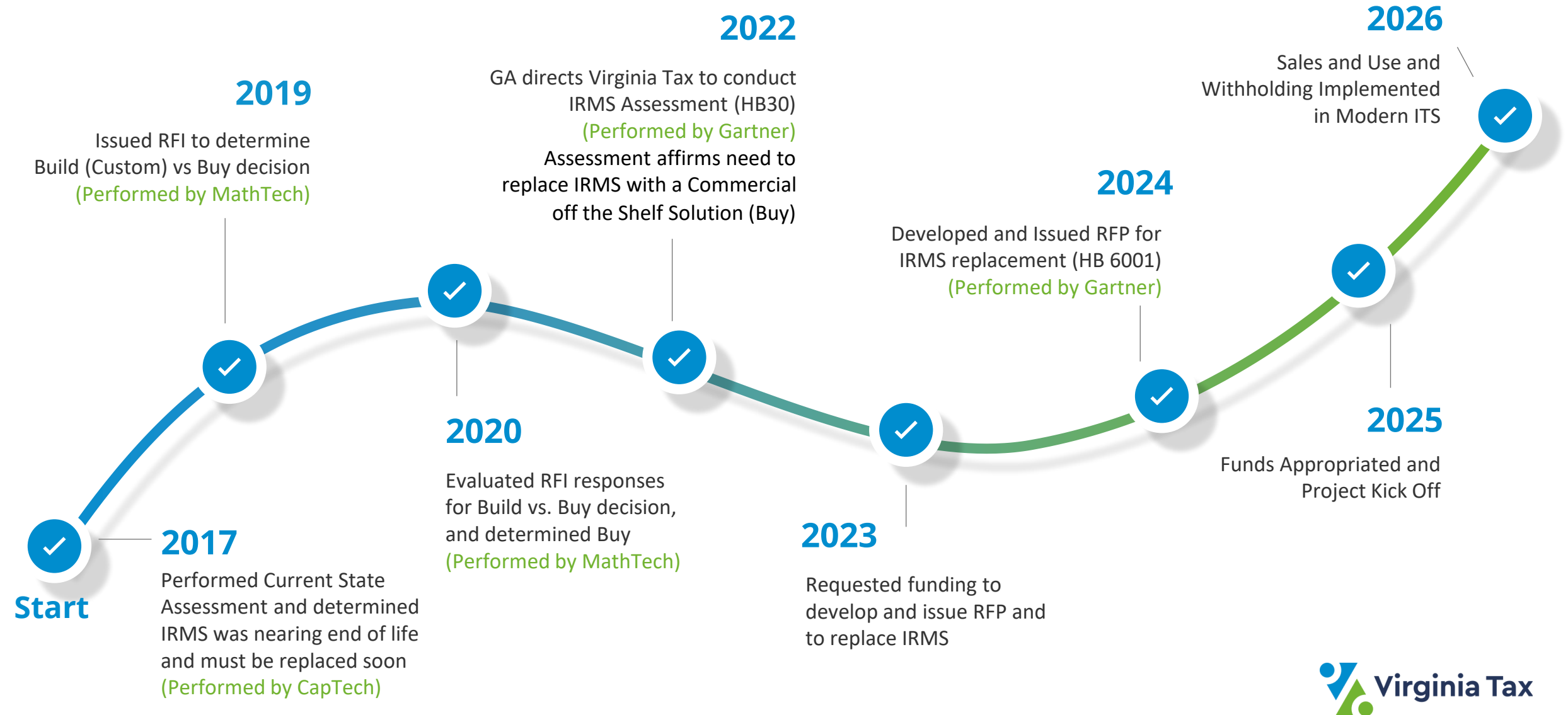


Update on Tax System Replacement

January 27, 2026

