

2019 **VERMONT**

Handbook on Income Tax

Modernized e-File (MeF)

For 2018 TAX YEAR

Vermont Department of
Taxes January 2019

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SECTION 1 Instructions for electronic Filing

INTRODUCTION

Vermont's MeF electronic filing program follows the same rules and guidelines as the IRS electronic filing program specified in the IRS Publications 4164 and 1345. Returns for the IRS and Vermont can be transmitted to a single point (the IRS). The IRS will forward the Vermont returns to Vermont for processing. Vermont will return acknowledgments back to the IRS where they can be picked up by transmitters.

Vermont will begin accepting production Income Tax Returns, corresponding forms and schedules, Homestead Declarations AND Property Tax Adjustment Claims beginning January 2019 for tax year 2018 by method of Modernized E-File System (MeF).



This handbook provides Preparers, EROs, Transmitters and Software Developers with necessary information to participate in the Modernized E-File Program and the list of Vermont forms that can be filed electronically. Items unique to Vermont will be identified and instructions provided.

Please use this handbook in conjunction with IRS Publication 4164 and IRS Publication 1345. The Vermont Department of Taxes conforms to all requirements, rules and regulations governing tax preparers set forth by the Internal Revenue Service.

COMPUTER TECHNICAL ASSISTANCE
Scott Kindestin, Fed/State E-Filing Coordinator
Vermont Department of Taxes
E-Mail: scott.kindestin@vermont.gov
Phone: (802) 828-6881

CONFIRMATION OF FILING INFORMATION

Phone: 1-866-828-2865 (toll-free in VT)
(802) 828-2865 (local or out-of-state)

Web: <http://tax.vermont.gov/individuals/file-and-pay/check-refund-status>

Please allow up to 5 business days for full processing

WEB ADDRESSES

Vermont Department of Taxes

<http://tax.vermont.gov/tax-professionals>

Internal Revenue Service

<http://www.irs.gov/efile/>

SOFTWARE ACCEPTANCE AND PARTICIPATION

Software Developers must test with and receive certification from Vermont for the transmission format before submitting live production returns. To receive final approval, the Software Developer must transmit all of the test returns in one single transmission, without any errors. A Software Developer who successfully completes the state testing process will receive written verification.

Software Developers must provide the following information to the Vermont Fed/State coordinator prior to submitting test transmissions:

- Vermont Electronic Filing (MeF) Request for Participation Letter
- E-mail alert is required to the Vermont Fed/State coordinator

PUBLICATIONS

The following publications are available for your assistance:

- Publication 1345, Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns <http://www.irs.gov/pub/irs-pdf/p1345.pdf>
- Publication 4164, Modernized e-File Guide for Software Developers and Transmitters <http://www.irs.gov/pub/irs-pdf/p4164.pdf>
- 2018 Vermont MeF E-file Handbook
- Vermont MeF E-file Test Package with test scenarios
- 2018 Vermont Income Tax Booklet

CHANGES IN VERMONT INCOME TAX FOR TAX YEAR 2018

***For complete legislative highlights go to <http://tax.vermont.gov>

FORM IN-111

1. **New** Vermont will now start with Federal Adjusted Gross income rather than Federal Taxable Income.
2. 2017 IN-111, Line 10 is 2018 IN-111 Line 1
3. **NEW** 2017 IN-111, Line 11, federal Taxable Income removed for 2018
4. 2017 IN-111 Additions and Subtractions Lines 12a-14e with the removal of 12c (IN-155) are 2018 IN-112, Net modifications federal Adjusted Gross Income IN-112, Part I Lines 1-11. Difference is entered on Line 12 which can be a negative.
5. **NEW** 2018 IN-111, Line 4 Vermont standard deduction with an added 1,000 for those born before January 2, 1954 and/or blind

Line 4

Vermont Standard Deduction Enter the amount of standard deduction from the chart below.

You also receive an additional deduction of \$1,000.00 for each standard deduction box checked on the federal 1040. If you or your spouse was born before January 2, 1954 or you were blind, using the number of standard deduction boxes checked on your federal 1040, select the corresponding number to the filing status and enter on IN-111, Line 4.

	Standard
Single	6,000
Married Filing Jointly or Qualifying Widow(er)	12,000
Married Filing Separately	6,000
Head of Household	9,000

OR

For those born before Jan. 2, 1954 or blind			
1	2	3	4
7,000	8,000	n/a	n/a
13,000	14,000	15,000	16,000
7,000	8,000	9,000	10,000
10,000	11,000	n/a	n/a

6. **New** IN-111, Line 5-6 personal exemption (\$4,150.00)
7. 2017 IN-111, Line 15 is 2018 IN-111 Line 7
8. 2017 IN-111, Line 16 is 2018 IN-111 Line 8
9. 2017 IN-111, Line 17-19 are 2018 IN-119 Part I, Lines 1-15. Difference is entered on Line 16 which can be a negative
10. **New** IN-111, Lines 11-13 Tax -deductible charitable contribution 5% on the first \$20,000
11. 2017 IN-111, Lines 20 -28 is 2018 IN-111, lines 14-22 respectively
12. 2017 IN-111 Charitable contribution, Line 29 is 2018 IN-111, Line 23 new order

Greenup Vermont
 Nongame Wildlife fund
 Children's Trust Fund
 Vermont Veterans Fund

13. 2017 IN-111, Lines 31a & 31b are now 2018 IN-111 Line 25a & 25b
14. 2017 IN-111, Line 31c earned income credit (from IN-112 Part III) is 2018 Line 25c Refundable credits IN-112 Part II. This now includes the Low Income Child & Dependent Care credit and Renter Rebate.
15. 2017 IN-111, Line 31d is 2018 IN-112 Part II, Line 2
16. 2017 IN-111, Line 31e & 31f are 2018 IN-111, Lines 25d & 25e respectively
17. 2017 IN-111, Line 31g is 2018 IN-112 Part II, Line 1

