

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

GENERAL FUND REVENUE PROPOSAL

- **Income taxes:**
 - **Eliminate deduction for State and local income taxes**
 - **Allow a deduction for home mortgage interest on a declared homestead**
 - **Allow full deduction for medical and charitable**
 - **Cap remaining itemized deductions at twice standard deduction**
- **Sales and use tax:**
 - **Eliminate exemption for soft drinks**
 - **Increase presumption for use tax reporting to 0.15%**
- **Meals tax on vending sales**
- **Intercept Medicaid payments to tax debtors**

* * * Income Tax * * *

Sec. 1. 32 V.S.A. § 5811(21) is amended to read:

(21) “Taxable income” means federal taxable income determined without regard to 26 U.S.C. § 168(k) and:

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

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

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

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

7 (iv) the amount of home mortgage interest deducted from federal
8 adjusted gross income for the taxable year, other than home mortgage interest
9 deducted on a declared homestead in Vermont, but in no case in an amount that
10 will reduce total itemized deductions below the standard deduction allowable
11 to the taxpayer;

12 (v) the amount of total itemized deductions taken from federal
13 adjusted gross income for the taxable year, other than deductions taken for
14 State and local income taxes, medical and dental expenses, home mortgage
15 interest deducted on a declared homestead in Vermont, or charitable
16 contributions, that is in excess of two times the standard deduction allowable to
17 the taxpayer; and

18 * * *

1 * * * Sales and Use Tax * * *

2 Sec. 2. 32 V.S.A. § 9701 is amended to read:

3 § 9701. DEFINITIONS

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

6 * * *

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

12 * * *

13 (53) “Soft drink” means nonalcoholic beverages that contain natural
14 or artificial sweeteners. “Soft drinks” do not include beverages that contain
15 milk or milk products, soy, rice, or similar milk substitutes, or greater than
16 50 percent of vegetable or fruit juice by volume.

17 Sec. 3. 32 V.S.A. § 9741 is amended to read:

18 § 9741. SALES NOT COVERED

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

* * *

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

Sec. 4. 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 ~~0.10~~ 0.15 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.

* * * Meals and Rooms Taxes * * *

Sec. 5. 32 V.S.A. § 9202 is amended to read:

§ 9202. DEFINITIONS

(10) “Taxable meal” means:

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

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

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

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

15 * * *

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

1 Sec. 6. 32 V.S.A. § 9271 is amended to read:

2 § 9271. LICENSES REQUIRED

3 Each operator prior to commencing business shall register with the
4 Commissioner each place of business within the ~~state~~ State where he or she
5 operates a hotel or sells taxable meals or alcoholic beverages; provided,
6 however, that an operator who sells taxable meals through a vending machine
7 shall not be required to hold a license for each individual machine. Upon
8 receipt of an application in such form and containing such information as the
9 Commissioner may require for the proper administration of this chapter, the
10 Commissioner shall issue without charge a license for each such place in such
11 form as he or she may determine, attesting that such registration has been
12 made. No person shall engage in serving taxable meals or alcoholic beverages
13 or renting hotel rooms without the license provided in this section. The license
14 shall be nonassignable and nontransferable and shall be surrendered to the
15 Commissioner, if the business is sold or transferred or if the registrant ceases
16 to do business at the place named.

17 * * * Medicaid Payments * * *

18 Sec. 7. 32 V.S.A. § 3113(d) is amended to read:

19 (d) If the Commissioner determines that any person who has agreed to
20 furnish goods, services, or real estate space to any agency has neglected or
21 refused to pay any tax administered by the Commissioner and that the person's

1 liability for such tax is not under appeal, or if under appeal, the Commissioner
2 has determined that the tax or interest or penalty is in jeopardy, the
3 Commissioner shall notify the agency and the person in writing of the amount
4 owed by such person. Upon receipt of such notice, the agency shall thereafter
5 transfer to the Commissioner any amounts that would otherwise be payable by
6 the agency to the taxpayer, up to the amount certified by the Commissioner.
7 The Commissioner may treat any such payment as if it were a payment
8 received from the taxpayer. As used in this section, “any person who has
9 agreed to furnish goods, services, or real estate space to any agency” includes a
10 provider of Medicaid services who receives reimbursement from the State
11 under Title 33.

12 * * * Effective Dates * * *

13 Sec. 8. EFFECTIVE DATES

14 (a) This section shall take effect on passage.

15 (b) Sec. 1 (taxable income), notwithstanding 1 V.S.A. § 214, shall take
16 effect retroactively to January 1, 2015, and apply to taxable years beginning on
17 and after January 1, 2014.

18 (c) Secs. 2 (sales tax definitions), 3 (sales tax exemptions), 5 (vending),
19 6 (licensing), and 7 (Medicaid payments) shall take effect on July 1, 2015.

20 (d) Sec. 4 (use tax reporting) shall take effect on January 1, 2016, and
21 apply t tax year 2015 returns and after.