

# 2011

# TAX UPDATE

Vermont Department of Taxes

Aug 12, 2011

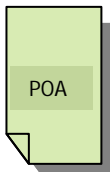
4 Pages



## IN THE MAIL

Homeowners received the Notice of 2011 Property Tax Adjustment calculation letters the week of July 5. NOTE: ***It is very important for homeowners to review the information used to calculate their adjustment. While household income can be amended, changes to values for housesite and property taxes, and ownership interest is available only until September 1.***

Last week the Department mailed 12,000+ notices to homeowners who filed a 2010 property tax adjustment claim but have not filed a 2011 claim. The law changed where the homestead declaration is no longer required to be filed annually. Filing trends for the claims raised concerns that some homeowners may believe the property tax adjustment claim also did not need to be filed each year. Homeowners who filed a 2010 property tax adjustment claim last year that generated an adjustment but had not yet filed a 2011 claim received the letter. Some of your clients may have received a letter where their household income is too high this year. To deflect clients thinking the preparer made an error, the letter lists reasons why the Department may have sent the letter in error. A copy of the notice is on page 4 of this Tax Update.



## VT POWER OF ATTORNEY FOR TAX PURPOSES – Part II

The provisions contained in 2011 Act 45 did not achieve the Department's goal of exempting a power of attorney for tax purposes from the requirement to be notarized. The bill added new language to the disclosure section of tax law that allows disclosure of information to an "authorized representative" which is defined as "any person who would be considered a designee of the taxpayer under 26 U.S.C. § 6103(c)." The authorization of disclosure does not require a signature of a notary public.

Unfortunately, this means a copy of the Federal power of attorney will not be sufficient to allow a power of attorney authorization for the Vermont Department of Taxes. The Department will approach the 2012 Legislature to request a power of attorney for tax purposes be exempt from the notary requirements.

On the positive side, the new provision does now allow the Department to disclosure of tax information without requiring a notarized power of attorney for an authorized representative. The Department developed a Vermont version of Form 8821, Authorization to Release Tax Information, which will be available on the web within two weeks.



## **TAX SCAMS**

The IRS warns that tax scams are on the increase. The scams include phishing for taxpayer information as well as promoters of filing schemes that charge taxpayers to file returns with the promise of easy refunds. The IRS describes the most prevalent scams in their [press release of July 11, 2011](#).

And a new scam aimed at tax practitioners - The IRS says it is now finding phishing schemes that prey on tax practitioners who want to attend one of the summer IRS forums. The email supposedly comes from IRS Tax Forums and requests that recipients register for an event for tax professionals by using an attached registration form. ***IRS makes registration forms available only through the web, not through emails.***

Yet another new scam reported. Scammers are sending out emails to employers that report a payment has been rejected by the Electronic Federal Tax Payment System (EFTPS). Clicking on a link downloads malicious software that takes personal and financial information from the computer. ***IRS never initiates email communications, whether on EFTPS or tax account matters.***



## **SEPTEMBER 1 IS COMING FAST!** **PROPERTY TAX ADJUSTMENT CLAIM CLARIFICATIONS**

A practitioner emailed me concerned about her clients with extended income tax returns that the household income for the 2011 property tax adjustment claim could not be amended after September 1, 2011.

It is correct that the extension for the income tax return does not apply to the claim and the last time to file an original 2011 property tax adjustment claim is September 1, 2011. However, household income can be amended for up to three years. Preparers have taken two approaches to determine household income for extended income returns – 1] file the claim with estimated household income using the best information available, or 2] file the claim showing the \$97,000 maximum household income.

Remember, that the procedure to file amended household income changed for the 2011 claim. Complete Form HS-145 and check the box on Line 11 to show you are amending the household income. Then complete Schedule HI-144 with the correct information. This can be efiled or filed by paper.

If you mail the original 2011 property tax adjustment claims or amended household income claim, it must be received by the Department within three business days of the deadline. The goal is to get these filings processed so the adjustment amount can be transmitted to the town by September 15. For claims processed after the September 15 transmission, the homeowners receive the check for the adjustment amount.

The practitioner also asked to have folks reminded that the capital gain from the sale of a primary home excluded from income tax needs to be included in household income.



