

# Senate Calendar

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JUNE 3, 2009

2nd DAY OF THE SPECIAL SESSION

**SENATE CONVENES AT 10:00 A.M.**

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NOTICE CALENDAR

Report of Second Committee of Conference

H. 442

An act relating to miscellaneous tax provisions.

To the Senate and House of Representatives:

The Second Committee of Conference to which were referred the disagreeing votes of the two Houses upon House Bill entitled:

**H. 442.** An act relating to miscellaneous tax provisions.

Respectfully reports that it has met and considered the same and recommends that the bill be amended by striking out all after the enacting clause and inserting in lieu thereof the following:

\* \* \* Unemployment Insurance \* \* \*

Sec. 1. 21 V.S.A. § 1321 is amended to read:

§ 1321. CONTRIBUTIONS

\* \* \*

(b) Base of Contributions. ~~For the purposes of this section for the period from December 31, 1976 through December 31, 1982, the term "wages" shall not include that part of remuneration which, after remuneration equal to \$6,000.00 has been paid in a calendar year to an individual by an employer with respect to employment during any calendar year, unless that part of the remuneration is subject to a tax under a federal law imposing a tax against which credit may be taken for contributions required to be paid into a state unemployment fund.~~ Subsequent to December 31, 1982, the term "wages" shall not include that part of remuneration which, after remuneration equal to \$8,000.00 has been paid in a calendar year to an individual by an employer with respect to employment during a calendar year, unless that part of the remuneration is subject to a tax under a federal law imposing a tax against which credit may be taken for contributions required to be paid into a state unemployment fund. For the period January 1, 2010, through December 31, 2010, the term "wages" shall not include that part of remuneration which, after remuneration equal to \$10,000.00 has been paid in a calendar year to an individual by an employer with respect to employment during a calendar year, unless that part of the remuneration is subject to a tax under a federal law

imposing a tax against which credit may be taken for contributions required to be paid into a state unemployment fund. For the purposes of this subsection:

\* \* \*

Sec. 2. 21 V.S.A. § 1338(f) is amended to read:

(f) ~~For the 12 month period from July 1, 2001 through June 30, 2002, the maximum weekly benefit amount shall be \$312.00. For the 12 month period from July 1, 2002 through June 30, 2003, the~~ The maximum weekly benefit amount shall be \$351.00 \$425.00 for the period July 1, 2009, through June 30, 2010. Thereafter, on the first day of the first calendar week of July, the maximum weekly benefit amount shall be adjusted by a percentage equal to the percentage change during the preceding calendar year in the state average weekly wage as determined by subsection (g) of this section, provided the maximum weekly benefit amount shall not increase in any year that advances made to the State Unemployment Compensation Fund pursuant to Title XII of the Social Security Act, as amended, remain unpaid.

Sec. 2a. MAXIMUM WEEKLY UNEMPLOYMENT BENEFIT

The maximum weekly benefit under 21 V.S.A. § 1338(f) shall remain at its current level until July 1, 2009.

Sec. 3. UNEMPLOYMENT TRUST FUND REFORM STUDY COMMITTEE; CREATION

(a) A committee to study reform of the unemployment trust fund is created. The committee shall be composed of twelve members to include the chair, or designee, of the following committees:

(1) House committee on commerce and economic development.

(2) House committee on ways and means.

(3) Senate committee on economic development, housing and general affairs.

(4) Senate committee on finance; and

(5) to include four additional members of the senate appointed by the Senate President *pro tempore*, and four additional members of the House appointed by the Speaker of the House.

(b) The joint fiscal office and legislative council shall provide professional and administrative support to the committee. The committee may meet up to eight times while the legislature is not in session, for which the members are entitled to compensation and reimbursement of expenses pursuant to 2 V.S.A. § 406.

(c) The committee shall undertake a comprehensive study of all issues that affect the solvency of the Vermont unemployment trust fund and develop recommendations for reforms to the fund to reestablish and to assure its long-term solvency, including negative balance, seasonal, and reimbursable employers, taxable wage base and the rates that are applied to those bases, benefit levels, and any other relevant issues.

(d) The committee shall issue a written report on or before January 15, 2010, which shall include issues considered by the committee, its findings, and recommendations to regain and retain solvency of the Vermont unemployment trust fund.

