

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Ways and Means to which was referred Senate Bill No.
3 56 entitled “An act relating to child care and early childhood education”
4 respectfully reports that it has considered the same and recommends that the
5 House propose to the Senate that the bill be amended by striking out all after
6 the enacting clause and inserting in lieu thereof the following:

7 * * * Legislative Intent * * *

8 Sec. 1. LEGISLATIVE INTENT

9 (a) In 2021 Acts and Resolves No. 45, the General Assembly specified its
10 intention that “the co-payment at the upper limit of the income eligibility scale
11 for a family participating in the Child Care Financial Assistance Program shall
12 not exceed 10 percent of a family’s annual gross income” and “that Vermont’s
13 early childhood educators are fairly compensated and well supported.” The
14 General Assembly continues to strive toward these goals with the passage of
15 this act.

16 (b) It is the intent of the General Assembly that investments in and policy
17 changes to Vermont’s child care and early learning system shall:

18 (1) make transitional steps toward attaining the recommendations in the
19 reports prepared pursuant to 2021 Acts and Resolves No. 45, Secs. 13 and 14;

20 (2) increase access to and the quality of child care services and
21 afterschool and summer care programs throughout the State;

- 1 (A) the Secretary of Education or designee, who shall serve as co-
2 chair;
- 3 (B) the Secretary of Human Services or designee, who shall serve as
4 co-chair;
- 5 (C) the Executive Director of the Vermont Principals' Association or
6 designee;
- 7 (D) the Executive Director of the Vermont Superintendents
8 Association or designee;
- 9 (E) the Executive Director of the Vermont School Board Association
10 or designee;
- 11 (F) the Executive Director of the Vermont National Education
12 Association or designee;
- 13 (G) the Chair of the Vermont Council of Special Education
14 Administrators or designee;
- 15 (H) an early education coordinator for a school district that provides
16 prekindergarten education through a mixed-delivery system, appointed by the
17 Vermont Superintendents Association;
- 18 (I) the Executive Director of Building Bright Futures or designee;
- 19 (J) a representative of a prequalified private provider as defined in 16
20 V.S.A. § 829, operating a licensed center-based child care and preschool
21 program, appointed by the Speaker of the House;

1 (K) a representative of a prequalified private provider as defined in
2 16 V.S.A. § 829, providing prekindergarten education at a regulated family
3 child care home, appointed by the Committee on Committees;

4 (L) a representative, appointed by Vermont Afterschool, Inc.;

5 (M) the Head Start Collaboration Office Director or designee;

6 (N) two family representatives, one with a child three years of age or
7 younger when the Committee initially convenes and the second with a
8 prekindergarten-age child when the Committee initially convenes, appointed
9 by the Building Bright Futures Council;

10 (O) the Executive Director of the Vermont Association for the
11 Education of Young Children or designee; and

12 (P) a member of the School Construction Aid Task Force, appointed
13 by the Secretary of Education.

14 (2) The Committee shall consult with any stakeholder necessary to
15 accomplish the purposes of this section, including stakeholders with
16 perspectives specific to diversity, equity, and inclusion.

17 (c) Powers and duties. The Committee shall examine the delivery of
18 prekindergarten education in Vermont and make recommendations to expand
19 access for children through the public school system or private providers under
20 contract with the school district, or both. The Committee shall examine and
21 make recommendations on the changes necessary to provide prekindergarten

1 education to all children by or through the public school system on or before
2 July 1, 2026, including transitioning students from the 10-hour prekindergarten
3 benefit, which may yield distinct recommendations for different
4 prekindergarten ages. The Committee’s recommendation shall consider the
5 needs of both the State and local education agencies. The Committee’s
6 analysis and recommendations shall include:

7 (1) recommendations for the minimum number of hours that shall
8 constitute the length of a full school day for both prekindergarten education
9 and kindergarten;

10 (2) whether there are areas of the State where prekindergarten education
11 can be more effectively and conveniently furnished in an adjacent state due to
12 geographic considerations;

13 (3) recommendations for prekindergarten education tuition rates based
14 on the allowable tuition rates for elementary students under 16 V.S.A. § 823;

15 (4) recommendations for the administrative process governing
16 contracting for prekindergarten education, including recommendations for the
17 prekindergarten education tuition process;

18 (5) recommendations for the facilities needs of school districts for the
19 provision of prekindergarten education;

20 (6) recommendations for the standards governing which individuals may
21 obtain an educator license or endorsement for teaching prekindergarten

1 education, including provisional licensing requirements for prekindergarten
2 educators; and

3 (7) recommendations for the provision essential early education
4 services, including recommendations for determining full-time equivalent
5 enrollment and weighted long-term membership of children receiving such
6 services.

7 (d) Assistance. The Committee shall have the administrative, technical,
8 fiscal, and legal assistance of the Agencies of Education and of Human
9 Services. If the Agencies are unable to provide the Committee with adequate
10 support to assist with its administrative, technical, fiscal, or legal needs, then
11 the Agency of Education shall retain a contractor with the necessary expertise
12 to assist the Committee.

13 (e) Report. On or before December 1, 2024, the Committee shall submit a
14 written report to the House Committees on Education and on Human Services
15 and the Senate Committees on Education and on Health and Welfare with its
16 implementation plan based on the analysis conducted pursuant to subsection
17 (c) of this section. The report shall include draft legislative language to
18 support the Committee's plan.

19 (f) Meetings.

20 (1) The Secretary of Education or designee shall call the first meeting of
21 the Committee to occur on or before July 15, 2023.

1 (2) A majority of the membership shall constitute a quorum.

2 (3) The Committee shall cease to exist on February 1, 2025.

3 (g) Compensation and reimbursement. Members of the Committee who
4 are not employees of the State of Vermont and who are not otherwise
5 compensated or reimbursed for their attendance shall be entitled to per diem
6 compensation and reimbursement of expenses pursuant to 32 V.S.A. § 1010
7 for not more than 18 meetings. These payments shall be made from monies
8 appropriated to the Agency of Education.

9 (h) Appropriations.

10 (1) The sum of \$7,500.00 is appropriated to the Agency of Education
11 from the General Fund in fiscal year 2024 for per diem compensation and
12 reimbursement of expenses for members of the Committee.

13 (2) The sum of \$100,000.00 is appropriated to the Agency of Education
14 from the General Fund in fiscal year 2024 for the cost of retaining a contractor
15 as provided under subsection (d) of this section.

16 (3) Any unused portion of these appropriations shall, as of July 1, 2025,
17 revert to the General Fund.

18 Sec. 2a. PREKINDERGARTEN EDUCATION MODEL CONTRACT

19 On or before December 1, 2024, the Agency of Education, in consultation
20 with the members of the Prekindergarten Education Implementation
21 Committee and other relevant stakeholders, shall develop a model contract for

1 school districts to use for contracting with private providers for
2 prekindergarten education services. The model contract shall include:

3 (1) an antidiscrimination provision that requires compliance with the
4 Vermont Public Accommodations Act, 9 V.S.A. chapter 139, and the Vermont
5 Fair Employment Practices Act, 21 V.S.A. chapter 5, subchapter 6;

6 (2) staff teaching licensure requirements, which shall ensure that
7 publicly funded prekindergarten education is provided by a Vermont-licensed
8 teacher; and

9 (3) requirements for the provision of special education services.

