

**MEMORANDUM**

**TO:** Sen. Michael Sirotkin, Chair, Senate Committee on Economic Development, Housing and General Affairs

**FROM:** Brittney Wilson, Deputy Chief of Staff, Office of Governor Phil Scott  
VDOL 1099 Incident Tactical Team Lead

**DATE:** February 11, 2021

**RE:** Legislative change for short-term exemption to Vermont Tax Department confidentiality law

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The response to the Vermont Department of Labor (VDOL) 1099-G incident has brought to light restrictions in inter-agency data access, for the purposes of validating and verifying personal information. These restrictions are delaying the reissuance of the new VDOL 1099s and preventing VDOL from obtaining additional validations. The Department of Labor is improving overall quality control processes, but there is an immediate need to access existing Tax Department data to allow VDOL to efficiently produce accurate 1099s, ultimately helping claimants. This change would require a short-term, targeted exemption to the Vermont Tax Department confidentiality law.

A few days ago, we asked the Tax Department to run a validation test on regular UI 1099-G files. Rates of mismatch ranged between 4% and 7% in the various programs, which we believe to be claimant errors or typos made during the application process. However, 32 V.S.A. 3102 prevents the Tax Department from sharing any additional details or records with us. Confidentiality provisions even prevent the Tax Department from providing information on which records did, or did not match. In order for the Tax Department to return the information necessary to correct VDOL records, or even identify which records are incorrect, a confidentiality exemption would be required.

With this exemption, VDOL would share the unemployment claimant file with Tax, in a limited, secure way. Tax would then validate names and social security numbers using their VTax system. For non-matches, Tax could correct the information in the file. Tax would return a file to VDOL through the secure exchange, and VDOL could proceed with additional manual verifications, and processing of the new 1099s. There are just over 100,000 UI claimants that need to receive new 1099s. Given the size and scope of the UI population, an electronic verification, with another state agency, is essential to produce accurate 1099s timely and effectively.

In closing, we believe we owe it to claimants to get their 1099 forms as accurate as possible. It's likely that any remaining data issues are the result of errors made at the time of application, which are typically resolved after taxes were filed. But we believe we have a responsibility, and owe it to claimants, to take additional, proactive steps to ensure the information on new 1099-Gs is as accurate as can be. This will result in a smoother tax filing experience. for them as well. There is concern from claimants that because their 1099s are late, their tax filings will be delayed too. Without the additional verification we are seeking, it is still possible for claimants to file their taxes. However, this could result in longer processing time for the Tax Department to verify that information, resulting in delayed refunds.

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