



# Voluntary Disclosure Program Updates

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# Current VDA Program Requirements

The Department of Revenue's Voluntary Disclosure Program encourages unregistered businesses to comply with Washington tax laws and to voluntarily register and pay prior tax obligations.

## To qualify a business must have:

- Never registered with or reported taxes to the department;
- Never been contacted by the department for enforcement purposes (e.g., audit or compliance contacts regarding registration or reporting requirements); and
- Not engaged in evasion or misrepresentation in reporting tax liabilities.

## Benefits:

- The “look back” period is limited to the prior four years plus the current year;
- Up to 39% in potential penalties can be waived, which include:
  - 5% assessment penalty for substantially underpaid tax;
  - 5% unregistered business penalty; and
  - 29% late payment of a return penalty.

# Upcoming Changes

July  
2025

Temporary Investment Income VDA

Fall  
2025

Permanent VDA Program Changes

Early  
2026

Temporary Foreign Remote Seller VDA

# Temporary Investment Income VDA Program

## Program Overview

- **Requirement:** Unreported investment income subject to B&O tax
- **Benefit:** No interest or penalties\*
  - Benefit extends to other income streams
- **Two Phases:**
  - **Phase 1:** July 1, 2025 – April 30, 2026
  - **Phase 2:** July 1, 2026 – April 30, 2027
- **Who Qualifies:** Registered or unregistered businesses
  - Affiliates of entities under audit
- **Do Not Qualify:**
  - Banking, lending, or security businesses
  - Taxpayers that have been notified of an audit or other enforcement contact as of July 1, 2025

# Permanent VDA Program Changes

1

Limit the lookback period for prior registrants to the statutory period.

2

Eliminate the “Partial Modified” agreement.

3

Waive the 5% tax assessment penalty for certain non-qualifying applicants.

4

When considering enforcement contacts, limit the lookback to the statutory period.

5

Audit cooperation leads to some affiliates qualifying for VDA program.



# 1. Limit lookback period for previous registration to the statutory period

## Example:

- Taxpayer registered its business in Washington and closed its excise tax account effective December 31, 2010.
- In February 2025, taxpayer applies for the Voluntary Disclosure Program.
- Provided taxpayer did not receive enforcement contact, engage in misrepresentation, etc., they would be approved since their registration was closed before the current statutory period.

## 2. Eliminate the “Partial Modified” agreement

### Example:

- Taxpayer registered its business and began reporting excise taxes in May 2023.
- In February 2025, Taxpayer applies for the Voluntary Disclosure Program to report taxes owed for January 2021 – April 2023.
- Rather than issuing an agreement waiving only the delinquent return and unregistered penalties they would receive full Voluntary Disclosure treatment, including waiver of the 5% tax assessment penalty.



### 3. Waive the 5% assessment penalty for certain non- qualifying applicants

#### Example:

- On January 1, 2021, Taxpayer registered its business due to having employees in the state.
- Taxpayer applies for the Voluntary Disclosure Program in February 2025, but is denied due to prior registration.
- Since Taxpayer registered voluntarily, the 5% assessment penalty will be waived due to their willingness to come forward.

4. When considering enforcement contact, limit lookback to the statutory period (4 years plus current)

**Example:**

- In January 2015, the Department sent a letter to Taxpayer notifying them they were selected for Audit. The letter also applies to affiliated/related entities.
- In February 2025, one of Taxpayer's affiliates applies for participation in the Voluntary Disclosure Program.
- Since the most recent enforcement contact was sent outside the statutory period, this taxpayer will be approved to participate.



## 5. Audit cooperation leads to some affiliates qualifying for VDA program

### Example:

- Taxpayer receives audit notification letter and responds to auditor.
- Auditor reviews list of affiliated/related entities and identifies those which will be audited.
- Auditor agrees to allow entities not selected for audit to participate in the Voluntary Disclosure Program.

# Temporary Foreign Remote Seller VDA Program

## Program Overview

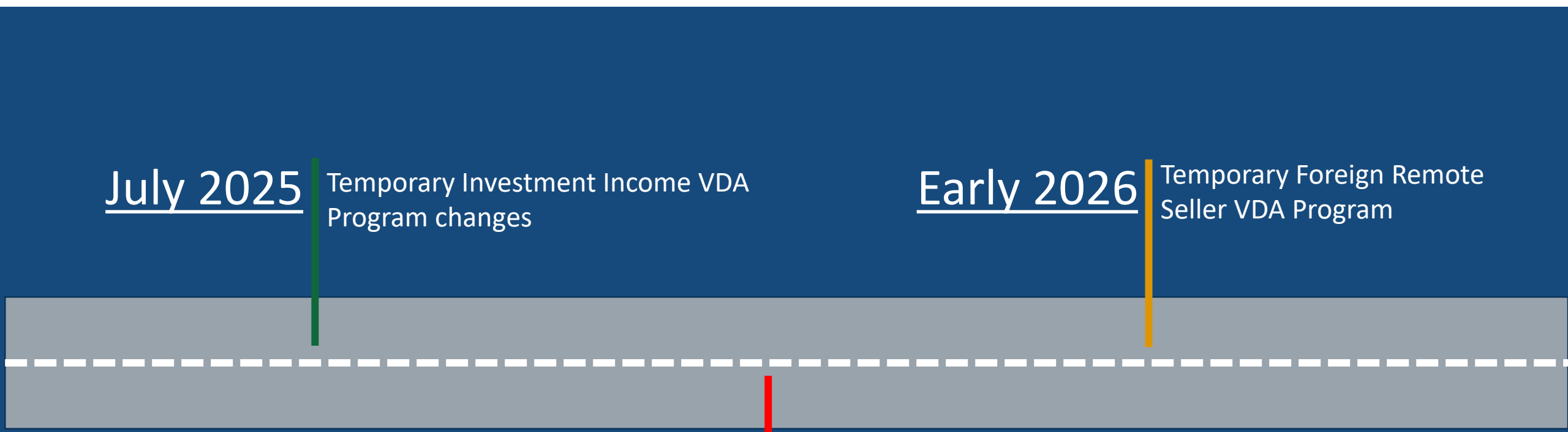
Lookback period of four years plus the current year for B&O taxes

One year lookback period for uncollected retail sales tax

Waive all penalties: late; tax assessment; and unregistered penalties.

# Questions?

Contact us for further questions:  
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