10 **Sec. 2b. PREKINDERGARTEN PUPIL WEIGHT; REPORT**

11 On or before December 1, 2023, the Agency of Education, in consultation
12 with the Prekindergarten Education Implementation Committee, shall analyze
13 and issue a written report to the General Assembly regarding whether the cost
14 of educating a prekindergarten student is the same as educating a kindergarten
15 student in the context of a full school day. The report shall include a detailed
16 analysis, recommendation, and implementation plan for the sufficient weight to
17 apply to prekindergarten students for the purposes determining weighted long-
18 term membership of a school district under 16 V.S.A. § 4010. The report shall
19 include draft legislative language to support the recommended prekindergarten
20 pupil weight and implementation plan.

1 Sec. 2c. AGENCY OF EDUCATION DATA COLLECTION AND
2 SHARING

3 On or before August 1, 2023, the Agency of Education shall collect and
4 share the following data with the Joint Fiscal Office:

5 (1) The number of weighted pupils, which shall not be adjusted by the
6 equalization ratio, for fiscal year 2024:

7 (A) using weights in effect on July 1, 2023 at both the statewide and
8 district levels; and

9 (B) using weights in effect on July 1, 2024 at both the statewide and
10 district levels.

11 (2) The following data, by school district:

12 (A) the total resources needed to operate a public prekindergarten
13 education program that would serve each prekindergarten child in the district;

14 (B) the number of prekindergarten children by year of age;

15 (C) the total education spending and other funds spent in fiscal year
16 2023 for children attending public prekindergarten education programs;

17 (D) the total education spending and other funds spent in fiscal year
18 2023 for prekindergarten children receiving prekindergarten education through
19 a prequalified private provider to whom the district pays tuition;

20 (E) if the school district operates a public prekindergarten education
21 program:

1 (i) the number of hours and slots offered in the public

2 prekindergarten education program;

3 (ii) the number of students residing in the district enrolled in the

4 public prekindergarten education program;

5 (iii) the number and cost of students residing in the district

6 enrolled in a prequalified private provider for whom the district pays tuition for

7 prekindergarten education; and

8 (iv) the number of students enrolled in the public prekindergarten

9 education program who reside outside the district and the corresponding

10 revenues associated with the nonresident student tuition; and

11 (F) if the school district does not operate a prekindergarten education

12 program;

13 (i) the number of hours of prekindergarten education provided to

14 each prekindergarten child; and

15 (ii) the tuition costs for prekindergarten children.

16 Sec. 3. 16 V.S.A. § 4010 is amended to read:

17 § 4010. DETERMINATION OF WEIGHTED LONG-TERM MEMBERSHIP

18 AND PER PUPIL EDUCATION SPENDING

19 * * *

20 (d) Determination of weighted long-term membership. For each weighting

21 category except the small schools weighting category under subdivision (b)(3)

1 of this section, the Secretary shall compute the weighting count by using the
2 long-term membership, as defined in subdivision 4001(7) of this title, in that
3 category.

4 (1) The Secretary shall first apply grade level weights. Each pupil
5 included in long-term membership from subsection (b) of this section shall
6 count as one, multiplied by the following amounts:

7 (A) ~~prekindergarten—negative 0.54; [Repealed.]~~

8 (B) grades six through eight—0.36; and

9 (C) grades nine through 12—0.39.

10 * * *

11 **Sec. 3a. CONTINGENT EFFECTIVE DATE OF PREKINDERGARTEN**

12 **EDUCATION WEIGHT CHANGE**

13 The amendments to 16 V.S.A. § 4010 (weighted long-term membership) set
14 forth in Sec. 3 of this act shall not take effect unless, on or before July 1, 2026,
15 the General Assembly enacts legislation establishing the following:

16 (1) a definition for the minimum number of hours that constitute a full
17 school day for prekindergarten education;

18 (2) a requirement that all school districts shall be required to follow the
19 same minimum number of hour requirements for prekindergarten education;

20 and

1 (3) a requirement that all school districts shall be required to follow the
2 same contracting requirements for the provision of prekindergarten education.

3 * * * Agency of Education * * *

4 Sec. 4. PLAN; AGENCY OF EDUCATION LEADERSHIP

5 On or before November 1, 2025, the Agency of Education shall submit a
6 plan to the House Committees on Education and on Human Services and to the
7 Senate Committees on Education and on Health and Welfare to create a senior
8 level position within the Agency of Education for the purpose of elevating the
9 status of early education and special education within the Agency in
10 accordance with the report produced pursuant to 2021 Acts and Resolves No,
11 45, Sec. 13. The plan shall achieve greater parity in decision-making
12 authority, roles and responsibilities, and reporting structure related to early
13 care and learning across the Agency and Department for Children and
14 Families.

15 * * * Child Care and Child Care Subsidies * * *

16 Sec. 5. 33 V.S.A. § 3512 is amended to read:

17 § 3512. CHILD CARE FINANCIAL ASSISTANCE PROGRAM;

18 ELIGIBILITY

19 (a)(1) The Child Care Financial Assistance Program is established to
20 subsidize, to the extent that funds permit, the costs of child care for families
21 that need child care services in order to obtain employment, to retain

1 employment, or to obtain training leading to employment. Families seeking
2 employment shall be entitled to participate in the Program for up to three
3 months and the Commissioner may further extend that period.

4 (2) The subsidy authorized by this subsection and the corresponding
5 family contribution shall be established by the Commissioner, by rule, and
6 shall bear a reasonable relationship to income and family size. The
7 Commissioner may adjust the subsidy and family contribution by rule to
8 account for increasing child care costs not to exceed 1.5 times the most recent
9 annual increase in the NAICS code 611, Educational Services. Families shall
10 be found eligible using an income eligibility scale based on the current federal
11 poverty level and adjusted for the size of the family. Co-payments shall be
12 assigned to the whole family and shall not increase if more than one eligible
13 child is enrolled in child care. Families with an annual gross income of less
14 than or equal to 150 percent of the current federal poverty guidelines shall not
15 have a family co-payment. Families with an annual gross income up to and
16 including ~~350~~ 550 percent of current federal poverty guidelines, adjusted for
17 family size, shall be eligible for a subsidy authorized by the subsection. The
18 scale shall be structured so that it encourages employment. If the federal
19 poverty guidelines decrease in a given year, the Division shall maintain the
20 previous year's federal poverty guidelines for the purpose of determining
21 eligibility and benefit amount under this subsection.

1 (3) Earnings deposited in a qualified child education savings account,
2 such as the Vermont Higher Education Investment Plan, established in
3 16 V.S.A. § 2877, or any similar plan qualified under 26 U.S.C. § 529, shall be
4 disregarded in determining the amount of a family’s income for the purpose of
5 determining continuing eligibility.

6 (4) ~~After September 30, 2021,~~ a A regulated center-based child care
7 program or family child care home as defined by the Department in rule shall
8 not receive funds pursuant to this subsection that are in excess of the usual and
9 customary rate for services at the center-based child care program or family
10 child care home.

11 * * *

12 Sec. 5a. 33 V.S.A. § 3512 is amended to read:

13 § 3512. CHILD CARE FINANCIAL ASSISTANCE PROGRAM;

14 ELIGIBILITY

15 (a)(1) The Child Care Financial Assistance Program is established to
16 subsidize, to the extent that funds permit, the costs of child care for families
17 that need child care services in order to obtain employment, to retain
18 employment, or to obtain training leading to employment. Families seeking
19 employment shall be entitled to participate in the Program for up to three
20 months and the Commissioner may further extend that period.