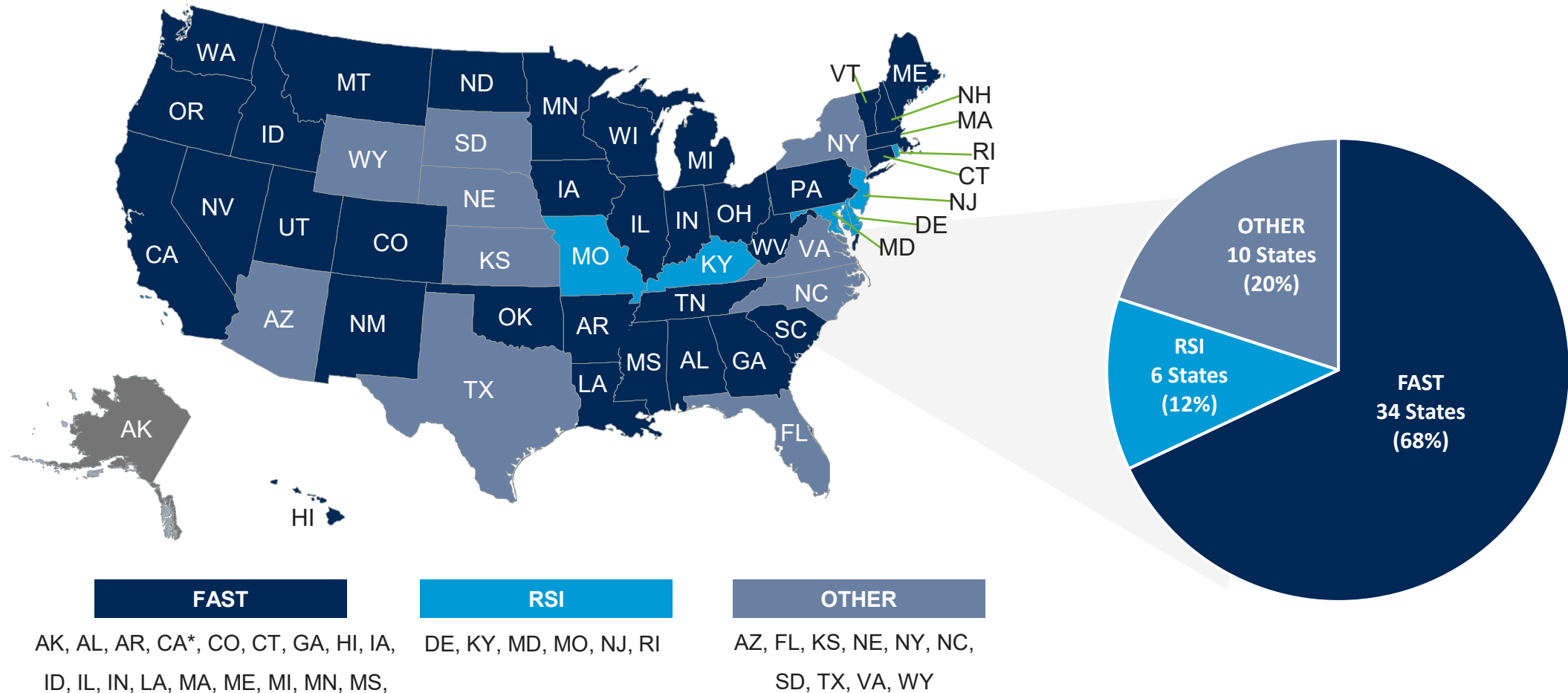
IRMS Replacement RFP and Project Timeline

