



VERMONT TAX GUIDELINES FOR MILITARY PERSONNEL

*Vermont Department of Taxes
133 State Street
Montpelier, VT 05609-1401*

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VT INCOME TAX – *General Information*

The Vermont income tax is based on Federal taxable income. If you are required to report the income on your Federal income tax return, it is also taxable in Vermont unless specifically exempted through law. If you claim Vermont as your state of domicile, you are considered a resident.

Vermont Exemptions for Military Pay

The following items are exempt from Vermont income tax:

- For VT residents - military pay for full-time active duty with the armed services when the pay is earned outside of Vermont. 32 VSA §5823(a)(2) This includes training, other than unit training, held outside of VT for 15 days or more.
- For non-VT residents - military pay for full-time active duty with the armed services. Full-time activity duty includes training, other than unit training, for 15 days or more. 32 VSA §5823(b)(3)
- Military income of a non-Vermont resident is not included when computing the Vermont tax on other income earned by a non-resident in Vermont. Public Law 180-189, Service members Civil Relief Act effective tax year 2003
- \$2,000 of military pay for unit training in Vermont for National Guard and U.S. Reserve personnel when the unit certifies the training was completed during the calendar year and the service member's Federal adjusted gross income is less than \$50,000 32 VSA §5823(a)(2) & 32 VSA §5823(b)(3)
Deployed members of the National Guard or U.S. Reserve may be eligible for both full-time military pay as well as the monthly training exemptions.
- Funds received through the federal armed forces educational loan repayment program under 10 U.S.C. chapters 109 and 1609, to the extent the funds are included in adjusted gross income of the taxpayer for the taxable year 32 VSA §5823(a)(3) & 32 VSA §5823(b)(3)

Combat Zone Duty

- VT adopted the provisions of Section 7508 of the Federal Internal Revenue Code that extends the time to file an income tax return without penalty to
 1. 180 days after the last day of qualifying combat zone service; or
 2. 180 days after the last day of any continuous qualified hospitalization for injury received from service in the combat zone

No penalty or interest assessed on income tax due during this period

The extension also applies to the filing for the military personnel's spouse

- Individuals called up for full-time active military duty as the result of the existence of a military conflict in an area designated as a combat zone by the President of the United States, regardless of whether such duty is performed within the combat zone 32 VSA §5830d(1)
- Individuals serving in an area treated by federal law in the same manner as if it were a combat zone. 32 VSA §5830d(2)

The United States government determines combat zone designations. To see the updated list of combat zones, go to the Internal Revenue Service web site at www.irs.gov and type in "military combat zones" in the search function.

NOTE: Wages of persons assigned by their employer to work on a military project are not exempt.

INCOME OF VERMONT RESIDENTS

The VT taxable income starts with the Federal adjusted gross income of a resident. The following items are excluded from VT income tax by reporting on VT Form IN-113 Schedule II:

- Income exempted from state taxation under the law of the United States
- Military pay exemptions (Line 32)
- Payment by the State of VT for families for support of a person with a developmental disability
- Wages received under Federal incentive work programs if wages are part of Federal adjusted gross income under Section 280(c) of the Internal Revenue Code
- Tier I Railroad Retirement Income
- Tier II Supplemental Railroad Retirement income
- Expenditures or expenses incurred to meet the Americans with Disabilities Act

VT Taxable Income is:

	Federal Taxable Income
<i>plus</i>	Income from non-VT state and local obligations
<i>less</i>	Interest income from U.S. government obligations
<i>less</i>	40% of net Capital Gains if included in Federal Adjusted Gross Income

INCOME OF NON-VERMONT RESIDENTS

The VT taxable income starts with the income items that must be included in the Federal adjusted gross income of the non-resident. Use VT Form IN-113 Schedule I to report the following VT income items:

NOTE: Military income of non-Vermont residents is not included when computing the Vermont tax on other income earned by a non-resident in Vermont. Public Law 180-189, Service members Civil Relief Act effective tax year 2003

- Rents and royalties from property located in VT
- Gains from the sale or exchange of VT property, including the sale of timber or timber rights
- Wages, salaries, commissions or other income received for services performed in VT, excluding exempt military pay, excluding income received for a dramatic performance in a commercial film to the extent such income would be exempt from personal income tax in the state of resident
- Income from every business, trade, profession, or occupation conducted in VT, including money received (1) under an agreement not to compete with a business operation in VT, (2) for goodwill associated with the sale of a VT business, or (3) for contractual services associated with the sale of a VT business unless it is shown that the compensation for services does not constitute income from the sale of the business
- Income previously deferred under a nonqualified deferred compensation plan and income derived from such previously deferred income

VT Taxable Income is:

	Federal Taxable Income
<i>plus</i>	Income from non-VT state and local obligations
<i>less</i>	Interest income from U.S. government obligations
<i>less</i>	40% of net Capital Gains if included in Federal Adjusted Gross Income

INCOME OF PART-YEAR VERMONT RESIDENTS

The VT taxable income starts with the income items that must be included in the Federal adjusted gross income of the part-year resident.

