

H.884 -- Miscellaneous Tax Changes
Comparison of bill as Passed the House and Senate
Peter Griffin, Legislative Council
5/5/14

Sec.	As Passed House -- H.884 and H.889 combined	Sec.	As Passed Senate - H.884
	TECHNICAL AND ADMINISTRATIVE CHANGES:		TECHNICAL AND ADMINISTRATIVE CHANGES:
	Income and Estate Tax Changes		Income and Estate Tax Changes
1	Form 1099 - credit card processors. Requires credit card processors to file with the Tax Department within 30 days a copy of the 1099 they file with the IRS to account for payments the credit card processor makes to a merchant.	1	No change.
2	Consolidated returns. Makes an election to file a consolidated return binding for a five-year period.	2	No change.
	Not in bill. But same as H.683 as passed the House.	3	Income tax return checkoff. Creates an income tax checkoff for Vermont Green Up, Inc.
3	VEGI filing requirements. Makes clear that the claim must be filed by the last day of April for the prior year's utilization period and, if the business fails to file a claim, authorization for the incentive may be revoked.	4	No change.
4 & 5	Annual update. Updates reference in statutes to Vermont's links to federal law for the purposes of the income and estate taxes.	5&6	No change.
	Tax increment financing districts		Tax increment financing districts
	Not in bill. But same as Sec. 1, H.873, as passed the House.	7	Burlington TIF. Removes redundant reporting requirement.
	Not in bill. But same as Sec. 2, H.873, as passed the House.	8	Related Costs. Clarifies when related costs may be taken.
	Not in bill. But same as Sec. 3, H.873, as passed the House.	9	Proportionality. Technical correction to change phrase replaced by 2013 Acts and Resolves No. 80.

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	Not in bill. But same as Sec. 4, H.873, as passed the House.	10	Original taxable value. Clarifies the listing practices for calculating original taxable value.
	Not in bill. But same as Sec. 5, H.873, as passed the House.	11	Tax increment. Clarifies who calculates the increment and how it is accounted for at the municipal level.
	Not in bill. But same as Sec. 6, H.873, as passed the House.	12	Information reporting. Clarifies what information must go into an audit report, and the timing of audits.
	Not in bill. But same as Sec. 7, H.873, as passed the House.	13	Rulemaking and enforcement. Technical changes and requires the Secretary's decisions be in writing to municipalities.
	Not in bill. But same as Sec. 8, H.873, as passed the House.	14	Audits. Amends the schedule for audits to harmonize the timing of audits for all districts.
	Property Taxes and Property Tax Adjustments		Property Taxes and Property Tax Adjustments
6	Lister designations. Strikes several specific lister designations that no longer exist and allows the Director more flexibility in designating levels of achievement.	15	No change.
7	Petitions to PVR for redetermination of equalization decisions. Changes the notice date from the day a town receives the notice to the day PVR sends it. Extends filing period by five days.	16	No change.
8	Homestead declarations - time to pay. Clarifies that the issuance of a corrected property tax bill due to a late filing or refile of a homestead declaration does not excuse the taxpayer from paying the original liability. Any overpayment is to be reflected in the corrected bill. Allows the towns the discretion to set penalties of up to three percent or up to eight percent for late or misfiled declarations.	17	Adds language: <u>and there are also no unpaid current year interest or penalties and no past year delinquent taxes or penalties and interest charges.</u>

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9	Homestead declaration - date for refiling. Moves the date for refiling a homestead declaration to October 15 to be consistent with filing for property tax adjustment deadlines.	18	No change.
10	Property tax adjustments - time to pay. Clarifies that the issuance of a corrected property tax bill due to a late filing or refiling of a homestead declaration does not excuse the taxpayer from paying the original liability. Any overpayment is to be reflected in the corrected bill.	19	Adds language: <u>and there are also no unpaid current year interest or penalties and no past year delinquent taxes or penalties and interest charges.</u>
	Meals and Rooms Tax		Meals and Rooms Tax
11	Technical change. Updates the program name for subsidized food benefits.	20	No change.
	Property Transfer Tax		Property Transfer Tax
12	Filing requirements. Removes the signature requirement for returns that accompany deeds for filing by a clerk. Conforms with the removal of signature requirement from underlying return passed in 2012.	21	No change.
	POLICY AND REVENUE CHANGES: NON-EDUCATION FINANCING		POLICY AND REVENUE CHANGES: NON-EDUCATION FINANCING
	Distilled Spirits		Distilled spirits
	Not in bill.	22	Distilled spirits. Changes the brackets on the current graduated tax on distilled spirits. The new gross revenue brackets would be \$0-\$500,000.00 at a 5% tax rate, \$500,000.00-\$750,000.00 at a 10% tax rate, and over \$750,000.00 at a 25% tax rate. Clarifies that manufacturers and rectifiers only pay tax on sales of their own beverages under a fourth-class license.

