



Handbook on Individual Income Tax  
Modernized e-File (MeF) for Tax Year 2021

November 2021

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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 may 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 may 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 2022 for tax year 2021 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 may 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**

Terri Eldred, MeF Coordinator  
Vermont Department of Taxes  
E-Mail: [terri.eldred@vermont.gov](mailto:terri.eldred@vermont.gov)  
Additional E-Mail: [tax.vendorsupport@vermont.gov](mailto:tax.vendorsupport@vermont.gov)  
Phone: (802) 828-6828

#### **CONFIRMATION OF FILING INFORMATION**

Phone: 1-866-828-2865 (toll-free in VT)  
(802) 828-2865 (local or out-of-state)  
Web: [tax.vermont.gov/individuals/file-and-pay/check-refund-status](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 | <a href="http://tax.vermont.gov/tax-professionals">http://tax.vermont.gov/tax-professionals</a>  |
| Internal Revenue Service    | <a href="http://www.irs.gov/e-file-providers/efile-for-tax-professionals">www.irs.gov/e-file-providers/efile-for-tax-professionals</a> |

## **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 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 MeF coordinator prior to submitting test transmissions:

- Vermont Electronic Filing (MeF) Request for Participation Letter
- E-mail alert is required to Vermont's MeF 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>
- 2021 Vermont MeF E-file Handbook
- Vermont MeF E-file Test Package with test scenarios
- 2021 Vermont Income Tax Booklet

## CHANGES IN VERMONT INCOME TAX (TAX YEAR 2021)

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

### FORM IN-111

- Standard Deductions Updated
  - a. Single - \$6,350
  - b. Married/CU Filing Joint - \$12,700
  - c. Married/CU Filing Separate - \$6,350
  - d. Head of Household - \$9,500
  - e. Qualifying Widow(er) - \$12,700
- For those born before January 2, 1957 or blind the standard deduction increases by \$1,050

| <b>For those born before Jan.2, 1957 or blind</b> |          |          |          |          |
|---|----------|----------|----------|----------|
|   | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> |
| Single  | 7,400    | 8,450    | n/a      | n/a      |
| Married Filing Jointly or Qualifying Widow(er)    | 13,750   | 14,800   | 15,850   | 16,900   |
| Married Filing Separately                         | 7,400    | 8,450    | 9,500    | 10,550   |
| Head of Household                                 | 10,550   | 11,600   | n/a      | n/a      |

- Personal Exemption updated - \$4,350
- The order that charitable contributions are listed on line 23 rotated to
  - a. Vermont Veterans Fund
  - b. Green Up Vermont
  - c. Nongame Wildlife Fund
  - d. Children's Trust Fund
- Added a box at top of page 2 to carry the amount from page 1 line 16 over to top of page 2.

### SCHEDULE IN-112

- Added 2 lines reserved for future needs. Lines 5 and 15. Do not allow entries on these lines. With added lines, all line numbers changed from line 5 to 17.
- Part II line 3 wording change
  - a. Vermont Earned Income Tax Credit. Multiply Line 2 by 36% (0.36)

### SCHEDULE IN-113

- Added two lines to Part II. Lines 31a and 31b to report municipal bond interest.
- Typically, this schedule should not be filed if a taxpayer is filing Schedule IN-117.

### SCHEDULE IN-114

No Changes

### SCHEDULE IN-117

- Updated some line references to the IN112, no change to form itself
  - a. Line 11 should say IN-112, Part 1, line 4
  - b. Line 14 should say IN-112, Part 1, line 7
  - c. Line 15 should say IN-112, Part 1, line 9
- Typically, this schedule should not be filed if a taxpayer is filing Schedule IN-113.

## **SCHEDULE IN-119**

No Changes

## **FORM IN-151**

- Added email address to header.
- **REMINDER:** An extension only allows additional time to file the Vermont Income Tax Return and avoids a late filing penalty. If tax is due, you must pay it by the April due date. Interest and late payment penalty accrue from April 16 to the date of payment.

## **SCHEDULE IN-153**

- Line 18 wording changed to “Multiply Line 17 by 40%; enter result or \$350,000, whichever is less.”

