

H.528

An act relating to revenue changes for fiscal year 2014 and fiscal year 2015

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

* * * Property Taxes * * *

Sec. 1. 32 V.S.A. § 3850 is added to read:

§ 3850. BLIGHTED PROPERTY IMPROVEMENT PROGRAM

(a) At an annual or special meeting, a municipality may vote to authorize the legislative body of the municipality to exempt from municipal taxes for a period not to exceed five years the value of improvements made to principal dwelling units certified as blighted.

(b) If a municipality votes to approve the exemption described in subsection (a) of this section, then the legislative body of the municipality shall appoint an independent review committee that is authorized to certify principal dwelling units in the municipality as blighted and exempt the value of improvements made to these principal dwelling units.

(c) As used in this section, a principal dwelling unit may be certified as blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

(d) If a principal dwelling unit is certified as blighted under subsection (b) of this section, then the exemption shall take effect on the April 1 following the certification of the principal dwelling unit.

* * * Income Taxes * * *

Sec. 2. 32 V.S.A. § 5811(21) is amended to read:

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

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

(i) interest income from non-Vermont state and local obligations;

(ii) dividends or other distributions from any fund to the extent they are attributable to non-Vermont state or local obligations; and

~~(iii) the amount in excess of \$5,000.00 of state and local income taxes deducted from federal adjusted gross income for the taxable year, but in no case in an amount that will reduce total itemized deductions below the standard deduction allowable to the taxpayer; and~~

(iii) the amount of total itemized deductions in excess of two and one half times the standard deduction allowable to the taxpayer;

* * *

Sec. 3. 32 V.S.A. § 5822(b)(3) is added to read:

(3) For taxpayers filing under subdivisions (a)(1)–(4) of this section, the tax imposed shall be calculated as follows: for a taxpayer with taxable income in the highest bracket, the tax shall be calculated as if all of his or her income

in the lowest bracket was taxed at the rate in the next highest bracket and the remainder of his or her income was taxed under the remaining brackets and rates as specified.

Sec. 4. PERSONAL INCOME TAX BRACKETS

Beginning in tax year 2014 and after, the 8.8 percent tax bracket shall be eliminated and all income in the 8.8 percent tax bracket shall be included in the 8.95 percent tax bracket. In its statutory revision capacity under 2 V.S.A. § 424, the Office of Legislative Council is authorized to alter the statutory charts in 32 V.S.A. § 5822(a)(1)–(5) to reflect these changes.

* * * Cigarette Taxes * * *

Sec. 5. 32 V.S.A. § 7771 is amended to read:

§ 7771. RATE OF TAX

* * *

(d) The tax imposed under this section shall be at the rate of ~~43+~~ 156 mills per cigarette or little cigar and for each 0.0325 ounces of roll-your-own tobacco. The interest and penalty provisions of section 3202 of this title shall apply to liabilities under this section.

Sec. 6. 32 V.S.A. § 7811 is amended to read:

§ 7811. IMPOSITION OF TOBACCO PRODUCTS TAX

There is hereby imposed and shall be paid a tax on all tobacco products except roll-your-own tobacco and little cigars taxed under section 7771 of this

title possessed in the ~~state~~ State of Vermont by any person for sale on and after July 1, 1959 which were imported into the ~~state~~ State or manufactured in the ~~state~~ State after said date, except that no tax shall be imposed on tobacco products sold under such circumstances that this ~~state~~ State is without power to impose such tax, or sold to the United States, or sold to or by a voluntary unincorporated organization of the armed forces of the United States operating a place for the sale of goods pursuant to regulations promulgated by the appropriate executive agency of the United States. Such tax is intended to be imposed only once upon the wholesale sale of any tobacco product and shall be at the rate of 92 percent of the wholesale price for all tobacco products except snuff, which shall be taxed at ~~\$1.87~~ \$2.60 per ounce, or fractional part thereof, new smokeless tobacco, which shall be taxed at the greater of ~~\$1.87~~ \$2.60 per ounce or, if packaged for sale to a consumer in a package that contains less than 1.2 ounces of the new smokeless tobacco, at the rate of ~~\$2.24~~ \$3.12 per package, and cigars with a wholesale price greater than \$2.17, which shall be taxed at the rate of \$2.00 per cigar if the wholesale price of the cigar is greater than \$2.17 and less than \$10.00, and at the rate of \$4.00 per cigar if the wholesale price of the cigar is \$10.00 or more. Provided, however, that upon payment of the tax within 10 days, the distributor or dealer may deduct from the tax two percent of the tax due. It shall be presumed that all tobacco products within the state are subject to tax until the contrary is established and

the burden of proof that any tobacco products are not taxable hereunder shall be upon the person in possession thereof. Wholesalers of tobacco products shall state on the invoice whether the price includes the Vermont tobacco products tax.