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	Employer Assessment		Employer Assessment
	Not in bill.	23-24	Coverage. Extends employer assessment to employees who are offered insurance but enroll in Medicaid.
		25	Assessment. Creates a tiered structure for the employer assessment. For employers with less than 50 full time employees, the assessment would be \$119.12 for each uncovered employee. For employers with between 50 and 250 full time employees, the assessment would be \$182.50 for each uncovered employee. For employers with more than 250 full time employees, the assessment would be \$273.75 for each uncovered employee.
	Solar Capacity Tax		Solar Capacity Tax
14	Exemption. Exempts from both the statewide education tax and municipal property taxes solar renewable energy plants with less than a 50 kW capacity that are either net metered or not connected to the power grid.	26	No change.
15	Municipal valuation. Puts in place a statutory process for determining the fair market value of solar renewable energy plants.	27	No change.
16	Municipal exemptions. Updates the language for municipally voted exemptions for renewable energy plants and makes several conforming changes.	28	No change.
17	Capacity tax. Increases the current exemption from the capacity tax from plants with 10kW capacity or greater to plants with less than 50kW capacity.	29	No change.
18	Repeal. Repeals the prospective 2023 repeal of the exemption from the uniform capacity tax for smaller plants.		Removed.

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	Valuation of Natural Gas and Petroleum Infrastructure		Valuation of Natural Gas and Petroleum Infrastructure
	Not in bill.	30	Valuation. For purposes of the statewide education property tax, the Director of PVR shall determine the appraised value of all natural gas or petroleum infrastructure within this State. The Director's valuation shall be on a cost basis, but shall not be depreciated below 30 percent of its cost.
	Wood Products Manufacturer's Credit		Wood Products Manufacturer's Credit
19	Extension. Reenacts and extends until January 1, 2016 the wood manufacturer's tax credit. Changes the percentage of employment required for the percentage from five percent to four percent.		Removed.
20	Study. Requires the Agency of Commerce and Community Development and Department of Taxes to study and recommend economic and tax incentives to ensure wood products manufacturers remain and thrive in Vermont.	30a	No change.
	Income Taxes		Income Taxes
	Not in bill.	31	Use tax reporting. Increases the amount of use tax a taxpayer may elect to report from 0.08 percent of the taxpayer's adjusted gross income to 0.10 percent.
	Not in bill.	32	Medical marijuana dispensaries. Allows medical marijuana dispensaries to take certain expenses against their State income that they cannot take at the federal level.
	Downtown and Village Center Tax Credits		Downtown and Village Center Tax Credits

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21	Limit. Increases the total limit in tax credits available from \$1,700,000 to \$2,200,000.	33	No change.
22	Sales tax exemption. Repeals exemption for purchases in excess of \$250,000.00 for downtown redevelopment projects.	34	No change.
23	Flood-related tax credits. Authorizes a credit of \$88,000 to Latchis Arts for Irene-related damage under 32 V.S.A. § 5930bb.		Move to H.885.
	Research and Development Expenses		Research and Development Expenses
24	Exemption. Reduces the percentage of the federal credit allowed against State income tax from 30% to 24%. Requires Tax Department to identify which taxpayers take the credit.		Removed.
	Estate Taxes		Estate Taxes
	Not in the bill.	35	Taxable base. Changes the definition of the Vermont gross estate to move the Vermont estate tax base to the federal basic exclusion amount and to include federal taxable gifts.
	Not in the bill.	36-37	Tax calculation. Replaces current law dual calculation with a flat estate tax rate of 18 percent.
	Not in the bill.	38	Transition for certain gifts. Allows taxpayers who make taxable gifts between January 1, 2008 and December 31, 2014 to elect to have their estate taxes calculated under current law.
	Tobacco		Tobacco
25	E-cigarettes. Includes e-cigarettes in the definition of “other tobacco products” and taxes them as such.		Removed.

