

Act No. 174 (H.884). Taxation and fees

An act relating to miscellaneous tax changes

This act makes numerous changes, both technical and substantive, to Vermont's tax laws.

TECHNICAL AND ADMINISTRATIVE CHANGES

Income and Estate Tax Changes

Sec. 1. **Form 1099 - credit card processors.** Requires credit card processors to file with the Department of Taxes within 30 days a copy of the 1099 they file with the IRS to account for payments the credit card processor makes to a merchant.

Sec. 2. **Consolidated returns.** Makes an election to file a consolidated return binding for a five-year period.

Sec. 3. **Income tax return checkoff.** Creates an income tax checkoff for Vermont Green Up, Inc.

Sec. 4. **Vermont Employment Growth Incentive (VEGI) filing requirements.** Makes clear that the claim must be filed by the last day of April for the prior year's utilization period and, if the business fails to file a claim, authorization for the incentive may be revoked.

Secs. 5–6. **Annual update.** Updates reference in statutes to Vermont's links to federal law for the purposes of the income and estate taxes.

Tax Increment Financing (TIF) Districts

Sec. 7. **Burlington TIF.** Removes redundant reporting requirement.

Sec. 8. **Related costs.** Clarifies when related costs may be taken.

Sec. 9. **Proportionality.** Makes a technical correction to change phrase replaced by 2013 Acts and Resolves No. 80.

Sec. 10. **Original taxable value.** Clarifies the listing practices for calculating original taxable value.

Sec. 11. **Tax increment.** Clarifies who calculates the increment and how it is accounted for at the municipal level.

Sec. 12. **Information reporting.** Clarifies what information must go into an audit report, and the timing of audits.

Sec. 13. **Rulemaking and enforcement.** Makes a technical changes and requires the Secretary's decisions be in writing to municipalities.

Sec. 14. **Audits.** Amends the schedule for audits to harmonize the timing of audits for all districts.

Property Taxes and Property Tax Adjustments

Sec. 15. **Lister designations.** Strikes several specific lister designations that no longer exist and allows the Director of Property Valuation and Review (PVR) more flexibility in designating levels of achievement.

Sec. 16. **Petitions to PVR for redetermination of equalization decisions.** Changes the notice date from the day a town receives the notice to the day PVR sends it. Extends filing period by five days.

Sec. 17. **Homestead declarations - time to pay.** Clarifies that the issuance of a corrected property tax bill due to a late filing or refiling of a homestead declaration does not excuse the taxpayer from paying the original liability. Any overpayment is to be reflected in the corrected bill. Allows the towns the discretion to set penalties of up to three percent or up to eight percent for late or misfiled declarations.

Sec. 18. **Homestead declaration - date for refiling.** Moves the date for refiling a homestead declaration to October 15 to be consistent with filing for property tax adjustment deadlines.

Sec. 19. **Property tax adjustments - time to pay.** Clarifies that the issuance of a corrected property tax bill due to a late filing or refiling of a homestead declaration does not excuse the taxpayer from paying the original liability. Any overpayment is to be reflected in the corrected bill.

Meals and Rooms Tax

Sec. 20. **Technical change.** Updates the program name for subsidized food benefits.

Property Transfer Tax

Sec. 21. **Filing requirements.** Removes the signature requirement for returns that accompany deeds for filing by a clerk. Conforms with the removal of signature requirement from underlying return passed in 2012.

POLICY AND REVENUE CHANGES:

NON-EDUCATION FINANCING

Distilled Spirits

Sec. 22. **Distilled spirits.** Changes the brackets on the current graduated tax on distilled spirits. The new gross revenue brackets would be \$0–\$500,000.00 at a five percent tax rate, \$500,000.00–\$750,000.00 at a 10 percent tax rate, and over \$750,000.00 at a 25 percent tax rate. Clarifies that manufacturers and rectifiers only pay tax on sales of their own beverages under a fourth-class license.

