**Vermont Payroll Taxes**

**VT State Income Tax Withholding**

VT Withholding for Employers website: <https://tax.vermont.gov/business/withholding>

**Who Must Withhold VT State Income Taxes**

An employer who pays wages or makes payments to Vermont income tax withholding must register with the Vermont Department of Taxes for a withholding account. You may register through myVTax (<https://myvtax.vermont.gov/_/>)

Generally, your payment frequency will mirror your federal payment frequency; for example, if you are required to pay your Federal Withholding Tax semi-weekly, you are required to pay the Vermont Withholding Tax semi-weekly.

All taxpayers (Semiweekly, Monthly, and Quarterly) are required to file Form WHT-436, Quarterly Withholding Reconciliation, at the close of each quarter.

All taxpayers (Semiweekly, Monthly, and Quarterly) are required to file Form WHT-434, Annual Withholding Reconciliation, due the last day of January. This form serves as the transmittal for forms W-2 or 1099 and reconciles the amount of Vermont income tax withholding reported during the year to the amount of withholding tax shown on the W-2 and/or 1099 forms.

All taxpayers may file returns and pay tax due for Withholding Tax using [myVTax](https://myvtax.vermont.gov/_/), the free, secure online filing site.

You must file and pay electronically if:

* you submit 25 or more W-2 and/or 1099 forms with Form WHT-434, Annual Withholding Reconciliation, ***or***
* you pay withholding tax on the semi-weekly schedule ***or***
* a payroll filing service is used
* your total withholding remitted for the prior calendar year exceeded $100,000. The Director of the Division of Taxpayer Services will consider a written request for an exemption based on extraordinary circumstances.

**VT W-4 Requirements**

Employers should request that each employee complete a [W-4VT, Employee’s Withholding Allowance Certificate](https://tax.vermont.gov/content/form-w-4vt), in addition to a federal Form W-4, so that the employer may [correctly calculate their Vermont Income Tax Withholding](http://tax.vermont.gov/individuals/personal-income-tax/withholding). The form will help employees determine the number of allowances to take. Even employees who have recently updated their W-4s should make sure that they have completed the most recent version of the W-4VT.

**VT State Unemployment Insurance**

In general, workers are covered by the unemployment law of the state in which the work is performed. Employers with employees working in Vermont may register for an unemployment insurance account via the Vermont Department of Labor’s Employer Registration Application: <https://uipublic.labor.vermont.gov/EmployerRegistration/VT_UI_Liability/Liabilitycheck1.aspx>. If you have questions about this application or about your potential liability, please contact Employer Services at (802) 828-4344.

Certain non-profit organizations (exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code) and governmental entities may elect the reimbursement payment option. If you are a new employer and your organization is a non-profit with a 501 (c)(3) determination from the Internal Revenue Service or if your organization is a governmental entity: Complete Election to Make Payments in Lieu of Contributions (Form C-1B). Such election shall be made in writing within 30 days from the date we determine you are an employer for unemployment insurance purposes.

All Vermont employers subject to Unemployment Insurance (UI) on their employees MUST file quarterly wage and contribution reports. Vermont has a mandatory electronic filing requirement for all employers. The electronic [Vermont Internet Tax and Wage System (VITWS)](https://labor.vermont.gov/unemployment-insurance/unemployment-information-employers/employer-online-services/register-ui) can be accessed by selecting “[Unemployment Services for Employers](https://labor.vermont.gov/unemployment-insurance/ui-employers)” on the home page, then “Employer Online Services”, and “Employer Quarterly Reporting”.

VT has adopted the Interstate Reciprocal Coverage Arrangement for unemployment insurance. Under this arrangement, if an employee works in more than one state, an employer may elect to cover all the services of such a worker in any state in which: (1) any part of the worker's service is performed, (2) the worker has his or her residence, or (3) the employer maintains a place of business. The agreement should be initiated through the state where the employer wants to report the payroll. A Washington employer may request to elect reciprocal coverage with another state by following the filing process outlined by Washington Administrative Code 192-300-150: <https://app.leg.wa.gov/wac/default.aspx?cite=192-300-150>.

**VT State Workers’ Compensation**

Workers’ compensation insurance is mandatory for all Vermont employers.

Washington State Department of Enterprise Services (DES) administers a [Workers' Compensation Insurance program](https://des.wa.gov/sites/default/files/2023-08/Out-Of-State-Workers-Compensation-FAQs.pdf) for state workers. If your employee works outside of Washington in a single other state for more than 30 days (240 hours) per year, **your agency must work with DES** to insure your out-of-state employee. For more information, contact Kimberly Haggard kimberly.haggard@des.wa.gov at DES Risk Management.

**VT State Paid Family / Medical Leave**

In December 2022, the state of Vermont contracted with The Hartford to create the Vermont Family and Medical Leave Insurance Plan (VT-FMLI), a voluntary program employers can buy into to cover partial wages for employees who need to be out of work due to a serious health condition or to care for a family member who is sick. This program is strictly voluntary.

Washington Paid Family & Medical Leave (PFML) and Washington Cares benefits are not available to employees who are physically working in Vermont. If agencies have policy questions they are asked to email Washington Employment Security Department at esddlpfmlpolicy@esd.wa.gov.

**VT Child Care Contribution**

Employers are required to pay a 0.44% Child Care Contribution (CCC) payroll tax on their employees’ wages paid on or after July 1, 2024. All wages as defined under Section 3401 of the Internal Revenue Code that are subject to Vermont income tax withholding are also subject to the 0.44% CCC. For example, wages paid for work physically performed in Vermont (whether at a Vermont job site or from an employee’s Vermont home) are subject to both Vermont income tax withholding and the CCC.

Employees are not required to file or pay the CCC, but employers may choose to deduct and withhold up to one-quarter of the contribution from employee wages (i.e., not more than 0.11% of any employee’s wages). The employer may choose to withhold a smaller portion from employee wages or choose not to withhold any amount from employees. There is no requirement for employers to withhold the same amount from every employee. If an employer chooses to deduct and withhold a portion of the CCC from an employee, the employer should report the portion of CCC withheld from the employee for the tax year on Box 14 of the employee’s W-2.

Beginning July 1, 2024, employers will remit CCC payments to the Department in the same manner and frequency as they remit Vermont income tax withholding. Semiweekly, monthly, and quarterly withholding taxpayers are required to begin making CCC payments after July 1 according to their established withholding payment schedule.

Employers report CCC payments quarterly using new lines on Form WHT-436, Quarterly Withholding Reconciliation. The quarterly withholding form will be available to file beginning with the July 1, 2024, to September 30, 2024, filing period.

**Helpful resources for Vermont**

VT Unemployment Insurance for Employers website: <https://labor.vermont.gov/unemployment-insurance/ui-employers>

VT UI Employer Information Manual: <https://labor.vermont.gov/sites/labor/files/doc_library/Employer%20Information%20Manual%202019%20%28updated%201-31-2020%29.pdf>

VT UI Employer Forms: <https://labor.vermont.gov/unemployment-insurance/unemployment-information-employers/employer-forms>

VT Child Care Contribution Guide: <https://tax.vermont.gov/sites/tax/files/documents/GB-1326.pdf>

VT Workers’ Compensation website: <https://labor.vermont.gov/workers-compensation>

For ctcLink vendor setup, the VT employer withholding tax mailing address is:

Vermont Department of Taxes

PO Box 547

Montpelier, VT 05601-0547

For ctcLink vendor setup, the VT unemployment insurance tax mailing address is:

Vermont Department of Labor

PO Box 132

Brattleboro, VT 05302-0132