Use VT Form IN-113 Schedule II to exclude the following items from VT income tax for income received during the time of your VT residency:

- Income exempted from state taxation under the law of the United States
- Military pay exemptions
- Payment by the State of VT for families for support of a person with a developmental disability
- Wages received under Federal incentive work programs if wages are part of Federal adjusted gross income under Section 280(c) of the Internal Revenue Code
- Tier I Railroad Retirement Income
- Tier II Supplemental Railroad Retirement income
- Expenditures or expenses incurred to meet the Americans with Disabilities Act

Use VT Form IN-113 Schedule I to report the following VT income items received during the time you were a non-resident of VT:

- Rents and royalties from property located in VT
- Gains from the sale or exchange of VT property, including the sale of timber or timber rights
- Wages, salaries, commissions or other income received for services performed in VT, excluding exempt military pay, excluding income received for a dramatic performance in a commercial film to the extent such income would be exempt from personal income tax in the state of resident
- Income from every business, trade, profession, or occupation conducted in VT, including money received (1) under an agreement not to compete with a business operation in VT, (2) for goodwill associated with the sale of a VT business, or (3) for contractual services associated with the sale of a VT business unless it is shown that the compensation for services does not constitute income from the sale of the business
- Income previously deferred under a nonqualified deferred compensation plan and income derived from such previously deferred income

VT Taxable Income is:

	Federal Taxable Income
<i>plus</i>	Income from non-VT state and local obligations
<i>less</i>	Interest income from U.S. government obligations
<i>less</i>	40% of Capital Gains

PROPERTY TAXES

DECLARATION OF VERMONT HOMESTEAD

Under the provisions in 32 V.S.A. §5410(I), full-time active duty military persons serving outside of Vermont can file a late homestead declaration without assessment of the 1% late file penalty.

PROPERTY TAX ASSISTANCE

Extension of Time to File

An extended due date to file property tax assistance forms applies to full-time active duty military personnel serving in designated combat zones. The service person can now file these forms up to 180 days after

- service in the combat zones ends, or
- discharge from the hospital due to physical or mental injury or disability resulting from the service.

The service person can file for an education property tax payment, if the filing is within the 180 days and the service person meets the eligibility requirements.

PROPERTY TAX EXEMPTION FOR VETERANS

32 VSA §3802(11)

\$10,000 of appraised value of property (by majority vote of the town, the veterans' exemption may be increased up to \$40,000) of the qualified veteran's principal residence may be exempted from property tax if

- The property is owned by the **qualified veteran**, his or her spouse or child, or any combination thereof, in fee simple, the veteran receives the qualifying payments
- A written application is submitted to the lister of the town by MAY 1 of each year
- A written statement from the Veterans' Administration showing the **qualifying pension or compensation** is being paid must accompany the application

The Veterans' Administration will issue a letter to verify that a person's disability qualifies the family for this exemption. The letter generally includes the term "property tax exemption" or "this is for use by your listers." Veterans' Administration contact for Vermont residents - (802) 292-9363.

A Qualified Veteran must be

1. A veteran of any war
2. A recipient of an American Expeditionary Medal; or
3. The spouse, widow, widower, or child, or combination thereof, if one of more are receiving one or more of the qualifying payments

Note: Unremarried widow or widower of a previously qualified veteran whether or not receiving qualifying payments.

AND

Receives qualifying payments are paid through any military department or veterans' administration for

1. disability compensation for at least 50% disability, or
2. death compensation, or
3. dependence or indemnity compensation, or
4. pension for disability

NOTE: Only one exemption may be allowed on a property.

RENTERS

Extension of Time to File Claim

An extended due date to file a renter rebate claim applies to full-time active duty military personnel serving in designated combat zones. The service person can now file the claim up to 180 days after

- service in the combat zones ends, or
- discharge from the hospital due to physical or mental injury or disability resulting from the service.

The service person can file for a renter rebate if the service person meets the eligibility requirements and the filing is within the 180 days.

HOUSEHOLD INCOME FOR PROPERTY TAX ASSISTANCE AND RENTER REBATES

Household income measures the funds available to support the household. It includes both taxable and nontaxable income. Household income begins with Federal Adjusted Gross Income. Specific items are added or exempted from inclusion in household income. Of particular interest to military personnel is the requirement to include allowances received by their dependents as part of household income if the allowance is not already included in Federal Adjusted Gross Income.

