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H.884

Introduced by Committee on Ways and Means

Date:

Subject: Taxation; miscellaneous tax provisions

Statement of purpose of bill as introduced: This bill proposes to make miscellaneous changes to Vermont's taxes and tax administration.

An act relating to miscellaneous tax changes

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

~~\*\*\* Technical and Administrative Provisions \*\*\*~~

~~\*\*\* Personal and Corporate Income Taxes \*\*\*~~

Sec. 1. 32 V.S.A. § 5862d is amended to read:

§ 5862d. FILING OF FEDERAL FORM 1099

(a) Any individual or business required to file a federal form 1099 with respect to a nonresident who performed services within the State during the taxable year shall file a copy of the form with the Department. The Commissioner may authorize electronic filing of the form.

(b) Any individual or business required to file information returns pursuant to 26 U.S.C. § 6050W shall within 30 days of the date the filing is due to the Internal Revenue Service file with the Commissioner a duplicate of such

1 ~~information returns on which the recipient has a Vermont address. The~~

2 Commissioner may authorize electronic filing of the form.

3 Sec. 2. 32 V.S.A. § 5862(c) is amended to read:

4 (c) Taxable corporations which received any income allocated or  
5 apportioned to this State under the provisions of section 5833 of this title for  
6 the taxable year and which under the laws of the United States constitute an  
7 affiliated group of corporations may elect to file a consolidated return in lieu of  
8 separate returns if such corporations qualify and elect to file a consolidated  
9 federal income tax return for that taxable year. Such an election to file a  
10 Vermont consolidated return shall continue for five years, including the year  
11 the election is made.

12 Sec. 3. 32 V.S.A. § 5930b(c)(9) is amended to read:

13 (9) Incentive claims must be filed annually no later than the last day of  
14 April of ~~each~~ the current year of the ~~of the~~ for the prior year's utilization period. For  
15 a claim to be considered a timely filing and eligible for an incentive payment,  
16 all forms and workbooks must be complete and all underlying documentation,  
17 such as that required pursuant to subsection 5842(c) of this title, must be filed  
18 with the Department of Taxes. Incomplete claims may be considered to have  
19 been timely filed if a complete claim is filed within the time prescribed by the  
20 Department of Taxes. If a claim is not filed each year of the utilization period,  
21 any incentive installment previously paid shall be recaptured in accordance

1 ~~with subsection (d) of this section and upon notice from the Department of~~  
2 Taxes that the business failed to file a complete timely claim, the Vermont  
3 Economic Progress Council shall revoke all authority for the business to earn  
4 and claim incentives under this subchapter. The incentive return shall be  
5 subject to all provisions of this chapter governing the filing of tax returns. No  
6 interest shall be paid by the Department of Taxes for any reason with respect to  
7 incentives allowed under this section.

8 Sec. 4. 32 V.S.A. § 5824 is amended to read:

9 § 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

10 The statutes of the United States relating to the federal income tax, as in  
11 effect for taxable year ~~2012~~ 2013, but without regard to federal income tax  
12 rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the  
13 tax liability under this chapter.

14 Sec. 5. 32 V.S.A. § 7475 is amended to read:

15 § 7475. ADOPTION OF FEDERAL ESTATE AND GIFT TAX LAWS

16 The laws of the United States relating to federal estate and gift taxes as in  
17 effect on December 31, ~~2012~~ 2013, are hereby adopted for the purpose of  
18 computing the tax liability under this chapter, except:

19 (1) the credit for State death taxes shall remain as provided for under  
20 26 U.S.C. §§ 2011 and 2604 as in effect on January 1, 2001;

1 ~~(2) the applicable credit amount shall under 26 U.S.C. § 2010 shall not~~  
2 apply; and the tax imposed under section 7442a of this chapter shall be  
3 calculated as if the applicable exclusion amount under 26 U.S.C. § 2010 were  
4 \$2,750,000.00; and

5 (3) the deduction for State death taxes under 26 U.S.C. § 2058 shall not  
6 apply.

7 \* \* \* Property Taxes \* \* \*

8 Sec. 6. 32 V.S.A. § 3436(b) is amended to read:

9 (b) The director shall ~~determine~~ establish designations recognizing levels  
10 of achievement and the necessary course work or evaluation of equivalent  
11 experience required ~~for~~ to attain each designation as ~~Vermont lister/assessor,~~  
12 ~~Vermont property evaluator, and Vermont municipal assessor.~~ Designation for  
13 any one level shall be for a period of three years.

14 Sec. 7. 32 V.S.A. § 5408(a) is amended to read:

15 (a) Not later than ~~30~~ 35 days after ~~the receipt by its clerk~~ mailing of a  
16 notice under section 5406 of this title, a municipality may petition the Director  
17 of the Division of Property Valuation and Review for a redetermination of the  
18 municipality's equalized education property value and coefficient of  
19 dispersion. Such petition shall be in writing and shall be signed by the chair of  
20 the legislative body of the municipality or its designee.

1 ~~Sec. 8. 32 V.S.A. § 5410(g) is amended to read:~~

2     ~~(g) If the property identified in a declaration under subsection (b) of this~~  
3 ~~section is not the taxpayer's homestead, or if the owner of a homestead fails to~~  
4 ~~declare a homestead as required under this section, the Commissioner shall~~  
5 ~~notify the municipality, and the municipality shall issue a corrected tax bill that~~  
6 ~~may, as determined by the governing body of the municipality, include a~~  
7 ~~penalty of up to three percent of the education tax on the property. If~~  
8 ~~However, if the property incorrectly declared as a homestead is located in a~~  
9 ~~municipality that has a lower homestead tax rate than the nonresidential tax~~  
10 ~~rate, the penalty shall be an amount equal to eight percent of the education tax~~  
11 ~~on the property, but if the homestead tax rate is higher than the nonresidential~~  
12 ~~tax rate, the penalty shall be in an amount equal to three percent of the~~  
13 ~~education tax on the property. If an undeclared homestead is located in a~~  
14 ~~municipality that has a lower nonresidential tax rate than the homestead tax~~  
15 ~~rate, the penalty shall be eight percent of the education tax liability on the~~  
16 ~~property, but if the nonresidential tax rate is higher than the homestead tax rate,~~  
17 ~~then the penalty shall be in an amount equal to three percent of the education~~  
18 ~~tax on the property or if an undeclared homestead is located in a municipality~~  
19 ~~that has a lower nonresidential tax rate than the homestead tax rate, then the~~  
20 ~~governing body of the municipality may include a penalty of up to eight~~  
21 ~~percent of the education tax liability on the property. If the Commissioner~~

1 ~~determines that the declaration or failure to declare was with fraudulent intent,~~  
2 then the municipality shall assess the taxpayer a penalty in an amount equal  
3 to 100 percent of the education tax on the property; plus any interest and  
4 late-payment fee or commission which may be due. Any penalty imposed  
5 under this section and any additional property tax interest and late-payment fee  
6 or commission shall be assessed and collected by the municipality in the same  
7 manner as a property tax under chapter 133 of this title. Notwithstanding  
8 section 4772 of this title, issuance of a corrected bill issued under this section  
9 does not extend the time for payment of the original bill, nor relieve the  
10 taxpayer of any interest or penalties associated with the original bill. If the  
11 corrected bill is less than the original bill, any overpayment shall be reflected  
12 on the corrected tax bill and refunded to the taxpayer.

13 Sec. 9. 32 V.S.A. § 5410(i) is amended to read:

14 (i) An owner filing a new or corrected declaration, or rescinding an  
15 erroneous declaration, after ~~September 4~~ October 15 shall not be entitled to a  
16 refund resulting from the correct property classification, and any additional  
17 property tax and interest which would result from the correct classification  
18 shall not be assessed as tax and interest, but shall instead constitute an  
19 additional penalty, to be assessed and collected in the same manner as penalties  
20 under subsection (g) of this section. Any change in property classification  
21 under this subsection shall not be entered on the grand list.

1 ~~Sec. 10. 32 V.S.A. § 6066a(f) is amended to read:~~

2 (f) Property tax bills.

3 (1) For taxpayers and amounts stated in the notice to towns on July 1,  
4 municipalities shall create and send to taxpayers a homestead property tax bill,  
5 instead of the bill required under subdivision 5402(b)(1) of this title, providing  
6 the total amount allocated to payment of homestead education property tax  
7 liabilities and notice of the balance due. Municipalities shall apply the amount  
8 allocated under this chapter to current-year property taxes in equal amounts to  
9 each of the taxpayers' property tax installments that include education taxes.

10 Notwithstanding section 4772 of this title, if a town issues a corrected bill as a  
11 result of the November 1 notice sent by the Commissioner under subsection (a)  
12 of this section, issuance of such corrected new bill does not extend the time for  
13 payment of the original bill, nor relieve the taxpayer of any interest or penalties  
14 associated with the original bill. If the corrected bill is less than the original  
15 bill, any overpayment shall be reflected on the corrected tax bill and refunded  
16 to the taxpayer.

17 (2) For property tax adjustment amounts for which municipalities  
18 receive notice ~~on or~~ after November 1, municipalities shall issue a new  
19 homestead property tax bill with notice to the taxpayer of the total amount  
20 allocated to payment of homestead property tax liabilities and notice of the  
21 balance due.

1 ~~(3) The property tax adjustment amount determined for the taxpayer~~  
2 shall be allocated first to current-year property tax on the homestead parcel,  
3 next to current-year homestead parcel penalties and interest, next to any prior  
4 year homestead parcel penalties and interest, and last to any prior year property  
5 tax on the homestead parcel. No adjustment shall be allocated to a property tax  
6 liability for any year after the year for which the claim or refund allocation was  
7 filed. No municipal tax-reduction incentive for early payment of taxes shall  
8 apply to any amount allocated to the property tax bill under this chapter.

9 (4) If the property tax adjustment amount as described in subsection (e)  
10 of this section exceeds the property tax, penalties, and interest, due for the  
11 current and all prior years, the municipality shall refund the excess to the  
12 taxpayer, without interest, within 20 days of the first date upon which taxes  
13 become due and payable or 20 days after notification of the adjustment amount  
14 by the Commissioner of Taxes, whichever is later.

15 \* \* \* Meals and Rooms Tax \* \* \*

16 Sec. 11. 32 V.S.A. § 9202(10)(D)(ii)(X) is amended to read:

17 (X) purchased ~~with food stamps~~ under the U.S.D.A. Supplemental  
18 Nutrition Assistance Program (SNAP);



~~\*\*\* Property Transfer Tax \*\*\*~~

Sec. 12. 32 V.S.A. § 9608(a) is amended to read:

(a) Except as to transfers which are exempt pursuant to subdivision 9603(17) of this title, no town clerk shall record, or receive for recording, any deed to which is not attached a properly executed transfer tax return, complete and regular on its face, and a certificate in the form prescribed by the Natural Resources Board and the Commissioner of Taxes ~~signed under oath by the seller or the seller's legal representative,~~ that the conveyance of the real property and any development thereon by the seller is in compliance with or exempt from the provisions of 10 V.S.A. chapter 151. The certificate shall indicate whether or not the conveyance creates the partition or division of land. If the conveyance creates a partition or division of land, there shall be appended the current "Act 250 Disclosure Statement," required by 10 V.S.A. § 6007. A town clerk who violates this section shall be fined \$50.00 for the first such offense and \$100.00 for each subsequent offense. A person who purposely or knowingly falsifies any statement contained in the certificate required is punishable by fine of not more than \$500.00 or imprisonment for not more than one year, or both.