21 * * *

1 (5) The Department shall ensure that applications for the Child Care
2 Financial Assistance Program use a simple, plain-language format.
3 Applications shall be available in both electronic and paper formats and shall
4 comply with the Office of Racial Equity’s most recent Language Access
5 Report.

6 (6) A Vermont resident who has a citizenship status that would
7 otherwise exclude the resident from participating in the Child Care Financial
8 Assistance Program shall be served under this Program, provided that the
9 benefit for these residents is solely State-funded. The Department shall not
10 retain data on the citizenship status of any applicant or participant once a child
11 is no longer participating in the program, and it shall not request the citizenship
12 status of any members of the applicant’s or participant’s family. Any records
13 created pursuant to this subsection shall be exempt from public inspection and
14 copying under the Public Records Act.

15 * * *

16 Sec. 5b. FISCAL YEAR 2024; FAMILY CONTRIBUTION

17 In fiscal year 2024, a weekly family contribution for participants in the
18 Child Care Financial Assistance Program established in 33 V.S.A. §§ 3512 and
19 3513 shall begin at \$27.00 for families at 151 percent of the federal poverty
20 level and increase progressively for families at a higher percentage of the
21 federal poverty level as determined by the Department.

1 Sec. 6. PROVIDER RATE ADJUSTMENT; CHILD CARE FINANCIAL
2 ASSISTANCE PROGRAM

3 (a) It is the intent of the General Assembly that the provider rate
4 adjustment established in this section shall be an initial step toward
5 implementing the professional pay scale established pursuant to 33 V.S.A.
6 § 3544.

7 (b)(1) On January 1, 2024, the Department for Children and Families shall
8 provide an adjustment to the base child care provider reimbursement rates in
9 the Child Care Financial Assistance Program for child care services provided
10 by center-based child care and preschool programs, family child care homes,
11 and afterschool and summer care programs. The adjusted reimbursement rate
12 shall account for the age of the children served and be 38.5 percent higher than
13 the fiscal year 2023 five-STAR reimbursement rate in the Vermont STARS
14 system. The adjusted reimbursement rate shall then be adjusted to account for
15 the differential between family child care homes and center-based child care
16 and preschool programs by 50 percent. All providers in the same child care
17 setting category shall receive a reimbursement rate payment, which shall be
18 dependent upon whether the provider operates a regulated child care center and
19 preschool program, regulated family child care home, or afterschool or
20 summer care program.

1 (2) The provider rate adjustment established in this section shall become
2 part of the base budget in future fiscal years.

3 Sec. 7. APPROPRIATION; CHILD CARE FINANCIAL ASSISTANCE
4 PROGRAM

5 (a) In addition to fiscal year 2024 funds appropriated for the Child Care
6 Financial Assistance Program in other acts, in fiscal year 2024, \$48,699,264.00
7 is appropriated from the General Fund to the Department for Children and
8 Families' Child Development Division for:

9 (1) the program eligibility expansion in Sec. 5 of this act; and

10 (2) the fiscal year 2024 provider rate adjustment in Sec. 6 of this act.

11 (b)(1) In addition to fiscal year 2024 funds appropriated for the
12 administration of the Department for Children and Families' Child
13 Development Division in other acts, in fiscal year 2024, \$4,000,000.00 is
14 appropriated from the General Fund to the Division to administer adjustments
15 to the Child Care Financial Assistance Program required by this act through
16 the authorization of the following six new permanent classified positions
17 within the Division:

18 (A) business applications support manager;

19 (B) licensing field specialist;

20 (C) child care business technician;

21 (D) administrative service coordinator II;

1 (E) program integrity investigator; and

2 (F) grants and contracts manager—compliance.

3 (2) The Division shall allocate at least \$2,000,000.00 of the amount
4 appropriated in this subsection to the Community Child Care Support
5 Agencies.

6 Sec. 8. READINESS PAYMENTS; CHILD CARE FINANCIAL
7 ASSISTANCE PROGRAM

8 (a)(1) In fiscal year 2024, \$18,873,235.00 is appropriated one time from
9 the General Fund to the Department for Children and Families' Child
10 Development Division for the purpose of providing payments to child care
11 providers, as defined in 33 V.S.A. § 3511, delivering child care services to
12 children, in preparation of the Child Care Financial Assistance Program
13 eligibility expansion in Sec. 5 of this act and for the fiscal year 2024 provider
14 rate adjustment in Sec. 6 of this act. Readiness payments may be used for the
15 following:

16 (A) increasing capacity for infants and toddlers;

17 (B) expanding the number of family child care homes;

18 (C) improving child care facilities;

19 (D) preparing private prequalified providers for future changes in the
20 prekindergarten system;

1 (E) expanding hours of operation to provide full-day, full-week child
2 care services;

3 (F) addressing gaps in services and expanding capacity;

4 (G) increasing workforce capacity, including signing and retention
5 bonuses; and

6 (H) any other uses approved by the Commissioner.

7 (2) Of the funds appropriated in subdivision (1) of this subsection, up to
8 five percent may be used to contract with a third party to provide technical
9 assistance to child care providers to build or maintain capacity and to provide
10 information on the opportunities and requirements of this act.

11 (b) In administering the readiness payment program established by this
12 section, the Division may either use the same distribution framework used to
13 distribute Child Care Development Block Grant funds in accordance with the
14 American Rescue Plan Act of 2021 or it may utilize an alternative distribution
15 framework.

16 (c) The Commissioner shall provide a status report on the distribution of
17 readiness payments to the Joint Fiscal Committee at its November 2023
18 meeting.

19 Sec. 9. 33 V.S.A. § 3514 is amended to read:

20 § 3514. PAYMENT TO PROVIDERS

1 (a)(1) The Commissioner shall establish a payment schedule for purposes
2 of reimbursing providers for full- or part-time child care services rendered to
3 families who participate in the programs established under section 3512 or
4 3513 of this title. ~~Payments established under this section shall reflect the~~
5 ~~following considerations: whether the provider operates a licensed child care~~
6 ~~facility or a registered family child care home, type of service provided, cost of~~
7 ~~providing the service, and the prevailing market rate for comparable service.~~
8 The payment schedule shall account for the age of the children served, and all
9 providers in the same child care setting category shall receive a reimbursement
10 rate payment, which shall be dependent upon whether the provider operates a
11 child care center and preschool program, family child care home, or
12 after-school or summer care program. The rate used to reimburse providers
13 shall be increased over the previous year’s rate annually in alignment with the
14 most recent annual average wage growth for NAICS code 611, Educational
15 Services, not to exceed five percent.

16 (2) ~~Payments shall be based on enrollment status or any other basis~~
17 ~~agreed to by the provider and the Division.~~ The Department, in consultation
18 with the Office of Racial Equity and stakeholders, shall adopt rules pursuant to
19 3 V.S.A. chapter 25 that define “enrollment” and the total number of allowable
20 absences to continue participating in the Child Care Financial Assistance
21 Program. The Department shall minimize itemization of absence categories.

1 (b) The Commissioner may establish a separate payment schedule for child
2 care providers who have received specialized training, approved by the
3 Commissioner, relating to protective or family support services.

