an unemployment tax based on wages of employees who work in Virginia. Taxes are paid on the first \$8,000 of annual wages paid to each employee. The tax rate can vary depending on the employer's experience rating.

Contact: For more information about employer unemployment tax, please contact the *Virginia Employment Commission (VEC) at (703) 813-1300*. See the appendix for VEC's address.