## **NEW HOMESTEAD DECLARATION PROCEDURES**

The Legislature eliminated the requirement to file a homestead declaration each year. The new procedure allows the 2010 homestead declaration to remain on record until the property is sold, or the business or rental use of the property changes from the declaration on record. The following are questions that have been asked about this new process:

***If you sell your home and purchase a new home, can you withdraw the declaration on the sold home and declare the new home on the Department's online filing?***

YES. Withdraw the homestead sold first. At the end of the withdrawal screen you will be asked if you want to file a declaration for your new homestead. NOTE: You still need to fill in the SSN and Span and name.

***Have lawyers, banks and real estate agents been notified of the homestead withdrawal requirement?***

YES. The Department sent notification of the change to the Vermont Bar Association and Vermont Association of Realtors in 2010. In May 2011, the Department mailed the guide for property transactions and homestead declarations to Vermont banks, credit unions and licensed realtors. The [guide](#) is also located on our website.

***Is there delayed processing if a homestead withdrawal was not filed?***

The property tax adjustment claim may experience delayed processing as the same SPAN may not be declared by a homeowner with different Social Security number (the Social Security numbers of a joint filing are considered one identification unit). When a withdrawal is not filed, the examiner must research the status of the property through our property transfer return records and/or with the town.

***Do multiple or unneeded filings of the homestead declaration cause problems for the Department?***

It causes additional work. Declarations filed after the original filings do not automatically post and must be reviewed by an examiner.

***What is the process for contiguous land that is part of the homestead (whether in the same or different town) to be classified as homestead?***

There is no change to this process. A homestead declaration must be filed for each SPAN in the appropriate town.

***If the owner changes from the 2010 declaration, how do you change the owner?***

When the home is sold, the seller filed a withdrawal and the buyer files a declaration.

If there is an additional owner being added to the existing owners or an existing owner is removed, file a new declaration.

***Do I file a new homestead declaration if the use of my homestead changed after April 1, 2011?***

YES. File a new homestead declaration and indicate the date of the change in the section provided on the form. Declarations with use changes after April 1, 2011 will be held and transmitted to the town for the 2012 grand list.

***What is the due date for filing a homestead declaration?***

The due date remains the same as in the past. A declaration for a new homestead is timely if filed by April 15<sup>th</sup> and a late-but-can-still-declare is filed by September 1<sup>st</sup>. A declaration to report the change in business or rental use of the property can be filed on the April 15<sup>th</sup>/September 1<sup>st</sup> schedule. NOTE: The declaration can be filed earlier at the time of closing or the date of the use change. The Department will hold the declaration and transmit the information to the town for the appropriate grand list.

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2011 PROPERTY TAX ADJUSTMENT CLAIM

Dear Homeowner:

Our records indicate you filed a 2010 Property Tax Adjustment Claim but have not filed a 2011 Property Tax Adjustment Claim. While you are no longer required to file the Homestead Declaration annually, *you must file a Property Tax Adjustment Claim each year to qualify for an adjustment of your property tax.* The 2011 Property Tax Adjustment Claim must be filed by **September 1, 2011**. Claims filed after that date cannot be accepted.

Please read the following information carefully.

HOW DO I FILE A 2011 PROPERTY TAX ADJUSTMENT CLAIM?

Complete and file Form HS-145 and Schedule HI-144. The fastest and easiest way to file a claim is by using our free online filing service which is available at <https://secure.vermont.gov/hd/index>. When you file electronically, you receive an immediate confirmation of your filing. Paper copies of the forms are available on our website or by calling 802-828-2515.

If you are eligible for an adjustment, a \$15 late filing fee will be deducted from the adjustment amount on claims filed after the April 18, 2011 due date. If you have questions or need assistance completing the forms, please contact Taxpayer Services Division at the number below.

**Remember the deadline to file a 2011 Property Tax Adjustment Claim is September 1, 2011.**

DID I RECEIVE THIS NOTICE IN ERROR?

If you sold the property you claimed in 2011, or you no longer use the property as your homestead or your household income exceeded the \$97,000 threshold, please disregard this notice. You are not eligible for a property tax adjustment for 2011.

Vermont Department of Taxes  
Taxpayer Services Division  
Email: [schooltax@state.vt.us](mailto:schooltax@state.vt.us)

Telephone: 1-866-828-2865 (toll-free in VT)  
802-828-2865 (local calls)  
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