ISSUE 3 AUGUST 1, 2026

Virginia NATP

2026 ANNUAL TAX CONFERENCE ISSUE - details inside

From the Chapter President:

Dear Members,

As we move into the third quarter, I want to talk about the theme that seems to be following us into every conversation this year — inside our profession and well beyond it: artificial intelligence.

It's not an overstatement to say AI has become the defining shift in how tax work gets done. Preparers are using AI-assisted tools to speed up document review, flag discrepancies, draft client correspondence, and model scenarios that used to take hours by hand. At the same time, the IRS itself has been leaning further into AI for return processing, fraud detection, and compliance case selection. Whether we're ready for it or not, AI is becoming a standard part of the tax ecosystem — for the people preparing returns and the agency reviewing them.

That creates real opportunity, and real responsibility.

The opportunity is efficiency and better client service. Tools that once required a large staff or expensive software are now accessible to solo preparers and small firms. Used well, AI can free up time for the part of our work that actually requires a human — judgment, strategy, and the trust relationship we build with clients.

The responsibility is making sure we don't let convenience outpace competence. AI tools can misread a nuanced tax situation, miss context a client didn't think to mention, or simply get something wrong with total confidence. Every output still needs a professional's eye before it reaches a return or a client. Our credentials mean something precisely because a person — not a model — stands behind the work. That doesn't change because the tools got smarter.

I'd also flag that the IRS's own adoption of AI has real implications for us. As their systems get better at pattern recognition, the quality and consistency of what we file matters more, not less. Sloppy work that used

Avoiding 760C

Page 5 - How to head off the penalty letters.

VA 2026 Tax Plot Twist

Page 6 - A look ahead at fixed conformity.

Don't forget... the annual auction!

If you wish to donate an item to be auctioned off, please bring it to registration when you arrive on the first day.

to slip through is more likely to get flagged. That's a good argument for tightening our own review processes now, before it's forced on us.

Here's my ask for this quarter:

- **Get familiar with the AI tools relevant to your practice**, even if you're not using them yet. Understanding them is no longer optional.
- **Build in a verification step** for any AI-assisted output before it goes to a client or the IRS.
- **Talk to your clients about it.** Many are curious or anxious about AI touching their financial data. A short, honest conversation builds trust.
- **Bring your questions and concerns to the association.** We're are planning a few AI centric CE offerings at the state conference and resources on AI tools specific to tax practice for the next two quarters — member input will shape what we prioritize.

This is a genuine inflection point for the profession, not just a buzzword cycle. The firms and preparers who adapt thoughtfully — without losing the judgment and care that define good tax work — are the ones who'll come out ahead.

As always, thank you for the work you do and the trust your clients place in you.

Warm regards,

"Look at the bright side. Every dollar you pay in taxes is money your wife can't spend on weekend fix-up projects."

2026 Conference Agenda

REGISTER AT WWW.VANATPTAX.COM

2 Day Conference - Snacks and Lunch Included - Members $350

NOVEMBER 5 2026		CPE**	CLASS
7:15a			Registration **continental breakfast provided**
8:00a			Welcome
8:30a		2	OBBB & Trump Account
10:10a			Break **beverages and snacks provided**
10:20a		2	Schedule C & Schedule E Basics
12:00p			Lunch **provided**
1:00p		2	Schedule E converting to Schedule C
2:40p		1	Resolution
3:30p			Break **beverages and snacks provided**
3:50p		2	Ethics
5:30P			Hospitality Suite and Annual Auction
NOVEMBER 6 2026		**CPE****	**CLASS**
7:15a			Registration **continental breakfast provided**
8:00a			General Meeting
8:30a		2	IRAs
10:10a			Break **beverages and snacks provided**
10:20a		2	Preparer roundtable
12:00p			Lunch **provided**
1:00p		1	AI Practice Management
1:50p		1	IRS Trends
2:30p			Stretch Break ***beverage and snacks provided**
2:40p		1	Form 3115
3:50p		1	8821 vs 2848 Transcripts
4:40p			Closing Ceremony, Installation of Officers, Awards, & Drawings