1 \*\*\* Policy and Revenue Provisions \*\*\*

2 \*\*\* Shared Equity Housing \*\*\*

3 Sec. 13. 32 V.S.A. § 3481 is amended to read:

4 § 3481. DEFINITIONS

5 The following definitions shall apply in this Part and chapter 101 of this  
6 title, pertaining to the listing of property for taxation:

7 (1)(A) "Appraisal value" shall mean, with respect to property enrolled in  
8 a use value appraisal program, the use value appraisal as defined in subdivision  
9 3752(12) of this title, multiplied by the common level of appraisal, and with  
10 respect to all other property, except for owner-occupied housing identified in  
11 subdivision (C) of this section, the estimated fair market value. The estimated  
12 fair market value of a property is the price ~~which~~ that the property will bring in  
13 the market when offered for sale and purchased by another, taking into  
14 consideration all the elements of the availability of the property, its use both  
15 potential and prospective, any functional deficiencies, and all other elements  
16 such as age and condition which combine to give property a market value.  
17 Those elements shall include ~~a consideration of a decrease in value in~~  
18 ~~nonrental residential property due to a housing subsidy covenant as defined in~~  
19 ~~27 V.S.A. § 610, or~~ the effect of any ~~state~~ State or local law or regulation  
20 affecting the use of land, including 10 V.S.A. chapter 151 or any land  
21 capability plan established in furtherance or implementation thereof, rules

1 ~~adopted by the State Board of Health and any local or regional zoning~~  
2 ordinances or development plans. In determining estimated fair market value,  
3 the sale price of the property in question is one element to consider, but is not  
4 solely determinative.

5 \* \* \*

6 (C) For owner-occupied housing that is subject to a housing subsidy  
7 covenant, as defined in 27 V.S.A. § 610, imposed by a governmental,  
8 quasi-governmental, or public purpose entity, that limits the price for which the  
9 property may be sold, the housing subsidy covenant shall be deemed to cause a  
10 material decrease in the value of the owner-occupied housing, and the  
11 appraisal value means not more than 70 percent of what the fair market value  
12 of the property would be if it were not subject to the housing subsidy covenant.

13 (2) "Listed value" shall be an amount equal to 100 percent of the  
14 appraisal value. The ratio shall be the same for both real and personal  
15 property.

16 \* \* \* Solar Capacity Tax \* \* \*

17 Sec. 14. 32 V.S.A. § 3802(17) is amended to read:

18 (17) Real and personal property, except land, composing a renewable  
19 energy plant generating electricity from solar power, ~~to the extent the plant is~~  
20 exempt from taxation under chapter 215 of this title which has a plant capacity  
21 of less than 50 kW and is either:

1 ~~(A) operated on a net metered system; or~~

2 (B) not connected to the electric grid and provides power only on the  
3 property on which the plant is located.

4 Sec. 15. 32 V.S.A. § 3481(1)(D) is added to read:

5 (D)(i) For real and personal property comprising a renewable energy  
6 plant generating electricity from solar power, except land and property that is  
7 exempt under subdivision 3802(17) of this title, appraisal value shall be  
8 determined by an income capitalization or discounted cash flow approach  
9 which includes the following.

10 (I) an appraisal model identified and published by the Director  
11 employing appraisal industry standards and inputs;

12 (II) a discount rate determined and published annually by the  
13 Director;

14 (III) the appraisal value shall be 70 percent of the value  
15 calculated using the model published by the Director based on an expected  
16 25-year project life and shall be set in the grand list next lodged after the plant  
17 is commissioned and each subsequent grand list for the lesser of the remaining  
18 life of the project or 25 years;

19 (IV) for the purposes of calculating appraisal value for net  
20 metered systems receiving a credit specified in 30 V.S.A. § 219a (h)(1)(k), the

1 ~~model used to calculate value will not incorporate a factor for electricity rate~~

2 escalation:

3 (V) for plants operating as a net metered system as described in  
4 30 V.S.A. § 219a with a capacity of 50 kW or greater, the plant capacity used  
5 to determine value in the model shall be reduced by 50 kW and the appraisal  
6 value shall be calculated only on additional capacity in excess of 50 kW.

7 (ii) The owner of a project shall respond to a request for  
8 information from the municipal assessing officials by returning the information  
9 sheet describing the project in the form specified by the Director not later than  
10 45 days after the request for information is sent to the owner. If the owner  
11 does not provide a complete and timely response, the municipality shall  
12 determine appraisal value using the published model and the best estimates of  
13 the inputs to the model available to the municipality at the time, and the  
14 provisions of section 4006 of this title shall apply to the information form in  
15 the same manner as if the information form were an inventory as described in  
16 that section. Nothing in this subdivision (1) shall affect the availability of the  
17 exemption set forth in the provisions of section 3845 of this title or availability  
18 of a contract under the provisions of 24 V.S.A. § 2741.

1 ~~Sec. 16. 32 V.S.A. § 3845 is amended to read:~~

2 § 3845. ALTERNATE RENEWABLE ENERGY SOURCES

3 (a) At an annual or special meeting warned for that purpose, a town may,  
4 by a majority vote of those present and voting, exempt ~~alternate~~ renewable  
5 energy sources, as defined herein, from real and personal property taxation.  
6 Such exemption shall first be applicable against the grand list of the year in  
7 which the vote is taken and shall continue until voted otherwise, in the same  
8 manner, by the town.

9 (b) ~~For the purposes of~~ As used in this section, ~~alternate~~ renewable energy  
10 ~~sources includes any plant, structure or facility used for the generation of~~  
11 ~~electricity or production of~~ shall have the same meaning as in 30 V.S.A.  
12 § 8002(17) for energy used on the premises for private, domestic, or  
13 agricultural purposes, no part of which may be for sale or exchange to the  
14 public. The term shall include, ~~but not be limited to~~ grist mills, windmills,  
15 facilities for the collection of solar energy or the conversion of organic matter  
16 to methane, net metering systems regulated by the Public Service Board under  
17 30 V.S.A. § 219a, and all component parts thereof ~~including~~ but excluding  
18 land upon which the facility is located, ~~not to exceed one half acre.~~

1 ~~Sec. 17. 32 V.S.A. § 8701(e) is amended to read:~~

2 (c) A renewable energy plant that generates electricity from solar power  
3 shall be exempt from taxation under this section if it has a plant capacity ~~equal~~  
4 ~~to or less than 10 kW~~ less than 50kW.

5 Sec. 18. 2012 Acts and Resolves No. 127, Sec. 4 is amended to read:

6 Sec. 4. ~~PROSPECTIVE REPEAL; REPORT~~

7 ~~32 V.S.A. §§ 8701(e) and 3802(17) (exemptions for small renewable energy~~  
8 ~~plants) shall be repealed on January 1, 2023. By January 15, 2021, the~~  
9 ~~department of taxes~~ Department of Taxes shall report to the ~~senate committees~~  
10 ~~on finance and on natural resources and energy and the house committees on~~  
11 ~~ways and means and on natural resources and energy~~ Senate Committees on  
12 Finance and on Natural Resources and Energy and the House Committees on  
13 Ways and Means and on Natural Resources and Energy with a  
14 recommendation on whether the exemptions in 32 V.S.A. §§ 8701(c) and  
15 3802(17) should be retained or allowed to be repealed and whether the rate of  
16 tax in 32 V.S.A. § 8701(b) should be altered.

17 \* \* \* Wood Products Manufacturer's Credit \* \* \*

18 Sec. 19. 32 V.S.A. § 5930y is added to read:

19 § 5930y. WOOD PRODUCTS MANUFACTURE TAX CREDIT

20 (a) Definitions. The Secretary of Commerce and Community  
21 Development, annually on or before February 1, shall designate any two

1 ~~adjacent counties having at least four percent of their combined jobs provided~~  
2 by employers that manufacture finished wood products and having the highest  
3 combined unemployment rate in the State for at least one month in the  
4 previous calendar year. Upon making a designation, the Secretary shall send a  
5 written notice to the Commissioner of Taxes identifying the designated  
6 counties.

7 (b) Credit. A credit against the income tax liability is available as follows:

8 (1) A credit of two percent of the wages paid in the taxable year by an  
9 employer for services performed in the designated counties associated with the  
10 manufacture of finished wood products. The credit shall be available to the  
11 employer in any year the counties qualify and for one year after a qualification  
12 ends. As used in this section, "finished wood products" means wood products  
13 that are manufactured into the form in which they are offered for sale to  
14 consumers.

15 (2) The credit, either alone or in combination with any other credit  
16 allowed by this chapter, shall not reduce the income tax liability of the  
17 employer by more than 80 percent.

18 (3) The recapture of development incentives established in 3 V.S.A.  
19 chapter 47, subchapter 6 shall apply to the tax credits in this section, except  
20 that the provisions of subsection 2512(c) of that title shall not apply to a  
21 business relocation outside the designated counties.



1 ~~(e) Statutory purpose. The statutory purpose of the Vermont wood~~  
2 ~~products manufacture credit in this section is to support Vermont's wood~~  
3 ~~products manufacturers and wood industry in high unemployment areas of the~~  
4 ~~State.~~

5 Sec. 20. WOOD PRODUCT MANUFACTURE STUDY

6 The Secretary of Commerce and Community Development, in consultation  
7 with the Department of Taxes, shall study and recommend economic and tax  
8 incentives to ensure wood products manufacturers remain in Vermont, and that  
9 they thrive in Vermont. The Secretary shall report his or her findings and  
10 recommendations to the Senate Committee on Finance and the House  
11 Committee on Ways and Means on or before January 15, 2015.

12 \* \* \* Downtown and Village Center Tax Credits \* \* \*

13 Sec. 21. 32 V.S.A. § 5930ee(1) is amended to read:

14 (1) The total amount of tax credits awarded annually, together with sales  
15 tax reallocated under section 9819 of this title, does not exceed \$1,700,000.00  
16 \$2,200,000.00.

17 Sec. 22. 32 V.S.A. § 9741(39) is amended to read:

18 (39) Sales of building materials within any three consecutive years:

19 (i) in excess of one million dollars in purchase value, which may be  
20 reduced to \$250,000.00 in purchase value upon approval of the Vermont  
21 Economic Progress Council pursuant to section 5930a of this title, used in the

1 ~~construction, renovation, or expansion of facilities which are used exclusively,~~  
2 except for isolated or occasional uses, for the manufacture of tangible personal  
3 property for sale; or

4 ~~(i) in excess of \$250,000.00 in purchase value incorporated into a~~  
5 ~~downtown redevelopment project as defined by rule by the Commissioner of~~  
6 ~~Housing and Community Affairs; provided that the municipality is not~~  
7 ~~receiving an allocation of sales tax receipts pursuant to section 9819 of this~~  
8 ~~title.~~

9 Sec. 23. FLOOD-RELATED PAYMENTS

10 Notwithstanding that the credit for qualified expenditures resulting from  
11 damage caused by a federally declared disaster in Vermont in 2011 authorized  
12 by 32 V.S.A. § 5930bb(d) is limited to individuals, a refundable credit not to  
13 exceed \$88,800.00 may be made to Latchis Arts Inc. for flood damage  
14 expenditures that would qualify under section 5930bb if made by an  
15 individual. The credit under this section shall be made subject to the credit  
16 limit under 32 V.S.A. § 5930bb.

17 \* \* \* Research and Development Expense \* \* \*

18 Sec. 24. 32 V.S.A. § 5930ii is amended to read:

19 § 5930ii. RESEARCH AND DEVELOPMENT TAX CREDIT

20 (a) A qualified taxpayer of this State shall be eligible for a credit against  
21 the tax imposed under this chapter in an amount equal to ~~30 percent~~ 24 percent

1 ~~of the amount of the federal tax credit allowed in the taxable year for eligible~~  
2 research and development expenditures under 26 U.S.C. § 41(a) and which are  
3 made within this State.

4 (b) Any unused credit available under subsection (a) of this section may be  
5 carried forward for up to 10 years.

6 (c) As used in this section, "qualified taxpayer" means a taxpayer entitled  
7 to a credit under subsection (a) of this section and who has applied and been  
8 approved for a credit by the Department of Taxes under the requirements of  
9 this section.

10 (d) To qualify for a credit under this section, a taxpayer shall apply to the  
11 Department of Taxes for a credit on or before September 15 of a given year.  
12 The application shall contain any information required by the Department of  
13 Taxes, but shall include the name of the taxpayer, the amount of the credit  
14 being applied for, the type of the qualified expenditure, and the year the  
15 qualified expenditure was made within this State. On or before December 15  
16 of that same year, the Commissioner shall notify the taxpayer of the amount of  
17 the credit for which he or she is approved. The Department of Taxes is  
18 authorized to adopt rules and procedures, and publish the appropriate forms  
19 and information necessary to implement this section.

