

1 S.254

2 Introduced by Senator Galbraith

3 Referred to Committee on

4 Date:

5 Subject: Health care; taxation; Green Mountain Care; transitional fund

6 Statement of purpose of bill as introduced: This bill proposes to create a

7 transitional fund for transitional financing of Green Mountain Care.

8 An act relating to transitional financing of Green Mountain Care

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

10 Sec. 1. FINDINGS

11 The General Assembly finds:

12 (1) Vermont needs adequate funds available when Green Mountain Care
13 is implemented to provide medical services to Vermonters.

14 (2) In order to have the required funds available, it is necessary for
15 Vermont to implement its financing plan prior to the start of Green Mountain
16 Care.

17 (3) Green Mountain Care shall rely significantly on a payroll tax or an
18 income tax for its financing, or on some combination thereof. Levying either
19 tax in the year prior to the start of Green Mountain Care at the level necessary
20 to build up the required funds will impose an extreme hardship on businesses

1 and individuals who would be paying a substantial tax for which no service
2 was yet available at the same time as they are also paying for health coverage
3 for employees or themselves.

4 (4) By imposing a transition tax starting in 2015, Vermont can raise the
5 funds necessary to fund the start-up of Green Mountain Care at a rate that is
6 less burdensome to businesses and individuals.

7 Sec. 2. 32 V.S.A. chapter 152 is added to read:

8 CHAPTER 152. HEALTH CARE TAXES

9 § 5989. TRANSITIONAL PAYROLL TAX

10 (a) As used in this section, “total employer wages” means the total amount
11 of payments subject to withholding under section 5841 of this title for each
12 employer subject to withholding requirements, minus any wages in excess of
13 \$113,700.00 or the contribution base calculated under Section 230 of the
14 Social Security Act, codified at 42 U.S.C. § 430, paid by the employer to any
15 employee.

16 (b) 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 1.5 percent.

1 § 5990. TRANSITIONAL PAYMENT

2 Each employer shall prepare and submit to the Department of Taxes a
3 quarterly return and payment on or before the 25th day of the calendar month
4 succeeding the quarter ending on the last day of March, June, September, and
5 December. The return requirements and procedures shall be established by the
6 Commissioner of Taxes and shall show the amount of total employer wages
7 paid for 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 Green Mountain Care Transitional Fund established
11 under 33 V.S.A. § 1829a.

12 § 5991. TRANSITIONAL ENFORCEMENT

13 The employer payroll tax imposed under section 5989 of this title shall be
14 enforced and collected as if it were an amount required to be withheld and
15 remitted to the State under subchapter 4 of chapter 151 of this title.

16 Sec. 3. 32 V.S.A. § 5811(21) is amended to read:

17 (21) "Taxable income" means federal taxable income determined
18 without regard to ~~Section 168(k) of the Internal Revenue Code~~ 26 U.S.C.
19 § 168(k) and:

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

- 1 (i) interest income from non-Vermont state and local obligations;
- 2 (ii) dividends or other distributions from any fund to the extent
- 3 they are attributable to non-Vermont state or local obligations; and
- 4 (iii) ~~the amount in excess of \$5,000.00 of state and local income~~
- 5 ~~taxes deducted from federal adjusted gross income for the taxable year, but in~~
- 6 ~~no case in an amount that will reduce total itemized deductions below the~~
- 7 ~~amount of total itemized deductions in excess of the standard deduction~~
- 8 allowable to the taxpayer; and

9 * * *

10 Sec. 4. 33 V.S.A. § 1829a is added to read:

11 § 1829a. GREEN MOUNTAIN CARE TRANSITIONAL FUND

12 (a) The Green Mountain Care Transitional Fund is established in the State

13 Treasury as a special fund to be the single source to collect and retain the funds

14 to start up Green Mountain Care.

15 (b) Into the Fund shall be deposited the transitional payroll tax levied

16 pursuant to 32 V.S.A. § 5989(b).

17 (c) The Fund shall be administered pursuant to 32 V.S.A. chapter 7,

18 subchapter 5, except that interest earned on the Fund and any remaining

19 balance shall be retained in the Fund. The Agency shall maintain records

20 indicating the amount of money in the Fund at any time.

1 (d) All monies received by or generated to the Fund shall be retained until
2 the date Green Mountain Care is implemented pursuant to 33 V.S.A.
3 § 1822(a), at which time the full balance of the Fund shall be transferred to the
4 Green Mountain Care Fund, established in section 1829 of this title.

5 Sec. 5. 33 V.S.A. § 1829a is amended to read:

6 § 1829a. GREEN MOUNTAIN CARE TRANSITIONAL FUND

7 (a) The Green Mountain Care Transitional Fund is established in the State
8 Treasury as a special fund to be the single source to collect and retain the funds
9 to start up Green Mountain Care.

10 (b) Into the Fund shall be deposited ~~the~~:

11 (1) transitional payroll tax levied pursuant to 32 V.S.A. § 5989(b); and

12 (2) 7.7 percent of the income taxes levied pursuant to 32 V.S.A.

13 chapter 151.

14 (c) The Fund shall be administered pursuant to 32 V.S.A. chapter 7,
15 subchapter 5, except that interest earned on the Fund and any remaining
16 balance shall be retained in the Fund. The Agency shall maintain records
17 indicating the amount of money in the Fund at any time.

18 (d) All monies received by or generated to the Fund shall be retained until
19 the date Green Mountain Care is implemented pursuant to 33 V.S.A.
20 § 1822(a), at which time the full balance of the Fund shall be transferred to the
21 Green Mountain Care Fund, established in section 1829 of this title.

1 Sec. 6. 32 V.S.A. § 435(b)(5) is amended to read:

2 (5) ~~Individual~~ 92.3 percent of the income taxes levied pursuant to
3 chapter 151 of this title;

4 * * *

5 Sec. 7. REPEAL

6 On the first day of the last quarter of the calendar year preceding
7 implementation of Green Mountain Care pursuant to 33 V.S.A. § 1822(a),
8 Sec. 2 of this act (transitional payroll tax) shall be repealed.

9 Sec. 8. EFFECTIVE DATES

10 (a) Sec. 1 (findings) and this section shall take effect on passage.

11 (b) Secs. 2 (transitional payroll tax), 3 (itemized deductions), 4 (Green
12 Mountain Care Transitional Fund), and 7 (repeal) shall take effect on
13 January 1, 2015.

14 (c) Secs. 5 (Green Mountain Care Transitional Fund, income taxes) and
15 6 (General Fund) shall take effect on January 1, 2016 and apply to revenues
16 raised in fiscal year 2016 and after.