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26	Snuff and new smokeless tobacco. Taxes snuff and new smokeless tobacco on par with cigarettes.	39	No change.
27	Floor tax. Imposes a corresponding floor tax on snuff.	40	No change.
	Sales and Use tax - Contractors		Sales and Use tax - Contractors
	Not in the bill.	41	Definition of sales. Changes definition of retail sales to include sales to contractors of items intended to be affixed to real property.
	Not in the bill.	42	Sales of items used to improve real property. Includes items used to improve real property sold by a manufacturer or retailer in the definition of tangible personal property.
	Not in the bill.	43	Certificates of exemption. Allows contractors to apply for direct payment permits from the Commissioner.
	Sales and Use tax - Compost		Sales and Use tax - Compost
	Same as Sec. 1, H.542, as passed the House	44	Definitions. Creates definitions in law for compost, manipulated animal manure, planting mix, and vermiculite.
	Similar to Sec. 2, H.542, as passed the House. Exempts compost ingredients whether used on a farm or not. Exempts compost, animal manure, manipulated animal manure, and planting mix when sold in volumes of one cubic yard or more, or in an unpackaged form.	45	Exemptions. Exempts certain compost ingredients from the sales and use tax when purchased for an agricultural use. Exempts compost, animal manure, manipulated animal manure, and planting mix when sold in volumes of one cubic yard or more, or in an unpackaged form.
	Sales and Use tax - Telecommunications		Sales and Use tax - Telecommunications
28	Telecommunications services. Change would have the effect of imposing the use tax on telecommunications services.	46	No change.

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	Propane canisters		Propane canisters
29	Canisters. Clarifies that propane sold in free-standing canisters is not subject to the fuel gross receipts tax.	47	No change.
30	Sales tax. Makes propane sold in free-standing containers subject to the sales tax.	48	No change.
	Local Option Taxes		Local Option Taxes
	Not in Bill.	48a	All towns. Allows any town to vote to adopt a local option tax on sales, meals and alcohol, or rooms.
	Dispatch fees		Dispatch fees
31	Dispatch fees. Requires the Commissioner of Public Safety to propose specific fee schedules for dispatch services by January 1, 2015, but reserves to the General Assembly the power to set the fees		Moved to Fee Bill, in Senate Proposal of Amendment to H.735.
	POLICY AND REVENUE CHANGES: EDUCATION FINANCING		POLICY AND REVENUE CHANGES: EDUCATION FINANCING
	Statewide Education Property Tax Rates, Base Education Amount, and Applicable Percentage		Statewide Education Property Tax Rates, Base Education Amount, and Applicable Percentage
	Not in bill.	49	Findings and Purpose.
1	Rates. For fiscal year 2015, sets the homestead tax rate at \$0.98, the nonresidential rate at \$1.515, and the applicable percentage for income sensitivity at 1.90.	50	Rates. For fiscal year 2015, sets the homestead tax rate at \$1.00, the nonresidential rate at \$1.51, and the applicable percentage for income sensitivity at 1.84.
2	Base education amount. For fiscal year 2015, sets the base education amount at \$9,382.00.	51	Base education amount. For fiscal year 2015, sets the base education amount at \$9,382.00.

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3	Applicable percentage. Requires the Commissioner to annually recommend an applicable percentage used for calculating income sensitivity adjustments so that it will not drop below 1.94 percent.		Removed.
	Form of School Budget		Form of School Budget
4	Budget vote. Requires school budgets to be voted in a form that provides information related to the calculation of homestead property tax rates.	52	Makes changes to language that would go into budget article.
	Average Daily Membership		Average Daily Membership
5	Average daily membership. Alters the way average daily membership is calculated by eliminating a provision that increased the counting of pupils for fast-growing schools.	53	No change.
	Shared equity		Shared equity
13	Valuation. Requires owner-occupied housing subject to a housing subsidy covenant to be valued at 70 percent of fair market value.	54	Valuation. Requires owner-occupied housing subject to a housing subsidy covenant be valued at between 60 percent and 70 percent of fair market value. Adds a requirement for the Commissioner to report every five years on whether the percentage used in this provision should be altered.
	Small School Support		Small School Support
6-7	Phase out. Starting in fiscal year 2019, eliminates the small school grants over three years, except for qualifying schools where the grants are geographically necessary.		Removed.
	Property Tax Exemptions		Property Tax Exemptions

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	Not in bill.	55	Health and recreation property. Makes clear that certain health and recreation facilities and skating rinks are considered exempt properties under the public, pious, and charitable exemption.
8-9	Municipally owned lakeshore property. Alters related changes made in 2013. Allows a town, in two specific instances, to vote to exempt from its municipal taxes lakeshore property owned by a different town. Exempts, in two specific instances, municipally owned lakeshore property in a different town from statewide education property taxes.	56-57	No change.
	Not in bill.	58	Parking garages. Clarifies that municipally owned parking garages, located in a tax increment financing district, are considered municipal property exempt from the statewide education property tax, even if the town leases parking spaces to private businesses.
	Occupancy of a Homestead		Occupancy of a Homestead
10	Definition of homestead. Changes the rules for occupying a homestead to require that an individual be domiciled in a homestead for at least 183 days out of the year, but no longer requires that the owner occupy the dwelling on April 1.	59	No change.
	Excess Spending Anchor		Excess Spending Anchor
11-12	Anchor. Creates an anchor that ties excess spending increases to inflation from fiscal year 2014 to the present, as opposed to current law which ties the increase to the previous year's spending.	60-61	No change.
	Municipalities Hosting Electrical Generating Plants		Municipalities Hosting Electrical Generating Plants