2017 IN-111, Lines 31h – 37 are 2018 IN-111, Lines 25f-31 respectively

SCHEDULE IN-112

1. 2017 IN-111, Line 12b is 2018 IN-112 Part I, Line 4

2. 2017 IN-111, Line 14a is 2018 IN-112 Part I, Line 6
3. 2017 IN-111, Line 14b is 2018 IN-112 Part I, Line 7
4. 2017 IN-111, Line 14c is 2018 ON-112 Part I, Line 8
5. 2017 IN-111, Line 14d is 2018 IN-112 Part I, Line 9
6. **NEW** 2018 IN-112 Part I, Line 10 Social Security benefits exempt from taxation New Social Security Worksheet

SOCIAL SECURITY EXEMPTION WORKSHEET		
<p>Instructions: It is important that you answer the questions in Section 1 to determine if you qualify for a full or partial exemption. If you qualify for a partial exemption, you may move on to Section 2 to calculate the amount of the exemption.</p>		
<p>Section 1: Do you qualify for the Vermont Social Security full or partial exemption?</p>		
1	<p>Did you report an amount on federal Form 1040, U.S. Individual Income Tax Return, Line 5b, earning Social Security benefits that were taxable in the current tax year?</p> <p><input type="checkbox"/> No. You do not qualify for this exemption.</p> <p><input type="checkbox"/> Yes. Proceed to the next question.</p>	
2	<p>If you are:</p> <ul style="list-style-type: none"> • Married filing jointly, is your adjusted gross income (AGI) on Form IN-111, Vermont Income Tax Return, Line 1, less than \$70,000? • Single, head of household, qualifying widow(er), or married filing separately, is your AGI on Form IN-111, Line 1, less than \$55,000? <p><input type="checkbox"/> No. You do not qualify for this exemption.</p> <p><input type="checkbox"/> Yes. You qualify for Vermont's Social Security exemption. Proceed to question 3.</p>	
3	<p>If you are:</p> <ul style="list-style-type: none"> • Married filing jointly, is your AGI less than \$60,000? • Single, head of household, qualifying widow(er), or married filing separately, is your AGI less than \$45,000? <p><input type="checkbox"/> No. Please proceed to Section 2 of this worksheet.</p> <p><input type="checkbox"/> Yes. You qualify for a full exemption. Please enter the full amount from federal Form 1040, Line 5b, on Schedule IN-112, Line 10.</p>	
<p>Section 2: Calculating your Social Security Partial Exemption</p> <p>This section is for married joint filers with an adjusted gross income (AGI) between \$60,000-\$70,000 and for single, head of household, qualifying widow(er), or married separate filers with an AGI between \$45,000-\$55,000.</p>		
4	<p>If you are:</p> <ul style="list-style-type: none"> • Married filing jointly, enter \$70,000. • All other filing statuses, enter \$55,000. 	4
5	Enter your AGI from Form IN-111, Line 1.	5
6	Subtract Line 5 from Line 4. If Line 5 is greater than line 4, enter -0-.	6
7	Divide Line 6 by \$10,000. This value will be a decimal. Please round to the second decimal place (Example: .481 would round to .48).	7
8	Enter the lesser of line 7 or the value 1 (This line should not be greater than 1).	8
9	Enter the amount from federal Form 1040, Line 5b.	9
10	Amount of partial exemption. Multiply Line 8 by Line 9. Enter this amount on Schedule IN-112, Line 10.	10

7. **NEW** IN-112 Part I, Line 12 Net Modifications to federal adjusted gross income. This can be a negative
8. IN-112 Part II combines the refundable credit. 2017 IN-111, Line 31g is 2018 IN-112 Part II, Line 1, 2017 IN-111, Line 31d is 2018 IN-112 Part II Line 2 and IN-112 Part III is 2018 IN-112 Part II, A,B,C and Lines 3-11
9. **NEW** 2018 IN-112 Part II, Line 12 Total Refundable credits.

Change Vermont Earned income Tax credit has increased from 32% to 36% of the Federal Earned Income tax credit.

SCHEDULE IN-113

1. 2017 IN-113 Part I, Lines 1-3 are 2018 IN-113 Part I, Lines 1-3, no change
 2. 2017 IN-113 Part I, Line 4-7 are 2018 IN-113 Part I, Lines 6 -9 respectively.
 3. 2017 IN-113 Part I, Line 8 & 9 are combined into 2018 IN-113 Part I, Line 4
 4. 2017 IN-113 Part I, Line 10 & 11 are combined into 2018 IN-113 Part I, Line 10
 5. 2017 IN-113 Part I, Lines 12 & 13 are 2018 IN-113 Part ,I Lines 11 & 12
 6. 2017 IN-113 Part I, Line 14 is 2018 IN-113 Part I, Line 5
 7. 2017 IN-113 Part I, Lines 15 – 31 are 2018 IN-113 Part I, Lines 13 -29 respectively
- 2017 IN-113 Part II, Lines 32 – 39 are 2018 IN-113 Part II, Lines 30-37 respectively

SCHEDULE IN-114

New for E-file

SCHEDULE IN-117

No changes.