4 ~~(c)(1) The payment schedule established by the Commissioner may~~
5 ~~reimburse providers in accordance with the results of the most recent Vermont~~
6 ~~Child Care Market Rate Survey.~~

7 ~~(2) The payment schedule shall include reimbursement rate caps tiered~~
8 ~~in relation to provider ratings in the Vermont STARS program. The lower limit~~
9 ~~of the reimbursement rate caps shall be not less than the 50th percentile of all~~
10 ~~reported rates for the same provider setting in each rate category. [Repealed.]~~

11 Sec. 10. 33 V.S.A. § 3515 is added to read:

12 § 3515. CHILD CARE QUALITY AND CAPACITY INCENTIVE
13 PROGRAM

14 (a) The Commissioner shall establish a child care quality and capacity
15 incentive program for child care providers participating in the Child Care
16 Financial Assistance Program pursuant to 33 V.S.A. §§ 3512 and 3513.
17 Annually, consistent with funds appropriated for this purpose, the
18 Commissioner may provide a child care provider with an incentive payment
19 for the following achievements:

20 (1) achieving a higher level in the quality rating and improvement
21 system, including increasing access to and provision of culturally competent

1 care and multilingual programming and providing other family support
2 services similar to those provided in approved Head Start programs;

3 (2) increasing infant and toddler capacity;

4 (3) maintaining existing infant and toddler capacity;

5 (4) establishing capacity in regions of the State that are identified by the

6 Commissioner as underserved;

7 (5) providing nonstandard hours of child care services;

8 (6) completing a Commissioner-approved training on protective or
9 family support services; and

10 (7) other quality- or capacity-specific criteria identified by the

11 Commissioner.

12 (b) The Commissioner shall maintain a current incentive payment schedule
13 on the Department's website.

14 Sec. 10a. LEGISLATIVE INTENT; CHILD CARE QUALITY AND
15 CAPACITY INCENTIVE PROGRAM

16 It is the intent of the General Assembly that in fiscal year 2025 and in future
17 fiscal years, at least \$10,000,000.00 is appropriated for the child care quality
18 and capacity incentive program established in 33 V.S.A. § 3515.

19 Sec. 11. 33 V.S.A. § 3516 is added to read:

20 § 3516. CHILD CARE WAITLIST AND APPLICATION FEES

1 A child care provider shall not charge an application or waitlist fee for child
2 care services where the applying child qualifies for the Child Care Financial
3 Assistance Program pursuant to section 3512 or 3513 of this title. A child care
4 provider shall reimburse an individual who is charged an application or waitlist
5 fee for child care services if it is later determined that the applying child
6 qualified for the Child Care Financial Assistance Program at the time the fee or
7 fees were paid.

8 Sec. 12. 33 V.S.A. § 3517 is added to read:

9 § 3517. CHILD CARE TUITION RATES

10 A regulated child care provider shall not impose an increase on annual child
11 care tuition that exceeds 1.5 times the most recent annual increase in the
12 NAICS code 611, Educational Services. This amount shall be posted on the
13 Department’s website annually.

14 Sec. 12a. 33 V.S.A. § 3517 is amended to read:

15 § 3517. CHILD CARE TUITION RATES

16 (a) A regulated child care provider shall not impose an increase on annual
17 child care tuition that exceeds 1.5 times the most recent annual increase in the
18 NAICS code 611, Educational Services. This amount shall be posted on the
19 Department’s website annually.

20 (b) A child care provider participating in the Child Care Financial
21 Assistance Program shall not charge any family a tuition rate that exceeds the

1 total amount the child care provider receives for providing child care services
2 to a child enrolled in the Child Care Financial Assistance Program. As used in
3 this subsection, “total amount” means the amount a child care provider is
4 reimbursed pursuant to section 3514 of this title plus the family’s co-payment.

5 Sec. 12b. 33 V.S.A. § 3518 is added to read:

6 § 3518. CHILD CARE PROVIDER OWNERSHIP DISCLOSURE

7 (a) As used in this section:

8 (1) “Affiliate” means a person that directly or indirectly owns or
9 controls, is owned or controlled by, or is under common ownership or control
10 with another person.

11 (2) “Applicant” means a person that applies to be eligible to receive
12 State funding for child care services pursuant to a provider rate agreement.

13 (3) “Controls,” “is controlled by,” and “under common control” mean
14 the power to direct, or cause the direction or management and policies of a
15 person, whether through the direct or beneficial ownership of voting securities,
16 by contract, or otherwise. A person who directly or beneficially owns 10
17 percent or more equity interest, or the equivalent thereof, of another person
18 shall be deemed to control the person.

19 (4) “Owner” means a person who controls an applicant.

20 (5) “Principal” means one of the following:

1 (A) the president, vice president, secretary, treasurer, manager, or
2 similar officer of a corporation as provided for by 11A V.S.A. § 8.40,
3 nonprofit corporation as provided for by 11B V.S.A. § 8.40, mutual benefit
4 enterprise as provided for by 11C V.S.A. § 822, cooperative as provided for by
5 11 V.S.A. § 1013, or worker cooperative corporation as provided for by 11
6 V.S.A. § 1089;

7 (B) a director of a corporation as provided for by 11A V.S.A. § 8.01,
8 nonprofit corporation as provided for by 11B V.S.A. § 8.01, mutual benefit
9 enterprise as provided for by 11C V.S.A. § 801, cooperative as provided for by
10 11 V.S.A. § 1006, or worker cooperative corporation as provided for by 11
11 V.S.A. § 1089;

12 (C) a member of a member-managed limited liability company as
13 provided for by 11 V.S.A. § 4054;

14 (D) manager of a manager-managed limited liability company as
15 provided for by 11 V.S.A. § 4054; or

16 (E) a partner of a partnership as provided for by 11 V.S.A. § 3212 or
17 a general partner of a limited partnership as provided for by 11 V.S.A. chapter
18 23.

19 (b) Disclosure. The Department shall adopt procedures to require each
20 applicant to disclose, prior to entering a provider rate agreement:

21 (1) the type of business organization of the applicant;

1 (2) the identity of the applicant’s owners and principals; and

2 (3) the identity of the owners and principals of the applicant’s affiliates.

3 Sec. 12c. 33 V.S.A. § 3519 is added to read:

4 § 3519. DIVERSITY, EQUITY, AND INCLUSION

5 The Department shall consult with the Office of Racial Equity in preparing
6 all public materials and trainings related to the Child Care Financial Assistance
7 Program.

8 Sec. 13. RULEMAKING; PROGRAM DIRECTORS

9 (a) The Department for Children and Families shall amend the following
10 rules pursuant to 3 V.S.A. chapter 25 to require that a program director is
11 present at the child care facility that the program director operates at least 40
12 percent of the time that children are present:

13 (1) Department for Children and Families, Licensing Regulations for
14 Afterschool and Child Care Programs (CVR 13-171-003); and

15 (2) Department for Children and Families, Licensing Regulations for
16 Center-Based Child Care and Preschool Programs (CVR 13-171-004).

17 (b) The Department shall review and consider amending its:

18 (1) rule prohibiting a person or entity registered or licensed to operate a
19 family child care home from concurrently operating a center-based child care
20 and preschool program or afterschool and summer care program; and

1 (2) eligibility policies addressing self-employment and other areas of
2 specialized need on a regular basis and revise them consistent with research on
3 best practices in the field to maximize participation in the program and
4 minimize undue burden on families applying for the Child Care Financial
5 Assistance Program.

6 * * * Reports * * *

7 Sec. 14. REPORT; BACKGROUND CHECKS

8 On or before January 15, 2024, the Vermont Crime Information Center, in
9 collaboration with the Agency of Education and the Department for Children
10 and Families, shall submit a report to the House Committee on Human
11 Services and to the Senate Committee on Health and Welfare providing a
12 recommendation to streamline and improve the timeliness of the background
13 check process for child care and early education providers who are required to
14 complete two separate background checks.