## **FORM HS-122 Homestead Declaration AND Property Tax Credit Claim**

- The maximum household income limit changed to \$136,900.
- Took span out of header and made line A1. This changed all line numbers in section I.
- This form can be filed as a stand-alone return. It does not have to be attached to Form IN-111: Vermont Income Tax Return

## **SCHEDULE HI-144**

No Changes

## **SCHEDULE LRC-147**

- This form is for mobile home lot rent, not-for-profit mobile home parks, co-ops, and land trusts.

## **FORM PR-141**

Replaced with RCC-146

## **RENTER REBATE CHANGES**

The Vermont legislature made substantial changes to the Renter Rebate Program in ACT 160 of 2020. The changes will take effect for the 2021 tax year, impacting all claims filed during the 2022 filing season.

**Program Name Change:** The name of the program has changed from Renter Rebate Claim to Renter Credit Claim.

- Form name changed from PR-141 to RCC-146

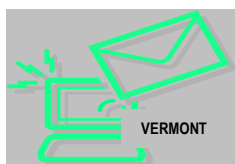
## **The following is a highlight of how the new program will work and the new form.**

- This form will no longer be calculating the credit for the taxpayer. The credit will be calculated once the return is filed and processed at the Tax Department.
- This credit is now available to part time residents, whereas in prior years this credit was only available to full time VT residents.
- Credit is no longer limited to only taxpayers with Household Income of \$47k or less.
- The maximum income limit is \$63,300. Any amount over this will not qualify for the Renter Credit.
- HI-144 schedule is no longer applicable when filing a Renter Claim.
- LC-142 (landlord certificate) is no longer submitted with the Renter Claim.

- Maximum Credit amount is now \$2,500.00 not \$3,000.00.
- If the claimant wants to estimate the amount of their renter credit, they can utilize the department's calculator on the tax department's website.

### **RENTER CREDIT FORM:**

- SPAN. This field is a required field that is 11-digit identification number. If the taxpayer has multiple rentals throughout the year, they need to enter the SPAN of the place they rented on 12/31.
- This form can be filed as a stand-alone return. It does not have to be attached to Form IN-111: Vermont Income Tax Return



### **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 three 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 on paper.

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

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

#### **Allowable Filings**

- Vermont filers with a 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 2021 Estimated Individual Income Tax  |
|           | IN-152A | Annualized Income Installment Method for Underpayment of 2021 Estimated Tax by Individuals, Estates, and Trusts |
|           | IN-153  | Capital Gains Exclusion   |
| Form      | HS-122  | Homestead Declaration AND Property Tax Credit Claim   |
| Schedule  | HI-144  | Household Income for HS-122   |
|           | LRC-147 | Statement of Rent for Mobile Home Park Lot Rent, Co-Ops, and Land Trusts  |
| Form      | RCC-146 | Renter Credit Claim   |
| 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 2021 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 may also lookup the list of school district codes on our web site <http://tax.vermont.gov>.



## EXPECTED VALUES FOR THE STATE SUBMISSION MANIFEST

| Form    | Submission Type | Expected Tax Year |
|---------|-----------------|-------------------|
| IN-111  | VTIN111         | 2021              |
| IN-114  | VTIN114         | 2022              |
| HS-122  | VTHS122         | 2022              |
| RCC-146 | VTRCC146        | 2021              |
| IN-151  | VTIN151         | 2021              |

## ACKNOWLEDGMENT SYSTEM

### Filing Acknowledgments:

**IRS Acknowledgment** If the data meets specifications and the transmission is accepted, the 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. The 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 Terri Eldred  
Vermont Department of Taxes  
Tel: 802-828-6828  
Email: [terri.eldred@vermont.gov](mailto:terri.eldred@vermont.gov)  
Additional Email: [tax.vendorsupport@vermont.gov](mailto:tax.vendorsupport@vermont.gov)

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

**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 prior to resending the return 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, 2022**

### **HS-122 Homestead Declaration AND Property Tax Credit Claim**

**April 15, 2022** Claims allowed up to October 17, 2022 but late filing penalties apply.

### **RCC-146 Renter Credit Claim**

**April 15, 2022** Claims allowed up to October 17, 2022.

## SECTION 3 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 MeF coordinator is not a party to this agreement.

### REFUNDS

The annual rate for overpayment of tax for 2022 will be 3.25%

#### **Refunds as Payments:**

Taxpayers may elect to apply all or a portion of the income tax refund towards their 2022 estimated income tax payment.