SCHEDULE IN-119

1. 2017 IN-112 Part II, Lines 1-15 are 2018 IN-119 Part I, Lines 1-15
2. **NEW** 2018 IN-119, Line 16 Net Adjustments to Vermont Tax. This can be a negative.
3. 2017 IN-112 Part IV, Lines 1-4 are 2018 IN-119 Part II, Lines 1-4
4. 2017 IN-119, Line 1 is 2018 IN-119 Part II, Line 4
5. 2017 IN-119, Lines 2 & 3 removed not available for 2018
6. 2017 IN-119, Lines 4-7 are 2018 IN-119 Part II, Lines 6-9 respectively with amount being entered on IN-111, Line 18 if no Vermont Entrepreneur seed credit (IN-119 Part II, Line 10) is claimed
7. 2017 IN-119, Lines 8 & 9 removed
8. 2017 IN-119, Lines 10 – 19 are 2018 IN-119 Part II, Lines 10-19 no change

SCHEDULE IN-153

No changes.

SCHEDULE IN-155 – No Longer in Use

FORM HS-122 Homestead Declaration AND Property Tax Adjustment Claim

No changes.

SCHEDULE HI-144

Columns changed

Column 1 Clamant and jointly filed spouse

Column 2 Filing separately spouse or cu partner

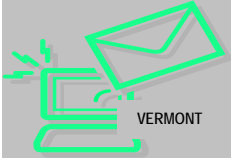
Column 3 other persons

FORM PR-141

No changes.

FORM IN-151

No changes.



VERMONT ELECTRONIC FILING FORMS

FORM 8879-VT

EROs or transmitters keep Form 8879-VT in their file. Maintain Form 8879-VT with the supporting documentation for a minimum of three (3) years.

FORM 8453-VT

The Department will use this form when requesting additional documentation for an electronically filed return. EROs or transmitters return the requested documentation using form 8453 as a cover sheet.

SECTION 2 The Filing Process

WHAT CAN BE TRANSMITTED ELECTRONICALLY

The Vermont electronic return will consist of data transmitted as well as supporting PDF and a paper record. An electronic return contains the same information as a comparable return filed entirely on paper.

Following is a list of all the XML forms that Vermont accepts electronically. Software Developers are not required to support all of the forms that Vermont accepts electronically. ERO's when purchasing software should verify with the software company that they will support the forms they desire to transmit electronically.

NOTE: If you receive a rejection notice for the Federal return, the state return does **not** get transmitted to Vermont. See page 13 for information on correcting a rejected transmission.

Allowable Filings

- Vermont filers with refund, zero balance, or balance due returns (including underpayment of estimated income tax)
- Homestead Declaration AND Property Tax Adjustment Claim
- Amended returns
- Extension to file Individual Income Tax Return
- Prior year returns **If software is certified in the prior year.*
- Filing Status CU filing joint **submit a state only return.*

Note: Software companies may not support Federal information on the Vermont return if it is different from the Federal return filed with the IRS. This occurs when the taxpayer recomputes the Federal return for Vermont tax purposes.

Forms and Schedules that can be electronically filed

Form	IN-111	Income Tax Return
Schedules	IN-112	VT Tax Adjustments and Credits
	IN-113	Income Adjustment Calculations
	IN-114	VT Income Estimated Tax Payment
	IN-117	VT Credit for Income Paid to Other State or Canadian Province
	IN-119	VT Economic Incentive Income Tax Credits
	IN-152	Underpayment of 2018 Estimated Individual Income Tax
	IN-152A	Annualized Income Installment Method for Underpayment of 2018 Estimated Tax by Individuals, Estates, and Trusts
	IN-153	Capital Gains Exclusion
Form	HS-122	Homestead Declaration AND Property Tax Adjustment Claim
Schedule	HI-144	Household Income for HS-122
Form	PR-141	Renter Rebate Claim
Schedules	LC-142	Landlord Certificate
Form	IN-151	Extension to file Individual Income Tax Return

Forms that cannot be electronically filed

The following forms/line items **will not be accepted** for electronic filing for the 2018 tax year.

- 1) Applications for telephone lifeline and VT Pharmacy
- 2) Payment Voucher (IN-116)
- 3) Notice to Withdraw Vermont Homestead Declaration and/or Property Tax Adjustment (HS-122W)

Note: A Vermont return must be filed as “State Only” or by paper if the Federal return is prohibited from being filed through the Federal/State Electronic Filing program.

Date Return Marked as Received The acknowledgment date is considered the filing date for the Vermont return.

School District Code The Vermont school district code is required on all Vermont returns. See Appendix A at the end of this document or the “Vermont MeF E-File ATS Test Package”. You can also see the list of school district codes on our web site <http://tax.vermont.gov>.

EXPECTED VALUES FOR THE STATE SUBMISSION MANIFEST

<u>Form</u>	<u>Submission Type</u>	<u>Expected Tax Year</u>
IN-111	VTIN111	2018
IN-114	VTIN114	2019
HS-122	VTHS122	2019
IN-151	VTIN151	2018

ACKNOWLEDGMENT SYSTEM

Filing Acknowledgments:

IRS Acknowledgment If data meets specifications and the transmission is accepted, IRS acknowledges receipt of the Federal data and Vermont data. If the electronic returns do not meet the IRS specifications, both the Federal and Vermont returns are rejected. IRS generates the error code(s). Refer to Federal Publication 4164 and 1345.

Vermont Acknowledgment Vermont uses the State acknowledgment system operated by the IRS. This system may be accessed either directly or through your software product. Please refer to the software instructions for information concerning accessing and retrieving state acknowledgments.

All rejections, questions or difficulties with the Vermont Acknowledgment go to the Vermont Department of Taxes.

Contact Scott Kindestin
Vermont Department of Taxes
Tel: 802-828-6881
Email: scott.kindestin@vermont.gov

Accepted- This acknowledgment indicates the electronic return was received and successfully completed the pre-entry validation process. No further action is required regarding the transmission.

Rejected- This acknowledgment indicates the electronic return was received but failed to complete the pre-entry validation process. The acknowledgment contains the x-path, codes and error descriptions indicating the cause of the rejection. The error condition must be corrected and the return can then be re-transmitted as a “State-Only” transmission. See page 13 for information on correcting a rejected transmission.

