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H.439

Introduced by Representatives Beck of St. Johnsbury, Batchelor of Derby,
Cupoli of Rutland City, Gage of Rutland City, Juskiewicz of
Cambridge, LaClair of Barre Town, Lawrence of Lyndon,
Myers of Essex, Tate of Mendon, and Willhoit of St. Johnsbury

Referred to Committee on

Date:

Subject: Taxation; sales and use tax; rate

Statement of purpose of bill as introduced: This bill proposes to eliminate
Vermont's corporate income tax and sales and use tax over three years, and
phase in a payroll tax over three years.

An act relating to eliminating the Vermont sales and use tax

It is hereby enacted by the General Assembly of the State of Vermont:

* * * Corporate Tax * * *

Sec. 1. PHASE OUT AND REPEAL OF CORPORATE TAX

(a) Effective on January 1, 2016, the corporate income tax rates applied to
the income brackets in 32 V.S.A. § 5832(1), from the lowest bracket to highest
bracket, shall be 4.0 percent, 4.7 percent, and 5.7 percent.

1 (4) “Self-employment income” shall have the same meaning as in the
2 Internal Revenue Code, 26 U.S.C. § 1402(b).

3 (5) “Total employee wages” means the total amount of payments subject
4 to withholding under section 5841 of this title for each individual employee,
5 plus the total amount of any self-employment income for that individual.

6 (6) “Total employer wages” means the total amount of payments subject
7 to withholding under section 5841 of this title for each employer subject to
8 withholding requirements.

9 (7) “Wages” shall have the same meaning as in the Internal Revenue
10 Code, 26 U.S.C. § 3401(a).

11 § 5982. PAYROLL TAX

12 (a) A tax is imposed on any employer required to withhold taxes under
13 section 5841 of this title and on the self-employment income of every
14 individual in an amount equal to total employer wages multiplied by
15 1.33 percent.

16 (b) A tax is imposed on any employee for whom taxes are withheld under
17 section 5841 of this title and on the self-employment income of every
18 individual in the amount equal to total employee wages multiplied by
19 1.33 percent.

1 § 5983. PAYMENT

2 (a) Each employer shall prepare and submit to the Department a quarterly
3 return and payment on or before the 25th day of the calendar month succeeding
4 the quarter ending on the last day of March, June, September, and December.
5 The return requirements and procedures shall be established by the
6 Commissioner and shall show the amount of total employer wages paid for
7 employment during the preceding quarter and other information the
8 Commissioner may require. The tax under this chapter shall be paid each
9 quarter to the Department at the same time the report is submitted. The taxes
10 shall be deposited in the General Fund.

11 (b) Each employee shall prepare and submit to the Department an annual
12 return according to procedures established by the Commissioner showing the
13 amount of total employee wages received for employment during the
14 preceding year and other information the Commissioner may require. The tax
15 shall be paid each year to the Department at the same time the return is
16 submitted and deposited in the General Fund.

17 § 5984. ENFORCEMENT

18 (a) The employer payroll tax imposed under subsection 5982(a) of this title
19 shall be enforced and collected as if it were an amount required to be withheld
20 and remitted to the State under chapter 151, subchapter 4 of this title.

1 (b) The employee payroll tax under subsection 5982(b) of this title shall be
2 enforced and collected as if it were a personal income tax under section 5822
3 of this title.

4 Sec. 3. 32 V.S.A. § 5982 is amended to read:

5 § 5982. PAYROLL TAX

6 (a) A tax is imposed on any employer required to withhold taxes under
7 section 5841 of this title and on the self-employment income of every
8 individual in an amount equal to total employer wages multiplied by
9 ~~4.33~~ 2.27 percent.

10 (b) A tax is imposed on any employee for whom taxes are withheld under
11 section 5841 of this title and on the self-employment income of every
12 individual in the amount equal to total employee wages multiplied by
13 ~~4.33~~ 2.27 percent.

14 Sec. 4. 32 V.S.A. § 5982 is amended to read:

15 § 5982. PAYROLL TAX

16 (a) A tax is imposed on any employer required to withhold taxes under
17 section 5841 of this title and on the self-employment income of every
18 individual in an amount equal to total employer wages multiplied by
19 ~~2.27~~ 3.4 percent.

20 (b) A tax is imposed on any employee for whom taxes are withheld under
21 section 5841 of this title and on the self-employment income of every

1 individual in the amount equal to total employee wages multiplied by
2 ~~2.27~~ 3.4 percent.

3 * * * Sales and Use Tax * * *

4 Sec. 5. PHASE OUT OF SALES AND USE TAX RATE

5 (a) Notwithstanding 32 V.S.A. §§ 9771 and 9773:

6 (1) from January 1, 2016, until December 31, 2016, the sales and use tax
7 rate in 32 V.S.A. chapter 133 shall be four percent;

8 (2) from January 1, 2017, until December 31, 2017, the sales and use tax
9 rate in 32 V.S.A. chapter 133 shall be two percent; and

10 (3) effective on January 1, 2018, the sales and use tax rate in 32 V.S.A.
11 chapter 133 shall be zero percent.

12 (b) The Office of Legislative Council is authorized to make statutory
13 changes reflecting the phase out of the sales and use tax in this section.

14 * * * Local Option Taxes * * *

15 Sec. 6. 24 V.S.A. § 138(b) is amended to read:

16 (b) If the legislative body of a municipality by a majority vote
17 recommends, the voters of a municipality may, at an annual or special meeting
18 warned for that purpose, by a majority vote of those present and voting, assess
19 any or all of the following:

20 (1) a ~~one~~ two percent sales tax;

21 (2) a ~~one~~ two percent meals and alcoholic beverages tax;

1 (3) a ~~one~~ two percent rooms tax.

2 * * * EFFECTIVE DATES * * *

3 Sec. 7. EFFECTIVE DATES

4 (a) This section shall take effect on July 1, 2015.

5 (b) Sec. 1 (phase out and repeal of corporate tax) shall take effect on
6 January 1, 2016.

7 (c) Sec. 2 (payroll tax) shall take effect on January 1, 2016; provided
8 however, that the payroll tax shall not be imposed on school, municipal, or
9 State employers until July 1, 2016.

10 (d) Sec. 3 (payroll tax rate increase) shall take effect on January 1, 2017.

11 (e) Sec. 4 (payroll tax rate increase) shall take effect on January 1, 2018.

12 (f) Sec. 5 (sales and use tax phase out) shall take effect on January 1, 2016.

13 (g) Sec. 6 (local option tax increase) shall take effect on January 1, 2016.