

HIGHLIGHTS OF 2001 TAX LEGISLATION

Personal income tax

For the 2001 and 2002 tax years, the Vermont personal income tax will be based on the federal income tax rates that were in effect immediately prior to enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001. Instead of multiplying federal tax liability by 24%, taxpayers will use a look-up table. Act 67.

Withholding

For many Vermonters, federal withholding will decrease as of July 1, 2001 as a result of federal tax changes. The Vermont withholding will be unaffected by the change because of Act 67 (see above) that froze the Vermont income tax at 24% of the federal rates before the federal changes. Vermont employers using Vermont rate charts will not have to make any adjustments. Vermont employers who now compute Vermont withholding by multiplying federal withholding by 24% will need to use old federal tables or start using the Vermont charts. Technical Bulletin 23 discusses withholding issues. It is available on the Department's website, www.state.vt.us/tax.

Sales and use tax

Effective July 1, 2001 most footwear becomes exempt from sales tax. The exemption was passed in 1999 with the clothing exemption, but with a delayed effective date. As with clothing, the exemption applies only to footwear that costs (per pair) \$110 or less and does not apply to special footwear designed primarily for athletic or protective use and not normally worn except when so used. Footwear will still be subject to the one percent local option tax imposed by the Town of Manchester. 1999, No. 49, § 34a. Technical Bulletin 17 discusses the exemption for clothing and footwear. It is available on the Department's website, www.state.vt.us/tax.

The sales tax exemption for devices providing mobility to handicapped persons has been expanded effective July 1, 2001. The exemption applies to motorized carts and other devices used primarily to afford mobility to persons with physical disabilities. Eligible purchasers may obtain exemption certificates from the Department. The requirement that stairlifts be purchased pursuant to a physician's prescription in order to be exempt is eliminated. Act 53.

School property tax

Machinery and equipment used directly in the processing of whey, whether or not such machinery or equipment is attached or affixed to real property, will not be listed on the education property tax grand list for April 1, 2001 and after and therefore shall be exempt from education property tax. Act 53.

Homestead property tax income sensitivity

Beginning in 2003 the reconciliation of school property tax adjustments (prebates) is eliminated. Development of a uniform parcel identification numbering system will allow the Department to base the adjustment payments on the statewide and local property taxes on the homestead for the fiscal year beginning in the calendar year in which the claim is filed. Act 63, § 163d, § 283(c).

Payments will be made by the latest of: August 1, for claims filed by April 15; 45 days after the claim is filed, for claims filed after April 15; or 30 days prior to the first education property tax installment due for the claimant's municipality in the fiscal year which begins in the calendar year in which the claim is filed under section 6068 of Title 32; or 25 days after the Town's grand list had been transmitted in accordance with section 5404(b) of Title 32. Act 63, § 163d.

Prebates received in 2001 will have to be reconciled during the 2002 tax filing season.