DUE DATES FOR RETURNS THAT CAN BE FILED ELECTRONICALLY

IN-111 Income Tax Return

April 15, 2019

HS-122 Homestead Declaration AND Property Tax Adjustment Claim

April 15, 2019 Claims allowed up to October 15, 2019 but late filing penalties apply.

PR-141 Renter Rebate Claim

April 15, 2019 Claims allowed up to October 15, 2019.

SECTION 3 Other Situations

GENERAL INFORMATION

Filing a tax return is the responsibility of the taxpayer. Filing returns electronically requires an agreement between the taxpayer and the ERO. The Vermont Fed/State coordinator is not a party to this agreement.

REFUNDS

Refunds as Payments:

Taxpayers may elect to apply all or a portion of the income tax refund towards their 2019 estimated income tax payment.

Taxpayers may elect to apply all or a portion of the income tax refund towards their 2019 property taxes when the return is filed on or before October 15, 2019.

Refund Offset: If a taxpayer owes tax to the Vermont Department of Taxes, IRS or another state agency, all or a portion of the refund may be applied to that debt. The taxpayer receives a separate notification if the refund is used to pay a debt.

Refund Delay: Delays may occur when additional information is required to verify entries. A refund offset will also delay receipt of any remaining refund.

Refund Status Tracer: A taxpayer or ERO may inquire about the status of a refund by:

Going to <http://tax.vermont.gov/individuals/file-and-pay/check-refund-status>

OR

Calling the Department (802) 828-2865 (local & out of state), (866) 828-2865 (toll-free in VT). Select Option 1 for the taxpayer information line.

During peak processing time, it may take up to two weeks before the return information is available on the taxpayer information line.

BALANCE DUE RETURNS

Vermont returns with a balance due can be filed electronically. This includes underpayment of estimated income tax. IN-152 or IN-152A are worksheets that are not required to be filed with the income tax return. The return may be filed in advance of the due date without payment.

Payment Due Date For the payment to be timely it must be received by **April 15, 2019**. Payments made after this date will be assessed interest and late payment penalty.

PAYMENTS

You can pay by

- **ACH Debit** Available when using the Vermont MeF E-File program. You can use this method to make a payment at the time of filing or to schedule payment at a later date. No convenience fee applies. Tax paid after April 15, 2019 will have interest and late payment penalty charges.
- go to <https://secure.vermont.gov/vtpay/user>
- **CHECK or MONEY ORDER** To assure proper crediting of your payment, use the IN-116, *Vermont Individual Income Tax Payment Voucher*, generated by your software. Mail the check and voucher to Vermont Department of Taxes, P.O. Box 1779, Montpelier, VT 05601-1779.

BENEFITS OF ELECTRONIC FILING

Your clients benefit from electronic filing

- Direct deposit of refunds into checking or savings accounts available only for electronically filed returns.
- One signature on the Form 8879-VT covers the signature requirements for all returns electronically filed.
- Returns with tax due may be filed electronically at any time during the tax season but payment is not required until the due date.
- ACH debit payment available with electronic filing. Clients can pay tax at the time of the filing or schedule a payment for a future date.
- Payments are also available through VTPay, our on-line payment system. Go to <http://tax.vermont.gov> for more information.

EROs benefits from electronic filing

- Ability to file both Federal and Vermont returns at the same time.
- Ability to file just a Vermont return.
- Have IRS Electronic Filing Service Center and Vermont staff available to assist you.
- Use your existing tax preparation software as most offer electronic filing ability.
- Fewer errors - electronic filing software identifies and corrects many errors that slow down processing and delay refunds. Electronically filed returns have a 1.5% error rate instead of the 18% error rate for paper returns. (As reported by IRS)
- A filing receipt for proof of filing and to help track returns.
- Greater efficiency and productivity in filing returns.
- Reduced printing, copying and postage costs.
- Return copies can be stored on a computer disk to reduce your filing space needs.
- One signature on the Form 8879-VT covers the signature requirements for all VT returns electronically filed.

Acknowledgment provided for each return filed

Vermont uses the State acknowledgment system operated by the IRS. This system may be accessed either directly or through your software product. Please refer to the software instructions for information concerning accessing and retrieving state acknowledgments.

If you do not receive an acknowledgment from Vermont within 5 days of receiving the federal acknowledgment, contact the Vermont Fed/State coordinator.

Security of information

- Return information is encrypted for secure transmission of confidential information.
- Filing electronically improves your disaster recovery plan by allowing you to store return copies on computer disks off-site.

ELECTRONIC FILING CATEGORIES

1. *Software Developers* create tax preparation and transmission software that formats electronic returns according to Vermont's electronic return specifications. The software and transmission data must be tested and certified by the Vermont Department of Taxes. To acquire Vermont State Acceptance Testing System information and letter of participation, contact the Vermont Fed/State filing coordinator.
2. *Electronic Return Originator (ERO)* is the tax preparer. The ERO prepares tax returns for electronic submission using tax preparation software approved by the Internal Revenue Service and the Vermont Department of Taxes. EROs may be the tax preparer who completes the return, or someone who transmits prepared returns. Check the Vermont Department of Taxes website for the date you can begin transmitting returns. **You do not need to send verification of IRS approval to begin filing with Vermont.**
3. *Transmitters* use approved software to transmit electronic returns directly to the Internal Revenue Service Center. You may be both an ERO and Transmitter, or the ERO may have an arrangement with a transmitter to use computer services.

SECTION 4 Responsibilities of EROs and Transmitters

TIMELINESS OF FILING

All prescribed due dates for filing of returns apply to MeF returns. If any due date falls on a Saturday, Sunday or legal holiday, the return must be filed by the next business day.