15 Sec. 15. [Deleted.]

16 * * * Special Accommodations Grant * * *

17 Sec. 16. PLAN; SPECIAL ACCOMMODATIONS GRANT

18 On or before July 1, 2024, the Department for Children and Families' Child
19 Development Division, in consultation with stakeholders, shall develop and
20 submit an implementation plan to the House Committee on Human Services
21 and to the Senate Committee on Health and Welfare to streamline and improve

1 the responsiveness and effectiveness of the application process for special
2 accommodation grants, including:

3 (1) implementing a 12-month or longer grant cycle option for eligible
4 populations;

5 (2) improving support and training for providing inclusive care for
6 children with special needs;

7 (3) determining how to better meet the early learning needs of children
8 with disabilities within a child care setting; and

9 (4) any other considerations the Department deems essential to the goal
10 of streamlining the application process for special accommodation grants.

11 * * * Afterschool and Summer Care Grant Program * * *

12 Sec. 17. [Deleted.]

13 Sec. 17a. [Deleted.]

14 Sec. 18. [Deleted.]

15 Sec. 18a. [Deleted.]

16 * * * Workforce Supports * * *

17 Sec. 19. 2021 Acts and Resolves No. 45, Sec. 8 is amended to read:

18 Sec. 8. REPEALS

19 (a) ~~33 V.S.A. § 3541(d) (reference to student loan repayment assistance~~
20 ~~program) is repealed on July 1, 2026. [Repealed.]~~

1 (b) 33 V.S.A. § 3542 (scholarships for prospective early childhood
2 providers) is repealed on July 1, 2026.

3 (c) ~~33 V.S.A. § 3543 (student loan repayment assistance program) is~~
4 ~~repealed on July 1, 2026. [Repealed.]~~

5 * * * Transitional Assistance and Governance * * *

6 Sec. 20. CHILD CARE; ADMINISTRATIVE SERVICE ORGANIZATIONS

7 On or before February 15, 2024, the Department for Children and Families
8 shall provide a presentation to the House Committee on Human Services and
9 to the Senate Committee on Health and Welfare regarding the feasibility of and
10 any progress towards establishing administrative service organizations for
11 child care providers.

12 Sec. 21. 33 V.S.A. § 4605 is added to read:

13 § 4605. TECHNICAL ASSISTANCE; ACCOUNTABILITY

14 In order to ensure the successful implementation of expanded child care,
15 prekindergarten, and afterschool and summer care, and to identify policy
16 changes and investments to achieve the recommendations outlined in 2021
17 Acts and Resolves No. 45, §§ 13 and 14, Building Bright Futures shall be
18 responsible for monitoring accountability, supporting stakeholders in
19 collectively defining and measuring success, maximizing stakeholder
20 engagement, and providing technical assistance to build capacity for the

1 Department for Children and Families’ Child Development Division and the
2 Agency of Education. Specifically, Building Bright Futures shall:

3 (1) ensure accountability through monitoring transitions over time and
4 submitting a report with the results of this work on January 15 of each year to
5 the House Committee on Human Services and to the Senate Committee on
6 Health and Welfare;

7 (2) define and measure success of expanded child care, prekindergarten,
8 and afterschool and summer care related to process, implementation, and
9 outcomes using a continuous quality improvement framework and engage
10 public, private, legislative, and family partners to develop benchmarks
11 pertaining to:

12 (A) equitable access to high-quality child care;

13 (B) equitable access to high-quality prekindergarten;

14 (C) equitable access to high-quality afterschool and summer care;

15 (D) stability of the early child care education workforce;

16 (E) workforce capacity and needs of the child care, prekindergarten,
17 afterschool and summer care systems; and

18 (F) the impact of expanded child care, prekindergarten, and afterschool
19 and summer care on a mixed-delivery system.

1 Sec. 21a. APPROPRIATION; BUILDING BRIGHT FUTURES

2 Of the funds appropriated in Sec. 7(b) (appropriation; child care financial
3 assistance program) of this act, the Department for Children and Families shall
4 allocate \$266,707.00 to Building Bright Futures for the purpose of
5 implementing its duties under 33 V.S.A. § 4605. This amount shall become
6 part of the Department’s base for the purpose of supporting Building Bright
7 Future’s work pursuant to 33 V.S.A. § 4605.

8 Sec. 22. PLAN; DEPARTMENT FOR CHILDREN AND FAMILIES;

9 GOVERNANCE

10 (a) On or before November 1, 2025, the Secretary of Human Services shall
11 submit an implementation plan to the House Committees on Appropriations,
12 on Government Operations and Military Affairs, and on Human Services and
13 to the Senate Committees on Appropriations, on Government Operations, and
14 on Health and Welfare regarding the reorganization of the Department for
15 Children and Families to increase responsiveness to Vermonters and elevate
16 the status of child care and early education within the Agency of Human
17 Services. The implementation plan shall be consistent with the goals of the
18 report produced pursuant to 2021 Acts and Resolves No. 45, Sec. 13. It shall
19 achieve greater parity in decision-making authority, roles and responsibilities,
20 and reporting structure related to early care and learning across the Agency of
21 Education and Agency of Human Services.

1 (b) The implementation plan required pursuant to this section shall contain
2 any legislative language required for the division of the Department.

3 * * * Child Care Provider Wages * * *

4 Sec. 23. 33 V.S.A. § 3544 is added to read:

5 § 3544. CHILD CARE PROVIDERS; WAGES

6 (a) Notwithstanding any provision of 21 V.S.A. § 384 to the contrary, a
7 center-based child care and preschool program shall not employ:

8 (1) a program director or teacher at a rate of less than \$24.05;

9 (2) a teacher associate at a rate of less than \$20.45;

10 (3) a teacher assistant at a rate of less than \$19.25; or

11 (4) a classroom aide, trainee, or substitute at a rate of less than \$16.65.

12 (b) Notwithstanding any provision of 21 V.S.A. § 384 to the contrary, a
13 family child care home shall not employ:

14 (1) a family child care provider at a rate of less than \$19.25; or

15 (2) a family child care assistant, classroom aide, trainee, or substitute at
16 a rate of less than \$16.65.

17 (c)(1) Beginning on January 1, 2029 and on each subsequent January 1, the
18 minimum wage rates set forth in subsections (a) and (b) of this section shall be
19 increased by the percentage increase in the average wage for NAICS code 611,
20 Educational Services, not to exceed five percent, but in no event shall the

1 minimum wage rates be decreased. The Division shall publish the rates for the
2 next calendar year on or before November 15 of each year.

3 (2) The minimum wage rates set forth in subsections (a) and (b) of this
4 section shall be rounded off to the nearest \$0.01.

5 (3) If the minimum wage rate established by the U.S. government or
6 pursuant to 21 V.S.A. § 384 is greater than a rate established pursuant to
7 subsection (a) or (b) of this section, the minimum wage rate for the affected
8 position during that year shall be the greater of the rate established by the U.S.
9 government and the rate established pursuant to 21 V.S.A. § 384.

10 (d) As used in this section:

11 (1) “Center-based child care and preschool program” has the same
12 meaning as in the Department for Children and Families, Licensing
13 Regulations for Center-Based Child Care and Preschool Programs (CVR 13-
14 171-004).

15 (2) “Classroom aide” has the same meaning as in the Department for
16 Children and Families, Licensing Regulations for Registered and Licensed
17 Family Child Care Homes (CVR 13-171-005) or the Department for Children
18 and Families, Licensing Regulations for Center-Based Child Care and
19 Preschool Programs (CVR 13-171-004), as applicable.

