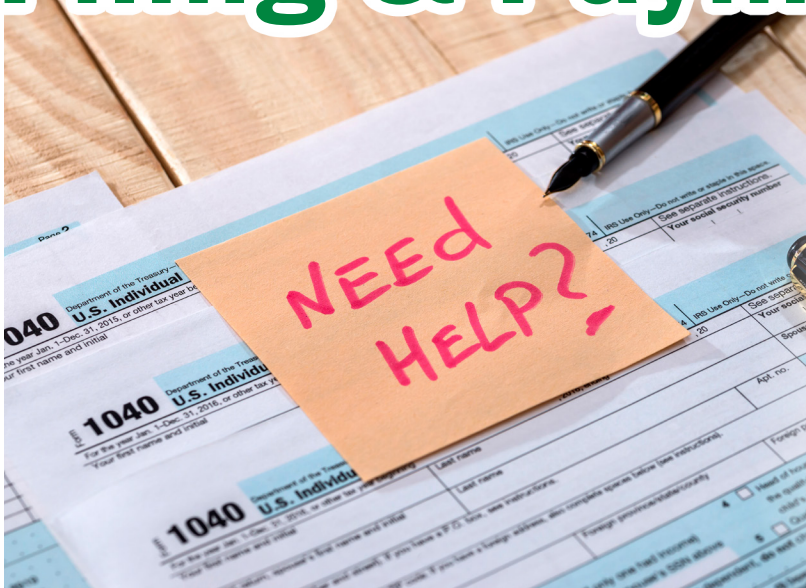


# Filing & Paying Taxes



Learning more about how federal and state personal income taxes work will help you pay the right amount of tax, beginning with your first paycheck.

## Why Pay Taxes?

Federal and state governments have the task of raising money to provide for the common good of the people. Levying taxes is one way the government raises funds for building and maintaining roads and bridges, educating our children, keeping our environment clean, safe, and healthy, and much more. The Internal Revenue Service (IRS) administers federal taxes, and the Vermont Department of Taxes administers state taxes.

## Taxation in Vermont

The Vermont Department of Taxes serves Vermonters by collecting about 30 state tax types to pay for the goods and services people receive from the state. In addition to personal, business, and corporate income taxes, Vermont raises tax revenue through sales and use tax, meals and rooms tax, property tax, and other smaller taxes. The Department of Taxes works to help taxpayers pay the right amount of tax, to administer the tax process as efficiently and quickly as possible, and to protect taxpayer dollars by detecting and preventing identity theft and other fraud.

## Income Taxes: “Pay-As-You-Go”

Federal and state income taxes are “pay-as-you-go.” In other words, your employer deducts and pays federal and state income taxes on your behalf from each paycheck over the course of the year. This is known as income tax “withholding.” Paying a portion of your income taxes each paycheck means you don’t have to come up with the entire amount in a lump sum when you file your taxes in April of the following year. It also ensures that government gets the right amount of tax on time.

## How Much Should You Withhold? That is the Question!

When you start a new job, your employer will ask you to complete a federal Form W-4, the Employee’s Withholding Allowance Certificate, and a Form W-4VT for Vermont withholding. These forms help your employer calculate how much income tax to withhold and pay from each paycheck. Because the federal and Vermont income tax calculations differ, you should complete the W-4VT so that the right amount of state income tax is withheld.

How much your employer withholds depends on your filing status (for example, single or married) and how many allowances you claim on forms W-4 and W-4VT. The balance between what is withheld and what you owe should ideally be about even. The goal is to either get a small refund or owe very little.

The IRS provides a Withholding Estimator on its website at [irs.gov](https://www.irs.gov) to help you figure out the right amount of federal withholding on Form W-4. The instructions on Vermont’s Form W-4VT will guide you through the process in Vermont. It is important to update your W-4 and W-4VT annually and whenever your filing status or number of allowances change.



**Questions?** Call us at (802) 828-2505  
Email us at [TAX.VTtaxDept@vermont.gov](mailto:TAX.VTtaxDept@vermont.gov)

## Filing and Paying

Ideally, the amount of taxes withheld from each paycheck should equal the amount of taxes you owe, but the withholding amount is just your best estimate. When you file your taxes annually every April, you are reconciling what you've paid during the past calendar year and what you truly owe after factoring in deductions, exemptions, and credits. If you have paid too little withholding, you will owe tax. On the other hand, if you have paid too much, you will get a refund.



