

# TAX ISSUES AND COVID-19

UPDATED: MARCH 23, 2020

## Income Taxes

### Federal Income Tax Filing and Payment Deadline Extension: July 15<sup>1</sup>

July 15 extension applies to:

- federal income tax returns and payments (including payments of tax on self-employment income) due on April 15, 2020 for TY2019
- federal estimated income tax payments (including payments of tax on self-employment income) due on April 15, 2020 for TY2020. The current guidance is silent regarding an extension for estimated payments due on June 15.

### Vermont Income Tax Deadlines

Vermont law follows the federal filing deadlines for personal and corporate income tax, including pass-through business filers. 32 V.S.A. §§ 5861(b), 5861a(a), 5862(a), 5914(a), and 5920(a). As a result, the federal filing extension till July 15 automatically applies to Vermont income tax returns. Vermont personal income tax payments must be made through wage withholding, estimated payments, or, when not fully discharged by those means, by the filing deadline. 32 V.S.A. § 5871. Withholding and the annual payment deadlines are linked to the federal deadline, but estimated payment installment dates are set in statute. 32 V.S.A. § 5852(a). This means that estimated payment deadlines will not automatically follow the federal extension. 32 V.S.A. § 5873. The Department issued guidance extending the deadlines to follow the federal dates.<sup>2</sup>

## Property Taxes

### Statewide Education Property Tax

#### Rates

If the property tax yields and rates are not set by the General Assembly, then default rates will apply. If the General Assembly fails to update the homestead yields, then the yields remain the same as in the prior year. 32 V.S.A. § 5402b(b). For the nonhomestead tax rate, the statutory default is \$1.59 per \$1.00. 32 V.S.A. § 5402(a)(1). Fiscal year 2020's yields and nonhomestead rate were as follows:

- Property dollar equivalent yield: \$10,648.00
- Income dollar equivalent yield: \$13,081.00
- Nonhomestead rate: \$1.594 per \$100.00 of equalized education property value.<sup>3</sup>

<sup>1</sup> I.R.S., Notice 2020-18, Relief for Taxpayers Affected by Ongoing Coronavirus Disease 2019 Pandemic (March 21, 2020), available online: <<https://www.irs.gov/pub/irs-drop/n-20-18.pdf>>.

<sup>2</sup> Vt. Dept. of Taxes, Press Release (March 23, 2020), available online: <<https://tax.vermont.gov/press-release/upcoming-vermont-tax-due-date-guidance>>.

<sup>3</sup> Acts and Resolves of 2019, No. 46, Sec. 6, available online: <<https://legislature.vermont.gov/Documents/2020/Docs/ACTS/ACT046/ACT046%20As%20Enacted.pdf>>.

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## **Homestead Declaration**

The homestead declaration filing deadline is linked to the Vermont personal income tax deadline, which follows the federal income tax deadline. 32 V.S.A. §§ 5410(b) and 5861(b). Now that the federal deadline has been extended to July 15, the homestead declaration deadline is automatically extended as well.

## **Municipal Property Tax**

Likely increase in abatement requests

- Town abatement through board of civil authority process
  - Town BCAs are authorized to “abate in whole or part taxes, water charges, sewer charges, interest, or collection fees, or any combination of those” in particular for “persons who are unable to pay.” 24 V.S.A. § 1535.
- In cases of hardship, where a taxpayer is unable to pay or is prevented from filing a correct homestead declaration, towns may also abate any portion of a penalty appealable to listers and any tax, penalty, and interest arising out of a corrected property classification (homestead or nonhomestead). 32 V.S.A. § 5410(j) and (l).
- No corresponding authority for the State to abate.
  - Following a municipal abatement under 24 V.S.A. § 1535, statewide education property taxes may only be abated in limited circumstances where the Commissioner has taken over billing because a town has failed to assess education property tax before August 1, or has failed for more than 90 days after the town installment due date to collect education property tax. 32 V.S.A. § 5409(3)(C).

## **Municipal Payments to the State**

Towns must be timely in their payments of statewide education property tax to the State or they will be subject to 8% interest. 32 V.S.A. § 5409(1). Additionally, “[i]f a payment is more than 90 days overdue, any State funds due the municipality shall be withheld.” *Id.*

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## Trust Taxes

### Meals and Rooms Tax and Sales and Use Tax

The Commissioner of Taxes has broad administrative authority to waive, reduce, or compromise any of the taxes, penalties, interest, or other charges or fees within his or her jurisdiction. 32 V.S.A. §§ 3101(b)(1) and 3201(a)(1), (a)(5), and (a)(7). For trust taxes, however, the customer is the one who pays the tax, not the vendor. Only late payment penalties and interest that are imposed on the vendor may be waived. In order to refund the tax collected to the vendor, the vendor would have to apply to the Commissioner and show that the vendor has repaid to the customer the amount requested as a refund. 32 V.S.A. § 9781(a) (sales tax) and Vt. Reg. § 1.9245-1 (meals and rooms tax). Additionally, refunds or credits are only allowed if the sales tax, penalty, or interest was “erroneously, illegally, or unconstitutionally collected or paid;” or if the meals and rooms tax, interest, or penalty was “paid more than once, or [...] erroneously or illegally collected or computed.” 32 V.S.A. §§ 9245 and 9781(a).

The Department of Taxes issued guidance suspending penalties and interest imposed on late trust tax payments for the March 25 and April 25 returns.<sup>4</sup>

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<sup>4</sup> Vt. Dept. of Taxes, Press Release (March 23, 2020), available online: <<https://tax.vermont.gov/press-release/upcoming-vermont-tax-due-date-guidance>>.