

## **Bank Franchise Tax FAQs**

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### **What is the Bank Franchise Tax?**

A tax on the net capital of banks and trust companies in lieu of all other taxes except for real and personal property taxes enumerated in Virginia Code § [58.1-1203](#), retail sales and use taxes in Virginia Code § [58.1-600](#) et seq., recordation taxes under Virginia Code § [58.1-800](#) et seq., motor vehicle sales and use taxes under Virginia Code § [58.1-2400](#) et seq., watercraft sales and use taxes under Virginia § [58.1-1400](#) et seq., aircraft sales and use taxes under Virginia Code § [58.1-1500](#) et seq., taxes properly assessable upon users of utility services, and local license taxes in connection with the sale of tangible personal property sold by banks in connection with promotions or otherwise.

### **What is the Bank Franchise Tax rate?**

The state bank franchise tax rate is \$1 per \$100 of net capital. The local tax rate for the City of Richmond is 80 percent of the state tax rate, or \$.80 per \$100 of net capital.

### **What if a bank has branches located outside the corporate limits of the City of Richmond?**

If a bank has offices in the City of Richmond and one or more political subdivisions in the Commonwealth of Virginia, the bank franchise tax is assessed based on the percentage of the total deposits of the bank, or offices located inside the City of Richmond, to the total deposits of the bank as of the end of the preceding year.

### **What if a bank has not been in business all of the preceding calendar year?**

If a bank did not operate for the full twelve month period preceding the January 1 tax date, the bank franchise tax is prorated as follows, based on when the bank began transacting business:

- (1) On or before March 31, the full bank franchise tax is assessed, or \$1 per \$100 of net capital.
- (2) April 1 – June 30 – 75% of the full tax amount, or \$.75 per \$100 of net capital.
- (3) July 1 – September 30 – 50% of the full tax amount, or \$.50 per \$100 of net capital.
- (4) October 1 – December 31 – 25% of the full tax amount, or \$.25 per \$100 of net capital.

### **What is the due date of the Bank Franchise Tax Return?**

The filing date for the Bank Franchise Tax Return with the City of Richmond is March 1.

### **What is the due date for the payment of Bank Franchise Taxes to the City of Richmond?**

The due date of Bank Franchise Taxes in the City of Richmond is **June 1** of each tax year.

## **What is the penalty for the late payment of Bank Franchise Taxes?**

The penalty for the failure to pay the Bank Franchise Tax by the June 1 tax due date is five percent (5%) of the tax amount due. If the Director of Finance is satisfied that such failure is due to providential or other good cause, such return and payment of tax shall be accepted exclusive of such penalty, but with interest determined in accordance with Virginia Code § [58.1-15](#).