\* \* \* Clean Energy Development Fund \* \* \*

Sec. 4. 10 V.S.A. § 6523 is amended to read:

§ 6523. VERMONT CLEAN ENERGY DEVELOPMENT FUND

\* \* \*

(e) Management of fund.

\* \* \*

(8) The clean energy development board shall perform each of the following:

(A) By January 15 of each year, commencing in 2010, ~~the clean energy development board shall~~ provide to the house and senate committees on natural resources and energy, the senate committee on finance, and the house committee on commerce and economic development a report detailing the revenues collected and the expenditures made under this subchapter.

(B) Develop a five-year strategic plan and an annual program plan, both of which shall be developed with input from a public stakeholder process and shall be consistent with state energy planning principles.

(C) Develop an annual operating budget.

(D) Develop proposed program designs to facilitate clean energy market and project development (including use of financial assistance, investments, competitive solicitations, technical assistance, and other incentive programs and strategies).

\* \* \*

(f) Clean energy development fund manager. The clean energy development fund shall have a fund manager who shall be a state employee retained and supervised by the board and housed within and assigned for administrative purposes to the office of the treasurer department of public service.

\* \* \*

(h) All ARRA funds placed in the clean energy development fund shall be disbursed, administered, and accounted for in a manner that ensures rapid deployment of the funds, is consistent with all requirements of ARRA, including requirements for administration of funds received and for transparency and accountability. These funds shall be maintained in a separate account specifically restricted to ARRA funds within the clean energy development fund. These funds shall be for the following, provided that no single project directly or indirectly receives a grant in more than one of these categories:

\* \* \*

(9) The clean energy development board is authorized, to the extent allowable under ARRA, to utilize up to 10 percent of ARRA funds received for the purpose of administration. ~~One half of this amount shall be allocated to the treasurer to retain permanent, temporary, or limited service positions or contractors to administer such funds, and the other half of this amount shall be allocated to the oversight of specific projects receiving ARRA funding through the clean energy development fund.~~ The board shall allocate a portion of the amount utilized for administration to retain permanent, temporary, or limited service positions or contractors to administer such funds and the remaining portion to the oversight of specific projects receiving ARRA funding through the clean energy development fund.

~~(i) The treasurer shall consult with the other directors of the clean energy development fund board and the commissioner of public service and adopt rules pursuant to 3 V.S.A. chapter 25 to carry out this section. The treasurer shall adopt an initial set of rules under this subsection no later than July 15, 2009 and may use the emergency rulemaking process provided under 3 V.S.A. § 844 to do so. In adopting the initial set of rules, the treasurer shall consult with any at large board directors who have been appointed, the chief recovery officer, and the commissioner of public service. Any rules adopted by the treasurer under this subsection shall comply with all of the following:~~

~~(1) The rules shall contain those provisions necessary to assure compliance with requirements for any funds received by the fund through ARRA.~~

~~(2) The rules shall support efforts to coordinate applications for competitive or other funding opportunities under ARRA from various entities within Vermont.~~

~~(3) The rules shall provide reasonable opportunities for small businesses to participate in competitive or other funding opportunities~~ The clean energy development board may adopt rules pursuant to 3 V.S.A. chapter 25 to carry out this section. The board shall consult with the commissioner of public service either before or during the rulemaking process.

\* \* \*

Sec. 5. Sec. 95 (transition; position transfer) of H. 313 (2009) is amended to read:

\* \* \*

(b) All at-large directors of the clean energy development fund board shall be appointed within 21 days of passage of this act, and the board shall assume supervision of the clean energy development fund on ~~the initial adoption of rules under 10 V.S.A. § 6523(i) or~~ August 1, 2009, ~~whichever is earlier.~~ Until such time, the clean energy development fund advisory and investment committees enabled under prior law shall continue to exist, and ~~they and~~ the commissioner of public service and they shall continue to have all authorities as under prior law with respect to the clean energy development fund.

\* \* \*

#### Sec. 6. EFFECTIVE DATE; APPLICATION

Sec. 4 of this act shall amend 10 V.S.A. § 6523 as amended by Sec. 93 of H. 313 (2009) and Secs. 4 and 5 of this act shall be effective as of the date of enactment of H. 313 (2009).

\* \* \* Vermont Telecom Special Fund Authority \* \* \*

#### Sec. 7. REPEAL

Sec. D.101(a)(1)(A) of H. 441 of 2009 is repealed, effective upon the date of enactment of H. 441.

