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RE: Impact of linking to federal unemployment compensation exclusion

Members of the Vermont House Ways and Means Committee:

Currently, if Vermont did link with the federal decision regarding unemployment compensation exclusion, no reprogramming would be required for my software to file a Vermont return. The unemployment compensation exclusion is reported as a negative on 1040 Schedule 1 Part 1 line 8, other income. The federal adjusted gross income is reduced by the amount of the unemployment exclusion. This is the starting point for Vermont individual tax returns on IN 111. Household income (form HI 144) would reflect the full amount of unemployment compensation and not include negative other income. There would be no further delays in filing individual returns with unemployment compensation if the decision is made to link up.

However, if the decision is made to not follow the federal exclusion, the software would need to be reprogrammed to support the modification of the federal adjusted gross income. The Vermont Department of Taxes would need to decide which form to modify to report the adjustment, most likely form IN-112. The software changes would then require another round of testing and approval with all tax preparation software vendors, as well as the internal programming changes. This would further delay the filing of individual returns and most likely requiring the filing of extensions even beyond the May 15th deadline.

I fully support linking up with the federal decision on unemployment compensation exclusion. In my office alone, I am holding approximately 100 returns waiting for this decision. An expeditious decision would be most welcomed.

Respectfully,


Tracy Sloan CPA