

H.471 TECHNICAL AND ADMINISTRATIVE TAX BILL

Side-by-Side Summary: as passed by House vs. Senate Finance proposal of amendment

Sec.	As Passed by House	Sec.	Senate Finance Proposal of Amendment
Annual Link Up			
1	32 V.S.A. § 5824 Annual link to federal income tax statutes in effect as of Dec. 31, 2022 (applied to taxable years 2022 and following in effective dates section)	1	Unchanged
2	32 V.S.A. § 7402(8) Annual link to federal estate tax statutes in effect as of Dec. 31, 2022 (applied to taxable years 2022 and following in effective dates section)	2	Unchanged
Taxation of Alcoholic Beverages			
3	32 V.S.A. § 9741 Clarifies sales and use tax treatment of alcoholic beverages: <ul style="list-style-type: none"> • Current statute: alcoholic beverages are exempt when taxed or exempted by meals and alcoholic beverages taxes or served for immediate consumption • Proposed language: alcoholic beverages are subject to sales and use tax when produced or manufactured by a licensed restaurant or operator and sold in sealed containers for consumption off premises 	3	Unchanged
4	32 V.S.A. § 9202 Clarifies alcoholic beverages are exempt from meals and alcoholic beverages taxes when produced or manufactured by a licensed restaurant or operator and sold in sealed containers for consumption off premises Aligns definition of alcoholic beverages for purposes of meals and alcoholic beverages taxes, with definition of alcoholic beverages in title 7 (title on Alcoholic Beverages, Cannabis, and Tobacco).	4	Unchanged

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Refunds; Meals and Rooms Tax; Local Option Tax			
5	<p>32 V.S.A. § 9245 – Meals and Rooms Tax</p> <p>Adds requirement for an operator to request a refund of meals and rooms tax paid, like requirement for a vendor to request a refund of sales and use tax paid: tax must be shown to have been or that it will be returned to the purchaser, unless the operator made the overpayment. Purchasers are also authorized to request a refund if meals and rooms tax was erroneously or illegally collected or computed.</p>	5	Unchanged
6	<p>24 V.S.A. § 138(c) – Local Option Tax</p> <p>Adds requirement that, if Commissioner of Taxes determines local option tax was erroneously collected in a town without a local option tax, Commissioner either:</p> <ul style="list-style-type: none"> • Refunds tax collected tax to purchaser or operator (if purchaser was already refunded); or • If purchaser cannot reasonably be determined, deposits erroneously collected tax as required for State sales and use tax (to Education Fund) or State meals and rooms tax (Education Fund, General Fund, Clean Water Fund) 	6	Unchanged
Not in as passed by House version		6a	<p>NEW – REPORT; DEPT. OF TAXES; TAX REFUND NOTICE</p> <p>Dept. of Taxes is required to report to House Committees on Commerce and Economic Development and on Ways and Means and Senate Committees on Economic Development, Housing and General Affairs and on Finance on or before Jan. 15, 2024, recommending legislative action to require licensed operators, restaurants, and vendors to notify purchasers of the occurrence of erroneously or illegally collected sales and use tax, meals and rooms tax, alcoholic beverages tax, and any associated local option tax by the license holder and the purchasers’ right to request a refund for overpayments.</p>

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Computer Assisted Property Tax Administration Program (CAPTAP) Fee			
7	<p>32 V.S.A. § 3404</p> <p>Repeals Computer Assisted Property Tax Administration Program (CAPTAP), associated per parcel fees, and special fund. Under CAPTAP, Dept. of Taxes provides data processing and support services to municipalities for which Director of Property Valuation and Review is authorized to charge fees.</p>	7	Unchanged
8	<p>32 V.S.A. § 3410</p> <p>Repeals requirement that Director of Property Valuation and Review establish and maintain a central file of duplicate municipal grand lists at PVR.</p>	8	Unchanged
Current Use			
9	<p>32 V.S.A. § 3756</p> <p>Removes requirement that Director of Property Valuation and Review send current use-related notices by mail as follows:</p> <ul style="list-style-type: none"> • Applicants will no longer receive notice of eligibility to enroll in current use by mail at the applicant’s last and usual place of abode • Enrollees whose land is found ineligible for current use, has been developed and will be subject to the land use change tax, or will be subject to a different appraisal amount, will no longer receive notice of determination by mail at the enrollee’s last and usual place of abode • Municipalities will no longer receive a list of current use properties in the municipality by mail. 	9	Unchanged