2



Nationwide Tax Systems: Solution Landscape

3



Implementation Timeline

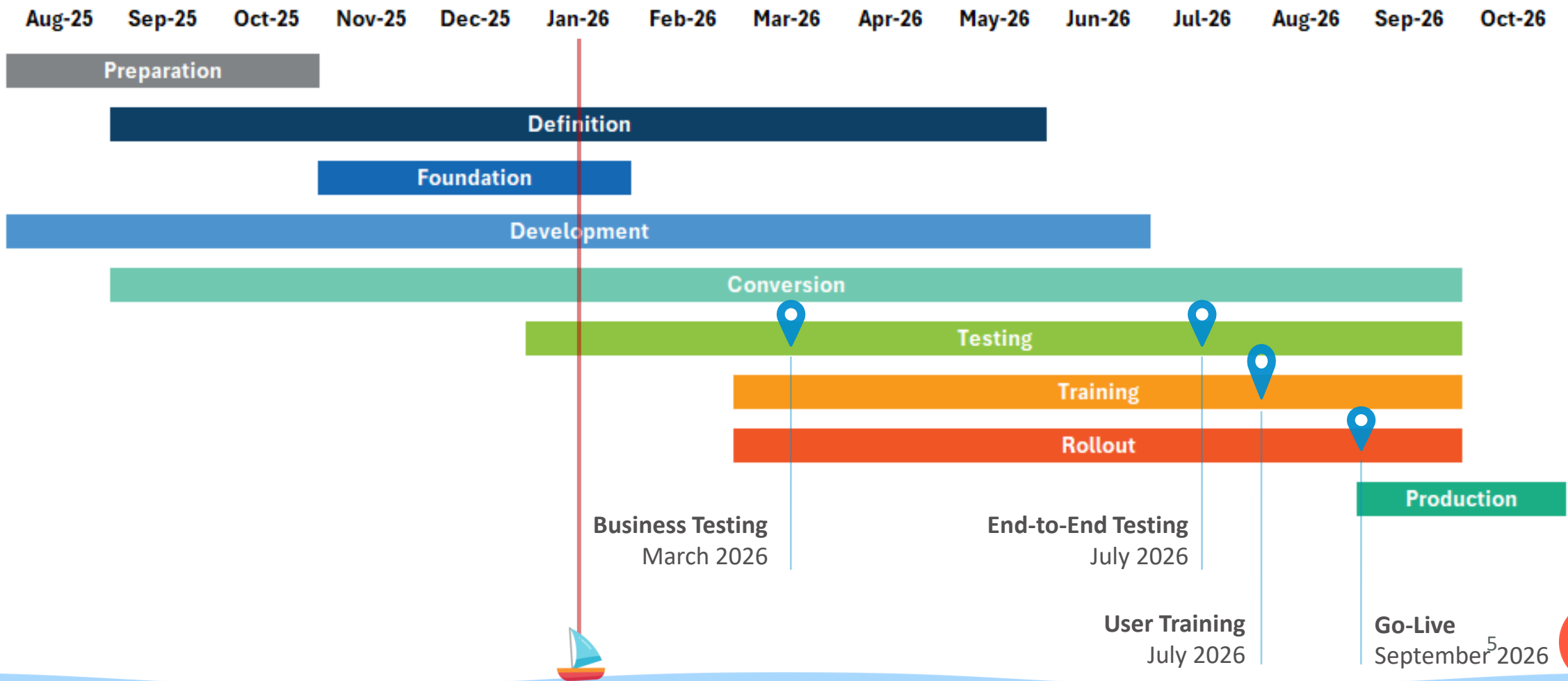
4

Rollout 1	Rollout 2	Rollout 3	Rollout 4
<ul style="list-style-type: none">• Sales & Use<ul style="list-style-type: none">• In State• Out of State• Business Consumer Use• Employer Withholding• Digital Media• E-911 Prepaid• Plastic Bag• Vending Machine• Tire Fee	<ul style="list-style-type: none">• Corporate Income• Bank Franchise• Insurance Premium License (includes a retaliatory tax)• Communications• E-911 Post Paid• Litter• Motor Vehicle Rental• Peer-to-Peer Vehicle	<ul style="list-style-type: none">• Individual Income• Estate• Fiduciary• Pass-Through Entity• Aircraft Sales and Use• Aircraft Consumer Use• Watercraft Sales and Use• Watercraft Consumer Use	<ul style="list-style-type: none">• Apple• Cattle• Cigarette Tax & Penalties• Other Tobacco Products• Corn• Cotton• Egg• Forest Products• Peanut• Soybean• Sheep• Small Grains• Soft Drink• Railroad Rolling Stock• Property Tax
September 2026	September 2027	September 2028	September 2029



Each Rollout will go live over **Labor Day** weekend

PHASE 1 (SALES TAX) TIMELINE



- ▶ Changing the structure/lines of the return late in conversion and mid-testing is high risk:
 - ▶ Potential impact to processing of all sales tax returns
 - ▶ Potential delayed distribution (to localities, education, and transportation)
 - ▶ Sales tax changes are ongoing (monthly), so limited window to make adjustments
 - ▶ Risk of setting project schedule behind (Phases 2 and 3 require sufficient testing and adjustment time prior to filing season)
- ▶ Making changes after business testing begins (March 1) will require duplication of testing and increased costs (would need additional contractor resources)
- ▶ Vendor recommends delaying substantive changes to the form until Jan 1, 2027

July 1, 2026:

- ▶ Can implement changes to tax base without any change to the rate structure or distribution formula
- ▶ Examples:
 - ▶ Eliminate (or create) sales tax exemptions
 - ▶ Expand sales tax base to services
 - ▶ Expand sales tax base to digital products and/or services

October 1, 2026:

- ▶ Can implement rate changes (no changes to distribution)
- ▶ Examples:
 - ▶ Change 4.3% statewide rate to 4%
 - ▶ Increase tire tax from \$0.50 to \$1.00

January 1, 2027:

- ▶ Can implement changes to tax forms/systems (including changes to rate structure and distribution formula)
- ▶ Examples:
 - ▶ New tax line (ex: retail delivery fee)
 - ▶ New distribution formula
 - ▶ New regional rates

Thank you



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Tax Commissioner

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