20 (e) In order to qualify for a credit under this section, the taxpayer shall be  
21 required to waive any claim to confidentiality regarding the fact that the

1 ~~taxpayer was approved for any credit under this section by the Department of~~  
2 Taxes. The fact that a taxpayer was approved for any amount of the credit  
3 under this section shall not be considered a return or return information under  
4 section 3102 of this title, and such information shall not be exempt from public  
5 inspection and copying under any other provision of law.

6 (f) Each year, on or before January 15, the Department of Taxes shall  
7 publish a list containing the names of the taxpayers approved for a credit under  
8 this section.

9 \* \* \* Tobacco \* \* \*

10 Sec. 25. 32 V.S.A. § 7702(15) is amended to read:

11 (15) "Other tobacco products" means any product manufactured from,  
12 derived from, or containing tobacco that is intended for human consumption by  
13 smoking, chewing, or in any other manner, including products sold as a  
14 tobacco substitute, as defined in 7 V.S.A. § 1001(8); but shall not include  
15 cigarettes, little cigars, roll-your-own tobacco, snuff, or new smokeless tobacco  
16 as defined in this section.

17 Sec. 26. 32 V.S.A. § 7811 is amended to read:

18 § 7811. IMPOSITION OF TOBACCO PRODUCTS TAX

19 There is hereby imposed and shall be paid a tax on all other tobacco  
20 products, snuff, and new smokeless tobacco possessed in the State of Vermont  
21 by any person for sale on and after July 1, 1959 which were imported into the

1 ~~State or manufactured in the State after that date, except that no tax shall be~~  
2 imposed on tobacco products sold under such circumstances that this State is  
3 without power to impose such tax, or sold to the United States, or sold to or by  
4 a voluntary unincorporated organization of the Armed Forces of the United  
5 States operating a place for the sale of goods pursuant to regulations  
6 promulgated by the appropriate executive agency of the United States. The tax  
7 is intended to be imposed only once upon the wholesale sale of any other  
8 tobacco product and shall be at the rate of 92 percent of the wholesale price for  
9 all tobacco products except snuff, which shall be taxed at ~~\$1.87~~ \$2.18 per  
10 ounce, or fractional part thereof, new smokeless tobacco, which shall be taxed  
11 at the greater of ~~\$1.87~~ \$2.18 per ounce or, if packaged for sale to a consumer in  
12 a package that contains less than 1.2 ounces of the new smokeless tobacco, at  
13 the rate of ~~\$2.24~~ \$2.62 per package, and cigars with a wholesale price greater  
14 than \$2.17, which shall be taxed at the rate of \$2.00 per cigar if the wholesale  
15 price of the cigar is greater than \$2.17 and less than \$10.00, and at the rate of  
16 \$4.00 per cigar if the wholesale price of the cigar is \$10.00 or more. Provided,  
17 however, that upon payment of the tax within 10 days, the distributor or dealer  
18 may deduct from the tax two percent of the tax due. It shall be presumed that  
19 all other tobacco products, snuff, and new smokeless tobacco within the State  
20 are subject to tax until the contrary is established and the burden of proof that  
21 any other tobacco products, snuff, and new smokeless tobacco are not taxable

1 ~~hereunder shall be upon the person in possession thereof. Licensed~~  
2 wholesalers of other tobacco products, snuff, and new smokeless tobacco shall  
3 state on the invoice whether the price includes the Vermont tobacco products  
4 tax.

5 Sec. 27. 32 V.S.A. § 7814 is amended to read:

6 § 7814. FLOOR STOCK TAX

7 (a) Snuff. A floor stock tax is hereby imposed upon every ~~retailer~~ retail  
8 dealer of snuff in this State in the amount by which the new tax exceeds the  
9 amount of the tax already paid on the snuff. The tax shall apply to snuff in the  
10 possession or control of the ~~retailer~~ retail dealer at 12:01 a.m. ~~on~~  
11 July 1, ~~2006~~ 2014, but shall not apply to ~~retailers~~ retail dealers who hold less  
12 than \$500.00 in wholesale value of such snuff. Each ~~retailer~~ retail dealer  
13 subject to the tax shall, on or before July 25, ~~2006~~ 2014, file a report to the  
14 Commissioner in such form as the Commissioner may prescribe showing the  
15 snuff on hand at 12:01 a.m. ~~on~~ July 1, ~~2006~~ 2014, and the amount of  
16 tax due thereon. The tax imposed by this section shall be due and payable on  
17 or before August 25, ~~2006~~ 2014, and thereafter shall bear interest at the rate  
18 established under section 3108 of this title. In case of timely payment of the  
19 tax, the ~~retailer~~ retail dealer may deduct from the tax due two percent of the  
20 tax. Any snuff with respect to which a floor stock tax has been imposed and

1 ~~paid under this section shall not again be subject to tax under section 7811 of~~  
2 ~~this title.~~

3 \* \* \*

4 \* \* \* Sales and Use Tax \* \* \*

5 Sec. 28. 32 V.S.A. § 9773 is amended to read:

6 § 9773. IMPOSITION OF COMPENSATING USE TAX

7 Unless property or telecommunications service has already been or will be  
8 subject to the sales tax under this chapter, there is imposed on every person a  
9 use tax at the rate of six percent for the use within this State, except as  
10 otherwise exempted under this chapter:

11 (1) ~~Of~~ of any tangible personal property purchased at retail;

12 (2) ~~Of~~ of any tangible personal property manufactured, processed, or  
13 assembled by the user, if items of the same kind of tangible personal property  
14 are offered for sale by him or her in the regular course of business, but the  
15 mere storage, keeping, retention, or withdrawal from storage of tangible  
16 personal property or the use for demonstrational or instructional purposes of  
17 tangible personal property by the person who manufactured, processed or  
18 assembled such property shall not be deemed a taxable use by him or her; and  
19 for purposes of this section only, the sale of electrical power generated by the  
20 taxpayer shall not be considered a sale by him or her in the regular course of

1 ~~business if at least 60 percent of the electrical power generated annually by the~~  
2 taxpayer is used by the taxpayer in his or her trade or business;

3 (3) ~~Of~~ of any tangible personal property, however acquired, where not  
4 acquired for purposes of resale, upon which any taxable services described in  
5 subdivision 9771(3) of this title have been performed; ~~and~~

6 (4) ~~Specified~~ specified digital products transferred electronically to an  
7 end user; and

8 (5) telecommunications service except coin-operated telephone service,  
9 private telephone service, paging service, private communications service, or  
10 value-added non-voice data service.

11 \* \* \* Propane Canisters \* \* \*

12 Sec. 29. 33 V.S.A. § 2503 is amended to read:

13 § 2503. FUEL GROSS RECEIPTS TAX

14 (a) There is imposed a gross receipts tax of 0.5 percent on the retail sale of  
15 the following types of fuel:

16 (1) heating oil, propane, kerosene, and other dyed diesel fuel delivered  
17 to a residence or business;

18 (2) ~~propane~~;

19 (3) natural gas;

20 (4)(3) electricity;

21 (5)(4) coal.



1 \*\*\*

2 Sec. 30. 32 V.S.A. § 9741(26) is amended to read:

3 (26) Sales of electricity, oil, gas, and other fuels used in a residence for  
4 all domestic use, including heating, but not including fuel sold at retail in free  
5 standing containers, or sold as part of a transaction where a free-standing  
6 container is exchanged without a separate charge. The Commissioner shall by  
7 rule determine that portion of the sales attributable to domestic use where fuels  
8 are used for purposes in addition to domestic use.

9 \*\*\* Dispatch Fees \*\*\*

10 Sec. 31. UNIFORM DISPATCH FEES

11 The Commissioner of Public Safety shall propose specific dispatch services  
12 fee schedules for use under 20 V.S.A. § 1871(i) and, on or before January 15,  
13 2015, report on the same to the House Committee on Ways and Means and the  
14 Senate Committee on Finance. Based on the Commissioner's report, uniform  
15 statewide fees for dispatch services provided by or under the direction of the  
16 Department of Public Safety shall be set by the General Assembly under the  
17 provisions of 32 V.S.A. § 603 on or before July 1, 2016. Fees collected by the  
18 Commissioner shall be reported in accordance with 32 V.S.A. § 605, and  
19 credited to a special fund established and managed pursuant to 32 V.S.A.  
20 chapter 7, subchapter 5 or to another budgeted fund other than the General

1 ~~Fund, and shall be available to the Department to offset the costs of collecting~~  
2 ~~the amount owed.~~

3 \* \* \* Repeals \* \* \*

4 Sec. 32. REPEALS

5 (a) 32 V.S.A. § 5930y (wood products manufacturers credit) is repealed on  
6 January 1, 2016, and the tax credit shall not be available for tax years  
7 beginning after that date.

8 (b) 2013 Acts and Resolves No. 72, Sec. 33 (uniform dispatch fees) is  
9 repealed.

10 \* \* \* Effective Dates \* \* \*

11 Sec. 33. EFFECTIVE DATES

12 This act shall take effect on passage except:

13 (1) Notwithstanding 1 V.S.A. § 214, Secs. 1 (1099K filing requirement),  
14 2 (consolidated returns), and 3 (VEGI) shall take effect on January 1, 2014 and  
15 apply for tax year 2014 and after.

16 (2) Notwithstanding 1 V.S.A. § 214, Sec. 4 (annual income tax update)  
17 shall take effect retroactively January 1, 2014 and apply to taxable years  
18 beginning on and after January 1, 2013.

19 (3) Notwithstanding 1 V.S.A. § 214, Sec. 5 (annual estate tax update)  
20 shall take effect retroactively on January 1, 2014 and apply to decedents dying  
21 on or after January 1, 2013.

1 ~~(4) Secs. 8 (corrected tax bills due to late filing of declaration), 9 (last~~  
2 ~~date for filing declaration), and 10 (corrected tax bills due to late filing of~~  
3 ~~property tax adjustment claim) shall take effect on July 1, 2014 and apply to~~  
4 ~~property appearing on grand lists lodged in 2014 and after.~~

5 (5) Sec. 13 (shared equity housing) shall take effect on January 1, 2015  
6 and apply to property appearing on grand lists lodged in 2015 and after.

7 (6) Secs. 14–18 (solar plant exemptions and valuation) shall take effect  
8 on January 1, 2015 and apply to property appearing on grand lists lodged in  
9 2015 and after.

10 (7) Notwithstanding 1 V.S.A. § 214, Sec. 19 (wood products) of this act  
11 shall take effect retroactively on January 1, 2014.

12 (8) Sec. 21 (downtown credits) shall apply to fiscal year 2015 and after.

13 (9) Secs. 22 (repeal of sales tax exemption), 25 (e-cigarettes), 26 (snuff),  
14 27 (floor tax), 28 (telecommunications use tax), 29 (fuel gross receipts tax),  
15 and 30 (propane canisters) shall take effect on July 1, 2014.

16 (10) Sec. 24 (research and development) shall take effect July 1, 2014,  
17 and shall apply to any application or claims for credits filed after that date,  
18 regardless the tax year for which the credit is sought.

*\* \* \* Technical and Administrative Provisions \* \* \**

*\* \* \* Personal and Corporate Income Taxes \* \* \**

*Sec. 1. 32 V.S.A. § 5862d is amended to read:*

*§ 5862d. FILING OF FEDERAL FORM 1099*

*(a) Any individual or business required to file a federal form 1099 with respect to a nonresident who performed services within the State during the taxable year shall file a copy of the form with the Department. The Commissioner may authorize electronic filing of the form.*

*(b) Any individual or business required to file information returns pursuant to 26 U.S.C. § 6050W shall within 30 days of the date the filing is due to the Internal Revenue Service file with the Commissioner a duplicate of such information returns on which the recipient has a Vermont address. The Commissioner may authorize electronic filing of the form.*

*Sec. 2. 32 V.S.A. § 5862(c) is amended to read:*

*(c) Taxable corporations which received any income allocated or apportioned to this State under the provisions of section 5833 of this title for the taxable year and which under the laws of the United States constitute an affiliated group of corporations may elect to file a consolidated return in lieu of separate returns if such corporations qualify and elect to file a consolidated federal income tax return for that taxable year. Such an election to file a*

Vermont consolidated return shall continue for five years, including the year the election is made.