#### Sec. 8. FUND TRANSFERS

The following amounts are transferred from the general fund to the communications and information technology internal service fund established by 22 V.S.A. § 902a: \$400,000 for operating expenses of the Vermont telecommunications authority. It is the intent of the general assembly to fund the operations of the authority in fiscal year 2010. The public service department may direct up to \$350,000 of special funds available from receipt

of fines or penalties in fiscal year 2010 for additional operating costs of the authority. The department of finance and management is directed to authorize anticipated receipts for up to \$350,000.

\* \* \*

\* \* \* Vermont Tobacco Review Board \* \* \*

#### Sec. 9. FISCAL YEAR 2010 BRIDGE FUNDING FOR TOBACCO PROGRAMS

Notwithstanding 18 V.S.A. § 9502, in fiscal year 2010, \$1,500,000.00 is transferred from the tobacco trust fund to the tobacco litigation settlement fund and the same amount is appropriated from the tobacco litigation settlement fund to the department of health to be allocated for use by the tobacco evaluation and review board. It is the intent of the general assembly that these funds are a mechanism for maintaining tobacco cessation and prevention programs in fiscal year 2010 while the board plans programming in fiscal year 2011 that recognize the potential for reduced levels of funding.

\* \* \* E.1103 Reductions in Force, Etc. \* \* \*

#### Sec. 10. COST REDUCTION AUTHORIZATION

(a) Due to the current and continuing fiscal stress that will impact the Vermont state budget, the secretary of administration is authorized to develop a two-part savings plan for submission to the legislative joint fiscal committee to make \$14,700,000 in fiscal year 2010 general fund reductions and proportionate reductions in other funding sources through revisions to payroll- and personnel-services-related expenditures as indicated in this section. The secretary may prepare such a savings plan for approval by the joint fiscal committee if the general assembly is not in session and the savings plan is necessary to ensure a balanced budget in the general fund or the transportation fund.

(b) The first part of the secretary of administration's plan shall reduce budgeted contract expenditures for fiscal year 2010 by \$1,300,000 in general funds. In the event that such expenditure reductions are not identified by October 31, 2009, the secretary of administration shall submit a plan of recommendation to achieve this general fund savings target by alternate reductions in budgeted funds to the joint fiscal committee in November 2009.

(c) Under the second part of the plan, the general assembly strongly urges the Vermont state employees' association and the secretary of administration to negotiate contract changes and other personnel adjustments to achieve expenditure reductions of \$13,400,000 in general funds and proportionate reductions in other funding sources that avoid job cuts. In negotiating contract



revisions, the general assembly recommends the parties consider the following principles in achieving a contract modification to produce the savings:

(1) Any such changes or reductions shall include proportional impacts on exempt employees, classified confidential, and other employee classifications; and

(2) Changes should reflect the ability to pay with larger expected savings from higher paid employees.

(d) In the event that the \$13,400,000 expenditure reductions are not achieved as described in subsection (c) of this section, the secretary of administration shall develop an alternate savings plan for submission to the legislative joint fiscal committee on or before July 10, 2009. If the secretary's alternate savings plan results in reductions in force greater than one percent of the entire state workforce, meaning all full-time, permanent, classified and exempt state employees, as measured cumulatively from June 2, 2009, the alternate savings plan shall not become effective unless approved or deemed approved by the joint fiscal committee under subsection (g) of this section. The secretary's alternate savings plan may include alternatives to position reductions and shall not be limited to positions already submitted to the legislature in list development.

(e) In developing a plan under this section, the secretary shall comply with the following standards:

(1) The plan shall include proportional impacts on exempt employees, classified confidential, and other employee classifications;

(2) Impacts on service delivery, public health, safety and cost transfers to other levels of government shall be minimized;

(3) Departments shall have the option, to the extent allowable by contract, to avoid position elimination through reductions of working hours;

(4) The plan shall minimize any negative effects on the delivery of services to the public;

(5) The plan shall not have any unduly disproportionate effect on any single function, program, service, or benefit;

(6) The plan shall apply the standards in subdivisions (1) through (5) of this subsection to all state employees in all branches of government, and shall allow agency or department heads to adjust the salaries or furloughs of exempt employees who have already taken furloughs or salary reductions in excess of the impacts of the plan described in this section to make them consistent with these standards; and

(7) The plan shall reflect the priorities established by the general assembly in the fiscal year 2010 appropriations act, including the priorities established by the general assembly for the operation of corrections facilities.