1 (3) “Family child care assistant” has the same meaning as in the
2 Department for Children and Families, Licensing Regulations for Registered
3 and Licensed Family Child Care Homes (CVR 13-171-005).

4 (4) “Family child care home” has the same meaning as in the
5 Department for Children and Families, Licensing Regulations for Registered
6 and Licensed Family Child Care Homes (CVR 13-171-005).

7 (5) “Family child care provider” has the same meaning as in the
8 Department for Children and Families, Licensing Regulations for Registered
9 and Licensed Family Child Care Homes (CVR 13-171-005).

10 (6) “Program director” has the same meaning as in the Department for
11 Children and Families, Licensing Regulations for Center-Based Child Care and
12 Preschool Programs (CVR 13-171-004).

13 (7) “Substitute” has the same meaning as in the Department for Children
14 and Families, Licensing Regulations for Center-Based Child Care and
15 Preschool Programs (CVR 13-171-004) or Licensing Regulations for
16 Registered and Licensed Family Child Care Homes (CVR 13-171-005), as
17 applicable.

18 (8) “Teacher” has the same meaning as in the Department for Children
19 and Families, Licensing Regulations for Center-Based Child Care and
20 Preschool Programs (CVR 13-171-004).

1 (9) “Teacher assistant” has the same meaning as in the Department for
2 Children and Families, Licensing Regulations for Center-Based Child Care and
3 Preschool Programs (CVR 13-171-004).

4 (10) “Teacher associate” has the same meaning as in the Department for
5 Children and Families, Licensing Regulations for Center-Based Child Care and
6 Preschool Programs (CVR 13-171-004).

7 (11) “Trainee” has the same meaning as in the Department for Children
8 and Families, Licensing Regulations for Center-Based Child Care and
9 Preschool Programs (CVR 13-171-004) or the Department for Children and
10 Families, Licensing Regulations for Registered and Licensed Family Child
11 Care Homes (CVR 13-171-005), as applicable.

12 Sec. 23a. REPORT; CHILD CARE PROVIDER WAGES

13 On or before January 1, 2026, the Joint Fiscal Office shall submit
14 information to the House Committees on Human Services and on Ways and
15 Means and to the Senate Committees on Health and Welfare and on Finance
16 providing estimated current minimum wage levels based on Vermont and other
17 state data regarding wage levels for early care and education providers.

18 Sec. 23b. CONTINGENT EFFECTIVE DATE OF CHILD CARE TUTION

19 RATES AND CHIOLD CARE PROVIDER WAGES

20 The amendments to 33 V.S.A. § 3517 (child care tuition rates) set forth in
21 Sec. 12a of this act and to 33 V.S.A. § 3544 (child care providers; wages) set

1 forth in Sec. 23 of this act shall not take effect unless, on or before January 1,
2 2027, the General Assembly enacts legislation adjusts rates in the Child Care
3 Financial Assistance Program to ensure participating child care providers are
4 reimbursed for the total cost of care.

5 * * * Personal Income Tax Rates * * *

6 Sec. 24. PERSONAL INCOME TAX RATES; TAXABLE YEAR 2024

7 (a) For taxable years beginning on and after January 1, 2024, after taking
8 into consideration any inflation adjustments to taxable income as required by
9 32 V.S.A. § 5822(b)(2), all personal income tax rates under 32 V.S.A.
10 § 5822(a)(1)–(5) shall be increased as follows:

11 (1) taxable income that without the passage of this act would have been
12 subject to a rate of 3.35 percent shall be taxed at the rate of 3.65 percent
13 instead;

14 (2) taxable income that without the passage of this act would have been
15 subject to a rate of 6.60 percent shall be taxed at the rate of 7.30 percent
16 instead;

17 (3) taxable income that without the passage of this act would have been
18 subject to a rate of 7.60 percent shall be taxed at the rate of 8.30 percent
19 instead; and

1 (4) taxable income that without the passage of this act would have been
2 subject to a rate of 8.75 percent shall be taxed at the rate of 9.60 percent
3 instead.

4 (b) When preparing the Vermont Statutes Annotated for publication, the
5 Office of Legislative Counsel shall revise the tables in 32 V.S.A. § 5822(a)(1)–
6 (5) as follows:

7 (1) to reflect the changes to the income tax rates made under subsection
8 (a) of this section; and

9 (2) to update the taxable income brackets to the most recent taxable year
10 amounts available that have been adjusted for inflation as required by 32
11 V.S.A. § 5822(b)(2).

12 Sec. 25. PERSONAL INCOME TAX RATES; TAXABLE YEAR 2027

13 (a) For taxable years beginning on and after January 1, 2027, after taking
14 into consideration any inflation adjustments to taxable income as required by
15 32 V.S.A. § 5822(b)(2), all personal income tax rates under 32 V.S.A.

16 § 5822(a)(1)–(5) shall be increased as follows:

17 (1) taxable income that without the passage of this act would have been
18 subject to a rate of 3.65 percent shall be taxed at the rate of 3.80 percent
19 instead;

1 (2) taxable income that without the passage of this act would have been
2 subject to a rate of 7.30 percent shall be taxed at the rate of 7.50 percent
3 instead:

4 (3) taxable income that without the passage of this act would have been
5 subject to a rate of 8.30 percent shall be taxed at the rate of 8.55 percent
6 instead; and

7 (4) taxable income that without the passage of this act would have been
8 subject to a rate of 9.60 percent shall be taxed at the rate of 10.05 percent
9 instead.

10 (b) When preparing the Vermont Statutes Annotated for publication, the
11 Office of Legislative Counsel shall revise the tables in 32 V.S.A. § 5822(a)(1)–
12 (5) as follows:

13 (1) to reflect the changes to the income tax rates made under subsection
14 (a) of this section; and

15 (2) to update the taxable income brackets to the most recent taxable year
16 amounts available that have been adjusted for inflation as required by 32
17 V.S.A. § 5822(b)(2).

18 * * * Corporate Income Tax Rates * * *

19 Sec. 26. 32 V.S.A. § 5832 is amended to read:

20 § 5832. TAX ON INCOME OF CORPORATIONS

1 A tax is imposed for each calendar year, or fiscal year ending during that
2 calendar year, upon the income earned or received in that taxable year by every
3 taxable corporation, reduced by any Vermont net operating loss allowed under
4 section 5888 of this title, such tax being the greater of:

5 (1) an amount determined in accordance with the following schedule:

6 Vermont net income of the corporation
7 for the taxable year allocated or
8 apportioned to Vermont
9 under section 5833 of this title

	Tax
11 \$ 0–10,000.00	6.00% <u>6.5%</u>
12 10,001.00–25,000.00	\$600.00 plus 7.0% <u>8.0%</u> of the 13 excess over \$10,000.00
14 25,001.00 and over	\$1,650.00 plus 8.5% <u>10.0%</u> of the 15 excess over \$25,000.00

16 or

17 * * *

18 * * * Earned Income Tax Credit; Child Tax Credit * * *

19 Sec. 27. 32 V.S.A. § 5828b(a) is amended to read:

20 (a) A resident individual or part-year resident individual who is entitled to
21 an earned income tax credit granted under the laws of the United States or who

1 would have been entitled to an earned income tax credit under the laws of the
2 United States but for the fact that the individual, the individual's spouse, or one
3 or more of the individual's children does not have a qualifying taxpayer
4 identification number shall be entitled to a credit against the tax imposed for
5 each year by section 5822 of this title. The credit shall be 38 percent of the
6 earned income tax credit granted to the individual under the laws of the United
7 States or that would have been granted to the individual under the laws of the
8 United States but for the fact that the individual, the individual's spouse, or one
9 or more of the individual's children does not have a qualifying taxpayer
10 identification number, multiplied by the percentage that the individual's earned
11 income that is earned or received during the period of the individual's
12 residency in this State bears to the individual's total earned income.