Sec. 3. 32 V.S.A. § 5862f is added to read:

§ 5862f. VERMONT GREEN UP CHECKOFF

(a) Returns filed by individuals shall include, on a form prescribed by the Commissioner of Taxes, an opportunity for the taxpayer to designate funds to Vermont Green Up, Inc.

(b) Amounts so designated shall be deducted from refunds due to, or overpayments made by, the designating taxpayers. All amounts so designated and deducted shall be deposited in an account by the Commissioner of Taxes for payment to Vermont Green Up, Inc. If at any time after the payment of amounts so designated to the account it is determined that the taxpayer was not entitled to all or any part of the amount so designated, the Commissioner may assess, and the account shall then pay to the Commissioner, the amount received, together with interest at the rate prescribed by section 3108 of this title, from the date the payment was made until the date of repayment.

(c) The Commissioner of Taxes shall explain to taxpayers the purposes of the account and how to contribute to it. The Commissioner shall make available to taxpayers the annual income and expense report of Vermont Green Up, Inc., and shall provide notice in the instructions for the State

individual income tax return that the report is available at the Department of Taxes.

(d) If amounts paid with respect to a return are insufficient to cover both the amount owed on the return under this chapter and the amount designated by the taxpayer as a contribution to Vermont Green Up, Inc., the payment shall first be applied to the amount owed on the return under this chapter and the balance, if any, shall be deposited in the account.

(e) Nothing in this section shall be construed to require the Commissioner to collect any amount designated as a contribution to Vermont Green Up, Inc.

Sec. 4. 32 V.S.A. § 5930b(c)(9) is amended to read:

(9) Incentive claims must be filed annually no later than the last day of April of ~~each~~ the current year ~~of the~~ for the prior year's utilization period. For a claim to be considered a timely filing and eligible for an incentive payment, all forms and workbooks must be complete and all underlying documentation, such as that required pursuant to subsection 5842(c) of this title, must be filed with the Department of Taxes. Incomplete claims may be considered to have been timely filed if a complete claim is filed within the time prescribed by the Department of Taxes. If a claim is not filed each year of the utilization period, any incentive installment previously paid shall be recaptured in accordance with subsection (d) of this section and upon notice from the Department of Taxes that the business failed to file a complete timely claim, the Vermont

*Economic Progress Council shall revoke all authority for the business to earn and claim incentives under this subchapter. The incentive return shall be subject to all provisions of this chapter governing the filing of tax returns. No interest shall be paid by the Department of Taxes for any reason with respect to incentives allowed under this section.*

*Sec. 5. 32 V.S.A. § 5824 is amended to read:*

*§ 5824. ADOPTION OF FEDERAL INCOME TAX LAWS*

*The statutes of the United States relating to the federal income tax, as in effect for taxable year ~~2012~~ 2013, but without regard to federal income tax rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the tax liability under this chapter.*

*Sec. 6. 32 V.S.A. § 7475 is amended to read:*

*§ 7475. ADOPTION OF FEDERAL ESTATE AND GIFT TAX LAWS*

*The laws of the United States relating to federal estate and gift taxes as in effect on December 31, ~~2012~~ 2013, are hereby adopted for the purpose of computing the tax liability under this chapter, except:*

*(1) the credit for State death taxes shall remain as provided for under 26 U.S.C. §§ 2011 and 2604 as in effect on January 1, 2001;*

*(2) the applicable credit amount shall under 26 U.S.C. § 2010 shall not apply; and the tax imposed under section 7442a of this chapter shall be*

*calculated as if the applicable exclusion amount under 26 U.S.C. § 2010 were \$2,750,000.00; and*

*(3) the deduction for State death taxes under 26 U.S.C. § 2058 shall not apply.*

*\* \* \* Tax Increment Financing Districts \* \* \**

*Sec. 7. 2011 Acts and Resolves No. 45, Sec. 16 is amended to read:*

*Sec. 16. BURLINGTON TAX INCREMENT FINANCING*

*(a) Pursuant to ~~Sec. 83 of No. 54 of the Acts of the 2009 Adj. Sess. (2010)~~ 2010 Acts and Resolves No. 54, Sec. 83, the ~~joint fiscal committee~~ Joint Fiscal Committee approved a formula for the implementation of a payment to the ~~education fund~~ Education Fund in lieu of tax increment payments.*

*(b) The terms of the formula approved by the ~~joint fiscal committee~~ Joint Fiscal Committee are as follows:*

*(1) Beginning in the fiscal year in which there is the incurrence of new TIF debt, the ~~city~~ City will calculate and make an annual payment on December 10th to the ~~education fund~~ Education Fund each year until 2025. The April 1, 2010 grand list for the area encompassing the existing Waterfront TIF – excluding two parcels at 25 Cherry Street or the Marriott Hotel (SPAN#114-035-20755) and 41 Cherry Street – is the baseline to be used as the starting point for calculating the tax increment that will be divided 25 percent to the ~~state education fund~~ State Education Fund and 75 percent to*



~~the city~~ City of Burlington. At the conclusion of the TIF in FY2025, any surplus tax increment funds will be returned to the ~~city~~ City of Burlington and ~~state education fund~~ State Education Fund in proportion to the relative municipal and education tax rates as clarified in a letter from Mayor Bob Kiss to the ~~chair of the joint fiscal committee~~ Chair of the Joint Fiscal Committee dated September 9, 2009.

(2) ~~The formula for calculating the payment in lieu of tax increment is as follows: first, the difference between the grand list for the Waterfront TIF excluding the two hotel parcels from the fiscal year in which the payment is due and the April 1, 2010 grand list is calculated. Next, that amount is multiplied by the current education property tax rates to determine the increment subject to payment. Finally, this new increment is multiplied by 25 percent to derive the payment amount.~~

(3) ~~The city of Burlington will prepare a report annually, beginning July 1, 2010, for both the joint fiscal committee and the department of taxes, which will contain:~~

~~(A) the calculation set out in subdivision (2) of this subsection;~~

~~(B) a listing of each parcel within the Waterfront TIF District and the 1996 original taxable value, 2010 extended base value, and the most recent values for all homestead and nonresidential property;~~

~~(C) a history of all of the TIF revenue and debt service payments;~~

~~and~~

~~(D) details of new debt authorized, including repayment schedules.~~

[Repealed.]

Sec. 8. 24 V.S.A. § 1894(b) and (c) are amended to read:

~~(b) Use of the education property tax increment. For only debt and related costs incurred within the period permitted under subdivision (a)(1) of this section after creation of the district, and related costs, up to 75 percent of the education tax increment may be retained for up to 20 years, beginning with the education tax increment generated the year in which the first debt incurred for improvements financed in whole or in part with incremental education property tax revenue. Upon incurring the first debt, a municipality shall notify the Department of Taxes and the Vermont Economic Progress Council of the beginning of the 20-year retention period of education tax increment.~~

~~(c) Use of the municipal property tax increment. For only debt and related costs incurred within the period permitted under subdivision (a)(1) of this section after creation of the district, and related costs, not less than an equal share of the municipal tax increment pursuant to subsection (f) of this section shall be retained to service the debt, beginning the first year in which debt is incurred, pursuant to subsection (b) of this section.~~

*Sec. 9. 24 V.S.A. § 1894(e) is amended to read:*

*(e) Proportionality. The municipal legislative body may ~~pledge and appropriate~~ commit the State education and municipal tax increments received from properties contained within the tax increment financing district for the financing of improvements and for related costs only in the same proportion by which the improvement or related costs serve the district, as determined by the Council when approved in accordance with 32 V.S.A. § 5404a(h), and in the case of an improvement that does not reasonably lend itself to a proportionality formula, the Council shall apply a rough proportionality and rational nexus test.*

*Sec. 10. 24 V.S.A. § 1895 is amended to read:*

*§ 1895. ORIGINAL TAXABLE VALUE*

*As of the date the district is created, the lister or assessor for the municipality shall certify the original taxable value and shall certify to the legislative body in each year thereafter during the life of the district the amount by which the ~~original taxable value has increased or decreased and the proportion which any such increase bears to the total assessed valuation of the real property for that year or the proportion which any such decrease bears to the original taxable value~~ total valuation as determined in accordance with 32 V.S.A. chapter 129 of all taxable real property located within the tax*

increment financing district has increased or decreased relative to the original taxable value.

Sec. 11. 24 V.S.A. § 1896(a) is amended to read:

(a) In each year following the creation of the district, the listers or assessor shall include no more than the original taxable value of the real property in the assessed valuation upon which the ~~listers or assessor~~ treasurer computes the rates of all taxes levied by the municipality, ~~the school district,~~ and every other taxing district in which the tax increment financing district is situated; but the ~~listers or assessor~~ treasurer shall extend all rates so determined against the entire assessed valuation of real property for that year. In each year for which the assessed valuation exceeds the original taxable value, the municipality shall hold apart, rather than remit to the taxing districts, that proportion of all taxes paid that year on the real property in the district which the excess valuation bears to the total assessed valuation. The amount held apart each year is the "tax increment" for that year. No more than the percentages established pursuant to section 1894 of this subchapter of the municipal and ~~state~~ State education tax increments received with respect to the district and committed for the payment for financing for improvements and related costs shall be segregated by the municipality in a special tax increment financing account and in its official books and records until all capital indebtedness of the district has been fully paid. The final payment shall be

*reported to the ~~listor or assessor~~ treasurer, who shall thereafter include the entire assessed valuation of the district in the assessed valuations upon which municipal and other tax rates are computed and extended and ~~taxes are remitted to all taxing districts thereafter no taxes from the district shall be deposited in the district's tax increment financing account.~~*

*Sec. 12. 24 V.S.A. § 1901(3) is amended to read:*

*(3) Annually:*

*(A) ~~include in the municipal audit cycle prescribed in section 1681 of this title a report of finances of~~ ensure that the tax increment financing district, including account required by section 1896 of this subchapter is subject to the annual audit prescribed in section 1681 of this title. Procedures must include verification of the original taxable value and annual and total municipal and education tax increments generated, ~~annual and total expenditures on improvements and related costs, all indebtedness of the district, including the initial debt, interest rate, terms, and annual and total principal and interest payments, an accounting of revenue sources other than property tax revenue by type and dollar amount, and an accounting of the special account required by section 1896 of this subchapter, including revenue, expenditures for debt and related costs, and current balance;~~*

*(B) on or before January 15 of each year, on a form prescribed by the Council, submit an annual report to the Vermont Economic Progress*

*Council and the Department of Taxes, including the information required by subdivision (2) of this section if not already submitted during the year, all information required by subdivision (A) of this subdivision (3), and the information required by 32 V.S.A. § 5404a(i), including performance indicators and any other information required by the Council or the Department of Taxes.*

*Sec. 13. 32 V.S.A. § 5404a(j) is amended to read:*

*(j) Tax increment financing district rulemaking, oversight, and enforcement.*

*\* \* \**

*(2) Authority to issue decisions.*

*(A) The Secretary of Commerce and Community Development, after reasonable notice to a municipality and an opportunity for a hearing, is authorized to issue decisions to a municipality ~~regarding~~ on questions and inquiries ~~about~~ concerning the administration of tax increment financing districts, statutes, rules, noncompliance with 24 V.S.A. chapter 53, subchapter 5, and any instances of noncompliance identified in audit reports conducted pursuant to subsection (l) of this section.*

*(B) The Vermont Economic Progress Council shall prepare recommendations for the Secretary prior to the issuance of a decision. As appropriate, the Council may prepare such recommendations in consultation*

