

# HERRICK, LTD.

Certified Public Accountants

Client Name: \_\_\_\_\_

## WHAT'S NEW IN VERMONT - 2009

PLEASE COMPLETE THE ITEMS IN ITALICS AND RETURN THIS SHEET TO US

### ESTATE TAX - VERMONT - IMPORTANT

Please note that Vermont retroactively reduced the estate tax exemption to \$2,000,000, effective for deaths on or after January 1, 2009. This means that a decedent's estate may be exempt at the federal level (under \$3,500,000 in value), **but taxable in Vermont.**

While the federal estate tax is repealed for 2010 (as of this writing), Vermont will continue to tax estates in excess of \$2,000,000. Note: It is presently unclear how the removal of the federal tax cost basis step-up will affect any cost basis adjustments for Vermont purposes.

### PROPERTY TAX REPORTING

All Vermont resident homeowners must file Part A of Form HS-122. Although the form is included in the tax booklet, it **IS NOT** part of your tax return. Part A of Form HS-122 is the Vermont Homestead Declaration, which must be completed and submitted to Vermont as soon as possible, either by using the paper form or completing it on-line. Part A is due April 15, 2010. The last date to file a late declaration is September 1, 2010. Homeowners filing Part A of the form after September 1, 2010 will have their property taxes assessed at the non-resident rate and will be ineligible to make a property tax adjustment claim. Late filing penalties will apply to all forms filed after April 15, 2010. Please send us a photocopy of Part A of your HS-122 form once you have submitted it to Vermont. *If you would like Herrick, Ltd. to prepare Part A of Form HS-122, please initial here and return this sheet to us promptly: \_\_\_\_\_.*

If your 2009 household income is under \$97,000, Part B of Form HS-122 will also need to be completed, and Household Income Form HI-144 will need to be attached. Herrick, Ltd. will prepare Part B of Form HS-122 and Form HI-144 if it looks as though you may qualify for a property tax adjustment. The calculation for the property tax adjustment will use the 2009 household income, 2009 house site value, and 2009 property taxes on the house site. The 2010 property tax adjustment, if any, **goes directly to your town** as a credit towards your 2010/2011 property tax bill. The Vermont Department of Taxes will send notifications to homeowners of the amount credited to their property tax bill. The maximum adjustment amount is \$8,000.

If Herrick, Ltd. is preparing Part B of Form HS-122 and Form HI-144, we will need the amount and type of other income received, which may not normally be taxable (e.g., child support, veteran's benefits, cash gifts, etc.). Furthermore, we also need complete details of the amounts and types of all income for **ALL OTHER MEMBERS OF YOUR HOUSEHOLD** not included on this tax return (includes children, roommates, non-family persons). If you have adult children who use your address for filing their Vermont tax returns, this may cause problems unless all of their income is reported on the rebate claim.

PLEASE ALSO READ OTHER SIDE

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**CAPITAL GAINS**

Taxation of capital gains in Vermont has become more complicated. Gains incurred during the first six months of the year benefit from the 40% exclusion (as in 2008). For gains incurred after June 30, 2009, the first \$2,500 is excluded and the excess is fully taxable. It will be necessary to allocate gains between the first and second halves of the year, as appropriate. A new five page form will allow us to make these calculations.

Taxpayers age 70 or older may opt to use the 40% exclusion method for gains incurred in the second half of 2009 if it is to their advantage. Special rules also apply to farmers.

**SALES TAX (USE TAX)**

Unless you advise us to the contrary, we will calculate the standard Vermont Sales Tax Assessment (0.04% of Vermont adjusted gross income) in lieu of actual sales/use tax occurring on out-of-state/mail order purchases.

*If you have kept records and know the actual amount of qualifying out-of-state and mail order purchases, please indicate that amount here:\_\_\_\_\_.* (Do not include purchases of new clothing and shoes.)

**CIVIL UNIONS**

If you qualify to file under Vermont's Civil Union rules, please notify us, as we will need to request additional information. This will not affect the manner in which your federal tax return is filed.

**VERMONT SPECIAL CONTRIBUTIONS**

*Do you wish to contribute, on your Vermont tax return, to any of the following special Vermont Funds? If yes, please indicate the amount. Your contribution will be tax deductible if you itemize your deductions in 2010.*

|                                | YES/NO | AMOUNT |
|--------------------------------|--------|--------|
| Vermont Non-game Wildlife Fund | _____  | _____  |
| Vermont Children's Trust Fund  | _____  | _____  |
| Vermont Campaign Fund          | _____  | _____  |

**VERMONT 529 COLLEGE SAVINGS PLAN**

If you contributed during 2009 to a 529 plan administered by VSAC (Vermont Student Assistance Corporation), please provide copies of the year-end statement as you may be eligible for a Vermont tax credit.

**USING AN INCOME TAX REFUND TO PAY PROPERTY TAXES**

If you are a Vermont resident homeowner and filed a Declaration of Homestead, please indicate if you want all or part of your Vermont income tax refund to pay 2010 property taxes. The State will add an amount equal to one percent of the refund amount towards your property taxes. If you do not indicate any allocation of your refund to your property taxes, the default is that the full refund will be sent to you.