2026 Conference Details

Hilton Garden Inn - Woodbridge

2500 Neabsco Common Place
Woodbridge, VA 22191
(703) 590-2500
$129/night
Booking Code: N.A.T.P.

This year's charity

The StreetLight

StreetLight Community Outreach Ministries is a non-profit founded on the belief that a little help can go a long way. Our mission is to help those in need. We have two primary goals: feed the hungry & house the homeless. StreetLight accomplishes these goals through our Supportive Housing Program, Homeless Prevention Program, Supportive Shelter, Hypothermia Shelter, Weekly Community Outreach Dinner to the Homeless, Food Pantry, Clothing Closet, and Homeless Campsite Outreach. www.thestreetlight.org

Avoiding the Virginia Form 760C Underpayment Penalty

As we are in letter season, we all get that call, "What is this penalty letter. They want more money, but I paid them on time."

Here is a summary how to avoid the Virginia Form 760C estimated tax underpayment penalty. In general, Virginia expects enough tax to be paid during the year through withholding and/or timely estimated tax payments. Paying the full balance with the return does not, by itself, avoid the penalty.

The main safe harbor is to ensure that payments made by each installment due date equal at least the lesser of:

- 90% of your current-year Virginia income tax, or
- 100% of your prior-year Virginia income tax, assuming the prior year was a full 12-month Virginia taxable year.

Virginia also provides exceptions that may reduce or eliminate the penalty in certain cases, including where income was uneven during the year. In those situations, annualized income or other installment-based methods may apply.

One helpful feature is that Virginia generally treats withholding as paid evenly throughout the year unless actual payment dates are established. As a result, increasing withholding later in the year can sometimes help more than making a late estimated payment.

A few important points: a later overpayment generally does not erase an earlier underpayment, and a late payment usually only reduces the period the penalty runs rather than eliminating it altogether.

If there are unusual circumstances, Virginia may waive the penalty in limited cases, but that relief is narrow - Chris Smith

Considering becoming an Enrolled Agent (EA)?

As a member of the National Association of Tax Professionals (NATP) you have access to materials and resources to help you with the journey. The national website has a step-by-step roadmap to becoming an EA. Just search 'Enrolled Agent' from the main page at www.natptax.com.

Upcoming Webinars

(More information coming)

VA Dept of Taxation Update

VA Military Taxation

Virginia's 2026 Tax Plot Twist: What Businesses and Tax Professionals Need to Know

Just when Virginia tax professional had made peace with rolling conformity, the Commonwealth decided it was time to change the relationship status.

Add separate business accounts, expanded retirement requirements, and possible local sales tax increases, and 2026 has given us plenty to discuss with clients, preferably before an April 14 phone call.

Here are the changes Virginia businesses and tax professionals should have on their radar.

Virginia Returns to Fixed IRC Conformity

Virginia replaced rolling conformity with a fixed Internal Revenue Code conformity date of December 31, 2025. Federal tax changes enacted after that date will not automatically apply to Virginia unless the General Assembly updates the conformity date or specifically adopts them.

Virginia generally conforms to many provisions of the 2025 federal reconciliation legislation, but it deconforms from several business provisions, including:

- Immediate expensing of qualified production property under IRC §168(n)
- Immediate deduction of domestic research and experimental expenditures under IRC §174A
- Increased IRC §179 expensing limits
- Federal bonus depreciation under IRC §168(k), from which Virginia already deconformed

Virginia also reduced its subtraction for business interest disallowed under IRC §163(j). For taxable years beginning on or after January 1, 2025, the subtraction is 20% of the federally disallowed interest, down from 50% for taxable year 2024.

The takeaway: a federal deduction may not receive an invitation to the Virginia return. Practitioners should continue maintaining separate Virginia depreciation, research-expenditure, and business-interest schedules.

Virginia Tax and VEC Accounts Are Breaking Up

Beginning in summer 2026, businesses will no longer be able to link their Virginia Tax and Virginia Employment Commission accounts. Existing linked accounts will be uncoupled.

Although this is an administrative change rather than a tax-law change, it will affect payroll and employment-tax compliance. Businesses should confirm that they have current login credentials, administrator access, contact information, and practitioner permissions for both systems.

Do not wait until a payroll deadline to discover that the person who created the VEC login left the company three years ago, and apparently took the password with them.