(f) Any plan developed by the secretary under subsection (b) or (d) of this section shall indicate:

(1) All proposed reductions in expenditures authorized by a general appropriations or budget adjustment act;

(2) The effect of the expenditure reduction on the primary purposes of the program for which the appropriation was made;

(3) How the plan is designed to minimize any negative effects on the delivery of services to the public;

(4) Any disproportionate effects on any single function, program, service, benefit, or county; and

(5) If the secretary's plan under subsection (b) or (d) of this section includes reductions in operations at any correctional facility, the plan shall include an analysis of the regional impact, including how increased transportation costs will be funded.

(g) An alternate savings plan developed under subsection (d) of this section shall be filed with the joint fiscal committee and shall not become effective unless approved or deemed approved by the joint fiscal committee as set forth under this subsection. The joint fiscal committee shall meet within 14 days of the date the secretary's plan is filed, to review and act upon the plan in accordance with the standards in subsection (e) of this section. If the committee fails to meet within that period or meets but fails to act upon the plan, the plan shall be deemed approved by the committee, and the secretary may then implement the plan. If the plan does not meet the standards in subsection (e) of this section, the committee may disapprove the plan and if disapproved, the plan may not be implemented.

#### Sec. 11. REPEAL

Sec. E.1103 of H. 441 of 2009 is repealed as of the date of enactment of H. 441 of 2009.

\* \* \* State Employees Retirement Incentive \* \* \*

#### Sec. 12. REPEAL

Sec. E.135.2 of H. 441 of 2009 as enacted is repealed as of the date of enactment of H. 441.

Sec. 13. STATE EMPLOYEE RETIREMENT INCENTIVE

(a)(1) An individual who is employed by the state on June 1, 2009 and participates in either the defined benefit or defined contribution plan, has either 30 years of service or is age 62 with five years of service as of July 1, 2009, and does not initiate the purchase of any additional service credit after May 1, 2009 shall be eligible for the retirement incentive set forth in this section. The retirement division of the state treasurer's office shall offer the retirement incentive to all eligible employees. If more than 300 eligible employees apply, the retirement division shall utilize a lottery system to limit the incentive to no more than 300 employees.

(2) If an employee applies for retirement by July 31, 2009 for a retirement effective September 1, 2009, the employee shall be entitled to:

(A) Payment by the state of at least 80 percent of the cost of the premium for health insurance coverage offered by the state of Vermont to retirees, provided he or she continues to meet the eligibility requirements, for at least seven years following retirement, unless the employee elects the premium reduction option under subsection 479(e) of Title 3;

(B) \$500.00 per year of service if the employee has fewer than five years of creditable service;

(C) \$750.00 per year of service if the employee has five years of creditable service or more and fewer than 15 years of creditable service;

(D) \$1,000.00 per year of service if the employee has 15 years of creditable service or more.

(b) An employer may stagger the retirement dates of multiple retiring employees if necessary to continue the normal of operation of business. However, no retirement date shall be later than March 1, 2010.

(c) The incentive set forth in subsection (a) of this section shall not exceed \$15,000.00 per employee. An employee shall receive the cash portion of the retirement incentive in two equal payments in fiscal years 2010 and 2011. The first payment shall be made within 90 days of the retirement date. The second payment shall be made within 30 days of the one year anniversary of the retirement date. The retirement incentive shall not be paid from the Vermont state retirement fund as set forth in section 473 of Title 3.

(d) No employee who receives the incentive set forth in subsection (a) of this section may return to state employment for at least one fiscal year unless:

(1) the secretary of administration otherwise approves for an executive branch employee;

(2) the chief justice of the supreme court otherwise approves for a judicial branch employee; or

(3) the speaker of the house and the president pro tempore of the senate otherwise approve for a legislative branch employee.

(e) The joint fiscal committee shall be notified of any employees who have received the incentive set forth in subsection (a) of this section and who return to state employment within one fiscal year.

(f) The retirement incentive set forth in subsection (a) of this section shall be treated as a severance payment under subdivision 1344(a)(5)(F) of Title 21 and shall be a disqualifying remuneration.

(g) The joint fiscal committee may vote to increase the number of individuals who are eligible for the retirement incentive set forth in this section.

