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State & Local Taxes Weekly Newsletter

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Articles

Vermont Enacts Recently Deployed Veteran Tax Credit (06/06/2011)

State and Local Taxes Weekly,**Vermont Enacts Recently Deployed Veteran Tax Credit***by Judith Richardson-Dunkley, Esq. (RIA)*

Vermont has enacted a credit against income taxes imposed under Ch. 151 for each new full-time employee (who is a recently deployed veteran) hired between May 24, 2011 and December 31, 2012 for a position, the majority of the duties for which, are at a business located in Vermont; and a separate credit for expenses associated with a start-up business located in Vermont in which a recently deployed veteran holds at least a 50% ownership interest. (L. 2011, H275, effective 05/24/2011 .)

Employer credit. A qualified employer may claim a nonrefundable credit equal to \$2,000 for each new full-time employee hired after May 24, but before December 31, 2012 for a position, the majority of the duties for which, are at a business located in Vermont. A "qualified employer" means a person who is in good standing with respect to applicable registration, fee, and filing requirements with the Secretary of State, the Department of Taxes, and the Department of Labor, and has a valid workers' compensation policy in place. A "new full-time employee" means a recently deployed veteran who meets the following criteria: (1) who works at least 35 hours per week for not less than 45 of the 52 weeks following the individual's date of hire; (2) whose compensation equals or exceeds the prevailing compensation level, including wages and benefits, for the particular employment sector and region of the state as determined by the Commissioner of Labor; (3) who at the time of hiring is certified by the Department of Labor as either collecting or being eligible to collect unemployment benefits, or having exhausted his or her unemployment benefits; and (4) who has not been employed by the qualified employer for 90 days prior to the date of hire. A "recently deployed veteran" means an individual who: (1) was a resident of Vermont at the time of entry into military service or was mobilized to active, federal military service while a member of the Vermont National Guard or other reserve unit located in Vermont, regardless of the resident's home of record; (2) received an honorable or general discharge from active, federal military service within the 2-year period preceding the date of hire; (3) (for purposes of the deployed veteran's credit) a person who at the time of starting up a new business has been certified by the Department of Labor as either collecting or being eligible to collect unemployment benefits, or having exhausted his or her unemployment benefits; and (4) who has not been employed by the qualified employer for 90 days prior to the date of hire.

Recently deployed veteran's credit. A recently deployed veteran may claim a nonrefundable credit equal to \$2,000 for expenses associated with a start-up business in which the recently employed veteran holds at least a 50% ownership interest. The credit may only be taken for a business started after May 24, 2011 but before December 31, 2012. In addition, the business must be located in Vermont and show a net profit of at least \$3,000 for the year in which the credit is taken. For purposes of the credit, "expenses associated with a start-up business" include: (1) expenses associated with the development of a business plan; (2) professional services associated with the formation of the business, such as the services of an accountant or attorney; (3) an analysis or survey of potential markets, products, labor supply, or transportation facilities; (4) advertisements for the opening of the business; (5) salaries and wages for employees who are being trained and their instructors; (6) travel and other necessary costs for securing prospective distributors, suppliers, or customers; and (7) salaries and fees for executives and consultants, or for similar professional services.

Claiming the credit/limitations. The credit may only be claimed in the tax year following the new

full-time employee's hiring, or the tax year following the date that the start-up business was created. Unused credit may be carried forward for one year. An employer may not claim a credit for a new full-time employee who has claimed a credit as a newly deployed veteran, and a recently deployed veteran may not claim a credit as a recently deployed veteran if his or her employer had claimed the employer credit for hiring the recently deployed veteran.

Procedures. The Department of Labor will establish procedures for prequalifying an individual as a recently deployed veteran and certifying a qualifying employer's (or recently deployed veteran's) compliance; and adopt measurable goals, outcomes and an audit strategy, in coordination with the Department of Taxes, the Agency of Commerce and Community Development, and the Office of Veteran's Affairs.

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