

1 H.791

2 Introduced by Committee on Ways and Means

3 Date:

4 Subject: Taxation; tax expenditures; budget

5 Statement of purpose: This bill proposes to review tax expenditures relating to  
6 nonprofits and charitable organizations and covering miscellaneous  
7 expenditures as presented in the governor's budget report, and where  
8 appropriate to provide for the amendment or repeal of such tax expenditures.

9 An act relating to tax expenditures for nonprofits, charitable organizations,  
10 and miscellaneous tax expenditures, as presented in the tax expenditure  
11 budget for 2012

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

13 Sec. A1. SHORT TITLE

14 This bill may be referred to as the "Tax Expenditure Budget Bill."

15 Sec. A2. PURPOSE

16 The purpose of this act is to review tax expenditures and where appropriate  
17 to provide for the amendment or repeal of tax expenditures as outlined in the  
18 governor's budget report under 32 V.S.A. § 306(b). Tax expenditures are  
19 forgone revenue attributable to various exclusions, exemptions, deductions,  
20 credits, deferrals, and preferential rates in the tax code.

1       Sec. A3. RELATIONSHIP TO EXISTING LAWS

2           Except as specifically provided, this act shall not be construed in any way to  
3       negate or impair the full force and effect of any existing law. Sections of this  
4       act beginning with a “B” are informational only, and no part of those sections  
5       shall be construed to amend any existing law. Sections of this act beginning  
6       with “C” and sections beginning with “D” (effective date section) are the only  
7       sections of this act that amend existing law. An omission of a tax expenditure  
8       from this act shall not be construed as a repeal, amendment, or other  
9       modification of that tax expenditure.

10       Sec. A4. ORGANIZATION OF ACT

11           (a) This act examines the tax expenditures in the governor’s tax  
12       expenditure report presented as part of the governor’s fiscal year 2013  
13       executive budget recommendations pursuant to 32 V.S.A. § 306. Pursuant to  
14       32 V.S.A. § 306(b)(1), this act examines the tax expenditures reported in the  
15       governor’s budget related to nonprofits and charitable organizations and  
16       covering miscellaneous tax expenditures.

17           (b) Sections beginning with “B” list these tax expenditures based on the  
18       format of the tax expenditure report dated January 15, 2011 that was prepared  
19       by the joint fiscal office and the department of taxes pursuant to 32 V.S.A.  
20       § 312 (the “report”). As with the report, the tax expenditures listed in this act

1 are categorized by the type of tax that the exemption, exclusion, credit, or other  
2 adjustment is applied against.

3 Sec. A5. DEFINITIONS

4 The following is a list of terms commonly used in this act and a brief  
5 definition of each:

6 (1) Adjusted gross income: Income after certain allowable adjustments  
7 from total (gross) income, such as IRA contributions, alimony paid, and  
8 moving expenses.

9 (2) Carryforward: When an entire credit cannot be used in one tax year  
10 because there is not enough tax liability to offset or for other reasons, the credit  
11 may be eligible to be carried forward to the next one or several succeeding tax  
12 years until the entire credit is used to offset future years' tax liabilities or the  
13 credit expires. Unless the enabling statute explicitly states so, a credit is  
14 generally not eligible for carryforward.

15 (3) Credit: A direct dollar-for-dollar adjustment against a tax liability.  
16 Generally, a credit is nonrefundable, which means it will only reduce a tax  
17 liability to zero.

18 (4) Deduction: An expense of a taxpayer, the cost of which lowers the  
19 taxpayer's adjusted gross income to arrive at taxable income. Examples are  
20 the home mortgage interest deduction, deductions for medical and dental  
21 expenses, and state and local taxes paid.

1           (5) Deferral: A means of delaying the payment of a tax until a later date  
2 in time. Because of the time value of money, a deferral saves a taxpayer  
3 money and accordingly is forgone revenue to the taxing authority.

4           (6) Exclusion: An item that is not included in calculating gross income,  
5 such as certain contributions to retirement accounts and, in Vermont, a certain  
6 amount of capital gains.