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13-14	Vernon. Phases out over three years the current statewide education property tax rate reduction for Vernon for hosting an operating electrical generating plant.	62-63	Vernon. Phases out over four years the current statewide education property tax rate reduction for Vernon for hosting an operating electrical generating plant.
	Renter Rebate		Renter Rebate
15	Allocable rent. Reduces the percentage of rent that counts as “allocable rent” from 21 percent to 19 percent. Has the effect of lowering renter rebate awards by lowering the amount of rent that will exceed the percentage floor set in statute.		Removed.
16	Report. Requires the Vermont Housing Council, with the assistance of the Department of Taxes and the Agency of Commerce and Community Development, to propose programs that provide benefits to renters in Vermont in lieu of the renter rebate program.		Removed.
	Income Sensitivity Slope		Income Sensitivity Slope
17	Extension. Raises the housesite value used to calculate income sensitivity adjustments for people with over \$90,000.00 in household income from \$200,000.00 to \$250,000.00. Has the effect of extending the slope of people who would benefit from income sensitivity above \$90,000.00 in household income.		Removed.
	Income Sensitivity Credit Limit		Income Sensitivity Credit Limit

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18	Cap. Sets the total income sensitivity adjustment possible at \$6,000.00, except for households owned by one or more people 65 years of age or over, in which case the maximum limit is \$8,000.00.		Removed.
	Supplemental Property Tax Relief		Supplemental Property Tax Relief
19	<p>Surplus. Starting at the end of fiscal year 2015, the Emergency Board shall identify the amount of actual general funds over forecast. One-third of the amount of revenue above forecast shall be transferred to the Education Fund, and the Emergency Board shall determine how much of that amount may sustainably be added to the General Fund transfer going forward. One-third of the amount of actual general funds over forecast shall go to paying health care obligations for teachers. One-third shall remain in the General Fund Budget Reserve.</p> <p>This language was then amended in Sec. D.104 of H.885, as passed the House, leaving one third of the surplus to be divided between the bottom line of the Education Fund, increasing the General Fund Transfer, and maintaining a balance of \$1,000,000.00 in the Supplemental Property Tax Relief Fund.</p>		Removed. Senate Proposal of Amendment on H.885 includes a different construct for the surplus waterfall that does not commit money to the Education Fund.
	Not in bill.	63a	Reservation of Supplemental Property Tax Relief funds. Reserves remaining funds in Supplemental Property Tax Relief Fund after transfer to the Retired Teacher’s Healthcare Fund for systemic educational changes.

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	Thetford		Thetford
20	Payment. Provides a payment of \$113,125.00 to the school district in Thetford to compensate for an error in calculating its FY2014 excess spending penalty.		Removed. Language went into the Senate Proposal of Amendment on the budget, H.885, allowing the Agency of Education to adjust education payments when errors are made.
	Property Tax Appeals Study		Property Tax Appeals Study
21	Study. Creates a study committee to examine how a reduction in listed property value affects towns, and the costs to towns of defending property tax appeals.		Removed.
	Appropriation		Appropriation
22	Appropriation. Appropriates \$6,000,000.00 from the Supplemental Property Tax Relief Fund to the Education Fund.		Removed.
	Agency of Education		Agency of Education
22a	Education Analyst. Creates a new position at the Agency of Education for an Education Analyst to provide tools and indicators to be used by education decision makers at the State and local levels.		Removed.
22b	Manager Handbook. The Agency of Education shall hire a contractor to create a business manager handbook that includes a common chart of accounts.		Removed.

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22c	Appropriation. Appropriates up to \$482,500 from the Supplemental Property Tax Relief Fund to the Agency of Education for the efforts in Secs. 22a and 22b.		Removed.
	Education Reform		Education Reform
23	Reform. Expresses the intent of the General Assembly to transition to an education financing system that relies on an education income tax.		Removed.
	Tuition Report		Tuition Report
24	Report. Requires the Agency of Education to submit a report to the General Assembly on the history, current practices, and impacts of Vermont's school tuition system.		Removed.
	Fiscal Notes		Fiscal Notes
24a	Report. Requires the Joint Fiscal Office to create a fiscal note for any legislation that imposes a cost on a supervisory union or school district, without providing a way to pay for the cost.		Removed.