All Authorized Vermont EROs must ensure that returns are promptly transmitted. An electronically filed return is not considered filed until a Vermont acceptance acknowledgment has been received. It is ERO's responsibility to check for acknowledgment and contact the Vermont Fed/State Coordinator if an acknowledgment is not produced within 48 hours during the week or 96 hours if filed on Friday, Saturday or Sunday. If the electronic portion of a return is transmitted on or shortly before the due date and is ultimately rejected, see page 13.

The receipt of an electronic postmark will provide taxpayers confidence that they have filed their return. The date of the electronic postmark is considered the date of filing. All requirements as well as resubmitting a rejected timely filed return must be adhered to for the electronic postmark to be considered the date of filing.

AMENDED FILINGS

After an electronic return is acknowledged as accepted, it cannot be recalled, intercepted or changed in any manner. If either the ERO or taxpayer wishes to change any entries on an accepted electronic return, an amended return must be filed.

RESUBMISSION OF REJECTED TAX RETURNS

After an error acknowledgment is sent, Vermont monitors the timeliness of the correction. Revocation of privileges can be for erroneous returns or failure to provide a timely correction.

If an electronic acknowledgement has not been received within forty-eight (48) hours, or 96 hours if filed on Friday, Saturday or Sunday, the ERO should contact the Vermont Fed/State filing coordinator for further instructions. **It is the responsibility of the ERO to ensure that every return filed electronically is acknowledged as accepted.**

If Vermont rejects the return for processing, the ERO must take reasonable steps to inform the taxpayer of the rejection within 24 hours and provide the taxpayer with an explanation for the rejection. If the return is filed near or on the due date, the resubmitted return will be considered timely if the return is transmitted and accepted within 5 calendar days of the rejection.

If the electronic return cannot be corrected and retransmitted, the taxpayer must file a paper return. The paper return will be considered timely if it is filed by the due date of the return but no later than five calendar days after the date Vermont gives notification the return is rejected. The paper return should include an explanation of why the return is being filed after the due date and include a copy of the reject notification.

REQUIREMENTS TO PARTICIPATE

Authorized Electronic Return Originators (EROs) can submit returns to the IRS MeF system for federal and state return processing. Both Fed/State and State Only returns can be submitted through the Fed/State system. Each return (Fed/State or State Only) must be in a separate submission. Multiple submissions may be contained in a single message payload. Software developers must test with Vermont and receive approval prior to submitting live Fed/State or State Only returns.

ERO and Transmitter

IRS Requirements

Please see www.irs.gov/taxpros/providers for information on the Federal application process. No separate Vermont state application is required.

Application: Complete IRS Form 8633, Application to Participate in the Electronic Filing Program. Go to www.irs.gov/taxpros/providers to download Form 8633. The application period begins August 31 of each year and ends May 31 of the following year. To ensure participation in the IRS e-file season beginning January 1, applications should be submitted between August 1 and December 1.

Vermont Requirements:

No separate Vermont state application is required. You are not required to test with Vermont, however you must use Vermont approved software.

1. Vermont Participants- Complete IRS Form 8633 and file with the IRS. No separate Vermont application is required. When you are accepted to participate in the IRS e-file program, do not send a copy of the Form 8633 to Vermont.

2. Out-of-State Participants- Complete IRS Form 8633 and file with the IRS. No separate Vermont application is required. When you are accepted to participate in the IRS e-file program, do not send a copy of the Form 8633 to Vermont.

3. Participants outside of the IRS Kansas City, MO Service Center- Prior to filing Vermont forms, check with the IRS to ensure your filings will be accepted at Kansas City, MO.

FOR VERMONT RETURNS

- Use only software approved for use in the Federal/State Electronic Filing Program and Vermont-approved software. **It is the sole responsibility of the ERO/Transmitter to ensure they are using the most current version of their software.**

**The Vermont Department of Taxes posts a list of approved software and any limitations associated with the software at <http://tax.vermont.gov>

- Use the Vermont tax forms for tax year 2018.
- Use only whole dollars.
- Attach W-2, 1099, other payment statements and supporting documentation to Form 8879-VT.
- Verify the correct name, address and social security number of the taxpayer and spouse (if applicable) was used for the return and on Form 8879-VT.
- Ensure that Vermont Residents have filed a form HS-122 if they meet the requirements. Check the appropriate box on the Form 8879-VT.
- Obtain the taxpayer's signature on Form 8879-VT **before** the return is transmitted. If filing a joint return, both signatures are required.
- Obtain the signature of the paid preparer, or attach a copy of the Vermont forms signed by the paid preparer to Form 8879-VT. Please be sure to mark the copy attachment as "copy."
- Do not transmit a return you suspect contains false information. Call (802)-828-2865 to report the situation.
- Ask the taxpayer if he or she wants to authorize you to discuss the return with the Department of Taxes. If yes, check the disclosure checkbox.
- Retain Vermont Form 8879-VT, with attachments, for three (3) years from the due date or the filing date, whichever is later. If the form is requested by the Vermont Department of Taxes, send the form and attachments within five (5) business days.
- Verify the bank account number if the taxpayer wishes to receive the refund through direct deposit.
- Verify the bank account number if the taxpayer wishes pay balance due through direct debit.

SECTION 5 Software Design Information

Vermont participates in the IRS Federal/State 1040 programs. This allows the filing of both federal and state income tax returns using an XML format. The transmission method will be a Web service using Simple Object Access Protocol (SOAP), with attachments messaging.

DEVELOPER'S RESPONSIBILITIES

Software Developers should:

- Develop Vermont tax preparation software in accordance with statutory requirements and preparation instructions.
- Provide accurate Vermont income tax returns in correct electronic format for transmission.
- Develop software capable of producing a printed copy of the complete electronic filing which includes a *“Do Not Mail”* watermark on the printed forms. Note: Paper documents are not to be sent to Vermont when filing electronically unless the taxpayer is specifically requested to do so.
- Provide data validation, verification, and error detection to prevent transmission of incomplete, inaccurate or invalid return information.
- Prevent filing any form not approved for electronic filing by Vermont.