7           (7) Refundable credit: While most credits will not reduce tax liability  
8 below zero, the balance of a refundable credit after tax liability is reduced to  
9 zero becomes payable to the taxpayer. The Earned Income Tax Credit (EITC)  
10 is an example of a refundable credit.

11           (8) Total income: Generally, the starting place in calculating income tax  
12 liability. This amount will include all wages, salaries, tips, IRA distributions,  
13 and other pension payments, capital gains, gambling winnings, etc.

14           (9) Transferable credit: A credit is generally available only to offset the  
15 tax liability of the taxpayer who earned the credit. A transferable credit,  
16 however, may be sold, traded, or otherwise transferred by the taxpayer who  
17 earned it to a third-party taxpayer.

18       Sec. A6. INFORMATION INCLUDED FOR EACH TAX EXPENDITURE

19           (a) For each tax expenditure listed in this act, the following information  
20 regarding that tax expenditure is set forth as follows:

21           (1) The statutory authority for the tax expenditure.

1           (2) The amount of the tax expenditure defined as either a percentage of  
2           an exclusion, exemption, credit, or other adjustment or as a dollar amount for  
3           the maximum amount of the exclusion, exemption, credit, or other adjustment.

4           (3) The estimated dollar amount for the upcoming fiscal year, if known,  
5           attributable to the tax expenditure.

6           (b) The tax expenditure report includes additional information regarding  
7           each of the tax expenditures listed in this act that was in effect as of  
8           January 15, 2011. The additional information includes the year of enactment,  
9           the estimated number of taxpayers benefiting from the tax expenditure, if  
10           known, and summary tables of each broad tax type.

11                           \* \* \* Personal Income Taxes \* \* \*

12                           \* \* \* *Adjustments to Federal Taxable Income* \* \* \*

13           Sec. B1.001. EXCLUSION OF INTEREST INCOME FROM VERMONT  
14                           STATE AND LOCAL GOVERNMENT OBLIGATIONS

15           (a) Authority: 32 V.S.A. § 5811(21)(A)(i)

16           (b) Amount currently excluded: 100%

17           (c) FY 2013 estimate: (\$3,740,000)

18           \* \* \* *Vermont-Specific Tax Credits Applied After Income Adjustment* \* \* \*

19           Sec. B1.303. QUALIFIED SALE MOBILE HOME PARK CREDIT

20           (a) Authority: 32 V.S.A. § 5828

1 (b) Amount of maximum credit: 7% of gain that is subject to federal  
2 taxation.

3 (c) FY 2013 estimate: (\$1,000.00)

4 Sec. B1.304. VERMONT HIGHER EDUCATION INVESTMENT CREDIT

5 (a) Authority: 32 V.S.A. § 5825a

6 (b) Amount of maximum credit: 10% of first \$2,500 contribution per  
7 beneficiary

8 (c) FY 2013 estimate: (\$1,540,000)

9 \* \* \* Sales and Use Tax \* \* \*

10 \* \* \* *Sales Not Covered* \* \* \*

11 Sec. B3.003. VETERINARY SUPPLIES

12 (a) Authority: 32 V.S.A. § 9741(3)

13 (b) FY 2013 estimate: (\$1,200,000.00)

14 Sec. B3.011. ADMISSIONS TO MUNICIPAL, STATE AND FEDERAL  
15 RECREATION FACILITIES

16 (a) Authority: 32 V.S.A. § 9741(18)

17 (b) FY 2013 estimate: (\$300,000)

18 Sec. B3.012. RENTALS OF COIN OPERATED WASHING FACILITIES

19 (a) Authority: 32 V.S.A. § 9741(19)

20 (b) FY 2013 estimate: (\$1,400,000.00)

1       Sec. B3.013. ADMISSION FEES TO NONPROFIT MUSEUMS

2           (a) Authority: 32 V.S.A. § 9741(20)

3           (b) FY 2013 estimate: (\$1,500,000)

4                                   \* \* \* Property Taxes \* \* \*

5                                   \* \* \* *Exemptions from Property Tax* \* \* \*