Taxpayers may elect to apply all or a portion of the income tax refund towards their 2022 property taxes when the return is filed on or before October 17, 2022.

**Refund Offset:** If a taxpayer owes tax to Vermont's Tax Department, IRS or other 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. Worksheets IN-152 or IN-152A are not required to be filed with the income tax return. The annual rate for underpayment of tax for 2022 will be 3.25%. The return may be filed in advance of the due date without payment.

Payment Due Date For the payment to be considered timely it must be received by **April 15, 2022**. Payments made after this date will be assessed late payment interest and penalty.

## ACCEPTED PAYMENTS

- **ACH Debit** Available when using the Vermont MeF 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, 2022 will have interest and late pay penalty charges.
  - go to <https://myvtax.vermont.gov>
- **CHECK or MONEY ORDER** To assure proper crediting of your payment, use Form 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

### *Clients:*

- Direct deposit refunds into checking or savings accounts (only available only 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 may 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:*

- Ability to file both Federal and Vermont returns at the same time.
- Ability to file just a Vermont return.
- IRS Electronic Filing Service Center and Vermont's Tax Department available to assist.
- Use 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 tracking 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 filing space.
- 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 administered by the IRS. This system may be accessed either directly or through your software. Please refer to the software instructions for information concerning accessing and retrieving state acknowledgments.

If an acknowledgment is not received from Vermont within five days of receiving the federal acknowledgment, contact Vermont's MeF Coordinator.

### *Security of information*

- Return information is encrypted for secure transmission of confidential information.
- Filing electronically improves a disaster recovery plan by allowing the storage of 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 a letter of participation, contact Vermont's MeF 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 Vermont's Tax Department. 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 returns may be transmitted. **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 weekend 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 the ERO's responsibility to check for acknowledgment and contact Vermont's MeF Coordinator if an acknowledgment is not received 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 rejected, see page 13.

The receipt of an electronic postmark will provide taxpayers confidence that a return has been filed. The date of the electronic postmark is considered the filing date. All requirements that includes resubmitting a rejected timely filed return must be adhered to for the electronic postmark to be considered the filing date.

## 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 addressing the correction. Revocation of privileges may result from erroneous returns or the failure to provide timely corrections.

If an electronic acknowledgement has not been received within 48 hours, or 96 hours if filed on Friday, Saturday or Sunday, the ERO should contact the Vermont MeF 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 five 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/e-file-providers/efile-for-tax-professionals](http://www.irs.gov/e-file-providers/efile-for-tax-professionals) 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/e-file-providers/efile-for-tax-professionals](http://www.irs.gov/e-file-providers/efile-for-tax-professionals) 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 <a href="http://tax.vermont.gov">http://tax.vermont.gov</a> |
|---|

- Use the Vermont tax forms for tax year 2021.
- 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 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 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 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’s electronic filing.

Vermont’s starting test date is tentatively scheduled to begin in early November 2021 for tax year 2021 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 MeF 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 approval for Vermont filing.

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 MeF 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's MeF 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's MeF program.

All Software developers and EROs must comply with the requirements and specifications contained in the Vermont MeF 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 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 Tax Department 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's Tax Department 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/e-file-providers/efile-for-tax-professionals](http://www.irs.gov/e-file-providers/efile-for-tax-professionals) 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 three 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 another 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’s Tax Department does not require out-of-state EROs/Transmitters to register before transmission. However, the ERO/Transmitter is responsible for making sure Vermont certified software is used and 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 and recomputed Federal forms, if available. When filing a Property Tax Adjustment Claim, a copy of the property tax bill is needed.

#### ***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 not a requirement to send additional information, however you may attach PDF files you deem necessary. Although 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 Vermont's MeF program.
- myVTax go to <http://mytax.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 Form 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, check the acknowledgment system for acceptance or rejection of the return. If the federal return is rejected, the Vermont return will not be transmitted even if nothing is wrong with the Vermont return.

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

If the return is e-filed the return by the due date, five calendar days are allowed 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                  | JERICO 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             |