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10	<p>32 V.S.A. § 3757</p> <p>Creates land use change tax exemption for land owned or acquired by a Native American tribe or a nonprofit organization that qualifies for a property tax exemption under 32 V.S.A. § 3802(21). The property tax exemption requires the tribe to have been recognized under Vermont law and the nonprofit must be organized for the tribe’s benefit and controlled by the tribe, and the property must be used for purposes of the tribe and not leased or rented for profit.</p> <p>An exemption from the land use change tax allows the owner to request the release of the current use lien from the Director of Property Valuation and Review.</p>	10	Unchanged
Property Transfer Tax; Controlling Interests; Nonprofits			
11	<p>32 V.S.A. § 9603</p> <p>Creates property transfer tax and clean water surcharge exemption for transfers of property between related 501(c)(3) nonprofit organizations. If related nonprofits transfer exempt property within 5 years of the initial exempt transfer, both the 1st and 2nd transfers will be taxable. Tax will be due 30 days after the 2nd transfer.</p>	11	<p>32 V.S.A. § 9603</p> <p>Clarifies property transfer tax exemption for related nonprofit organizations. Reduces holding period to three years.</p>
Child and Dependent Care Credit			
12	<p>32 V.S.A. § 5828c</p> <p>Removes requirement that child and dependent care be provided in Vermont to be eligible for a tax credit. Creates a phase-out of the amount of the credit based on the percentage that the individual’s income earned or received while the individual was a Vermont resident bears to the individual’s total income.</p>	12	Unchanged

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Earned Income Tax Credit			
	Not in as passed by House version	12a	<p>NEW – 32 V.S.A. § 5828b(a)</p> <p>Amends phase-out of credit amount to be based on income instead of earned income.</p>
Pass-throughs; Composite Payment Rate for Nonresidents			
	Not in as passed by House version	12b	<p>NEW – 32 V.S.A. § 5914(b)</p> <p>Composite payment rate for S corporations with nonresident members is corrected from reference to middle marginal personal income tax rate to the second-highest personal income tax rate.</p>
	Not in as passed by House version	12c	<p>NEW – 32 V.S.A. § 5920(b)</p> <p>Composite payment rate for partnerships or limited liability companies with nonresident members is corrected from reference to middle marginal personal income tax rate to the second-highest personal income tax rate.</p>
SALT Deduction Cap Workaround			
Not in as passed by House version		12d	<p>NEW – 32 V.S.A. chapter 151, subchapter 10C</p> <p>Adds a new chapter creating an elective pass-through entity tax and refundable income tax credit as a work around of the federal cap on the state and local tax itemized deduction.</p>
		12e	<p>NEW – 32 V.S.A. § 5825(c)</p> <p>Creates a nonrefundable income tax credit for entity-level taxes paid to other states that are substantially similar to Vermont’s tax.</p>
		12f	<p>NEW – REPEALS; SALT DEDUCTION CAP WORKAROUND</p> <p>SALT deduction cap workaround is repealed. Credit for SALT deduction cap workaround taxes paid in other states is repealed. Repeals are effective when federal cap is repealed.</p>

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Property Tax Valuation; Qualified Rental Units; VHFA Certificate			
13	<p>32 V.S.A. § 5404a(a)</p> <p>Allows Vermont Housing Finance Agency (VHFA) to renew certificates of exemption for qualified rent-restricted residential rental units every 10 years if VFHA finds that the property continues to meet the exemption requirements.</p>	13	Unchanged
Property Tax Credit; Filing Deadlines and Notice to Taxpayers		Property Tax Credit; Filing Deadlines	
14	<p>32 V.S.A. § 6065</p> <p>Requires Commissioner of Taxes to provide notices to every town in plain language describing the homestead property tax credit, including the eligibility requirements and deadlines, to be included in property tax bills. Municipalities must provide the Commissioner’s notice in each tax bill and notice of delinquent taxes that it mails to homestead property taxpayers and may additionally distribute the notice in an alternative manner.</p>	14	Deleted from bill
15	<p>32 V.S.A. § 6068</p> <p>Extends homestead property tax credit claim filing deadline from a final date of October 15 to March 15 of the following calendar year. For claims made between October 15 and March 15:</p> <ul style="list-style-type: none"> • \$150 late filing penalty will be charged • Credits will be issued directly to claimants rather than reducing their property tax bill • Municipalities will not be required to reissue a property tax bill 	15	Unchanged