*with the Commissioner of Taxes, the Attorney General, and the State Treasurer. In preparing recommendations, the Council shall provide a municipality with a reasonable opportunity to submit written information in support of its position. The Secretary shall review the recommendations of the Council and issue a final written decision on each matter within 60 days of the ~~recommendation~~ receipt of the recommendations. However, pursuant to subdivision (5) of this subsection (j), the Secretary may permit an appeal to be taken by any party to a Superior Court for determination of questions of law in the same manner as the Supreme Court may by rule provide for appeals before final judgment from a Superior Court before issuing a final decision.*

\* \* \*

*Sec. 14. 32 V.S.A. § 5404a(1) is amended to read:*

*(1) The State Auditor of Accounts shall conduct performance audits of all tax increment financing districts according to a schedule, which will be arrived at in consultation with the Vermont Economic Progress Council. The cost of conducting each audit shall be considered a “related cost” as defined in 24 V.S.A. § 1891(6) and shall be billed back to the municipality. Audits conducted pursuant to this subsection shall include a review of a municipality’s adherence to relevant statutes and rules adopted by the Vermont Economic Progress Council pursuant to subsection (j) of this section, an assessment of record keeping related to revenues and expenditures, and a*

*validation of the portion of the tax increment retained by the municipality and used for debt repayment and the portion directed to the Education Fund.*

*(1) For municipalities with a district created prior to January 1, 2006 and a debt repayment schedule that anticipates retention of education increment beyond fiscal year 2016, an audit shall be conducted when approximately three-quarters of the period for retention of education increment has elapsed, and at the end of that same period, an audit shall be conducted for the final one-quarter period for retention of education increment, except that for the Milton Catamount/Husky district and the Burlington Waterfront district only a final audit shall be conducted to cover the period from the effective date of the rules pursuant to subdivision (j)(1) of this section to the end of the retention period.*

*(2) For municipalities with a district created after January 1, 2006 and approved by the Vermont Economic Progress Council, an audit shall be conducted ~~at the end of the 10-year period in which debt can be incurred and again approximately halfway through the 20-year period for retention of education increment; provided, however, that an audit shall occur no more than one time in a five-year period~~ five years after the first debt is incurred and a second audit seven years after completion of the first audit. A final audit will be conducted at the end of the period for retention of education increment.*



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

*Sec. 15. 32 V.S.A. § 3436(b) is amended to read:*

*(b) The ~~director~~ Director shall ~~determine~~ establish designations recognizing levels of achievement and the necessary course work or evaluation of equivalent experience required for to attain each designation as Vermont lister/assessor, Vermont property evaluator, and Vermont municipal assessor. Designation for any one level shall be for a period of three years.*

*Sec. 16. 32 V.S.A. § 5408(a) is amended to read:*

*(a) Not later than ~~30~~ 35 days after ~~the receipt by its clerk~~ mailing of a notice under section 5406 of this title, a municipality may petition the Director of the Division of Property Valuation and Review for a redetermination of the municipality's equalized education property value and coefficient of dispersion. Such petition shall be in writing and shall be signed by the chair of the legislative body of the municipality or its designee.*

*Sec. 17. 32 V.S.A. § 5410(g) is amended to read:*

*(g) If the property identified in a declaration under subsection (b) of this section is not the taxpayer's homestead, or if the owner of a homestead fails to declare a homestead as required under this section, the Commissioner shall notify the municipality, and the municipality shall issue a corrected tax bill that may, as determined by the governing body of the municipality, include a penalty of up to three percent of the education tax on the property. ~~If~~*

~~*However, if the property incorrectly declared as a homestead is located in a municipality that has a lower homestead tax rate than the nonresidential tax rate, the penalty shall be an amount equal to eight percent of the education tax on the property, but if the homestead tax rate is higher than the nonresidential tax rate, the penalty shall be in an amount equal to three percent of the education tax on the property. If an undeclared homestead is located in a municipality that has a lower nonresidential tax rate than the homestead tax rate, the penalty shall be eight percent of the education tax liability on the property, but if the nonresidential tax rate is higher than the homestead tax rate, then the penalty shall be in an amount equal to three percent of the education tax on the property or if an undeclared homestead is located in a municipality that has a lower nonresidential tax rate than the homestead tax rate, then the governing body of the municipality may include a penalty of up to eight percent of the education tax liability on the property. If the Commissioner determines that the declaration or failure to declare was with fraudulent intent, then the municipality shall assess the taxpayer a penalty in an amount equal to 100 percent of the education tax on the property; plus any interest and late-payment fee or commission which may be due. Any penalty imposed under this section and any additional property tax interest and late-payment fee or commission shall be assessed and collected by the municipality in the same manner as a property tax under chapter 133 of this title.*~~

Notwithstanding section 4772 of this title, issuance of a corrected bill issued under this section does not extend the time for payment of the original bill, nor relieve the taxpayer of any interest or penalties associated with the original bill. If the corrected bill is less than the original bill, and there are also no unpaid current year taxes, interest or penalties and no past year delinquent taxes or penalties and interest charges, any overpayment shall be reflected on the corrected tax bill and refunded to the taxpayer.

Sec. 18. 32 V.S.A. § 5410(i) is amended to read:

(i) An owner filing a new or corrected declaration, or rescinding an erroneous declaration, after ~~September 1~~ October 15 shall not be entitled to a refund resulting from the correct property classification; and any additional property tax and interest which would result from the correct classification shall not be assessed as tax and interest, but shall instead constitute an additional penalty, to be assessed and collected in the same manner as penalties under subsection (g) of this section. Any change in property classification under this subsection shall not be entered on the grand list.

Sec. 19. 32 V.S.A. § 6066a(f) is amended to read:

(f) Property tax bills.

(1) For taxpayers and amounts stated in the notice to towns on July 1, municipalities shall create and send to taxpayers a homestead property tax bill, instead of the bill required under subdivision 5402(b)(1) of this title,

*providing the total amount allocated to payment of homestead education property tax liabilities and notice of the balance due. Municipalities shall apply the amount allocated under this chapter to current-year property taxes in equal amounts to each of the taxpayers' property tax installments that include education taxes. Notwithstanding section 4772 of this title, if a town issues a corrected bill as a result of the November 1 notice sent by the Commissioner under subsection (a) of this section, issuance of such corrected new bill does not extend the time for payment of the original bill, nor relieve the taxpayer of any interest or penalties associated with the original bill. If the corrected bill is less than the original bill, and there are also no unpaid current year taxes, interest or penalties and no past year delinquent taxes or penalties and interest charges, any overpayment shall be reflected on the corrected tax bill and refunded to the taxpayer.*

*(2) For property tax adjustment amounts for which municipalities receive notice ~~on or~~ after November 1, municipalities shall issue a new homestead property tax bill with notice to the taxpayer of the total amount allocated to payment of homestead property tax liabilities and notice of the balance due.*

*(3) The property tax adjustment amount determined for the taxpayer shall be allocated first to current-year property tax on the homestead parcel, next to current-year homestead parcel penalties and interest, next to any prior*

*year homestead parcel penalties and interest, and last to any prior year property tax on the homestead parcel. No adjustment shall be allocated to a property tax liability for any year after the year for which the claim or refund allocation was filed. No municipal tax-reduction incentive for early payment of taxes shall apply to any amount allocated to the property tax bill under this chapter.*

*(4) If the property tax adjustment amount as described in subsection (e) of this section exceeds the property tax, penalties, and interest, due for the current and all prior years, the municipality shall refund the excess to the taxpayer, without interest, within 20 days of the first date upon which taxes become due and payable or 20 days after notification of the adjustment amount by the Commissioner of Taxes, whichever is later.*

*\* \* \* Meals and Rooms Tax \* \* \**

*Sec. 20. 32 V.S.A. § 9202(10)(D)(ii)(X) is amended to read:*

*(X) purchased with food stamps under the USDA Supplemental Nutrition Assistance Program (SNAP);*

*\* \* \* Property Transfer Tax \* \* \**

*Sec. 21. 32 V.S.A. § 9608(a) is amended to read:*

*(a) Except as to transfers which are exempt pursuant to subdivision 9603(17) of this title, no town clerk shall record, or receive for recording, any deed to which is not attached a properly executed transfer tax return, complete*

*and regular on its face, and a certificate in the form prescribed by the Natural Resources Board and the Commissioner of Taxes ~~signed under oath by the seller or the seller's legal representative,~~ that the conveyance of the real property and any development thereon by the seller is in compliance with or exempt from the provisions of 10 V.S.A. chapter 151. The certificate shall indicate whether or not the conveyance creates the partition or division of land. If the conveyance creates a partition or division of land, there shall be appended the current "Act 250 Disclosure Statement," required by 10 V.S.A. § 6007. A town clerk who violates this section shall be fined \$50.00 for the first such offense and \$100.00 for each subsequent offense. A person who purposely or knowingly falsifies any statement contained in the certificate required is punishable by fine of not more than \$500.00 or imprisonment for not more than one year, or both.*

*\* \* \* Non-Education Financing Policy and Revenue Provisions \* \* \**

*\* \* \* Tax on Distilled Spirits \* \* \**

*Sec. 22. 7 V.S.A. § 422 is amended to read:*

*§ 422. TAX ON SPIRITUOUS LIQUOR*

*(a) A tax is assessed on the gross revenue on the retail sale of spirituous liquor in the State of Vermont, including fortified wine, sold by the Liquor Control Board or sold by a manufacturer or rectifier of spirituous liquor in accordance with the provisions of this title. The tax shall be at the following*

*rates based on the gross revenue of the retail sales by the seller in the current year:*

*(1) if the gross revenue of the seller is ~~\$150,000.00~~ \$500,000.00 or lower, the rate of tax is five percent;*

*(2) if the gross revenue of the seller is between ~~\$150,000.00~~ and ~~\$250,000.00~~, the rate of tax is ~~\$7,500.00~~ plus ~~15 percent~~ of gross revenues ~~over \$150,000.00~~ \$500,000.00 and \$750,000.00, the rate of the tax is \$25,000.00 plus 10 percent of the gross revenues over \$500,000.00;*

*(3) if the gross revenue of the seller is over ~~\$250,000.00~~ \$750,000.00, the rate of tax is 25 percent.*

*(b) The retail sales of spirituous liquor made by a manufacturer or rectifier at a fourth class or farmers' market license location shall be included in the gross revenue of a seller under this section, but only to the extent that the sales are of the manufacturer's or rectifier's own products, and not products purchased from other manufacturers and rectifiers.*

*\* \* \* Employer Assessment \* \* \**

*Sec. 23. 21 V.S.A. § 2001 is amended to read:*

*§ 2001. PURPOSE*

*For the purpose of more equitably distributing the costs of health care to uninsured residents of this ~~state~~ State, an employers' health care fund contribution is established to provide a fair and reasonable method for sharing*

*health care costs with employers who do not offer their employees health care coverage and employers who offer insurance but whose employees enroll in Medicaid.*

*Sec. 24. 21 V.S.A. § 2002 is amended to read:*

*§ 2002. DEFINITIONS*

*As used in this chapter:*

*\* \* \**

*(5) “Uncovered employee” means:*

*(A) an employee of an employer who does not offer to pay any part of the cost of health care coverage for its employees;*

*(B) an employee who is not eligible for health care coverage offered by an employer to any other employees; or*

*(C) an employee who is offered and is eligible for coverage by the employer but elects not to accept the coverage and ~~either~~:*

*(i) is enrolled in Medicaid;*

*(ii) has no other health care coverage under either a private or public plan except Medicaid; or*

*~~(ii)~~(iii) has purchased health insurance coverage as an individual through the Vermont Health Benefit Exchange.*

*\* \* \**

*Sec. 25. 21 V.S.A. § 2003(b) is amended to read:*



~~(b) For any quarter in fiscal years 2007 and 2008 the third and fourth quarters of calendar year 2014, the amount of the Health Care Fund contribution shall be \$91.25 \$133.30 for each full-time equivalent employee in excess of eight four. For each fiscal calendar year after fiscal year 2008, the number of excluded full-time equivalent employees shall be adjusted in accordance with subsection (a) of this section, and calendar year 2014, the amount of the Health Care Fund contribution shall be adjusted by a percentage equal to any percentage change in premiums for the second lowest cost silver-level plan in the Vermont Health Benefit Exchange.~~

