



State of Vermont
Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Agency of Administration

TO: The Vermont Legislative Joint Fiscal Committee

FROM: Andrew Stein, Chief Operating Officer, Department of Taxes

DATE: November 6, 2024

SUBJECT: Annual Report on the Tax Computer System Modernization Fund

CC: Craig Bolio, Commissioner of Taxes; Adam Greshin, Commissioner of Finance and Management

In 2007, the State established the Tax Computer System Modernization Fund (CMF) to finance the modernization of the Tax Department’s aging IT systems, called legacy systems. Since then, the Department of Taxes has transformed into a modern, highly efficient, and service-oriented Department. The digital enhancements and process improvements associated with the CMF have benefited nearly all Vermonters and Vermont businesses.

To maintain this progress, the Governor and Legislature codified and adjusted the structure in [32 VSA §3209](#), which authorizes the fund to receive “annual transfers from the General Fund and the Education Fund in amounts not to exceed 0.21 percent of total revenue collected in the prior fiscal year by the Department of Taxes.” This language brought the CMF into the State’s annual budget process, which receives review from the Executive and Legislative branches every year. To date, the annual amounts transferred to the fund have been less than 0.21 percent of total revenues.

The CMF ended Fiscal Year 2023 (FY24) with a balance of \$ \$8.7M. The fund balance grew slightly in FY24 because the Department negotiated a change to the invoicing schedule with a key IT vendor that led to the State receiving a one-time fiscal year savings totaling more than \$1 million. This allowed the Department to receive planned services within budgeted amounts and save additional funds for planned projects over the upcoming fiscal years.

The CMF’s FY25 appropriation authority is set at \$6.4M, and it will receive \$4.9M in revenue this fiscal year. This spending-to-revenue differential will reduce the balance of the fund. The Department anticipates the balance will be further reduced in FY26. Department leadership intended to carry a fund balance forward to future fiscal years to help pay for large one-time IT implementations, such as new IT systems and a comprehensive update of the Department’s integrated tax system, called VTax.





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The Department uses VTax to administer the 35-plus tax types under its collection authority.¹ In FY24, VTax helped the Department efficiently and accurately collect more than \$2.7 billion in state revenue and efficiently administer a range of benefits, such as the Child Tax Credit and the Earned Income Tax Credit. It is also used to administer the new Childcare Contribution. VTax is relied on for almost all activities related to tax administration, including taxpayer registration, return review, fraud detection, refunding, billing, collections, auditing, and revenue accounting. The system also features a filing and payment website for taxpayers, called myVTax. The tax system interfaces with the statewide accounting system (VISION), the Department's scanning system, the BGS Print Shop, the State's bank, and the Internal Revenue Service's modernized e-file system through which most income tax returns are filed.

In FY25, the CMF will continue to be used for licensing, maintenance, and support of the VTax system, which is supported by the vendor FAST Enterprises, the Department of Taxes, and the Agency of Digital Services (ADS).

In addition to supporting this critical State system, the CMF will primarily be used in FY25 for:

- Implementation and support of the Vermont Property Tax Information Exchange (VTPIE), which is the State's new property tax IT system. This system will be used to support administration of the Statewide Education Property Tax, which includes managing the statewide Grand List, Property Tax Credits, TIF Districts, Current Use, equalization of property values, tax billing, deed recording, and other functions. This update will replace the State's use of the NEMRC software, which has been in place for more than 20 years. The Department is working closely with our partners in ADS and the municipalities. This project is underway and is being deployed in phases.
- Implementation and support of a new scanning system. The Department completed Phase 1 of a new scanning project this summer and is on track to complete the implementation of the new system in mid-FY26. The primary vendor for this project is Information Capture Solutions, LLC, and the project has already yielded significant modernization upgrades and efficiencies.
- Updates and support of Chainbridge economic microsimulation software. The Department and the Legislative Joint Fiscal Office incur expenses for purchasing various database updates and modeling options for this economic and revenue simulation/modeling software. This model is used for a range of income-based policy analyses.

¹ Property Taxes are collected by municipalities, and the administration of the statewide education property tax is largely administered outside of this system. The Department is currently implementing a new IT system funded by the CMF to help administer that tax and associated programs.