RetirePath Now Reaches Smaller Employers

The RetirePath Virginia employee threshold has been reduced from 25 eligible employees to five.

Generally, a nongovernmental Virginia employer is subject to the requirement if it employed at least five eligible employees as of the applicable prior-year measurement period and does not offer a qualifying employer-sponsored retirement plan.

Under the current Virginia Code, an eligible employee is at least 18 years old, is currently employed, and receives wages. The definition is not limited to full-time employees, so part-time employees should not automatically be excluded from the count.

Affected employers may either:

1. Register for RetirePath and facilitate employee payroll deductions; or
2. Offer a qualifying private retirement plan and certify their exemption.

RetirePath is employee-funded. Employers facilitate payroll deductions but do not make contributions or manage the program's investments.

The published 2026 deadlines are:

10–24 employees: September 30, 2026

5–9 employees or 25 or more employees: October 30, 2026

Yes, the second category looks unusual, but that is the schedule currently published by RetirePath Virginia. Noncompliant employers may also face penalties.

Five employees is no longer "too small to worry about retirement mandates." Apparently, five is the new 25.

Local Sales Taxes May Increase

Virginia now allows all localities to hold a referendum on an additional 1% local sales and use tax. If approved, the revenue generally must be used for qualifying school construction or renovation. Certain localities may also use the funds for public transportation.

Food purchased for home consumption and essential personal hygiene products are excluded from the additional tax.

The increase is not automatic. Businesses operating in multiple jurisdictions should monitor local referendum results and effective dates before changing their point-of-sale systems.

One More Deduction for the Lesson Plan

Beginning with taxable year 2026, eligible educators may claim a Virginia deduction of up to $500 for qualifying classroom expenses. While this provision does not directly affect most businesses, individual-return practitioners should add it to their client organizers and documentation requests.

What Should Practitioners Do Now?

Practitioners should identify clients affected by Virginia conformity adjustments, verify separate Virginia Tax and VEC access, review employee counts for RetirePath eligibility, and monitor local sales tax referendums.

Virginia’s 2026 changes are manageable, but they require more than updating tax software and hoping the diagnostic messages disappear. Early client communication will be especially important because the best time to learn about a new compliance requirement is several months in advance. The second-best time is five minutes before the client calls. - Latia Rowland CPA

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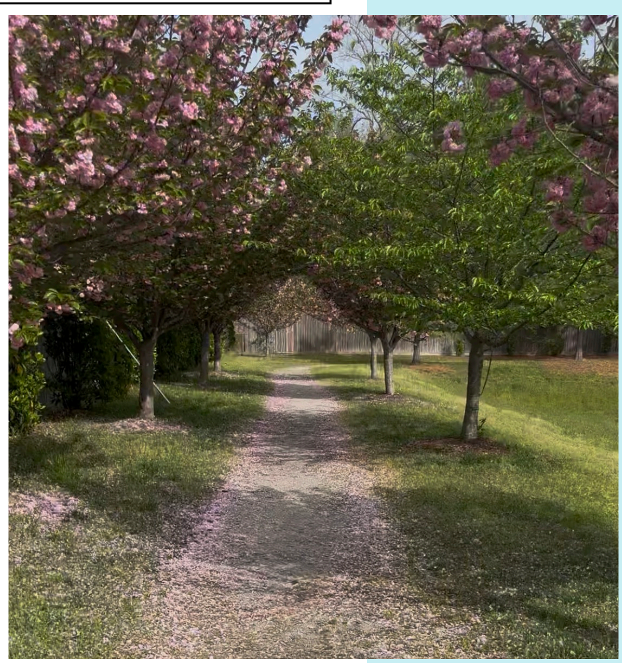
Nominations are Open!

The Virginia Chapter has openings every year for motivated, enthusiastic, members to be nominated to the Board of Directors. Please email vanatptax@gmail.com to receive the application. You must have been a member for at least one (1) year to apply.

Have an idea for a location for the VA NATP annual tax conference?
Send all suggestions to vanatptax@gmail.com

Your Virginia photos in the Newsletter
We'd love to post your photo in the next newsletter. To have your photo considered, please email the photo and the city in Virginia where it is taken to vanatptax@gmail.com. No compensation is offered for printed submissions.



Newport News, Virginia