



**State of Vermont**  
**Department of Taxes**  
133 State Street  
Montpelier, VT 05633-1401

May 6, 2015

Senator Tim Ashe, Chair, Senate Committee on Finance  
Representative Janet Ancel, Chair, House Committee on Ways and Means  
115 State St.  
Montpelier, VT 05633 -5301

RE: Conference Committee on H.489

Dear Senator Ashe and Representative Ancel:

The Department of Taxes has appreciated the efforts of both committees on tax administration and revenue issues this session, and thanks both committees for the opportunities given to the Department to weigh in on various proposals. Without comment on the advisability of revenue sources identified in the bill, the purpose of this letter is to point out some administrative concerns raised by the Senate proposals of Amendment.

**Secs. 43-45. Administrative Garnishment and Attachment:** The Senate version of H.489 includes administrative garnishment and attachment as a collections tool for the Department, and the JFO estimates it will bring in \$2.3 million in revenue. The Department collaborated with Vermont Legal Aid and the Vermont Bankers Association to provide adequate protections to consumers for the process. The Department requests that the appeals at § 3207(f) and § 3208(g) be limited to the listed provisions. Currently, the language opens up the appeal to issues beyond identity of the taxpayer, exemptions, and statute of limitations. The Department intends for appeals to be limited in order to maximize efficiency while maintaining due process. Vermont Legal Aid understood this when coming to agreement on the language.

**Sec. 46-47. Collections Unit:** The Senate version of H.489 includes the formation of a collections unit with the Department that could enter into agreements to collect debts of other state entities. The Department does not object to this concept, and is open to exploring the details with other entities. However, it would be premature for the Department to adopt rules by July 2016. It will require more time to have the discussions with other entities to understand the nature of debts owed to them, and their needs and concerns with respect to collection. These discussions will inform eventual rules.

**Sec. 48. Medicaid Offset:** The Senate's version requires the Department to satisfy delinquent taxes through the offset of Medicaid payments to providers. Medicaid offset is different than the current process where the Department offsets payments to contractors through the State's VISION software. Here, the Department would have to request that DVHA offset payments to Medical providers through the MMIS payment system, which is not set up to do this work. Furthermore, because the payment is a mix of federal and state funds, the Department would only see a fraction of the actual payment. The JFO estimates that the Department would collect \$70,000 from this initiative. The Department would like to focus its efforts on administrative attachment and garnishment, which will bring in more revenue and may collect from delinquent Medicaid providers



without the Medicaid offset. The Department would appreciate having Medicaid offset as a tool for future use, but will not be able to implement this tool in the near future. The Department requests that this provision be removed or amended as permissive rather than compulsory.

**Sec. 50. Current Use Valuation:** The House and Senate versions both have provisions on valuation of property and municipal payments. The House version creates a Study Committee. The Senate version requires PVR to annually “audit” three towns. The Department estimates that this would require appraisal of approximately 200 properties annually, and since we have limited personnel with the requisite skills, we likely would need to contract out this work at some cost. Furthermore, the Senate version requires the Department to pay their assessed value to towns over the town’s assessed value if the difference in value is greater than 10 percent, which is likely to require additional resources to litigate the values. It should be noted that the Auditor recently informed the Department that it was conducting a risk assessment on the issue of whether there was overvaluation in current use.

**Sec. 57. Mortgage Interest Deduction Cap:** The index on the \$12,000 should be “from tax year 2015 *through the taxable year for* which the indexed amount is being calculated,” rather than to the year prior.

**Sec. 57. Charitable deduction limited to state of Vermont:** The Department notes that Legislative Council has raised the possibility of a constitutional challenge to this provision. The Department would like legislative guidance on how national and multi-state charitable organizations should be handled. In terms of administration, the Department’s understanding of how the targeted charitable deduction would work is that charities would need to apply for state certification, declaring that they meet the instate definition under the penalty of perjury. The taxpayer would not be responsible to list the charities for which it claims a deduction, but would be responsible for record-keeping. The Department practically speaking would only open an audit on this issue in the case of a large questionable deduction.

**Sec. 58. Minimum Tax:** Given the experience of the alternative minimum tax on the federal level, if such a tax is adopted in Vermont it should incorporate an indexing mechanism.

**Sec. 87. Sales Tax Proposal:** The Department notes that there have been numerous proposals to extend the sales tax to services, including the Blue Ribbon Tax Commission, and a recent summer study committee including legislators, without the passage of legislation. Requiring the Department to draft regulations without a statute as guidance is a large task that will divert Department resources needed to execute several legislative initiatives in this and other bills, as well as the Department’s new software system.

Thank you for considering the Department’s comments. Enclosed is suggested language for the Department’s proposed changes. Please feel free to contact me for further information.

Sincerely,

Mary Peterson  
Commissioner, Department of Taxes

Cc: Justin Johnson, Secretary of Administration  
Elizabeth Miller, Chief of Staff  
Susan Allen, Secretary of Civil and Military Affairs  
Jim Reardon, Commissioner of Finance and Management