

MEMORANDUM

TO: House Committee on Ways and Means
FROM: Vermont Department of Taxes
DATE: March 31, 2016
RE: H.868; VEGI Rewrite

You asked for an explanation of how VEGI incentive payments are made. We consulted with the VTax Project Manager and the staff responsible for reviewing incentive claims to answer this question.

The procedure used for VEGI payments changed slightly when we launched the business trust taxes phase of VTax in November of 2015. In the new system, a credit equal to the incentive amount is entered in the withholding account of a business if the business qualified for an annual payment by meeting the necessary performance requirements. The credit is entered by the tax examiner in charge of verifying the performance information submitted by the business. Next, the credit is moved to a special VEGI account. This transfer is made to make sure there is a clear record for tracking VEGI funds. On the same day the credit is entered, the payment process begins, which takes about two weeks before a check is mailed to the business. This payment is made from the general withholding account within the general fund. To be clear—the payment comes from the general fund. One advantage of using the withholding account is that 100 percent of the that money is deposited in the general fund—so when money for VEGI payments is withdrawn from those accounts, it comes entirely from the general fund.

You asked how the treasury is involved in this process. The Department of Taxes receives the necessary warrants to make payments directly from the general fund, which is what occurs in this process. Similarly, we produce the checks for individual income tax refunds in the Department, with the authority granted to us by the Treasurer.

Below is a step-by-step process of how VEGI payments are made:

1. A business's claim for an incentive is reviewed and all of the performance information is verified.
2. If performance requirements were met and a business qualifies for a payment, a credit is entered in the business's withholding account.
3. The credit is moved to a special VEGI account to track that the credit and payment was made as a VEGI payment rather than some other tax-related payment or reduction in withholding tax revenue.
4. A refund equal to the credit amount is immediately entered for a payment. The payment is generally made within two weeks, after time for supervisor approval, check printing, and a letter is prepared specifically for the business that explains the payment.
5. The payment comes from the general withholding account within the general fund.