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Sec.	As Passed by House	Sec.	Senate Finance Proposal of Amendment
Effective Dates		Vermont Bond Bank	
16	Act takes effect on passage except: Effective retroactively on January 1, 2023 and applying to taxable years beginning on and after January 1, 2022: <ul style="list-style-type: none"> • Secs. 1–2 (annual link to federal statutes) Effective retroactively on January 1, 2023 and applying to taxable years beginning on and after January 1, 2023: <ul style="list-style-type: none"> • Secs. 12 (child and dependent care credit) 	16–24	<p>NEW – 24 V.S.A. chapter 119 – VERMONT BOND BANK</p> <p>Amends globally Bond Bank’s enabling chapter to expand types of financing arrangements the Bank is authorized to make to allow different forms of loans to be made to municipalities for energy efficiency and renewable infrastructure projects.</p> <p>Makes global changes throughout Bond Bank statute to change name of Bank from “Municipal Bond Bank” to “Vermont Bond Bank”</p>
		Study of Financing Public Infrastructure Improvements	
		25	<p>NEW –FINANCING PUBLIC INFRASTRUCTURE IMPROVEMENTS; JOINT FISCAL OFFICE; REPORT</p> <p>Directs the Joint Fiscal Office to submit a report on financing public infrastructure improvements in Vermont municipalities by January 15, 2024, which may be done through an issue brief or by hiring a consultant to conduct the work. The Joint Fiscal Office may use up to \$50,000.00 from the legislative budget to pay for any associated fees if a consultant is hired.</p>
		Tax Increment Financing	
26	<p>NEW – 24 V.S.A. § 1891</p> <p>DEFINITIONS</p> <p>Adds to the definition of “improvements” by allowing a municipality to use the proceeds of debt to pay for debt service interest payments for up to two years from the date the district incurs its first debt.</p> <p>Allows for a municipality to use bond anticipation notes provided that they are not considered a first incurrence of debt.</p>		

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		27	<p>NEW – 24 V.S.A. § 1895</p> <p>ORIGINAL TAXABLE VALUE</p> <p>Adds subsection (b) requiring that no adjustments may be made to a TIF district after the TIF district plan has been approved.</p>
		28	<p>NEW – 24 V.S.A. § 1896 is amended to read:</p> <p>§ 1896. TAX INCREMENTS</p> <p>Addresses how to handle decrement in a TIF district.</p> <p>Clarifies that increment is held apart regardless of whether the assessed valued exceeds the OTV.</p> <p>Requires that a municipality remit not less than the aggregate tax due on the OTV each year to the Ed Fund.</p>
		29	<p>NEW – 32 V.S.A. § 5404a</p> <p>TAX STABILIZATION AGREEMENTS</p> <p>Clarifies that for a municipality with a TIF district and a tax stabilization agreement that the municipal and education property tax increment for the properties in the TIF district shall be calculated based on the assessed value of the properties and not the stabilized value.</p>
		30	<p>NEW – Extends authority of City of Barre to incur indebtedness for its TIF district to March 31, 2026 and authority to retain increment until December 31, 2039.</p>
		31	<p>NEW – Extends authority of Town of Hartford to incur indebtedness for its TIF district to March 31, 2026 and authority to retain increment until December 31, 2036.</p>

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		Vermont Economic Growth Incentive; Sunset	
		32	NEW – Extends the sunset for Vermont Economic Progress Council to accept or approve applications for a Vermont Employment Growth Incentive from January 1, 2024 to January 1, 2027.
		Workers’ Compensation	
		33	NEW – WORKERS’ COMPENSATION RATE OF CONTRIBUTION Annual rate setting for surcharge on workers’ compensation premiums that funds the State’s Workers’ Compensation program. Rate is unchanged from last year.
		34	NEW – 21 V.S.A. § 711 WORKERS’ COMPENSATION ADMINISTRATION FUND – Adds new provision that will maintain previous year’s rate for surcharge on workers’ compensation premiums if the General Assembly fails to adopt a new rate.
		35	NEW – 21 V.S.A. § 643a DISCONTINUANCE OF BENEFITS – Amends sunset of 14-day extension of workers’ compensation benefits prior to discontinuance that allows a worker to present evidence of why benefits should not be discontinued. Will make the 14-day extension permanent following an 8-year trial.
		Unemployment Insurance	
		36	NEW Prospective repeal of UI benefit increase. Corrects arithmetic error in sunset for supplemental Unemployment Insurance benefit enacted last year to ensure that the supplemental benefit sunsets at the time the Legislature intended.

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			<p align="center">Effective Dates</p> <p>Act takes effect on passage except:</p> <ul style="list-style-type: none"> • Effective retroactively on January 1, 2023 and applying to taxable years beginning on and after January 1, 2022: <ul style="list-style-type: none"> ○ Secs. 1–2 (annual link to federal statutes) • Effective retroactively on January 1, 2023 and applying to taxable years beginning on and after January 1, 2023: <ul style="list-style-type: none"> ○ Secs. 12 (child and dependent care credit), 12a (earned income tax credit), 12b and 12c (pass-throughs; composite payment rate for nonresidents), and 12d and 12e (SALT deduction cap workaround) • Effective on the later of December 31, 2025 or the date on which the federal limitation on individual deductions for state and local taxes under 26 U.S.C. § 164(b)(6) is repealed or otherwise abrogated