\* \* \* Solar Capacity Tax \* \* \*

Sec. 26. 32 V.S.A. § 3802(17) is amended to read:

~~(17) Real and personal property, except land, composing a renewable energy plant generating electricity from solar power, ~~to the extent the plant is exempt from taxation under chapter 215 of this title~~ which has a plant capacity of less than 50 kW and is either:~~

~~(A) operated on a net-metered system; or~~

~~(B) not connected to the electric grid and provides power only on the property on which the plant is located.~~

Sec. 27. 32 V.S.A. § 3481(1)(D) is added to read:

~~(D)(i) For real and personal property comprising a renewable energy plant generating electricity from solar power, except land and property~~

that is exempt under subdivision 3802(17) of this title, the appraisal value shall be determined by an income capitalization or discounted cash flow approach that includes the following:

(I) an appraisal model identified and published by the Director employing appraisal industry standards and inputs;

(II) a discount rate determined and published annually by the Director;

(III) the appraisal value shall be 70 percent of the value calculated using the model published by the Director based on an expected 25-year project life and shall be set in the grand list next lodged after the plant is commissioned and each subsequent grand list for the lesser of the remaining life of the project or 25 years;

(IV) for the purposes of calculating appraisal value for net metered systems receiving a credit specified in 30 V.S.A. § 219a (h)(1)(k), the model used to calculate value will not incorporate a factor for electricity rate escalation; and

(V) for plants operating as a net-metered system as described in 30 V.S.A. § 219a with a capacity of 50 kW or greater, the plant capacity used to determine value in the model shall be reduced by 50 kW and the appraisal value shall be calculated only on additional capacity in excess of 50 kW.

(ii) The owner of a project shall respond to a request for information from the municipal assessing officials by returning the information sheet describing the project in the form specified by the Director not later than 45 days after the request for information is sent to the owner. If the owner does not provide a complete and timely response, the municipality shall determine the appraisal value using the published model and the best estimates of the inputs to the model available to the municipality at the time, and the provisions of section 4006 of this title shall apply to the information form in the same manner as if the information form were an inventory as described in that section. Nothing in this subdivision (1) shall affect the availability of the exemption set forth in the provisions of section 3845 of this title or availability of a contract under the provisions of 24 V.S.A. § 2741.

Sec. 28. 32 V.S.A. § 3845 is amended to read:

§ 3845. ALTERNATE RENEWABLE ENERGY SOURCES

(a) At an annual or special meeting warned for that purpose, a town may, by a majority vote of those present and voting, exempt ~~alternate~~ renewable energy sources, as defined herein, from real and personal property taxation. Such exemption shall first be applicable against the grand list of the year in which the vote is taken and shall continue until voted otherwise, in the same manner, by the town.

~~(b) For the purposes of As used in this section, alternate renewable energy sources includes any plant, structure or facility used for the generation of electricity or production of shall have the same meaning as in 30 V.S.A. § 8002(17) for energy used on the premises for private, domestic, or agricultural purposes, no part of which may be for sale or exchange to the public. The term shall include, but not be limited to grist mills, windmills, facilities for the collection of solar energy or the conversion of organic matter to methane, net metering net-metering systems regulated by the Public Service Board under 30 V.S.A. § 219a, and all component parts thereof including, but excluding land upon which the facility is located, not to exceed one-half acre.~~

Sec. 29. 32 V.S.A. § 8701(c) is amended to read:

~~(c) A renewable energy plant that generates electricity from solar power shall be exempt from taxation under this section if it has a plant capacity equal to or less than 10 kW less than 50kW.~~

Sec. 30. 2012 Acts and Resolves No. 127, Sec. 4 is amended to read:

Sec. 4. ~~PROSPECTIVE REPEAL; REPORT~~

~~32 V.S.A. §§ 8701(c) and 3802(17) (exemptions for small renewable energy plants) shall be repealed on January 1, 2023. By January 15, 2021, the department of taxes Department of Taxes shall report to the senate committees on finance and on natural resources and energy and the house committees on ways and means and on natural resources and energy Senate Committees on~~

Finance and on Natural Resources and Energy and the House Committees on Ways and Means and on Natural Resources and Energy with a recommendation on whether the exemptions in 32 V.S.A. §§ 8701(c) and 3802(17) should be retained or allowed to be repealed and whether the rate of tax in 32 V.S.A. § 8701(b) should be altered.

*\* \* \* Taxpayer Delinquencies \* \* \**

*Sec. 31. 32 V.S.A. § 3102(m) is added to read:*

*(m) Notwithstanding any other provision of law, the Commissioner may publish the names, addresses, and amounts of tax liability for the 100 individual taxpayers and 100 business taxpayers with the greatest unresolved tax liability under this title. The Commissioner shall send a notice of intent to publish a taxpayer's name, tax liability, and address to the taxpayer before publication. A taxpayer's information may only be published pursuant to this subsection if he or she has been delinquent for more than 90 days after the end of any applicable administrative appeal periods.*

*\* \* \* Valuation of Natural Gas and Petroleum Infrastructure \* \* \**

*Sec. 32. 32 V.S.A. § 3621 is added to read:*

*§ 3621. PETROLEUM AND NATURAL GAS INFRASTRUCTURE*

*For purposes of the statewide education property tax in chapter 135 of this title, the Director shall determine the appraised value of all property and fixtures composing and underlying a petroleum or natural gas facility,*

petroleum or natural gas transmission line, or petroleum or natural gas distribution line located entirely within this State. The Director shall value such property at its fair market value, an assessment it shall reach by the cost approach to value by employing an actual cost-based methodology, adjusting that actual cost using a cost factor from industry-specific inflation indexes, and depreciating the resulting present cost using a depreciation schedule based on the property's estimated remaining life; provided, however, that after the property has been depreciated to 30 percent of its present cost or less, exclusive of salvage value, the property shall be appraised at 30 percent of its cost. The Director shall inform the local assessing officials of his or her appraised value under this section on or before May 1 of each year, and the local assessing officials shall use the Director's appraised value for purposes of assessing and collecting the statewide education property tax under chapter 135 of this title.

*\* \* \* Income Taxes \* \* \**

*Sec. 33. 32 V.S.A. § 5870 is amended to read:*

*§ 5870. REPORTING USE TAX ON INDIVIDUAL INCOME TAX*

*RETURNS*

*The Commissioner of Taxes shall provide that individuals report use tax on their State individual income tax returns. Taxpayers are required to attest to the amount of their use tax liability under chapter 233 of this title for the*

*period of the tax return. Alternatively, they may elect to report an amount that is ~~0.08~~ 0.10 percent of their Vermont adjusted gross income, as shown on a table published by the Commissioner of Taxes; and use tax liability arising from the purchase of each item with a purchase price in excess of \$1,000.00 shall be added to the table amount.*

*\* \* \* Wood Products Manufacturer's Study \* \* \**

*Sec. 34. WOOD PRODUCT MANUFACTURE STUDY*

*The Secretary of Commerce and Community Development, in consultation with the Department of Taxes, shall study and recommend economic and tax incentives to ensure wood products manufacturers remain in Vermont, and that they thrive in Vermont. The Secretary shall report his or her findings and recommendations to the Senate Committee on Finance and the House Committee on Ways and Means on or before January 15, 2015.*

*\* \* \* Downtown and Village Center Tax Credits \* \* \**

*Sec. 35. 32 V.S.A. § 5930ee(1) is amended to read:*

*(1) The total amount of tax credits awarded annually, together with sales tax reallocated under section 9819 of this title, does not exceed ~~\$1,700,000.00~~ \$2,200,000.00.*

*Sec. 36. 32 V.S.A. § 9741(39) is amended to read:*

*(39) Sales of building materials within any three consecutive years~~;~~*

~~(i) in excess of one million dollars in purchase value, which may be reduced to \$250,000.00 in purchase value upon approval of the Vermont Economic Progress Council pursuant to section 5930a of this title, used in the construction, renovation, or expansion of facilities which are used exclusively, except for isolated or occasional uses, for the manufacture of tangible personal property for sale; or~~

~~(ii) in excess of \$250,000.00 in purchase value incorporated into a downtown redevelopment project as defined by rule by the Commissioner of Housing and Community Affairs; provided that the municipality is not receiving an allocation of sales tax receipts pursuant to section 9819 of this title.~~

\* \* \*

\* \* \* *Research and Development Expense* \* \* \*

Sec. 37. 32 V.S.A. § 5930ii is amended to read:

§ 5930ii. *RESEARCH AND DEVELOPMENT TAX CREDIT*

(a) A taxpayer of this State shall be eligible for a credit against the tax imposed under this chapter in an amount equal to ~~30~~ 27 percent of the amount of the federal tax credit allowed in the taxable year for eligible research and development expenditures under 26 U.S.C. § 41(a) and which are made within this State.



*(b) Any unused credit available under subsection (a) of this section may be carried forward for up to 10 years.*

*(c) Each year, on or before January 15, the Department of Taxes shall publish a list containing the names of the taxpayers who have claimed a credit under this section during the most recent completed calendar year.*

*\* \* \* Tobacco \* \* \**

*Sec. 38. 32 V.S.A. § 7771(d) is amended to read:*

*(d) The tax imposed under this section shall be at the rate of ~~131~~ 137.5 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. 39. 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 other tobacco products, snuff, and new smokeless tobacco possessed in the State of Vermont by any person for sale on and after July 1, 1959 which were imported into the State or manufactured in the State after that date, except that no tax shall be imposed on tobacco products sold under such circumstances that this 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. The tax is intended to be imposed only once upon the wholesale sale of any other 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~~ \$2.29 per ounce, or fractional part thereof, new smokeless tobacco, which shall be taxed at the greater of ~~\$1.87~~ \$2.29 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~~ \$2.75 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 other tobacco products, snuff, and new smokeless tobacco within the State are subject to tax until the contrary is established and the burden of proof that any other tobacco products, snuff, and new smokeless tobacco are not taxable hereunder shall be upon the person in possession thereof. Licensed wholesalers of other tobacco products, snuff, and new smokeless tobacco shall state on the invoice whether the price includes the Vermont tobacco products tax.*

*Sec. 40. 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~~ retail dealer of snuff in this 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~~ retail dealer at 12:01 a.m. ~~effective~~ on July 1, ~~2006~~ 2014, but shall not apply to ~~retailers~~ retail dealers who hold less than \$500.00 in wholesale value of such snuff. Each ~~retailer~~ retail dealer subject to the tax shall, on or before July 25, ~~2006~~ 2014, file a report to the Commissioner in such form as the Commissioner may prescribe showing the snuff on hand at 12:01 a.m. ~~effective~~ on July 1, ~~2006~~ 2014, and the amount of tax due thereon. The tax imposed by this section shall be due and payable on or before August 25, ~~2006~~ 2014, 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~~ retail dealer 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 who is either a wholesaler, or a retailer who at 12:01 a.m. on July 1, ~~2011~~ 2014, 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~~ retail dealer at 12:01 a.m. on July 1, ~~2011~~ 2014, and on which cigarette stamps have been affixed before July 1, ~~2011~~ 2014. 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~~ 2014, and not yet affixed to a cigarette package, and the tax shall be at the rate of ~~\$0.38~~ \$0.13 per stamp. Each wholesaler and ~~retailer~~ retail dealer subject to the tax shall, on or before July 25, ~~2011~~ 2014, file a report to the Commissioner in such form as the 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~~ 2014, and the amount of tax due thereon. The tax imposed by this section shall be due and payable on or before July 25, ~~2011~~ 2014, 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~~ retail dealer 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.*

*\* \* \* Sales and Use Tax – Contractors \* \* \**

*Sec. 41. 32 V.S.A. § 9701 is amended to read:*

*§ 9701. DEFINITIONS*

*Unless the context in which they occur requires otherwise, the following terms when used in this chapter mean:*