SOFTWARE ACCEPTANCE, TESTING AND APPROVAL

Software Developers are required to test with Vermont for accuracy to ensure their software adheres to Vermont business rules, a successful transmission and receipt of acknowledgments. EROs must use tax preparation software that has been approved for use by Vermont.

Software Developers use Fed/State 1040 MeF forms based schemas and the Vermont forms base schemas/spreadsheet.

Edits and verification of business rules are defined for each field or data element. The state spreadsheet will include information on the field type, field format, the business rule and other edits. Developers should apply data from the state spreadsheet and tax forms to the appropriate data element in the XML schema.

The Vermont MeF E-File ATS test package will consist of documentation of special test conditions as well as copies of the state test returns, and will be made available to all Software Developers who indicate their intention to support Vermont MeF.

Vermont's starting test date is tentatively scheduled to begin in early November 2018 for tax year 2018 but is subject to IRS system availability.

Software Developers are required to fill out a Vermont Electronic Filing Request for Participation letter before beginning to test. An email is required to alert the e-file coordinator before submitting the first test file. You will receive an email if there is anything wrong with your file within 48 hours after transmittal. If errors are found you must resubmit the entire test package. A separate letter will be sent for an Online product and Preparer product. Once testing is completed you will receive a certification letter indicating you are approved for Vermont.

If the Software Developer is not acting as the ERO, the Software Developer is responsible for providing state acknowledgments to the ERO no later than two days after receipt. Failure to do so could lead to suspension from the Vermont Program.

Software errors which cause electronic returns to be rejected that surface after testing has been completed should be quickly corrected to ensure that the ERO has the ability to timely and accurately file its electronic returns. Software updates related to software errors should be distributed promptly to users together with any documentation needed.

GENERAL INFORMATION

Vermont will accept the following types of filing:

- Fed/State Original
- State Only

Fed/State Original- The Vermont MeF program works best when the federal and state returns are filed together in one transmission to the IRS (although this is not always possible). Upon receipt, the IRS will validate and verify the federal return data. The IRS will either accept or reject the federal return. The state return is made available to Vermont after the federal return is accepted by the IRS.

State Only- IRS provides the ability for an ERO to transmit and retransmit a state return through the Fed/State system without simultaneously transmitting a federal return. State Only returns are transmitted to the IRS, validated and made available for states to retrieve in the same fashion as the Fed/State Transmission. This provides a method for individuals who file multiple state returns to have each participating state's return filed electronically. Each state return must be transmitted separately. The taxpayer's federal return must be completed, transmitted and accepted by the IRS before transmitting/re-transmitting a State Only return.

Transmit data elements only if they contain data values. Do not send empty data elements (i.e., zero financial fields, unused elements, etc) unless that data element is required by Vermont's schema.

Detailed requirements for decimal placement in ratios and percentages are in the Vermont state-specific schema and /or data elements spreadsheet.

Software Developers must furnish electronic funds (direct debit) information for this payment option to taxpayers who electronically file a balance due return. Electronic funds withdrawal can be made from the taxpayers checking or savings account. Partial payments can be made using electronic funds withdrawal.

Acceptance in the electronic filing program does not imply an endorsement by the Vermont Fed/State filing coordinator. Therefore, any public communication that refers to a user's electronic filing capabilities, whether through publication or broadcast, must clearly indicate acceptance of the user for electronic filing and does not constitute an endorsement or approval of the quality of tax preparation services provided by the Vermont Fed/State filing coordinator.

Vermont will monitor the quality of transmissions. If the quality deteriorates, the electronic filer will receive a warning, or in extreme cases, a letter suspending the electronic filer from filing electronic MeF returns. When suspended, the retrieval process will be inactivated halting further processing of MeF electronic returns.

Electronic filers and EROs are expected to place the Taxpayer first in providing return preparation and transmission services. Regardless of changes in business address, company names, telephone numbers, organization, or personnel, the Taxpayer must always have convenient access to their return. This includes but is not limited to, access to current status of the return and access to the organization representatives to resolve any questions or concerns.

PARTICIPATION DENIAL OR SUSPENSION

Software Developers, Transmitters and EROs must maintain a high degree of integrity, compliance, and accuracy in order to participate in the Vermont MeF E-file program.

All Software Developers and EROs must comply with the requirements and specifications contained in the Vermont MeF E-file Handbook. Failure to comply with all requirements and specifications could result in being suspended from the program.

Additionally, Vermont reserves the right to deny participation in its program for the reasons listed below:

- If your company fails to adhere to the state MeF E-file program requirements and schema.
- If your company does not consistently provide error free returns.
- If your company uses unethical practices in return preparation.
-

Denial or suspension of participation in the MeF Fed/State Electronic Filing Program may occur if standards are not met. Denial or suspension to file Federal returns automatically revokes your ability to electronically file Vermont returns.

For failure to meet Vermont standards, the Vermont Department of Taxes will send a letter of explanation.

NATURE OF APPROVAL

Software Developers submit test cases for the primary purpose of assuring data transmissions are acceptable by Vermont. Approval by the Vermont Department of Taxes does not signify endorsement of any Software Developer program or the accuracy of the Software Developer program.



ADVERTISING AND PROGRAM LOGO

You can show that you are authorized to transmit Federal and Vermont returns electronically by using this logo, subject to IRS restrictions, in your advertisements. **Only the IRS-created electronic filing logo may be used.** The IRS created this logo to give a consistent image to the program. Go to www.irs.gov/taxpros/providers under the IRS E-File Library for more information.