(h) The state treasurer shall report the number of individuals applying for the retirement incentive set forth in this section by agency to the joint fiscal committee by August 5, 2009.

(i) Members of the Vermont state retirement system who are not employed by the state of Vermont shall not be eligible for the retirement incentive set forth in this section.

(j) In order to realize cost savings to state government, at least one-third of the number of positions vacated as a result of this retirement incentive program must remain vacant. No later than January 15, 2010, the secretary of administration, the chief justice of the supreme court, the speaker of the house and the president pro tempore of the senate shall recommend to the legislature which of the vacant positions within each of their respective branches should be permanently eliminated.

. \* \* \* North Link \* \* \*

#### Sec 14. NORTH LINK FUNDING

In fiscal year 2010, \$500,000.00 is appropriated from the general fund to the Vermont Telecommunications Authority, to be used only for financing a transaction with Northern Enterprises, Inc. ("North Link") for purchase or capital lease of infrastructure to support provision of broadband or cellular services in areas of the state now unserved; and the purchase or lease shall be on commercially reasonable terms agreeable to both parties.

Sec. 15. [deleted]

\* \* \* Tax Provisions \* \* \*

**\* \* \* Capital Gains Limitation \* \* \***

Sec. 16a. 32 V.S.A. § 5811(21) is amended to read:

(21) “Taxable income” means federal taxable income determined without regard to Section 168(k) of the Internal Revenue Code and:

(A) Increased by the following items of income (to the extent such income is excluded from federal adjusted gross income):

(i) interest income from non-Vermont state and local obligations;

(ii) dividends or other distributions from any fund to the extent they are attributable to non-Vermont state or local obligations; and

(iii) the amount in excess of \$5,000.00 of state and local income taxes deducted from federal adjusted gross income for the taxable year, but in no case in an amount that will reduce total itemized deductions below the standard deduction allowable to the taxpayer; and

(B) Decreased by the following items of income (to the extent such income is included in federal adjusted gross income):

(i) income from United States government obligations;

(ii) with respect to adjusted net capital gain income as defined in Section 1(h) of the Internal Revenue Code:

(I) if the taxpayer is aged 70 or older as of the last day of the tax year, or for adjusted net capital gain income from the sale of a farm or from the sale of standing timber, each as defined in subdivision (26) of this section, 40 percent of adjusted net capital gain income but the total amount of decrease under this subdivision (ii)(I) shall not exceed 40 percent of federal taxable income; provided, however, that a taxpayer aged 70 or older as of the last day of the tax year may elect to subtract his or her adjusted net capital gains pursuant to subdivision (21)(B)(ii)(II) of this section.

(II) for taxpayers aged 70 or older as of the last day of the tax year who so elect and for all other capital gain income, the first \$5,000.00 \$2,500.00 of adjusted net capital gain income as defined in Section 1(h) of the Internal Revenue code; and

(iii) recapture of state and local income tax deductions not taken against Vermont income tax.

Sec. 16b. 32 V.S.A. § 5811(21) is amended to read:

(21) “Taxable income” means federal taxable income determined without regard to Section 168(k) of the Internal Revenue Code and:

(A) Increased by the following items of income (to the extent such income is excluded from federal adjusted gross income):

(i) interest income from non-Vermont state and local obligations;

(ii) dividends or other distributions from any fund to the extent they are attributable to non-Vermont state or local obligations; and

(iii) the amount in excess of \$5,000.00 of state and local income taxes deducted from federal adjusted gross income for the taxable year, but in no case in an amount that will reduce total itemized deductions below the standard deduction allowable to the taxpayer; and

(B) Decreased by the following items of income (to the extent such income is included in federal adjusted gross income):

(i) income from United States government obligations;

(ii) with respect to adjusted net capital gain income as defined in Section 1(h) of the Internal Revenue Code:

~~(I) if the taxpayer is aged 70 or older as of the last day of the tax year or for adjusted net capital gain income from the sale of a farm or from the sale of standing timber, each as defined in subdivision (26) of this section, 40 percent of adjusted net capital gain income but the total amount of decrease under this subdivision (ii)(I) shall not exceed 40 percent of federal taxable income; provided, however, that a taxpayer aged 70 or older as of the last day of the tax year may elect to subtract his or her adjusted net capital gains pursuant to subdivision (21)(B)(ii)(II) of this section.~~

~~(II) for taxpayers aged 70 or older as of the last day of the tax year who so elect and for all other capital gain income, the first \$2,500.00 \$5,000.00 of adjusted net capital gain income; and~~

(iii) recapture of state and local income tax deductions not taken against Vermont income tax.