*\* \* \**

*(5) Retail sale or sold at retail: means any sale, lease, or rental for any purpose other than for resale, sublease, or subrent, including sales to contractors, subcontractors, or repair persons of materials and supplies for use by them in erecting structures or otherwise improving, altering, or repairing real property.*

*Sec. 42. 32 V.S.A. § 9771 is amended to read:*

*§ 9771. IMPOSITION OF SALES TAX*

*Except as otherwise provided in this chapter, there is imposed a tax on retail sales in this State. The tax shall be paid at the rate of six percent of the sales price charged for but in no case shall any one transaction be taxed under more than one of the following:*

*(1) Tangible personal property, including property used to improve, alter or repair the real property of others by a manufacturer or any person who is primarily engaged in the business of making retail sales of tangible personal property.*

\* \* \*

*Sec. 43. 32 V.S.A. § 9745 is amended to read:*

*§ 9745. CERTIFICATE OR AFFIDAVIT OF EXEMPTION; DIRECT PAYMENT PERMIT*

*(a) Certificate or affidavit of exemption. The Commissioner may require that a vendor obtain an exemption certificate, which may be an electronic filing, with respect to the following sales: sales for resale; sales to organizations that are exempt under section 9743 of this title; and sales that qualify for a use-based exemption under section 9741 of this title. Acceptance of an exemption certificate containing such information as the Commissioner may prescribe shall satisfy the vendor's burden under subsection 9813(a) of this title of proving that the transaction is not taxable. A vendor's failure to possess an exemption certificate at the time of sale shall be presumptive evidence that the sale is taxable.*

*(b) Direct payment permit. The Commissioner may, in his or her discretion, authorize a purchaser, who acquires tangible personal property or services under circumstances which make it impossible at the time of*

*acquisition to determine the manner in which the tangible personal property or services will be used, to pay the tax directly to the Commissioner and waive the collection of the tax by the vendor through the issuance of a direct payment permit. ~~The Commissioner shall authorize any~~ Any contractor, subcontractor, or repairman who acquires tangible personal property consisting of materials and supplies for use by him or her in erecting structures for others, or building on, or otherwise improving, altering, or repairing real property of others, may apply for a direct payment permit to pay the tax directly to the Commissioner and waive the collection of the tax by the vendor. No such authority shall be granted or exercised except upon application to the Commissioner and the issuance by the Commissioner of a direct payment permit. If a direct payment permit is granted, its use shall be subject to conditions specified by the Commissioner and the payment of tax on all acquisitions pursuant to the permit shall be made directly to the Commissioner by the permit holder.*

*\* \* \* Sales and Use Tax – Compost \* \* \**

*Sec. 44. 32 V.S.A. § 9701(48)–(52) are added to read:*

*(48) Compost: means a stable humus-like material produced by the controlled biological decomposition of organic matter through active management, but does not mean sewage, septage, or materials derived from sewage or septage.*

(49) Manipulated animal manure: means manure that is ground, pelletized, mechanically dried, or consists of separated solids.

(50) Perlite: means a lightweight granular material made of volcanic material expanded by heat treatment for use in growing media.

(51) Planting mix: means material that is:

(A) used in the production of plants; and

(B) made substantially from compost, peat moss, or coir and other ingredients that contribute to fertility and porosity, including perlite, vermiculite, and other similar materials.

(52) Vermiculite: means a lightweight mica product expanded by heat treatment for use in growing media.

Sec. 45. 32 V.S.A. § 9706(jj) is added to read:

(jj) The statutory purpose of the exemptions for composting materials, compost, animal manure, manipulated animal manure, and planting mix in 32 V.S.A. § 9741(49) and (50) is to support the composting industry, and to further the goals of 2012 Acts and Resolves No. 148.

Sec. 46. 32 V.S.A. § 9741 is amended to read:

§ 9741. SALES NOT COVERED

*Retail sales and use of the following shall be exempt from the tax on retail sales imposed under section 9771 of this title and the use tax imposed under section 9773 of this title.*



\* \* \*

(49) Clean high carbon bulking agents, as that term is used in the Agency of Natural Resources' Solid Waste Management Rules, used for commercial or on-farm composting, and food residuals used for commercial or on-farm composting or on-farm energy production;

(50) Compost, animal manure, manipulated animal manure, and planting mix when any of these items are sold in bulk. As used in this subsection, the term "sold in bulk" shall mean sold in a form that is not prepackaged, or sold in a packaged form in volumes greater than one cubic yard.

\* \* \* Use Tax – Telecommunication Services \* \* \*

Sec. 47. 32 V.S.A. § 9773 is amended to read:

§ 9773. IMPOSITION OF COMPENSATING USE TAX

Unless property or telecommunications service has already been or will be subject to the sales tax under this chapter, there is imposed on every person a use tax at the rate of six percent for the use within this State, except as otherwise exempted under this chapter:

(1) ~~Of~~ of any tangible personal property purchased at retail;

(2) ~~Of~~ of any tangible personal property manufactured, processed, or assembled by the user, if items of the same kind of tangible personal property are offered for sale by him or her in the regular course of business, but the

*mere storage, keeping, retention, or withdrawal from storage of tangible personal property or the use for demonstrational or instructional purposes of tangible personal property by the person who manufactured, processed or assembled such property shall not be deemed a taxable use by him or her; and for purposes of this section only, the sale of electrical power generated by the taxpayer shall not be considered a sale by him or her in the regular course of business if at least 60 percent of the electrical power generated annually by the taxpayer is used by the taxpayer in his or her trade or business;*

*(3) ~~Of~~ of any tangible personal property, however acquired, where not acquired for purposes of resale, upon which any taxable services described in subdivision 9771(3) of this title have been performed; ~~and~~*

*(4) ~~Specified~~ specified digital products transferred electronically to an end user; and*

*(5) telecommunications service except coin-operated telephone service, private telephone service, paging service, private communications service, or value-added non-voice data service.*

*\* \* \* Propane Canisters \* \* \**

*Sec. 48. 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:*

*(1) heating oil, propane, kerosene, and other dyed diesel fuel delivered to a residence or business;*

*(2) ~~propane~~;*

*(~~3~~) natural gas;*

*(~~4~~)(3) electricity;*

*(~~5~~)(4) coal.*

\* \* \*

*Sec. 49. 32 V.S.A. § 9741(26) is amended to read:*

*(26) Sales of electricity, oil, gas, and other fuels used in a residence for all domestic use, including heating, but not including fuel sold at retail in free-standing containers, or sold as part of a transaction where a free-standing container is exchanged without a separate charge. The Commissioner shall by rule determine that portion of the sales attributable to domestic use where fuels are used for purposes in addition to domestic use.*

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

*Sec. 50. FISCAL YEAR 2015 EDUCATION PROPERTY TAX RATES*

*AND APPLICABLE PERCENTAGE*

*(a) For fiscal year 2015 only, the education property tax imposed under 32 V.S.A. § 5402(a) shall be reduced from the rates of \$1.59 and \$1.10 and shall instead be at the following rates:*

(1) the tax rate for nonresidential property shall be \$1.515 per \$100.00; and

(2) the tax rate for homestead property shall be \$0.98 multiplied by the district spending adjustment for the municipality per \$100.00 of equalized property value as most recently determined under 32 V.S.A. § 5405.

(b) For claims filed in 2014 only, “applicable percentage” in 32 V.S.A. § 6066(a)(2) shall be reduced from 2.0 percent and instead shall be 1.80 percent multiplied by the fiscal year 2015 district spending adjustment for the municipality in which the homestead residence is located; but in no event shall the applicable percentage be less than 1.80 percent.

*Sec. 51. FISCAL YEAR 2015 BASE EDUCATION AMOUNT*

As provided in 16 V.S.A. § 4011(b), the base education amount for fiscal year 2015 shall be \$9,285.00.

*\* \* \* Applicable Percentage \* \* \**

*Sec. 52. 32 V.S.A. § 5402b(b) is amended to read:*

*(b) If the Commissioner makes a recommendation to the General Assembly to adjust the education tax rates under section 5402 of this title, the Commissioner shall also recommend a proportional adjustment to the applicable percentage base for homestead income based adjustments under section 6066 of this title, but the applicable percentage base shall not be adjusted below ~~1.8~~ 1.94 percent.*

*\* \* \* Increase in Average Daily Membership \* \* \**

*Sec. 53. 16 V.S.A. § 4010(b) is amended to read:*

*(b) The ~~commissioner~~ Secretary shall determine the long-term membership for each school district for each student group described in subsection (a) of this section. The ~~commissioner~~ Secretary shall use the actual average daily membership over two consecutive years, the latter of which is the current school year. ~~If, however, in one year, the actual average daily membership of kindergarten through 12th grade increases by at least 20 students over the previous year, the commissioner shall compute the long-term membership by adding 80 percent of the actual increase, to a maximum increase of 45 equalized pupils.~~*

*\* \* \* Shared Equity \* \* \**

*Sec. 54. 32 V.S.A. § 3481 is amended to read:*

*§ 3481. DEFINITIONS*

*The following definitions shall apply in this Part and chapter 101 of this title, pertaining to the listing of property for taxation:*

*(1)(A) “Appraisal value” shall mean, with respect to property enrolled in a use value appraisal program, the use value appraisal as defined in subdivision 3752(12) of this title, multiplied by the common level of appraisal, and with respect to all other property, except for owner-occupied housing identified in subdivision (C) of this subdivision (1), the estimated fair market*

*value. The estimated fair market value of a property is the price ~~which~~ that the property will bring in the market when offered for sale and purchased by another, taking into consideration all the elements of the availability of the property, its use both potential and prospective, any functional deficiencies, and all other elements such as age and condition which combine to give property a market value. Those elements shall include ~~a consideration of a decrease in value in nonrental residential property due to a housing subsidy covenant as defined in 27 V.S.A. § 610, or the effect of any state~~ State or local law or regulation affecting the use of land, including 10 V.S.A. chapter 151 or any land capability plan established in furtherance or implementation thereof, rules adopted by the State Board of Health and any local or regional zoning ordinances or development plans. In determining estimated fair market value, the sale price of the property in question is one element to consider, but is not solely determinative.*

\* \* \*

*(C) For owner-occupied housing that is subject to a housing subsidy covenant, as defined in 27 V.S.A. § 610, imposed by a governmental, quasi-governmental, or public purpose entity, that limits the price for which the property may be sold, the housing subsidy covenant shall be deemed to cause a material decrease in the value of the owner-occupied housing, and the appraisal value means not less than 60 and not more than 70 percent of what*

the fair market value of the property would be if it were not subject to the housing subsidy covenant. Every five years, starting in 2019, the Commissioner of Taxes, in consultation with the Vermont Housing Conservation Board, shall report to the General Assembly on whether the percentage of appraised valued used in this subdivision should be altered, and the reasons for his or her determination.

(2) "Listed value" shall be an amount equal to 100 percent of the appraisal value. The ratio shall be the same for both real and personal property.

\* \* \* *Property Tax Exemptions* \* \* \*

Sec. 55. 32 V.S.A. § 3832(7) is amended to read:

(7) Real and personal property of an organization when the property is used primarily for health or recreational purposes, unless the town or municipality in which the property is located so votes at any regular or special meeting duly warned therefor, and except for the following types of property;

(A) buildings and land owned and occupied by a health, recreation, and fitness organization which is:

(i) exempt from taxation under 26 U.S.C. § 501(c)(3),

(ii) used its income entirely for its exempt purpose, and

(iii) promotes exercise and healthy lifestyles for the community

and serve citizens of all income levels;

(B) real and personal property operated as a skating rink, owned and operated on a nonprofit basis, but not necessarily by the same entity, and which, in the most recent calendar year, provided facilities to local public schools for a sport officially recognized by the Vermont Principals' Association.

