

VERMONT DEPARTMENT OF TAXES

2026 TAXPAYER ADVOCATE ANNUAL REPORT

SUBMITTED TO

House Committee on Ways and Means
Senate Committee on Finance

SUBMITTED BY

Office of the Commissioner
Vermont Department of Taxes

PREPARED BY

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January 15, 2026

To the Honorable Members of:

House Committee on Ways and Means

Senate Committee on Finance

In accordance with 32 V.S.A. § 3205(c), I submit the Vermont Taxpayer Advocate's Annual Report for activity in calendar year 2025. The Vermont Taxpayer Advocate Annual Report is required to "identify the problems encountered by taxpayers in interacting with the Department of Taxes and include specific recommendations for administrative and legislative actions to resolve those problems. The report shall identify any problems that span an entire class of taxpayer or specific industry and propose class- or industry-wide solutions."

The reporting period of this year's report contains activity from January 1, 2025, to December 31, 2025. During this period, the Taxpayer Advocate fielded over 500 phone calls. The majority of issues brought to the Department through these calls were able to be resolved with minimal intervention by the Taxpayer Advocate working with the Taxpayer Services division of the Department of Taxes.

Approximately 70 cases were reviewed for potential Extraordinary Relief with relief being granted in 63 of those cases. Of those 63 cases, 92% involved Property Tax Credits, 5% involved Renter Credit, and 3% involved Personal Income Tax.

Respectfully submitted,

Jeffrey M. Dooley
Taxpayer Advocate

Description of the Vermont Taxpayer Advocate

The Vermont Commissioner of Taxes created the Taxpayer Advocate in 2001. 32 V.S.A § 3205 requires the Vermont Department of Taxes to maintain a Taxpayer Advocate. The duties of that position include:

1. Identifying subject areas where taxpayers have difficulties interacting with the Department of Taxes
2. Identifying classes of taxpayers or specific business sectors who have common problems related to the Department of Taxes
3. Proposing solutions, including administrative changes to practices and procedures of the Department of Taxes
4. Recommending legislative action as may be appropriate to resolve problems encountered by taxpayers
5. Educating taxpayers concerning their rights and responsibilities under Vermont's tax laws
6. Educating tax professionals concerning the Department of Taxes' regulations and interpretations by issuing bulletins and other written materials, and
7. Assisting individual taxpayers in resolving disputes with the Department of Taxes.

The statute serves to codify the longstanding role and functions performed by the Taxpayer Advocate and highlights the Taxpayer Advocate's position to improve taxpayer services.

The statute also requires the Taxpayer Advocate to report annually to the House Committee on Ways and Means and the Senate Committee on Finance. 32 V.S.A. § 3205(c). The Legislature prescribed the following information for the report:

- Actions taken by the Taxpayer Advocate to improve taxpayer services and responsiveness of the Department of Taxes
- Identification of problems encountered by taxpayers in interacting with the Department of Taxes, including specific recommendations for administrative and legislative actions to resolve the identified problems
- Identification of any problems that span an entire class of taxpayer or specific industry, proposing class or industry-wide solutions.

New Administrative Initiatives

Significantly Improved Language Access

Issue:

Historically, the Department's forms and guidance have been primarily available only in English. This has created difficulties for Vermonters whose primary language is not English when they interact with the Department and try to comply with their tax obligations.

Administrative resolution:

The Department of Taxes' Communications Team has made significant progress toward expanding taxpayer access to documents, resources, and services in the language they are most comfortable using. Last Spring, the Department launched web pages in 14 different languages with information on how to access translation and interpretation services. Each page is written in a language identified by the Vermont Office of Racial Equity as among the most commonly spoken in Vermont.

The pages include links to proactively translated, commonly used documents such as the Power of Attorney form. The Department will continue to add to the pages as newly published and frequently accessed content is translated on a rolling basis. In 2025, the Department published a new Restaurant Guide. A summary of the guide was translated for each language page. Taxpayers can access these resources by selecting their preferred language at the top of the Department of Taxes homepage or in the footer of any page.

Taxpayers can now also find information about accessing translation and interpretation services, in 14 languages, on the back of all Tax Department postal mail envelopes.

Taxpayer Advocate Case Tracking

Issue:

Prior to 2025, Taxpayer Advocate cases were tracked manually using an Excel spreadsheet. This caused some issues as user error could cause delay or other issues.

Administrative resolution:

In February 2025, a new Taxpayer Advocate case was added to VTax, the Department's primary account management system. This has allowed for the more efficient tracking of Taxpayer Advocate cases. It allows cases to be sorted by type, stage, age, etc. It allows for better data about these cases and better customer service when taxpayers inquire about the status of their case. It also allows for better historical tracking of cases.

Statutory Proposals

Homestead Declaration/Property Tax Credit

Issue:

Under Vermont law, a taxpayer that has joint ownership of a homestead with their spouse and is separated from their spouse while in the process of obtaining a divorce is required to include their spouse's income in their household income and claim 50% ownership of the property on their property tax credit claim. This results in a significantly reduced property tax credit during the years the taxpayer finds themselves in this situation, often at the same time they are attempting to deal with the financial impact of going from a dual income household to a single income household.

Proposed Change:

32 V.S.A. § 6062(c): When a homestead is owned by two or more persons as joint tenants, tenants by the entirety, or tenants in common and one or more of these persons are not members of the claimant's household, the property tax is the same proportion of the property tax levied on that homestead as the proportion of ownership of the homestead by the claimant and members of the claimant's household; provided, however, that:

(5) the property tax of a claimant who is a joint tenant or tenant by the entirety with a spouse who is not a member of the household and who is a party to a divorce or separation proceeding in a court of law shall be 100% of the property tax;

Taxpayer Industry or Class Issues

Businesses in New Local Option Tax Towns

Issue:

As more and more Vermont towns institute Local Option Taxes, it has become increasingly difficult for Vermont businesses to figure if and/or when they should be charging Local Option Tax on transactions. These issues are exacerbated in situations where towns that have instituted a Local Option Tax share a zip code with towns that have not instituted such a tax.

Recommendation:

The Department has been working with towns and businesses in those towns to ensure the correct tax is charged and will continue to do so.