6       Sec. B5.001. NONPROFIT MEDICAL SERVICE CORPORATIONS

7           (a) Authority: 8 V.S.A. §§ 4518 and 4590

8           (b) FY 2013 estimate: (\$150,000.00)

9       Sec. B5.003. VERMONT STATE COLLEGES

10          (a) Authority: 16 V.S.A. § 2178

11          (b) FY 2013 estimate: (\$1,350,000)

12       Sec. B5.004. UNIVERSITY OF VERMONT

13          (a) Authority: 16A V.S.A. § 1-15

14          (b) FY 2013 estimate: (\$10,500,000)

15       Sec. B5.005. EXEMPTION FOR FREE PUBLIC LIBRARIES

16          (a) Authority: 22 V.S.A. § 109

17          (b) FY 2013 estimate: (\$920,000)

18       Sec. B5.007. FEDERAL AND STATE PROPERTY

19          (a) Authority: 32 V.S.A. § 3802(1)

20          (b) FY 2013 estimate: (\$17,150,000)



1       Sec. B5.018. HUMANE SOCIETIES

2           (a) Authority: 32 V.S.A. § 3802(15)

3           (b) FY 2013 estimate: (\$80,000)

4       Sec. B5.019. FEDERALLY QUALIFIED HEALTH CENTER OR RURAL  
5                                   HEALTH CLINIC

6           (a) Authority: 32 V.S.A. § 3802(16)

7           (b) FY 2013 estimate: (\$230,000)

8       Sec. B5.021. MUNICIPALLY OWNED

9           (a) Authority: 32 V.S.A. § 5401(10)(F)

10          (b) FY 2013 estimate: (\$28,400,000)

11       Sec. B5.023. MUNICIPALITIES HOSTING LARGE POWER PLANTS

12          (a) Authority: 32 V.S.A. § 5402(d)

13          (b) FY 2013 estimate: (\$910,000)

14                                   \* \* \* *Adjustments to Property Values* \* \* \*

15       Sec. B5.104. PROPERTY TAX ADJUSTMENTS

16          (a) Authority: 32 V.S.A. §§ 5404a(f) and 5405(a)

17          (b) FY 2013 estimate: (\$151,100,000)

18                                   \* \* \* *Session Law Exemptions* \* \* \*

19       Sec. B5.201. HOLTEN HOME

20          (a) Authority: Sec. 46 of No. 190 of the Acts of 2007 Adj. Sess. (2008)

21          (b) FY 2013 estimate: (\$7,000)

1                                   \* \* \* Insurance Premiums Taxes \* \* \*

2                                   \* \* \* *Exemptions from the Insurance Premiums Tax* \* \* \*

3       Sec. B7.102. FRATERNAL SOCIETIES

4           (a) Authority: 8 V.S.A. § 4500

5           (b) FY 2013 estimate: (\$80,000)

6       Sec. B7.103. NONPROFIT HOSPITAL AND MEDICAL SERVICE

7                                   ORGANIZATIONS

8           (a) Authority: 8 V.S.A. §§ 4518 and 4590

9           (b) FY 2013 estimate: (\$10,800,000)

10                               \* \* \* Motor Vehicle Purchase and Use Tax Expenditures \* \* \*

11                               \* \* \* *Motor Vehicle Purchase and Use Tax Expenditures* \* \* \*

12       Sec. B9.001. RELIGIOUS OR CHARITABLE INSTITUTIONS OR

13                               VOLUNTEER FIRE COMPANIES

14           (a) Authority: 32 V.S.A. § 8911(3)

15           (b) FY 2013 estimate: (\$190,000)

16       Sec. B9.003. GIFTS

17           (a) Authority: 32 V.S.A. § 8911(8)

18           (b) FY 2013 estimate: (\$3,730,000)

19       Sec. B9.004. INTERNAL REVENUE CODE § 351

20           (a) Authority: 32 V.S.A. § 8911(10)

21           (b) FY 2013 estimate: (\$20,000)