Sec. 17. 32 V.S.A. § 5811(26) is added to read:

(26)(A) For purposes of subdivision (21)(B)(ii)(I) of this section, the sale of a farm shall mean the disposition of real and personal property owned by a farmer as that term is defined in subsection 3752(7) of this title and used by the farmer in the business of farming as that term is defined in Regulation 1.175-3 issued under the Internal Revenue Code of 1986.

(B) For purposes of subdivision (21)(B)(ii)(I) of this section, the sale of standing timber shall mean the disposition of standing timber by an owner of timber that would give rise to the owner recognizing a capital gain or loss as defined in Section 631(b) of the Internal Revenue Code.

Sec. 18. EFFECTIVE DATE AND TRANSITION RULE

(a) Sec. 16a of this act shall apply to adjusted net capital gain income earned or received by a taxpayer on or after July 1, 2009 and before January 1, 2011, except that in calculating 2009 taxable year taxes only, taxpayers shall subtract from taxable income 40 percent of adjusted net capital gain income earned or received after December 31, 2008 but before July 1, 2009 and shall subtract from taxable income the first \$1,250.00 of adjusted net capital gain income earned or received on or after July 1, 2009 but before January 1, 2010.

(b) Sec. 16b of this act shall apply to adjusted net capital gain income earned or received by a taxpayer on or after January 1, 2011.

(c) Sec. 17 of this act shall apply to adjusted net capital gain income earned or received by a taxpayer on or after July 1, 2009.

Sec. 19. Subdivision (12) of Sec. 58 of H. 441 of 2009 as enacted is amended to read:

(12) ~~Sec. H.47 (capital gains exemption and state income tax deduction) shall apply to taxable years beginning on or after January 1, 2009. The capital gains exemption provisions of Sec. H.47, which provisions are further amended by Sec. 16a of this act, shall apply to capital gains earned or received by a taxpayer on and after July 1, 2009; and the state income tax deduction add-back provisions of Sec. H.47 shall apply to taxable years beginning on or after January 1, 2009.~~

**\*\*\* Personal Income Tax Rates \*\*\***

Sec. 20. PERSONAL INCOME TAX RATE

(a) For taxable year 2009 only, income tax rates under 32 V.S.A. § 5822, after taking into account any inflation adjustments to taxable income as required under subdivision 5822(b)(2), shall be as follows:

<u>For taxable income which, without the passage of this act, would be subject to tax at the following rate (%):</u>	<u>That taxable income shall instead be taxed at the following rate (%):</u>
<u>3.60</u>	<u>3.55</u>
<u>7.20</u>	<u>7.00</u>
<u>8.50</u>	<u>8.25</u>

9.00  
9.50

8.90  
9.40

(b) For taxable year 2010 and after, income tax rates under 32 V.S.A. § 5822, after taking into account any inflation adjustments to taxable income as required under subdivision 5822(b)(2), shall be as follows:

<u>For taxable income which, without</u> <u>the passage of this act, would be</u> <u>subject to tax at the following rate (%):</u>	<u>That taxable income</u> <u>shall instead be taxed</u> <u>at the following rate (%):</u>
<u>3.60</u>	<u>3.55</u>
<u>7.20</u>	<u>6.80</u>
<u>8.50</u>	<u>7.80</u>
<u>9.00</u>	<u>8.80</u>
<u>9.50</u>	<u>8.95</u>

Sec. 21. STATUTORY REVISION

The legislative council is directed to revise the Vermont Statutes Annotated to reflect the income tax rate changes in Secs. 15 and 16 of this act.

**\*\*\* Research and Development Tax Credit \*\*\***

Sec. 22. 32 V.S.A. chapter 151, subchapter 11L is added to read:

Subchapter 11L. Research and Development Tax Credit

§ 5930ii. RESEARCH AND DEVELOPMENT TAX CREDIT

(a) A taxpayer of this state shall be eligible for a credit against the tax imposed under this chapter in an amount equal to 30 percent of the amount of the federal tax credit allowed in the taxable year for eligible research and development expenditures under Section 41(a) of the Internal Revenue Code and which are made within this state.

