

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Ways and Means to which was referred Senate Bill No.  
3 55 entitled “An act relating to creating a flat rate for Vermont’s estate tax and  
4 creating an estate tax exclusion amount that matches the federal amount”  
5 respectfully reports that it has considered the same and recommends that the  
6 House propose to the Senate that the bill be amended by striking out all after  
7 the enacting clause and inserting in lieu thereof the following:

8 Sec. 1. 32 V.S.A. § 7402 is amended to read:

9 § 7402. DEFINITIONS

10 The following definitions shall apply throughout this chapter unless the  
11 context requires otherwise:

12 (1) “Commissioner” means the Commissioner of Taxes appointed under  
13 section 3101 of this title.

14 (2) “Executor” means the executor or administrator of the estate of the  
15 decedent, or, if there is no executor or administrator appointed, qualified and  
16 acting within Vermont, then any person in actual or constructive possession of  
17 any property of the decedent.

18 (3) “Federal estate tax liability” means for any decedent’s estate, the  
19 federal estate tax payable by the estate under the laws of the United States after  
20 the allowance of all credits against such estate tax provided thereto by the laws  
21 of the United States.

1           (4) ~~“Federal gift tax liability” means for any taxpayer and any calendar~~  
2 ~~year, the federal gift tax payable by the taxpayer for that calendar year under~~  
3 ~~the laws of the United States. [Repealed.]~~

4           (5) “Federal gross estate” means the gross estate as determined under  
5 the laws of the United States.

6           (6) “Federal taxable estate” means the taxable estate as determined  
7 under the laws of the United States.

8           (7) “Federal taxable gifts” means taxable gifts as determined under the  
9 laws of the United States.

10           (8) “Laws of the United States” means, ~~for any taxable year, the statutes~~  
11 ~~of the United States relating to the federal estate or gift taxes, as the case may~~  
12 ~~be, effective for the calendar year or taxable estate, but with the credit for State~~  
13 ~~death taxes under 26 U.S.C. § 2011, as in effect on January 1, 2001, and~~  
14 ~~without any deduction for State death taxes under 26 U.S.C. § 2058~~ the U.S.  
15 Internal Revenue Code of 1986, as amended through December 31, 2015. As  
16 used in this chapter, “Internal Revenue Code” shall have the same meaning as  
17 “laws of the United States” as defined in this subdivision.

18           (9) “Nonresident of Vermont” means a person whose domicile is not  
19 Vermont.

20           (10) “Resident of Vermont” means a person whose domicile is Vermont.

1           (11) “Taxpayer” means the executor of an estate, the estate itself, the  
2           donor of a gift, or any person or entity or combination of these who is liable for  
3           the payment of any tax, interest, penalty, fee, or other amount under this  
4           chapter.

5           (12) ~~“Vermont gifts” means, for any calendar year, all transfers by gift,~~  
6           ~~excluding transfers by gift of tangible personal property and real property~~  
7           ~~which have a situs outside Vermont, and also excluding all transfers by gift~~  
8           ~~made by nonresidents of Vermont which take place outside Vermont.~~

9           [Repealed.]

10           (13) “Vermont gross estate” means for any decedent the value of the  
11           federal gross estate as provided under the laws of the United States Section  
12           2031 of the Internal Revenue Code, excluding the value of ~~real or tangible~~  
13           ~~personal~~ property which has ~~an actual~~ its situs outside Vermont ~~at the time of~~  
14           ~~death of the decedent, and also excluding in the case of a nonresident of~~  
15           ~~Vermont the value of intangible personal property owned by the decedent.~~

16           (14) “Vermont taxable estate” means the ~~value of the Vermont gross~~  
17           ~~estate, reduced by the proportion of the deductions and exemptions from the~~  
18           ~~value of the federal gross estate allowable under the laws of the United States,~~  
19           ~~which the value of the Vermont gross estate bears to the value of the federal~~  
20           ~~gross estate.~~ federal taxable estate as provided under Section 2051 of the

1 Internal Revenue Code, without regard to whether the estate is subject to the  
2 federal estate tax:

3 (A) Increased by the amount of the deduction for state death taxes  
4 allowed under Section 2058 of the Internal Revenue Code, to the extent  
5 deducted in computing the federal taxable estate.

6 (B) Increased by the amount of the deduction for foreign death taxes  
7 allowed under Section 2053(d) of the Internal Revenue Code, to the extent  
8 deducted in computing the federal taxable estate.

9 (C) Increased by the aggregate amount of taxable gifts as defined in  
10 Section 2503 of the Internal Revenue Code, made by the decedent within two  
11 years of the date of death. For purposes of this subdivision, the amount of the  
12 addition equals the value of the gift under Section 2512 of the Internal  
13 Revenue Code and excludes any value of the gift included in the federal gross  
14 estate.

15 (15) “Situs of property” means, with respect to:

16 (A) real property, the state or country in which it is located;

17 (B) tangible personal property, the state or country in which it was  
18 normally kept or located at the time of the decedent’s death or for a gift of  
19 tangible personal property within two years of death, the state or country in  
20 which it was normally kept or located when the gift was executed;

1           (C) a qualified work of art, as defined in Section 2503(g)(2) of the  
2           Internal Revenue Code, owned by a nonresident decedent and that is normally  
3           kept or located in this State because it is on loan to an organization, qualifying  
4           as exempt from taxation under Section 501(c)(3) of the Internal Revenue Code,  
5           that is located in Vermont, the situs of the art is deemed to be outside Vermont;  
6           and

7           (D) intangible personal property, the state or country in which the  
8           decedent was domiciled at death or for a gift of intangible personal property  
9           within two years of death, the state or country in which the decedent was  
10           domiciled when the gift was executed.