Sec. 7. 32 V.S.A. § 7814 is amended to read:

§ 7814. FLOOR STOCK TAX

(a) Snuff. A floor stock tax is hereby imposed upon every retailer of snuff in this ~~state~~ State in the amount by which the new tax exceeds the amount of the tax already paid on the snuff. The tax shall apply to snuff in the possession or control of the retailer at 12:01 a.m. ~~on~~ on July 1, ~~2006~~ 2013, but shall not apply to retailers who hold less than \$500.00 in wholesale value of such snuff. Each retailer subject to the tax shall, on or before July 25, ~~2006~~ 2013 file a report to the ~~commissioner~~ Commissioner in such form as the ~~commissioner~~ Commissioner may prescribe showing the snuff on hand at 12:01 a.m. ~~on~~ on July 1, ~~2006~~ 2013, and the amount of tax due thereon. The tax imposed by this section shall be due and payable on or before August 25, ~~2006~~ 2013, and thereafter shall bear interest at the rate established under section 3108 of this title. In case of timely payment of the tax, the retailer may deduct from the tax due two percent of the tax. Any snuff with respect to which a floor stock tax has been imposed and paid under this section shall not again be subject to tax under section 7811 of this title.

(b) Cigarettes, little cigars, or roll-your-own tobacco. Notwithstanding the prohibition against further tax on stamped cigarettes, little cigars, or roll-your-own tobacco under section 7771 of this title, a floor stock tax is hereby imposed upon every dealer of cigarettes, little cigars, or roll-your-own tobacco in this ~~state~~ State who is either a wholesaler, or a retailer who at 12:01 a.m. on July 1, ~~2011~~, 2013 has more than 10,000 cigarettes or little cigars or who has \$500.00 or more of wholesale value of roll-your-own tobacco, for retail sale in his or her possession or control. The amount of the tax shall be the amount by which the new tax exceeds the amount of the tax already paid for each cigarette, little cigar, or roll-your-own tobacco in the possession or control of the wholesaler or retailer at 12:01 a.m. on July 1, ~~2011~~ 2013, and on which cigarette stamps have been affixed before July 1, ~~2011~~ 2013. A floor stock tax is also imposed on each Vermont cigarette stamp in the possession or control of the wholesaler at 12:01 a.m. on July 1, ~~2011~~ 2013, and not yet affixed to a cigarette package, and the tax shall be at the rate of ~~\$0.38~~ \$0.50 per stamp. Each wholesaler and retailer subject to the tax shall, on or before July 25, ~~2011~~ 2013, file a report to the ~~commissioner~~ Commissioner in such form as the ~~commissioner~~ Commissioner may prescribe showing the cigarettes, little cigars, or roll-your-own tobacco and stamps on hand at 12:01 a.m. on July 1, ~~2011~~ 2013, and the amount of tax due thereon. The tax imposed by this section shall be due and payable on or before July 25, ~~2011~~,

2013 and thereafter shall bear interest at the rate established under section 3108 of this title. In case of timely payment of the tax, the wholesaler or retailer may deduct from the tax due two and three-tenths of one percent of the tax. Any cigarettes, little cigars, or roll-your-own tobacco with respect to which a floor stock tax has been imposed under this section shall not again be subject to tax under section 7771 of this title.

* * * Meals and Rooms Tax * * *

Sec. 8. 32 V.S.A. § 9202 is amended to read:

§ 9202. DEFINITIONS

* * *

(10) "Taxable meal" means:

(A) Any food or beverage furnished within the ~~state~~ State by a restaurant for which a charge is made, including admission and minimum charges, whether furnished for consumption on or off the premises.