(b) Any unused credit available under subsection (a) of this section may be carried forward for up to ten years.

Sec. 23. EFFECTIVE DATE AND TRANSITION RULE

Sec. 22 of this act shall apply to eligible research and development expenditures made on or after January 1, 2011.

**\*\*\* Sales and Use Tax Holidays \*\*\***

Sec. 24. SALES AND USE TAX HOLIDAYS

(a) Notwithstanding the provisions of chapter 233 of Title 32 and section 138 of Title 24, no sales and use tax or local option sales tax shall be imposed



or collected on sales to individuals for personal use of items of tangible personal property at a sales price of \$2,000.00 or less on August 22, 2009 and March 6, 2010.

(b) A vendor in good standing shall be entitled to claim reimbursement for its expenditures for the reprogramming of cash registers and computer equipment which were in use at the place of business on and after August 22, 2009 for the August 22, 2009 sales tax holiday and for the reprogramming of cash registers and computer equipment which were in use at the place of business on and after March 6, 2010 for the March 6, 2010 sales tax holiday. Claims must be filed within 60 days of the date of the respective sales tax holiday, with the department of taxes with receipts or such other documentation the department may require. The amount of reimbursement to each vendor shall not exceed the least of the three following amounts: the actual cost to the vendor of reprogramming its cash registers and computer equipment; \$50.00; or \$10,000.00 divided by the number of qualified vendor applicants.

(c) Any municipality with a local option sales tax affected by the sales tax holidays imposed by this section shall be reimbursed from the department of taxes for the amount of local option sales tax revenues lost to the municipality. The commissioner of taxes shall develop a methodology for determining such reimbursement. The commissioner shall also adjust the deposit in the PILOT special fund for lost deposits due to the sales tax holidays. Should the amount appropriated for these purposes under subsection (d) of this section be insufficient to fully reimburse the municipalities and adjust the PILOT special fund, reimbursements to municipalities shall take priority.

(d) In fiscal year 2010, \$10,000.00 in general funds is appropriated for payments for the reprogramming under subsection (b) of this section, and \$100,000.00 in general funds is appropriated for the reimbursement to municipalities and adjustments under subsection (c) of this section.

## Sec. 25. NEXT GENERATION SCHOLARSHIPS

In addition to other Next Generation appropriations, notwithstanding the provisions of subsection 2885(a) (2) of Title 16, the first \$1.5 million of funds raised by the estate tax levied under chapter 190 of Title 32 shall be deposited into the general fund, in lieu of the higher education endowment trust fund, for higher education scholarships consistent with section 5.801(a)(3)(B) of No. 192 of the Acts of 2008, as follows:

(a) \$500,000 to the University of Vermont;

(b) \$500,000 to the Vermont State Colleges; and

(c) \$500,000 to the Vermont Student Assistance Corporation

Sec. 26. INFORMATION CENTER FUNDING

(a) In fiscal year 2010, \$300,000 of the general funds appropriated to the department of children and families-reach-up, carried forward from fiscal year 2009 shall revert to the general fund in fiscal year 2010.

(b) In fiscal year 2010, \$300,000 of general funds are appropriated to the department of buildings and general services – information centers for operating costs of the information centers in fiscal year 2010.

Sec. 27. Sec. C.106 (b) of H. 441 of 2009 is amended and Sec. C.106(c) of H. 441 of 2009 is added to read:

(b) After the general fund budget stabilization reserve attains its statutory maximum, any additional unreserved and undesignated general fund balance shall be reserved in the revenue shortfall reserve established in 32 V.S.A. § 308(d) not to exceed \$3,321,444 shall be retained in the general fund, and that amount shall be reduced from the amount of the special fund assessment in Sec. D.101(a)(4).

(c) After satisfying subsection (b) of this section, any additional unreserved and undesignated general fund balance shall be reserved in the revenue shortfall reserve established in 32 V.S.A. § 308(d).

\* \* \* Effective Date \* \* \*

Sec. 28. EFFECTIVE DATE

This act shall take effect upon passage.

SUSAN J. BARTLETT  
ANN E. CUMMINGS  
DIANE B. SNELLING

*Committee on the part of the Senate*

JANET ANCEL  
MARTHA P. HEATH  
JAMES O'NEILL CONDON

*Committee on the part of the House*