To file your federal and Vermont personal income taxes, you will need the information on Form W-2, Wage and Tax Statement, from each employer and Form 1099 for any other source of income, such as interest, dividends, prizes, etc. Federal and Vermont laws require employers, financial institutions, and others to distribute forms W-2 and 1099 to taxpayers by January 31 of the filing year. They also must send them to the IRS and Vermont Department of Taxes.

You must file your federal Form 1040, U.S. Individual Income Tax Return, and your state Form IN-111, Vermont Income Tax Return, along with any necessary schedules, by the April 15 due date. If the 15<sup>th</sup> falls on a weekend or holiday, it moves to the next weekday.

### Need More Time to File?

If you need more time, you may file to extend your due date to October 15 using federal Form 4868 and Vermont Form IN-151. You may also file a Vermont extension online at [myVTax.vermont.gov](http://myVTax.vermont.gov). You must file federal and Vermont extension forms by the April due date. If you estimate that you owe tax, you must still pay the tax with your extension to avoid additional penalty and interest.

## Vermont's Tax Credits and Exemptions

Federal and state lawmakers create tax credits and exemptions to allow qualified taxpayers to reduce their tax liabilities. Credits and adjustments serve various purposes, such as to help low-income taxpayers reduce their tax burdens or to provide incentives to support business growth and other activities.

Some credits, such as the Earned Income Tax Credit, may be taken at federal and Vermont levels. Check the Department's website to see if you are eligible for such Vermont credits and exemptions as the Property Tax Credit, Social Security Exemption, Charitable Contribution Tax Credit, and Research and Development Tax Credit.

## E-file: Faster and More Accurate

The IRS and the Vermont Department of Taxes strongly encourage electronic filing of tax returns using commercial software. Not only do e-filed returns get to the Department of Taxes more quickly than paper returns, but we can process e-filed returns—and refunds—more efficiently. We also find that e-filed returns have fewer math mistakes and other errors that may slow processing.

## Free File and Other Tax Help

Some commercial software vendors offer free online federal and state filing options for qualified Vermont taxpayers through Free File. About 65% of Vermonters qualify, but only about 5% of eligible filers use Free File. To see if you qualify, visit Vermont Free File.



Other free options for tax assistance for qualified taxpayers include the following programs: IRS Volunteer Income Tax Assistance, IRS Tax Counseling for the Elderly, AARP Tax-Aide, and the MyFreeTaxes Partnership.

## Where's My Refund?

Generally, the Department of Taxes processes e-filed returns in about 6 to 8 weeks and paper-filed returns in about 8 to 12 weeks. If there is a problem with your return, such as missing or incorrect information, we will mail you a letter requesting more information. Please respond as soon as possible so that we can continue processing your return.

You may check the status of your return and respond to a request for information online at [myVTax.vermont.gov](http://myVTax.vermont.gov). If you are a first-time filer or if you have changed your name or address, you may receive a letter asking you to verify your identity.

## VERMONT RESOURCES

### Vermont Department of Taxes

[tax.vermont.gov](http://tax.vermont.gov)

### Forms and Instructions

[tax.vermont.gov/forms-and-publications](http://tax.vermont.gov/forms-and-publications)

### Fact Sheets and Guides

[tax.vermont.gov/forms-and-publications/pub](http://tax.vermont.gov/forms-and-publications/pub)

### Free File & Free Tax Preparation Assistance

[tax.vermont.gov/individuals/free-tax-preparation-assistance](http://tax.vermont.gov/individuals/free-tax-preparation-assistance)

### How to Protect Yourself from Identity Theft and Fraud

[tax.vermont.gov/help-and-resources/identity-theft-and-fraud](http://tax.vermont.gov/help-and-resources/identity-theft-and-fraud)

## FEDERAL IRS RESOURCES

### IRS

[irs.gov](http://irs.gov)

### Withholding Estimator

[irs.gov/payments/tax-withholding](http://irs.gov/payments/tax-withholding)

### IRS Forms and Instructions

[irs.gov/forms-instructions](http://irs.gov/forms-instructions)