FORM 8879-VT INSTRUCTIONS

Form 8879-VT, Vermont Individual Tax Declaration for Electronic Filing, authorizes the ERO to file on the taxpayer's behalf and serves as authentication of the return information. Form 8879-VT is to be kept on file for 3 years in the EROs or transmitters office.

Form 8879-VT must be:

- completed for every taxpayer's electronically filed submission.
- signed by the taxpayer before transmitting.
- completed with information that matches the electronic record.

Part I Taxpayer Information

Print the taxpayer's name, address and social security number. Verify that this information and the return information agree.

Part II Tax Return Information

Enter the information from specified lines on the Vermont return. Use whole dollars only.

→ Refund or balance due amounts may vary slightly due to rounding.

Part III Form HS122 For Vermont Residents Only

Check the box if Property Tax Adjustment Claim is filed.

Part IV Direct Deposit of Refund/ ACH Debit Payment

Enter routing transit number (RTN) of the bank or financial institution. The RTN must contain nine numbers. If the RTN does not begin with 01 through 12 or 21 through 32 the direct deposit request will be rejected. Enter the depositor account number (DAN). The DAN can contain up to 17 characters (both numbers and letters). Check the appropriate box for account type.

Part V Declaration of Taxpayer

The taxpayer (and spouse if married filing joint or CU Partner filing joint), must read the declaration before signing. The taxpayer is verifying that the information in Part II matches the information on the Vermont return.

Part VI Declaration of Electronic Return Originator (ERO)

The ERO must read the declaration before signing and supply the business information requested in the signature block.

Note: If the paid preparer is not available to sign Form 8879-VT, a copy of the completed Vermont return(s) signed by the paid preparer must be attached. Mark these returns as “COPY” and enter the business information in the paid preparer section.

Part VII Declaration of Paid Preparer

The paid preparer must read the declaration before signing. The paid preparer then signs and dates the completed Form 8879-VT and supplies the business information in the paid preparer section.

Attachments to Form 8879-VT

- Copy of W-2, 1099 or other payment statement
- Recomputed Federal Forms, if any
- Other state or Canadian provincial return if credit for income tax paid to other state/province claimed
- Any other documentation needed to support return preparation

SECTION 6 Questions & Appendix

FREQUENTLY ASKED QUESTIONS

I am an out-of-state ERO/Transmitter, do I need to pre-register with Vermont before sending Fed/State Returns?

No. Vermont Department of Taxes does not require out-of-state EROs/Transmitters to register before transmission. However, each ERO/Transmitter is responsible for making sure they are using a Vermont certified software that has been tested and approved by the Department and is registered with the IRS to electronically file returns.

What do I keep on file for Fed/State E-File returns?

Complete Form 8879-VT, Vermont Individual Income Tax Declaration for Electronic Filing, and attach copies of W-2 or other payment statements, Vermont forms or schedules, recomputed Federal forms, if any, and, if filing a Property Tax Adjustment Claim, a copy of the property tax bill.

Do I send anything to the Vermont Department of Taxes for Fed/State E-File returns?

Do NOT send anything. Keep the returns and supporting documents on file should the Department request copies.

Can I attach PDF's to the Vermont Department of Taxes for Fed/State E-File returns?

There is no requirement to send additional information in this manner, however you may attach PDF files as you deem necessary. Though there is no defined size limit, keeping attachments as small as possible will help ensure successful transmission of returns. If the Department needs additional supporting documents, they may also request them in writing.

Does the Department ask for paper documents for e-filed returns?

Occasionally, the Department needs a source document to complete return examination. If needed, the Department will make a request for a specific document. Do NOT send in any documents if not requested.

How do you pay a tax due for electronically filed returns?

Tax due must be paid by April 15 to avoid interest and penalty charges.

You can pay the tax by

- ACH DEBIT when filing through the Vermont MeF E-File program.
- VTPAY go to <http://tax.vermont.gov> for further information and to access the system.
- CHECK or MONEY ORDER sent with Form IN-116, supplied by your software or available on the Department's web site. Mail the IN-116 and check or money order to Vermont Department of Taxes, P.O. Box 1779, Montpelier, VT 05601-1779.

What do you do when the electronically filed return is rejected?

First, be vigilant on checking the acknowledgment system for acceptance or rejection of the return. Remember that if the Federal return is rejected, the Vermont return will not be transmitted even if there is nothing wrong with the Vermont return.

Next, determine the rejection reason. If the cause of rejection can be corrected, do so and resubmit the return. In some instances, this may be a "STATE ONLY" return.

If you e-filed the return close to or on the due date, you have five calendar days to correct the cause of rejection and resubmit the return to be considered a timely filing.

For paper filing of the rejected return, it will be considered timely if received within five calendar days of the due date. Consideration on a case-by-case basis may be given to allow timely filing for a rejected e-filed return based on the days between rejection and receipt of the return.

Appendix A: Vermont School District Code

School District Code	Legal Residence Town Name
001	ADDISON
002	ALBANY
003	ALBURGH
004	ANDOVER
005	ARLINGTON
006	ATHENS
007	BAKERSFIELD
008	BALTIMORE
009	BARNARD
010	BARNET
011	BARRE CITY
012	BARRE TOWN
013	BARTON
014	BELVIDERE
015	BENNINGTON
016	BENSON
017	BERKSHIRE
018	BERLIN
019	BETHEL
020	BLOOMFIELD
021	BOLTON
022	BRADFORD
023	BRAINTREE
024	BRANDON
025	BRATTLEBORO
026	BRIDGEWATER
027	BRIDPORT
028	BRIGHTON
029	BRISTOL
030	BROOKFIELD
031	BROOKLINE
032	BROWNINGTON
033	BRUNSWICK
034	BURKE
035	BURLINGTON
036	CABOT
037	CALAIS
038	CAMBRIDGE
039	CANAAN
040	CASTLETON
041	CAVENDISH
042	CHARLESTON