13 Sec. 28. 32 V.S.A. § 5828b is amended to read:

14 § 5828b. EARNED INCOME TAX CREDIT

15 (a)(1) A resident individual or part-year resident individual who is entitled
16 to an earned income tax credit granted under the laws of the United States or
17 who would have been entitled to an earned income tax credit under the laws of
18 the United States but for the fact that the individual, the individual's spouse, or
19 one or more of the individual's children does not have a taxpayer identification
20 number shall be entitled to a credit against the tax imposed for each year by
21 section 5822 of this title. The credit shall be ~~38 percent~~ a percentage, as

1 determined under subdivision (2) of this subsection, of the earned income tax
2 credit granted to the individual under the laws of the United States or that
3 would have been granted to the individual under the laws of the United States
4 but for the fact that the individual, the individual’s spouse, or one or more of
5 the individual’s children does not have a qualifying taxpayer identification
6 number, multiplied by the percentage that the individual’s income that is
7 earned or received during the period of the individual’s residency in this State
8 bears to the individual’s total income.

9 (2) The credit under this section shall be a percentage of the earned
10 income tax credit granted to the individual under the laws of the United States,
11 which shall be determined as follows:

12 (A) for an individual who claims one qualifying child or more than
13 one qualifying children for purposes of the earned income tax credit under this
14 section during the taxable year, 55 percent; and

15 (B) for an individual who does not claim any qualifying children for
16 purposes of the earned income tax credit under this section during the taxable
17 year, 100 percent.

18 * * *

19 Sec. 29. 32 V.S.A. § 5830f(a) is amended to read:

20 (a) A resident individual or part-year resident individual who is entitled to a
21 child tax credit under the laws of the United States or who would have been

1 entitled to a child tax credit under the laws of the United States but for the fact
2 that the individual or the individual's spouse does not have a taxpayer
3 identification number shall be entitled to a refundable credit against the tax
4 imposed by section 5822 of this title for the taxable year. The total credit per
5 taxable year shall be in the amount of \$1,000.00 per qualifying child, as
6 defined under 26 U.S.C. § 152(c) but notwithstanding the taxpayer
7 identification number requirements under 26 U.S.C. § 24(e) and (h)(7), who is
8 five years of age or younger as of the close of the calendar year in which the
9 taxable year of the taxpayer begins. For a part-year resident individual, the
10 amount of the credit shall be multiplied by the percentage that the individual's
11 income that is earned or received during the period of the individual's
12 residency in this State bears to the individual's total income.

13 Sec. 30. 32 V.S.A. § 5830 is added to read:

14 § 5830. TAXPAYER IDENTIFICATION NUMBERS; CREDITS

15 (a) The Commissioner shall provide a process for an individual to claim the
16 child tax credit or the earned income tax credit, or both, pursuant to
17 subsections 5828b(a) and 5830f(a) of this title when the individual, the
18 individual's spouse, or one or more of the individual's qualifying children does
19 not have a taxpayer identification number. The Commissioner shall not
20 inquire about or record the citizenship and immigration status of an individual,
21 an individual's spouse, or one or more of an individual's qualifying children

1 when an individual claims one or more credits pursuant to this section and
2 subsections 5828b(a) and 5830f(a) of this title.

3 (b) Upon the Commissioner's request, an individual who claims one or
4 more credits pursuant to subsections 5828b(a) and 5830f(a) of this title shall
5 provide valid documents establishing the identity and income for the taxable
6 year of the individual and, as applicable, the individual's spouse and qualifying
7 children. Upon receiving a valid Social Security number issued by the Social
8 Security Administration, the individual shall notify the Commissioner in the
9 time and manner prescribed by the Commissioner.

10 (c) All claims submitted and records created pursuant to this section and
11 subsections 5828b(a) and 5830f(a) of this title shall be exempt from public
12 inspection and copying under the Public Records Act and shall be kept
13 confidential as return or return information pursuant to section 3102 of this
14 title. Absent a request for information by a U.S. agency pursuant to federal
15 law, the Commissioner shall not disclose to the U.S. government any
16 personally identifiable information relating to an individual, an individual's
17 spouse, or one or more of an individual's qualifying children when an
18 individual claims one or more credits pursuant to this section and subsections
19 5828b(a) and 5830f(a) of this title.

1 Sec. 31. 32 V.S.A. § 5830f(d) is added to read:

2 (d)(1) The Commissioner shall establish a program to make advance
3 quarterly payments of the credit under this section during the calendar year
4 that, in the aggregate, equal 50 percent of the annual amount of the credit
5 allowed to each individual for the taxable year. The quarterly payments made
6 to an individual during the calendar year shall be in equal amounts, except that
7 the Commissioner may modify the quarterly amount upon receipt of any
8 information furnished by the individual that allows the Commissioner to
9 determine the annual amount. The remaining 50 percent of the annual amount
10 of the credit allowed to each individual shall be determined at the time of filing
11 a Vermont personal income tax return for the taxable year pursuant to section
12 5861 of this title.

13 (2) The Commissioner shall provide a process by which individuals may
14 elect not to receive advance payments under this subsection.

15 * * * SALT deduction cap workaround * * *

16 Sec. 32. 32 V.S.A. chapter 151, subchapter 10C is added to read:

17 Subchapter 10C. Elective Pass-Through Entity Income Tax

18 § 5921a. DEFINITIONS

19 As used in this subchapter:

1 (1) “Distributive proceeds” means the net income, dividends, royalties,
2 interest, rents, guaranteed payments, and gains of a pass-through entity derived
3 from or connected with sources within the State.

4 (2) “Member” means:

5 (A) a member of a limited liability company taxed as a partnership or
6 S corporation for federal and state income tax purposes; a partner in a general,
7 limited, or limited liability partnership; or a shareholder of an S corporation,
8 provided the member is a natural person;

9 (B) a grantor trust that passes all income through to the grantor
10 subject to personal income tax under section 5822 of this title; or

11 (C) a single-member limited liability company disregarded for
12 federal income tax purposes.

13 (3) “Pass-through entity” means a limited liability company taxed as a
14 partnership or S corporation for federal and state income tax purposes, a
15 partnership, or an S corporation. “Pass-through entity” does not mean a
16 publicly traded partnership or a single-member limited liability company.

17 (4) “Pass-through entity business income tax” means the tax imposed
18 under this subchapter.

19 (5) “Share of distributive proceeds” means the portion of distributive
20 proceeds attributable to a member of a pass-through entity during a taxable
21 year.

1 § 5921b. PASS-THROUGH ENTITY INCOME TAX; ELECTION

2 (a) A pass-through entity may elect to be liable for and pay a pass-through
3 entity income tax during the taxable year, provided:

4 (1) at least one member of the entity is liable for income tax under this
5 chapter on that member's share of distributive proceeds of the pass-through
6 entity during a taxable year;

7 (2) each member of the pass-through entity is a natural person, a single-
8 member limited liability company disregarded for federal income tax purposes,
9 or a grantor subject to personal income tax under section 5822 of this title on
10 all income that is passed through from a grantor trust;

11 (3) no member is a C corporation or another pass-through entity; and

12 (4) consent is given by:

13 (A) each member of the electing entity who is a member at the time
14 the election is filed; or

15 (B) any officer, manager, or member of the electing entity who is
16 authorized, under law or the entity's organizational documents, to make the
17 election and who represents having such authority under penalties of perjury.