11       Sec. 2. 32 V.S.A. § 7442a is amended to read:

12       § 7442a. IMPOSITION OF A VERMONT ESTATE TAX AND RATE OF  
13           TAX

14       (a) A tax is hereby imposed on the transfer of the ~~Vermont estate of every~~  
15       ~~decedent dying on or after January 1, 2002, who, at the time of death, was a~~  
16       ~~resident of this State. The base amount of this tax shall be a sum equal to the~~  
17       ~~amount of the credit for State death taxes allowable to a decedent's estate~~  
18       ~~under 26 U.S.C. § 2011 as in effect on January 1, 2001. This base amount~~  
19       ~~shall be reduced by the lesser of the following: estates of decedents as~~  
20       prescribed by this chapter.

1           ~~(1) The total amount of all constitutionally valid State death taxes~~  
2           ~~actually paid to other states; or~~

3           ~~(2) A sum equal to the proportion of the credit which the value of the~~  
4           ~~property taxed by other states bears to the value of the decedent's total gross~~  
5           ~~estate for federal estate tax purposes.~~

6           ~~(b) A tax is hereby imposed on the transfer of the Vermont estate of every~~  
7           ~~decedent dying on or after January 1, 2002, who, at the time of death, was not~~  
8           ~~a resident of this State. The amount of this tax shall be a sum equal to the~~  
9           ~~proportion of the base amount of tax under subsection (a) of this section which~~  
10           ~~the value of Vermont real and tangible personal property taxed in this State~~  
11           ~~bears to the value of the decedent's total gross estate for federal estate tax~~  
12           ~~purposes. The tax shall be computed as follows. The following rates shall be~~  
13           ~~applied to the Vermont taxable estate:~~

<u>Amount of Vermont Taxable Estate</u>	<u>Rate of Tax</u>
<u>Not over \$2,750,000.00</u>	<u>None</u>
<u>\$2,750,000.00 or more</u>	<u>16 percent of the</u>
	<u>excess over</u>
	<u>\$2,750,000.00</u>

19           ~~The resulting amount shall be multiplied by a fraction not greater than one,~~  
20           ~~where the numerator of which is the value of the Vermont gross estate plus the~~  
21           ~~value of gifts under 32 V.S.A. § 7402(14)(C) with a Vermont situs, and the~~

1 denominator of which is the federal gross estate plus the value of gifts under  
2 32 V.S.A. § 7402(14)(C).

3 Sec. 3. 32 V.S.A. § 7444 is amended to read:

4 § 7444. RETURN BY EXECUTOR

5 (a) An executor shall submit a Vermont estate tax return to the  
6 Commissioner, on a form prescribed by the Commissioner, when a decedent  
7 has an interest in property with a situs in Vermont and one or both of the  
8 following apply:

9 (1) A federal estate tax return is required to be filed under Section 6018  
10 of the Internal Revenue Code; or

11 (2) The sum of the federal gross estate and federal adjusted taxable gifts,  
12 as defined in Section 2001(b) of the Internal Revenue Code, made within two  
13 years of the date of the decedent's death exceeds \$2,750,000.00.

14 ~~(b) In all cases where a tax is imposed upon the estate under section 7442a~~  
15 ~~of this chapter, the executor shall make a return with respect to the estate tax~~  
16 ~~imposed by this chapter. If the executor is unable to make a complete return as~~  
17 ~~to any part of the gross estate of the decedent, he or she shall include in his or~~  
18 ~~her return (to the extent of his or her knowledge or information) a description~~  
19 ~~of such part and the name of every person holding a legal or beneficial interest~~  
20 ~~therein. Upon notice from the Commissioner, such person shall in like manner~~  
21 ~~make a return as to such part of the gross estate. A return made by one of two~~

1 or more joint fiduciaries shall be sufficient compliance with the requirements  
2 of this section. A return made pursuant to this section shall contain a statement  
3 that the return is, to the best of the knowledge and belief of the fiduciary, true  
4 and correct.

5 Sec. 4. 32 V.S.A. § 7475 is amended to read:

6 ~~§ 7475. ADOPTION OF FEDERAL ESTATE AND GIFT TAX LAWS~~

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

10 ~~(1) the credit for State death taxes shall remain as provided for under~~  
11 ~~26 U.S.C. §§ 2011 and 2604 as in effect on January 1, 2001;~~

12 ~~(2) the applicable credit amount shall under 26 U.S.C. § 2010 shall not~~  
13 ~~apply; and the tax imposed under section 7442a of this chapter shall be~~  
14 ~~calculated as if the applicable exclusion amount under 26 U.S.C. § 2010 were~~  
15 ~~\$2,750,000.00; and~~

16 ~~(3) the deduction for State death taxes under 26 U.S.C. § 2058 shall not~~  
17 ~~apply- [Repealed.]~~

18 Sec. 5. EFFECTIVE DATE

19 Notwithstanding 1 V.S.A. § 214, this act shall take effect on January 1,  
20 2016 and apply to decedents dying after December 31, 2015.



1           and by renaming the act to be titled “An act relating to creating a flat rate  
2           for Vermont’s estate tax”.

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4           (Committee vote: \_\_\_\_\_)

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\_\_\_\_\_

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Representative \_\_\_\_\_

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FOR THE COMMITTEE