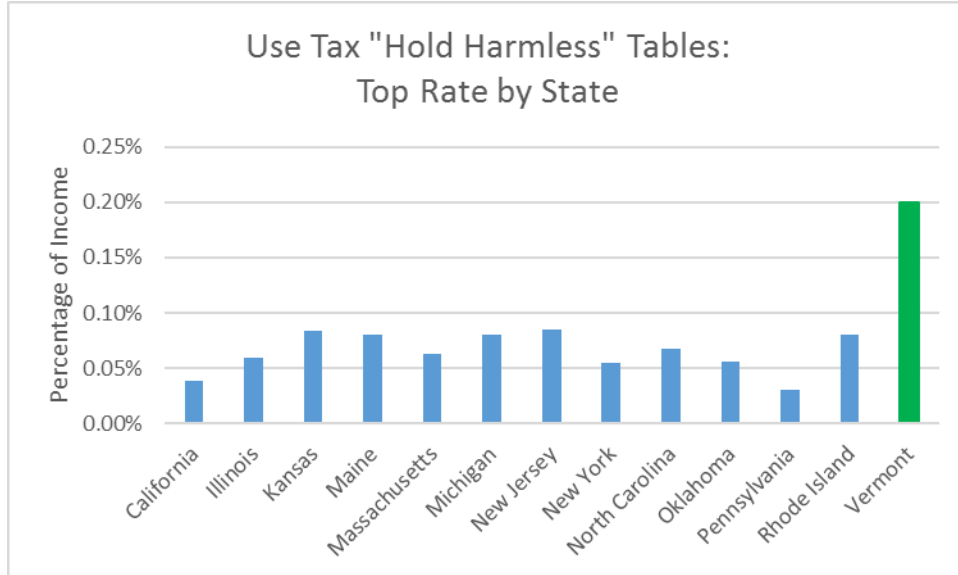


Vermont's Use Tax Reporting – Facts and Figures

Summary of Use Tax Reporting on the IN-111

32 V.S.A. § 5870 directs the Commissioner of Taxes to provide a way for individuals to report use tax on their State individual income tax returns (Line 27, IN-111). Act 57 of 2015 increased the percentage used to provide a table for ease of complying with use tax reporting from 0.10 percent to 0.15 percent for tax year 2015 and then from 0.15 percent to 0.20 percent for tax year 2016. Beginning next year, the amount will be increased by twice the CPI for each subsequent tax year. Sec. 96 of Act 57 of 2015.

27 states currently provide for use tax reporting on the state income tax return. Of those 27 states, 13 states provide a lookup table for reporting estimated use tax liability. Consistent with Vermont's approach, 11 of those 13 states limit the lookup table to purchases less than \$1,000.00. For purchases over \$1,000.00, taxpayers must calculate the precise tax due.



Vermont's current rate of 0.20 percent of AGI is more than twice as much as any other state's lookup or "hold harmless" table percentage. Nine states, including Vermont, use a flat rate structure. While one state (Kansas) has an increasing rate structure and three states have a decreasing rate structure.

Use Tax Compliance

Beginning in TY2013, the Department added a “checkbox” to ask taxpayers to certify that they owe no use tax. This created three options for Line 27: report the exact amount of tax owed based on receipts; use the hold harmless table and calculate a percentage of your AGI (plus the tax on any purchases greater than \$1,000.00); or certify that no use tax is due.

The Department saw an immediate increase in filers reporting use tax on Line 27, increasing from 5.90% to 10.60%. This, along with an increase from 0.08 percent to 0.10 percent, contributed to an increase in revenue from \$1.3M to \$1.86M.

TOTAL RESIDENT RETURNS

Year to year Use Tax comparison

	Total resident returns	Returns reporting any Use Tax	% reporting Use Tax	Use Tax dollars
2013	312,375	33,020	10.6%	1,859,393
2014	315,660	32,792	10.4%	2,400,914
2015	321,672	30,794	9.6%	3,035,856

This shows a 26% increase in use tax revenue even with an 8% decrease in reporting over last year at this time.

RETURNS DONE BY TAX PRACTITIONERS

Year to year Use Tax comparison

	Total resident practitioner returns	Returns reporting any Use Tax	% reporting Use Tax	Use Tax dollars
2012				
2013	154,762	19,648	12.7%	1,173,850
2014	155,883	18,641	12.0%	1,511,306
2015	157,852	17,425	11.0%	1,886,555

This shows a 25% increase in use tax revenue even with an 8% decrease in reporting over last year at this time.

SELF-PREPARED RETURNS

Year to year Use Tax comparison

	Total resident returns	Returns reporting any Use Tax	% reporting Use Tax	Use Tax dollars
2013	157,613	13,372	8.5%	685,543
2014	159,777	14,151	8.9%	889,608
2015	163,820	13,369	8.2%	1,149,301

This shows a 29% increase in use tax revenue even with an 8% decrease in reporting over last year at this time.