(B) Where furnished by other than a restaurant, any nonprepackaged food or beverage furnished within the ~~state~~ State and for which a charge is made, including admission and minimum charges, whether furnished for consumption on or off the premises. Fruits, vegetables, candy, flour, nuts, coffee beans, and similar unprepared grocery items sold self-serve for take-out from bulk containers are not subject to tax under this subdivision.

(C) Regardless where sold and whether or not prepackaged:

- (i) sandwiches of any kind except frozen;
- (ii) food or beverage furnished from a salad bar;
- (iii) heated food or beverage;
- (iv) food or beverage sold through a vending machine.

* * *

(19) "Vending machine" means a machine operated by coin, currency, credit card, slug, token, coupon, or similar device which dispenses food or beverages.

Sec. 9. 32 V.S.A. § 9241(b) is amended to read:

(b) An operator shall collect a tax on the sale of each taxable meal at the rate of ~~nine~~ nine and a half percent of each full dollar of the total charge and on each sale for less than one dollar and on each part of a dollar in excess of a full dollar in accordance with the following formula:

\$0.01-0.11	\$0.01
0.12-0.22	0.02
0.23-0.33	0.03
0.34-0.44	0.04
0.45-0.55	0.05
0.56-0.66	0.06
0.67-0.77	0.07
0.78-0.88	0.08

0.89-1.00	0.09
<u>\$0.01-0.05</u>	<u>\$0.00</u>
<u>0.06-0.15</u>	<u>0.01</u>
<u>0.16-0.26</u>	<u>0.02</u>
<u>0.27-0.36</u>	<u>0.03</u>
<u>0.37-0.47</u>	<u>0.04</u>
<u>0.48-0.57</u>	<u>0.05</u>
<u>0.58-0.68</u>	<u>0.06</u>
<u>0.69-0.78</u>	<u>0.07</u>
<u>0.79-0.89</u>	<u>0.08</u>
<u>0.90-0.99</u>	<u>0.09</u>

Sec. 10. 32 V.S.A. § 9242(c) is amended to read:

(c) A tax of nine percent of the gross receipts from ~~meals and~~ occupancies, nine and a half percent of the gross receipts from meals, and 10 percent of the gross receipts from alcoholic beverages, exclusive of taxes collected pursuant to section 9241 of this title, received from occupancy rentals, taxable meals and alcoholic beverages by an operator, is hereby levied and imposed and shall be paid to the ~~state~~ State by the operator as herein provided. Every person required to file a return under this chapter shall, at the time of filing the return, pay the ~~commissioner~~ Commissioner the taxes imposed by this chapter as well as all other monies collected by him or her under this chapter; provided,

however, that every person who collects the taxes on taxable meals and alcoholic beverages according to the tax bracket schedules of section 9241 of this title shall be allowed to retain any amount lawfully collected by the person in excess of the tax imposed by this chapter as compensation for the keeping of prescribed records and the proper account and remitting of taxes.

Sec. 11. 32 V.S.A. § 9271 is amended to read:

§ 9271. LICENSES REQUIRED

Each operator prior to commencing business shall register with the ~~commissioner~~ Commissioner each place of business within the ~~state~~ State where he or she operates a hotel or sells taxable meals or alcoholic beverages; provided however, that an operator who sells taxable meals through a vending machine shall not be required to hold a license for each individual machine.

Upon receipt of an application in such form and containing such information as the ~~commissioner~~ Commissioner may require for the proper administration of this chapter, the ~~commissioner~~ Commissioner shall issue without charge a license for each such place in such form as he or she may determine, attesting that such registration has been made. No person shall engage in serving taxable meals or alcoholic beverages or renting hotel rooms without the license provided in this section. The license shall be nonassignable and nontransferable and shall be surrendered to the ~~commissioner~~ Commissioner, if

the business is sold or transferred or if the registrant ceases to do business at the place named.

* * * Sales and Use Tax * * *

Sec. 12. 32 V.S.A. § 9701 is amended to read:

§ 9701. DEFINITIONS

* * *

(31) Food and food ingredients: means substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. “Food and food ingredients” does not include alcoholic beverages ~~or~~, tobacco, candy, soft drinks, dietary supplements, or bottled water.