Sec. 56. 32 V.S.A. § 3839 is added to read:

§ 3839. MUNICIPALLY OWNED LAKESHORE PROPERTY

(a) Notwithstanding section 3659 of this title, a town may vote to exempt from its municipal taxes, in whole or in part, any parcel of land, but not buildings, that provides public access to public waters, as defined in 10 V.S.A. § 1422(6), and that is also:

(1) owned by the Town of Hardwick, and located in Greensboro, Vermont; or

(2) owned by the Town of Thetford, and located in Fairlee and West Fairlee, Vermont.

(b) An exemption voted by a town under subsection (a) of this section shall be for up to ten years. Upon the expiration of the exemption, a town may vote additional periods of exemption not exceeding five years each.

Sec. 57. 32 V.S.A. § 5401(10)(K) is added to read:

(K) Any parcel of land, but not buildings, that provides public access to public waters, as defined in 10 V.S.A. § 1422(6), and that is also:



(i) owned by the Town of Hardwick, and located in Greensboro,  
Vermont; or

(ii) owned by the Town of Thetford, and located in Fairlee and West  
Fairlee, Vermont.

*\*\*\* Occupancy of a Homestead \*\*\**

Sec. 58. 32 V.S.A. § 5401(7) is amended to read:

(7) "Homestead":

(A) "Homestead" means the principal dwelling and parcel of land surrounding the dwelling, owned ~~and occupied~~ by a resident individual on April 1 and occupied as the individual's domicile for a minimum of 183 days out of the calendar year, or for purposes of the renter property tax adjustment under subsection 6066(b) of this title, rented and occupied by a resident individual as the individual's domicile.

*\*\*\**

(H) A homestead does not include any portion of a dwelling that is rented and a dwelling is not a homestead for any portion of the year in which it is rented.

*\*\*\**

*\*\*\* Excess Spending Anchor \*\*\**

Sec. 59. 32 V.S.A. § 5401(12) is amended to read:

(12) "Excess spending" means:

(A) *the per-equalized-pupil amount of the district's education spending, as defined in 16 V.S.A. § 4001(6), plus any amount required to be added from a Capital Construction Reserve Fund under 24 V.S.A. § 2804(b);*

(B) *in excess of 123 percent of the statewide average district education spending per equalized pupil ~~in the prior fiscal year~~ increased by inflation, as determined by the Secretary of Education on or before November 15 of each year based on the passed budgets to date. As used in this subdivision, "increased by inflation" means increasing the statewide average district education spending per equalized pupil for fiscal year 2014 by the most recent New England Economic Project cumulative price index, as of November 15, for state and local government purchases of goods and services, from fiscal year 2014 through the fiscal year for which the amount is being determined.*

*Sec. 60. 2013 Acts and Resolves No. 60, Sec. 2 is amended to read:*

*Sec. 2. 32 V.S.A. § 5401(12) is amended to read:*

*(12) "Excess spending" means:*

(A) *the per-equalized-pupil amount of the district's education spending, as defined in 16 V.S.A. § 4001(6), plus any amount required to be added from a Capital Construction Reserve Fund under 24 V.S.A. § 2804(b);*

(B) *in excess of ~~123~~ 121 percent of the statewide average district education spending per equalized pupil increased by inflation, as determined by the Secretary of Education on or before November 15 of each year based on*

*the passed budgets to date. As used in this subdivision, "increased by inflation" means increasing the statewide average district education spending per equalized pupil for fiscal year 2014 by the most recent New England Economic Project cumulative price index, as of November 15, for state and local government purchases of goods and services, from fiscal year 2014 through the fiscal year for which the amount is being determined.*

*\* \* \* Electrical Generating Plants \* \* \**

*Sec. 61. 32 V.S.A. § 5402(d) is amended to read:*

*(d) A municipality which has upon its grand list an operating electric generating plant subject to the tax under ~~section 5402a of this chapter~~ chapter 213 of this title shall be subject to the nonresidential education property tax at three-quarters of the rate provided in subdivision (a)(1) of this section, as adjusted under section 5402b of this chapter; and shall be subject to the homestead education property tax at three-quarters of the base rate provided in subdivision (a)(2) of this section, as adjusted under section 5402b of this chapter, and multiplied by its district spending adjustment.*

*Sec. 62. EDUCATION TAXES IN VERNON*

*Notwithstanding any other provision of law, for the purposes of 32 V.S.A. § 5402(d), the town of Vernon shall continue to be treated as if its grand list included an operating electric generating plant subject to the tax under*

32 V.S.A. chapter 213 until the end of fiscal year 2018, and shall be taxed as follows:

(1) for fiscal year 2017, the town of Vernon shall be subject to the nonresidential education property tax and the homestead education property tax at 83 percent of the rate as calculated under 32 V.S.A. § 5402(a);

(2) for fiscal year 2018, the town of Vernon shall be subject to the nonresidential education property tax and the homestead education property tax at 91 percent of the rate as calculated under 32 V.S.A. § 5402(a); and

(3) for fiscal year 2019 and after, the town of Vernon shall be subject to the nonresidential education property tax and the homestead education property tax at 100 percent of the rate as calculated under 32 V.S.A. § 5402(a).

*\* \* \* Renter Rebate \* \* \**

**Sec. 63. RENTER REBATE REPORT**

The Vermont Housing Council, with the assistance of the Department of Taxes, the Joint Fiscal Office, and the Agency of Commerce and Community Development, shall report to the Senate Committee on Finance and House Committee on Ways and Means with recommendations on how to develop programs to assist renters in lieu of the current renter rebate program at 32 V.S.A. § 6066(b), as well as recommendations to make the existing program more effective. Proposals shall address how best to deliver property tax relief

to low income renters. For purposes of the report, the Vermont Housing Council shall be joined by a representative from the Vermont Low Income Advocacy Council, the Vermont Community Action Directors' Association, and the Vermont Affordable Housing Coalition. The report shall consider the current benefits to renters from the renter rebate program, and propose alternative programs that also benefit low-income renters. Any alternative proposals shall have approximately the same eligibility parameters as the current renter rebate program, shall be structured to deliver comparable results, and shall take into account the portion of rent paid by renters that is attributable to property taxes. The report shall be due on or before January 15, 2015.

*\* \* \* Income Sensitivity Slope; Housesite Value \* \* \**

*Sec. 64. 32 V.S.A. § 6066(a) is amended to read:*

*(a) An eligible claimant who owned the homestead on April 1 of the year in which the claim is filed shall be entitled to an adjustment amount determined as follows:*

*(1)(A) For a claimant with household income of \$90,000.00 or more:*

*(i) the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year;*

*(ii) minus (if less) the sum of:*

*(I) the applicable percentage of household income for the taxable year; plus*

*(II) the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year in excess of ~~\$200,000.00~~ \$250,000.00.*

\* \* \*

*Sec. 65. TAX APPEALS REPORT*

*The Department of Taxes, the Vermont League of Cities and Towns, and the Vermont Assessors and Listers Association shall jointly analyze and report to the General Assembly, on or before January 15, 2015, on the following issues:*

*(1) the process by which towns are compensated for a reduction in listed value under 32 V.S.A. § 5412, with suggestions about how to make that process more equitable to towns; and*

*(2) the current costs to towns of defending property tax valuations that benefit the Education Fund, with suggestions for making the defense of property tax valuations more equitable to towns.*

*Sec. 66. APPROPRIATION TO EDUCATION FUND*

*There shall be transferred from the Supplemental Property Tax Relief Fund a sum of \$3,000,000.00 to the Education Fund.*

*Sec. 67. TUITION REPORT*

(a) The Agency of Education shall report to the General Assembly on the current system of setting, paying, and receiving school tuition in Vermont. The report shall be submitted to the General Assembly on or before January 15, 2015.

(b) The report shall review:

(1) the historic practices of Vermont school districts in paying tuition to other schools;

(2) the current law and practices for establishing tuition rates, including how tuition is paid to different categories of schools inside Vermont and outside Vermont, and how Vermont schools set, receive, and use tuition from schools outside the State.

(c) The report shall examine the following issues:

(1) the impact, if any, of tuition rates and practices on the Education Fund;

(2) any effects that would result from establishing a uniform tuition rate to be paid for different categories of schools, both within and outside Vermont;

(3) the impact, if any, of tuition payments on the number of students enrolled in Vermont schools.

Sec. 68. 16 V.S.A. § 4028(d) is added to read:

(d) Notwithstanding 32 V.S.A. § 502(b)(2), the Joint Fiscal Office shall prepare a fiscal note for any legislation that requires a supervisory union or

school district to perform any action with an associated cost, but does not provide money or a funding mechanism for fulfilling that obligation. Any fiscal note prepared under this subsection shall be completed no later than the date that the legislation is considered for a vote in the first committee to which it is referred.

*\*\*\* Repeal \*\*\**

*Sec. 69. REPEAL*

32 V.S.A. § 3802(18) (municipally owned lakeshore property) is repealed on January 1, 2015.

*\*\*\* Effective Dates \*\*\**

*Sec. 70. EFFECTIVE DATES*

This act shall take effect on passage except:

(1) Secs. 1 (filing requirement), 2 (consolidated returns), and 4 (VEGI) shall take effect retroactively to January 1, 2014 and apply for tax year 2014 and after.

(2) Sec. 3 (Vermont Green Up) shall take effect on January 1, 2015 and apply to returns filed after that date.

(3) Sec. 5 (annual income tax update) shall take effect retroactively to January 1, 2014 and apply to taxable years beginning on and after January 1, 2013.



(4) Sec. 6 (annual estate tax update) shall take effect retroactively to January 1, 2014 and apply to decedents dying on or after January 1, 2013.

(5) Secs. 17 (corrected tax bills due to late filing of declaration), 18 (last date for filing declaration), and 19 (corrected tax bills due to late filing of property tax adjustment claim) shall take effect on July 1, 2014 and apply to property appearing on grand lists lodged in 2014 and after.

(6) Sec. 22 (distilled spirits) shall take effect on July 1, 2014.

(7) Secs. 23–25 (employer assessment) shall take effect on July 1, 2014 and shall apply beginning with the calculation of the Health Care Fund contributions payable in the second quarter of fiscal year 2015, which shall be based on the number of an employer's uncovered employees in the first quarter of fiscal year 2015.

(8) Secs. 26–29 (solar plant exemptions and valuation) and 32 (valuation of natural gas and petroleum infrastructure) shall take effect on January 1, 2015 and apply to property appearing on grand lists lodged in 2015 and after.

(9) Sec. 33 (use tax reporting) shall take effect on January 1, 2015 and apply to tax year 2014 returns and after.

(10) Sec. 35 (downtown credits) shall apply to fiscal year 2015 and after.

(11) Secs. 36 (repeal of sales tax exemption), 38 (cigarettes), 39 (snuff), 40 (floor tax), 41 (definition of sales), 42 (contractors), 43 (certificates of exemption), 44 (definitions), 46 (compost), 47 (telecommunications use tax), 48 (fuel gross receipts tax), and 49 (propane canisters) shall take effect on July 1, 2014.

(12) Sec. 37 (research and development) shall take effect retroactively on January 1, 2014, and shall apply to any claims for credits filed after that date.

(13) Secs. 50 (statewide education tax base rates) and 51 (base education amount) shall take effect on passage and apply to education property tax rates and the base education amount for fiscal year 2015.

(14) Sec. 52 (applicable percentage) shall take effect on July 1, 2014 and apply to the Commissioner's recommendations beginning for fiscal year 2016.

(15) Sec. 53 (increased average daily membership) shall take effect on July 1, 2014 and shall apply to long-term membership calculations for fiscal year 2016 and after.

(16) Secs. 54 (shared equity housing), 55 (health and recreation property), 56 (town voted exemption), and 57 (education property tax exemption) shall take effect on January 1, 2015 and apply to property appearing on grand lists lodged in 2015 and after.

(17) Sec. 58 (occupancy of a homestead) shall take effect on January 1, 2015 and apply to homestead declarations for 2015 and after.

(18) Secs. 59 and 60 (anchoring excess spending) shall take effect on July 1, 2014 and apply to property tax calculations for fiscal year 2016 and after.

(19) Sec. 64 (housesite value) shall take effect on January 1, 2016 and apply to claims filed after that date for fiscal year 2017 and after.