Employer Assessment

Secs. 23–24. **Coverage.** Extends employer assessment to employees who are offered insurance but enroll in Medicaid.

Sec. 25. **Assessment.** Adopts language that indexes assessment to fiscal year 2015 amount on July 1, 2014, but then returns to calendar year indexing starting January 1, 2015.

Solar Capacity Tax

Sec. 26. **Exemption.** Exempts from both the statewide education tax and municipal property taxes solar renewable energy plants with less than a 50 kW capacity that are either net metered or not connected to the power grid.

Sec. 27. **Municipal valuation.** Puts in place a statutory process for determining the fair market value of solar renewable energy plants.

Sec. 28. **Municipal exemptions.** Updates the language for municipally voted exemptions for renewable energy plants and makes several conforming changes.

Sec. 29. **Capacity tax.** Increases the current exemption from the capacity tax from plants with 10kW capacity or greater to plants with less than 50kW capacity.

Sec. 30. **Repeal.** Repeals the prospective 2023 repeal of the exemption from the uniform capacity tax for smaller plants.

Taxpayer Delinquencies

Sec. 31. **Delinquencies.** Allows the Department of Taxes, after notice, to publish the 100 business taxpayers and 100 individual taxpayers with the largest unresolved tax liabilities in the State.

Valuation of Natural Gas and Petroleum Infrastructure

Sec. 32. **Valuation.** For purposes of the statewide education property tax, the Director of PVR shall determine the appraised value of all natural gas or petroleum infrastructure within this State. The Director's valuation shall be on a cost basis, but shall not be depreciated below 30 percent of its cost.

Income Taxes

Sec. 33. **Use tax reporting.** Increases the amount of use tax a taxpayer may elect to report from 0.08 percent of the taxpayer's adjusted gross income to 0.10 percent.

Wood Products Manufacturer's Credit

Sec. 34. **Study.** Requires the Agency of Commerce and Community Development and Department of Taxes to study and recommend economic and tax incentives to ensure wood products manufacturers remain and thrive in Vermont.

Downtown and Village Center Tax Credits

Sec. 35. **Limit.** Increases the total limit in tax credits available from \$1.7 million to \$2.2 million.

Sec. 36. **Sales tax exemption.** Repeals exemption for purchases in excess of \$250,000.00 for downtown redevelopment projects.

Research and Development Tax Credit

Sec. 37. **Exemption.** Reduces percentage to 27 percent and requires the Department of Taxes to publish the names of the taxpayers who claim the credit.

Tobacco

Sec. 38. **Cigarettes.** Increases cigarette tax by \$0.13 per pack.

Sec. 39. **Snuff and new smokeless tobacco.** Taxes snuff and new smokeless tobacco on par with cigarettes.

Sec. 40. **Floor tax.** Imposes a corresponding floor tax on snuff and cigarettes.

Sales and Use Tax - Contractors

Sec. 41. **Definition of sales.** Changes definition of retail sales to include sales to contractors of items intended to be affixed to real property.

Sec. 42. **Sales of items used to improve real property.** Includes items used to improve real property sold by a manufacturer or retailer in the definition of tangible personal property.

Sec. 43. **Certificates of exemption.** Allows contractors to apply for direct payment permits from the Commissioner.

Sales and Use Tax - Compost

Sec. 44. **Definitions.** Creates definitions in law for compost, manipulated animal manure, planting mix, and vermiculite.

Sec. 45. **Statutory purpose.** Provides a statutory purpose for the exemptions in Sec. 46.

Sec. 46. **Exemption.** Exempts compost ingredients for the sales tax. Exempts compost, animal manure, manipulated animal manure, and planting mix when sold in volumes of one cubic yard or more, or in an unpackaged form.

Sales and Use Tax - Telecommunications

Sec. 47. **Telecommunications services.** Change would have the effect of imposing the use tax on telecommunications services.