School District Code	Legal Residence Town Name
043	CHARLOTTE
044	CHELSEA
045	CHESTER
046	CHITTENDEN
047	CLARENDON
048	COLCHESTER
049	CONCORD
050	CORINTH
051	CORNWALL
052	COVENTRY
053	CRAFTSBURY
054	DANBY
055	DANVILLE
056	DERBY
057	DORSET
058	DOVER
059	DUMMERSTON
060	DUXBURY
061	EAST HAVEN
062	EAST MONTPELIER
063	EDEN
064	ELMORE
065	ENOSBURG
066	ESSEX JUNCTION
067	ESSEX TOWN
068	FAIRFAX
069	FAIRFIELD
070	FAIRHAVEN
071	FAIRLEE
072	FAYSTON
073	FERRISBURGH
074	FLETCHER
075	FRANKLIN
076	GEORGIA
077	GLOVER
078	GOSHEN
079	GRAFTON
080	GRANBY
081	GRAND ISLE
082	GRANVILLE
083	GREENSBORO
084	GROTON
085	GUILDHALL
086	GUILFORD
087	HALIFAX

School District Code	Legal Residence Town Name
088	HANCOCK
089	HARDWICK
090	HARTFORD
091	HARTLAND
092	HIGHGATE
093	HINESBURG
094	HOLLAND
095	HUBBARDTON
096	HUNTINGTON
097	HYDE PARK
098	IRA
099	IRASBURG
100	ISLE LA MOTTE
101	JAMAICA
102	JAY
103	JERICHO
104	JOHNSON
105	KIRBY
106	LANDGROVE
107	LEICESTER
108	LEMINGTON
109	LINCOLN
110	LONDONDERRY
111	LOWELL
112	LUDLOW
113	LUNENBURG
114	LYNDON
115	MAIDSTONE
116	MANCHESTER
117	MARLBORO
118	MARSHFIELD
119	MENDON
120	MIDDLEBURY
121	MIDDLESEX
122	MIDDLETOWN SPG.
123	MILTON
124	MONKTON
125	MONTGOMERY
126	MONTPELIER
127	MORETOWN
128	MORGAN
129	MORRISTOWN
130	MOUNT HOLLY
131	MOUNT TABOR
132	NEWARK

School District Code	Legal Residence Town Name
133	NEWBURY
134	NEWFANE
135	NEW HAVEN
136	NEWPORT CITY
137	NEWPORT TOWN
138	N BENNINGTON ID
139	NORTHFIELD
140	NORTH HERO
141	NORTON
142	NORWICH
143	ORANGE
144	ORLEANS
145	ORWELL
146	PANTON
147	PAWLET
148	PEACHAM
149	PERU
150	PITTSFIELD
151	PITTSFORD
152	PLAINFIELD
153	PLYMOUTH
154	POMFRET
155	POULTNEY
156	POWNAL
157	PROCTOR
158	PUTNEY
159	RANDOLPH
160	READING
161	READSBORO
162	RICHFORD
163	RICHMOND
164	RIPTON
165	ROCHESTER
166	ROCKINGHAM
167	ROXBURY
168	ROYALTON
169	RUPERT
170	RUTLAND CITY
171	RUTLAND TOWN
172	RYEGATE
173	ST. ALBANS CITY
174	ST. ALBANS TOWN
175	ST. GEORGE
176	ST. JOHNSBURY
177	SALISBURY

School District Code	Legal Residence Town Name
178	SANDGATE
179	SEARSBURG
180	SHAFTSBURY
181	SHARON
182	SHEFFIELD
183	SHELBURNE
184	SHELDON
185	SHERBURNE/KILLINGTON
186	SHOREHAM
187	SHREWSBURY
188	S. BURLINGTON
189	SOUTH HERO
190	SPRINGFIELD
191	STAMFORD
192	STANNARD
193	STARKSBORO
194	STOCKBRIDGE
195	STOWE
196	STRAFFORD
197	STRATTON
198	SUDBURY
199	SUNDERLAND
200	SUTTON
201	SWANTON
202	THETFORD
203	TINMOUTH
204	TOPSHAM
205	TOWNSHEND
206	TROY
207	TUNBRIDGE
208	UNDERHILL ID
209	UNDERHILL TOWN
210	VERGENNES
211	VERNON
212	VERSHIRE
213	VICTORY
214	WAITSFIELD
215	WALDEN
216	WALLINGFORD
217	WALTHAM
218	WARDSBORO
219	WARREN
220	WASHINGTON
221	WATERBURY
222	WATERFORD

School District Code	Legal Residence Town Name
223	WATERVILLE
224	WEATHERSFIELD
225	WELLS
226	WELLS RIVER
227	WEST FAIRLEE
228	WESTFIELD
229	WESTFORD
230	WEST HAVEN
231	WESTMINSTER
232	WESTMORE
233	WESTON
234	WEST RUTLAND
235	WEST WINDSOR
236	WEYBRIDGE
237	WHEELLOCK
238	WHITING
239	WHITINGHAM
240	WILLIAMSTOWN
241	WILLISTON
242	WILMINGTON
243	WINDHAM
244	WINDSOR
245	WINHALL
246	WINOOSKI
247	WOLCOTT
248	WOODBURY
249	WOODFORD
250	WOODSTOCK
251	WORCESTER
252	BUELS GORE
253	JERICHO ID
254	SHAFTSBURY ID
255	AVERILL
256	AVERY'S GORE
257	FERDINAND
258	GLASTENBURY
259	LEWIS
260	SOMERSET
261	WARNER'S GRANT
262	WARREN'S GORE