* * *

(48) “Candy” means a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts, or other ingredients or flavorings in the form of bars, drops, or pieces. “Candy” shall not include any preparation containing flour and shall require no refrigeration.

(49) “Soft drink” means nonalcoholic beverages that contain natural or artificial sweeteners. “Soft drinks” do not include beverages that contain milk or milk products, soy, rice, or similar milk substitutes or greater than 50 percent of vegetable or fruit juice by volume.

(50)(A) "Bottled water" means water that is placed in a safety-sealed container or package for human consumption. Bottled water is calorie-free and does not contain sweeteners or other additives except that it may contain:

(i) antimicrobial agents;

(ii) fluoride;

(iii) carbonation;

(iv) vitamins, minerals, and electrolytes;

(v) oxygen;

(vi) preservatives; and

(vii) only those flavors, extracts, or essences derived from a spice or fruit.

(B) "Bottled water" includes water that is delivered to the buyer in a reusable container that is not sold with the water.

Sec. 13. 32 V.S.A. § 9741 is amended to read:

§ 9741. SALES NOT COVERED

* * *

(13) Sales of food, ~~food stamps, purchases made with food stamps, food products and beverages,~~ and food ingredients sold for human consumption off the premises where sold and sales of eligible foods that are purchased with benefits under the Supplemental Nutrition Assistance Program or any successor program. When a purchase is made with a combination of benefits

under the Supplemental Nutrition Assistance Program or any successor program and cash, check, or similar payment, the cash, check, or similar payment shall be applied first to food and food ingredients exempt under this subdivision.

* * *

(45) ~~Clothing~~ Each article of clothing with a purchase price of less than \$110.00; but clothing shall not include not including clothing accessories or equipment, protective equipment, or sport or recreational equipment.

* * *

Sec. 14. 33 V.S.A. § 2503 is amended to read:

§ 2503. FUEL GROSS RECEIPTS TAX

(a) There is imposed a gross receipts tax of 0.5 percent on the retail sale of the following types of fuel ~~by sellers receiving more than \$10,000.00 annually for the sale of such fuels:~~

- (1) heating oil, kerosene, and other dyed diesel fuel delivered to a residence or business;
- (2) propane;
- (3) natural gas;
- (4) electricity;
- (5) coal.

* * *

* * * Provider Taxes * * *

Sec. 15. 33 V.S.A. § 1955a(a) is amended to read:

(a) Beginning October 1, 2011, each home health agency's assessment shall be 19.30 percent of its net operating revenues from core home health care services, excluding revenues for services provided under Title XVIII of the federal Social Security Act; provided, however, that each home health agency's annual assessment shall be limited to no more than six percent of its annual net patient revenue. The amount of the tax shall be determined by the ~~commissioner~~ Commissioner based on the home health agency's most recent audited financial statements at the time of submission, a copy of which shall be provided on or before ~~December 1~~ May 1 of each year to the ~~department~~ Department. For providers who begin operations as a home health agency after January 1, 2005, the tax shall be assessed as follows:

* * *

* * * Repeals and Effective Dates * * *

Sec. 16. REPEALS

(a) 21 V.S.A. chapter 25 (employers' health care fund contribution) is repealed on April 1, 2014.

(b) Sec. 9 (collection of meals tax) and Sec. 10 (imposition of gross receipt tax) of this act are repealed on July 1, 2014.

Sec. 17. EFFECTIVE DATES

(a) This section shall take effect on passage.

(b) Sec. 1 (blighted property), Sec. 5 (cigarette tax), Sec. 6 (tobacco products tax), Sec. 7 (floor tax), Sec. 8 (meals and room tax definition), Sec. 9 (collection of meals tax), Sec. 10 (imposition of gross receipt tax), Sec. 11 (meals and rooms tax license), Sec. 12 (sales tax definitions), Sec. 13 (sales tax exemptions), Sec. 14 (fuel gross receipts tax), Sec. 15 (home health agencies) and Sec. 16 (repeals) shall take effect on July 1, 2013.

(c) Sec. 2 (definition of income) and Sec. 4 (personal income tax brackets) shall take effect on January 1, 2014 and apply to taxable year 2014 and after.

(d) Sec. 3 (personal income tax adjustment) shall apply retroactively to January 1, 2013 and apply to taxable year 2013 and after.