Propane Canisters

Sec. 48. **Canisters.** Clarifies that propane sold in free-standing canisters is not subject to the fuel gross receipts tax.

Sec. 49. **Sales tax.** Makes propane sold in free-standing containers subject to the sales tax.

POLICY AND REVENUE CHANGES: EDUCATION FINANCING

Statewide Education Property Tax Rates, Base Education Amount, and Applicable Percentage

Sec. 50. **Rates.** For fiscal year 2015, sets the homestead tax rate at \$0.98, the nonresidential rate at \$1.515, and the applicable percentage for income sensitivity at 1.80.

Sec. 51. **Base education amount.** For fiscal year 2015, sets the base education amount at \$9,285.00.

Sec. 52. **Applicable percentage.** Requires the Commissioner annually to recommend an applicable percentage used for calculating income sensitivity adjustments so that it will not drop below 1.94 percent.

Average Daily Membership

Sec. 53. **Average daily membership.** Alters the way average daily membership is calculated by eliminating a provision that increased the counting of pupils for fast-growing schools.

Shared Equity

Sec. 54. **Valuation.** Requires owner-occupied housing subject to a housing subsidy covenant be valued at between 60 percent and 70 percent of fair market value. Adds a requirement for the Commissioner to report every five years on whether the percentage used in this provision should be altered.

Property Tax Exemptions

Sec. 55. **Health and recreation property.** Makes clear that certain health and recreation facilities and skating rinks are considered exempt properties under the public, pious, and charitable exemption.

Secs. 56–57. **Municipally owned lakeshore property.** Alters related changes made in 2013. Allows a town, in two specific instances, to vote to exempt from its municipal taxes lakeshore property owned by a different town. Exempts, in two specific instances, municipally owned lakeshore property in a different town from statewide education property taxes.

Occupancy of a Homestead

Sec. 58. **Definition of homestead.** Changes the rules for occupying a homestead to require that an individual be domiciled in a homestead for at least 183 days out of the year, but no longer requires that the owner occupy the dwelling on April 1.

Excess Spending Anchor

Secs. 59–60. **Anchor.** Creates an anchor that ties excess spending increases to inflation from fiscal year 2014 to the present, as opposed to current law which ties the increase to the previous year's spending.

Municipalities Hosting Electrical Generating Plants

Secs. 61–62. **Vernon.** Phases out over four years the current statewide education property tax rate reduction for Vernon for hosting an operating electrical generating plant.

Renter Rebate

Sec. 63. **Report.** Requires the Vermont Housing Council, with the assistance of the Department of Taxes and the Agency of Commerce and Community Development, to propose programs that provide benefits to renters in Vermont in lieu of the renter rebate program.

Income Sensitivity Slope

Sec. 64. **Extension.** For fiscal year 2017, raises the housesite value used to calculate income sensitivity adjustments for people with over \$90,000.00 in household income from \$200,000.00 to \$250,000.00. Has the effect of extending the slope of people who would benefit from income sensitivity above \$90,000.00 in household income.

Property Tax Appeals

Sec. 65. **Study.** Creates a report on appeals issues from the Department of Taxes, Vermont League of Cities and Towns, and Vermont Assessors and Listers Association.

Transfer

Sec. 66. **Transfer.** Transfers \$3 million from the Supplemental Property Tax Relief Fund to the Education Fund.

Tuition Report

Sec. 67. **Report.** Requires the Agency of Education to submit a report to the General Assembly on the history, current practices, and impacts of Vermont's school tuition system.

Fiscal Notes

Sec. 68. **Fiscal notes.** Requires the Joint Fiscal Office to create a fiscal note for any legislation that imposes a cost on a supervisory union or school district, without providing a way to pay for the cost.

Repeal

Sec. 69. **Repeal.** Includes a repeal necessary to make work the changes to exemption for municipally owned lakeshore property.

Sec. 70. **Effective Dates.**

Multiple effective dates, beginning on June 4, 2014