**These items of military pay are included in Federal Adjusted Gross Income.
Reported on the applicable line(s) on Form HI-144.**

Basic pay	<ul style="list-style-type: none"> • Active duty • Attendance at a designated service school • Back wages • CONUS COLA • Drills • Reserve training • Training duty 	Special Pay	<ul style="list-style-type: none"> • Aviation career incentives • Career sea • Diving duty • Foreign language proficiency • Hardship duty • Hostile fire or imminent danger • Foreign duty (outside the 48 contiguous states and D.C) • Medical and dental officers • Nuclear-qualified officers • Optometry • Pharmacy • Special duty assignment pay • Veterinarian
Other payments	<ul style="list-style-type: none"> • Accrued leave • High deployment per diem • Personal money allowances paid to high-ranking officers • Student loan repayment from programs such as the Department of Defense Educational Loan Repayment Program when year's service (requirement) is not attributable to a combat zone 	Bonuses	<ul style="list-style-type: none"> • Career status • Enlistment • Officer • Overseas extension • Reenlistment
Incentive pay	<ul style="list-style-type: none"> • Submarine • Flight • Hazardous duty • High altitude/Low altitude (HALO) 		

These items of military pay are not included in Federal Adjusted Gross income and generally not part of household income. **EXCEPTION: Allowances** paid for the dependents of the service personnel are **included and reported** on applicable lines on HI-144, even if paid directly to the service person. For example: Basic Allowance for Housing (BAH) or Family Separation Allowance – FSA (if the FSA is for residing in VT)

Living Allowances	BAH (Basic Allowance for Housing) You can deduct mortgage interest and real estate taxes on your home even if you pay these expenses with your BAH	Combat Zone Pay	Compensation for active service while in a combat zone or a qualified hazardous duty area. Note: Limited amount for officers
	BAS (Basic Allowance for Subsistence)	Family Separation Allowances (FSA)	Certain educational expenses for dependents
	Housing and cost-of-living allowances abroad whether paid by the U.S. Government or by a foreign government		Emergencies
	OHA (Overseas Housing Allowance)		Evacuation to a place of safety
Moving Allowances	Dislocation	Death Allowances	Separation
	Military base realignment and closure benefit (the exclusion is limited as described on page 4)		Burial services
	Move-in housing		Death gratuity payments to eligible survivors
	Moving household and personal items	Other payments	Travel of dependents to burial site
	Moving trailers or mobile homes		ROTC educational and subsistence
	Storage		Survivor and retirement protection plan premiums
	Temporary lodging and temporary lodging expenses		Professional education
Travel Allowance	Annual round trip for dependent students	Uniforms furnished to enlisted personnel	
	Leave between consecutive overseas tours	Defense counseling	
	Reassignment in a dependent restricted status	Uniform allowances	
	Transportation for you or your dependents during ship overhaul or inactivation	Group-term life insurance	
	Per diem	Disability, including payments received for injuries incurred as a direct result of a terrorist or military action Included in household income if paid by Veterans' Administration	

OTHER INCOME REPORTABLE OR EXEMPTED FOR HOUSEHOLD INCOME

INCLUDED ON HI-144	DO NOT INCLUDE ON HI-144
Alimony	Gifts from nongovernmental sources if not listed as includable.
Support money other than cash gifts	Surplus food or other relief in kind by a government agency
Amount of cash gifts (or cash equivalents) received by the household exceeding \$6,500	Payments made for foster care
Cash public assistance and relief	Income of a person living in the home under a written Home Sharing Agreement with a nonprofit home sharing agency and not related to the homeowner
Cost of living allowances paid to federal employees	Income of a person living with a homeowner who is disabled or is age 62 or older if the person provides services that allows homeowner to remain in his or her home and prevents institutionalization.
Portion of Roth IRA distribution representing investment earnings that is not already included in AGI	Income of a bona fide employee living in the home and not related to the homeowner
Railroad retirement benefits	Adult foster care for developmentally disabled individuals (formerly Difficulty of care)
Social Security payments	
All benefits under Veterans' Act	
Federal pension and annuity benefits that are not already included in AGI	
Nontaxable interest received from state or federal governments or their instrumentalities i.e. bonds	
Workers' compensation	
Gross amount of loss of time insurance	
Capital gains excluded for AGI	
Earnings of a full-time student who qualifies as your dependent (first \$6,500 excluded) Non-earned income such as interest or dividends reported as full amount	
Income of a parent living in household who qualify as your dependent that exceeds \$6,500	
Income of a disabled adult child who qualifies as your dependent that exceeds \$6,500	
Income of a spouse from whom you are not legally separated, even if that spouse does not live in the household	
Income of members of the household during the calendar year	