18 (b) The tax imposed on a pass-through entity under this section shall be
19 equal to the sum of each member's share of taxable distributive proceeds
20 attributable to the pass-through entity for the taxable year, multiplied by the
21 second-highest marginal tax rate in section 5822 of this chapter.

1 (c) The election under this section shall be made annually, on or before the
2 due date for filing the entity's return as established by the Commissioner, and
3 shall not apply retroactively. An election made under this section shall be
4 binding on all members of the pass-through entity for the year in which the
5 election is made. If the members decide to revoke an election, that revocation
6 shall occur on or before the due date for filing the entity's return.

7 (d) Each pass-through entity that makes an election for a taxable year under
8 this section shall annually report to each of its members the member's share of
9 distributive proceeds for the taxable year.

10 (e) Each pass-through entity that makes an election for a taxable year under
11 this section shall file an entity tax return and make payments on or before the
12 15th day of the third month following the close of each entity's taxable year as
13 determined for federal income tax purposes. A pass-through entity shall make
14 estimated entity tax payments as provided under subchapters 10A and 10B of
15 this chapter except that a pass-through entity shall make the estimated entity
16 tax payments for residents and nonresidents alike.

17 (f) A member as defined in section 5921a of this title shall not be liable for
18 the personal income tax imposed under section 5822 of this chapter and shall
19 not be required to file a personal income tax return as prescribed under section
20 5861 of this chapter, provided:

21 (1) the individual is a nonresident of this State; and

1 (2) the individual's only Vermont income during the taxable year is
2 derived from a pass-through entity that has paid the tax imposed under this
3 section on the individual's Vermont income.

4 § 5921c. REFUNDABLE INCOME TAX CREDIT; INDIVIDUAL

5 MEMBERS OF PASS-THROUGH ENTITIES

6 An individual taxpayer of this State shall be entitled to a refundable credit
7 against the income tax paid under this chapter for the taxable year, provided
8 the individual is a member, as defined in section 5921a of this title, of a pass-
9 through entity that elects under section 5921b of this chapter to be liable for
10 and pay the pass-through entity income tax during the taxable year. For each
11 pass-through entity of which the individual is a member, the amount of the
12 credit shall equal 87.5 percent of the individual's pro rata share of the tax paid
13 under section 5921b of this chapter for the taxable year, and that credit shall be
14 available to the individual during the same taxable year. The credit under this
15 section shall be available after the application of all other credits allowed by
16 law and claimed by the individual during the taxable year.

17 Sec. 33. 32 V.S.A. § 5825 is amended to read:

18 § 5825. CREDIT FOR TAXES PAID TO OTHER STATES AND

19 PROVINCES

20 * * *

1 (c) The credit claimed under this section shall include an amount of the tax
2 paid to another state that imposes a tax on the distributive proceeds of a pass-
3 through entity, provided the other state’s tax is substantially similar to the pass-
4 through entity income tax imposed under subchapter 10C of this chapter. The
5 nonrefundable credit under this subsection shall equal 87.5 percent of the
6 taxpayer’s pro rata share of tax paid to another state, provided the amount of
7 the credit does not exceed the amount of pass-through entity business income
8 tax owed or that would have been owed if the pro rata share of tax paid were
9 subject to the pass-through entity income tax under subchapter 10C of this
10 chapter. As used in this subsection, “distributive proceeds” and “pass-through
11 entity” have the same meanings as under section 5921a of this chapter.

12 **Sec. 34. REPEALS; SALT DEDUCTION CAP WORKAROUND**

13 (a) 32 V.S.A. chapter 151, subchapter 10C (Elective Pass-Through Entity
14 Income Tax) is repealed.

15 (b) 32 V.S.A. § 5825(c) (credit for taxes paid to other states and provinces)
16 is repealed.

17 * * * Effective Dates * * *

18 **Sec. 35. EFFECTIVE DATES**

19 (a) Except as provided in subsection (b) of this section, this act shall take
20 effect on July 1, 2023.

1 **(b)(1) Sec. 3 (determination of weighted long-term membership and per**
2 **pupil education spending) shall take effect on July 1, 2026, subject to the**
3 **contingency provisions in Sec. 3a.**

4 (2) Sec. 5 (Child Care Financial Assistance Program; eligibility), Sec.
5 5b (fiscal year 2024; family contribution), Sec. 6 (provider rate adjustment;
6 Child Care Financial Assistance Program), Sec. 9 (payment to providers), and
7 Sec. 12 (child care tuition rates) shall take effect on January 1, 2024, except
8 that the Commissioner for Children and Families shall initiate any rulemaking
9 necessary prior to that date in order to perform the Commissioner’s duties
10 under this act.

11 (3) Sec. 5a (Child Care Financial Assistance Program; eligibility) and
12 Sec. 10 (child care quality and capacity incentive program) shall take effect on
13 July 1, 2024.

14 **(4) Secs. 24 (personal income tax rates; taxable year 2024), 26 (32**
15 **V.S.A. § 5832; corporate income tax rates), and 28 (32 V.S.A. § 5828b; earned**
16 **income tax credit) shall take effect on January 1, 2024 and shall apply to**
17 **taxable years beginning on and after January 1, 2024.**

18 **(5) Sec. 12a (child care tuition rates), subject to the contingency**
19 **provision in Sec. 23b; Sec. 23 (child care provider; wages), subject to the**
20 **contingency provisions in Sec. 23b; and Sec. 25 (personal income tax rates;**

1 taxable year 2027) shall take effect on January 1, 2027. Sec. 25 shall apply to
2 taxable years beginning on and after January 1, 2027.

3 (6) Notwithstanding 1 V.S.A. § 214, Secs. 27 (earned income tax credit;
4 taxpayer identification numbers), 29 (child tax credit; taxpayer identification
5 numbers), 30 (taxpayer identification numbers; credits), and 32 and 33 (SALT
6 deduction cap workaround) shall take effect retroactively on January 1, 2023
7 and shall apply to taxable years beginning on and after January 1, 2023.

8 (7) Sec. 31 (child tax credit; advance payments) shall take effect on the
9 later of July 1, 2023 or the first day of the second quarter of the State fiscal
10 year after the requirement to include recurring or nonrecurring State payments
11 of income tax refunds, rebates, or credits in income-based eligibility
12 determinations for any federal public assistance program, including the
13 Supplemental Nutrition Assistance Program; the Special Supplemental
14 Nutrition Program for Women, Infants, and Children; federal child care
15 assistance; and Supplemental Security Income, is abrogated by one or more of
16 the following federal actions:

17 (A) enactment of federal legislation;

18 (B) a decision by a controlling court from which there is no further
19 right of appeal; or

20 (C) publication of federal regulations, guidelines, memorandum, or
21 any other official action taken by the relevant federal agency with the authority

1 to alter income-based eligibility determinations for federal public assistance
2 programs.

3 (8) Sec. 34 (repeals; SALT deduction cap workaround) shall take effect
4 on the later of December 31, 2025 or the date on which the federal limitation
5 on individual deductions for state and local taxes under 26 U.S.C. § 164(b)(6)
6 is repealed or otherwise abrogated.

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11 (Committee vote: _____)

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Representative _____

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FOR THE COMMITTEE