

SECTION BY SECTION SUMMARY
H.489 - Revenue
Finance Proposal of Amendment - Draft 4.2
Legislative Council, 4/24/15

Section	
	Administrative Provisions
1	Defines “semiweekly” to mean twice per week.
2	Eliminates the requirement that manufacturers and distributors of malt or vinous beverages report to the Department of Taxes on sales they make to wholesalers. The Department uses reports of distributor-to-retailer sales, but does not need or use this report of manufacturer-to-wholesaler sales.
3 & 34	Repeals the administrative responsibilities of Property Valuation and Review in connection with property mapping done by the Vermont Center for Geographic Information (VCGI), and transfers those responsibilities to ACCD.
4	Allows the Secretary of Natural Resources to share proprietary information obtained in the course of regulating solid waste with the Department of Taxes for purposes of enforcing the solid waste tax.
5	Removes the Commissioner of Taxes from the statutory distribution list for Municipal Annual Reports.
6	Allows the Director of Property Valuation and Review to certify courses presented by the International Association of Assessing Officials, the Vermont Assessors and Listers Association, and the Vermont League of Cities and Towns, in addition to those taught by PVR, for lister training.
	Local Option Taxes
7	Permits any town to impose a local option tax.
	Collections
8–10	Gives the Department of Taxes authority to collect delinquent tax debts by garnishing wages and attaching property prior to a court hearing.
11–12	Establishes a Collections Unit within the Department of Taxes and establishes a procedure by which other agencies, branches, or subdivisions of State government can refer debts to the Department of Taxes for collection.
13	Makes it clear that the Department of Taxes may intercept payments to Medicaid providers who are delinquent on their taxes.

Section	
	Current Use
14	Technical change making it clear that use value appraisal application does not need to be recorded with the lien.
	Statewide Education Tax
15	Clarifies an amendment made last session to allow a homeowner whose home is leased out on April 1 to nevertheless declare it as homestead property, provided the property is owned on April 1 and is not leased for more than 183 days out of the calendar year.
16	Currently qualified rental units, such as Section 8 housing and Section 515 rural housing, are entitled to an exemption from the statewide education property tax exemption of 10% of the property value. VHFA issues exemption certificates to taxpayers/owners of the property who present them to the town. This section permits VHFA to renew the exemption certificates after 10 years, if the property continues to meet the requirements of the exemption.
	Tax Increment Financing Districts
17	Technical change to TIF statutes. Clarifies that certain reporting requirement apply to municipalities that use certified or public accountants as well as those who have a town auditor. The date change will allow PVR and VEPC to use data reported to PVR in January in the annual report forms sent to municipalities, and save municipalities from having to reenter the same data on additional report.
18	Certain special assessments do not count as property taxes for purposes of calculating the tax increment of a TIF.
	Income Tax
19	Eliminates the itemized deduction for State and local income taxes. Caps the itemized deduction for home mortgage interest at \$12,000, but indexes that amount. Eliminates the itemized deduction for charitable contributions, which is replaced by a more focused income tax credit in a later section.
20	Imposes a minimum tax of 3% of federal adjusted gross income for taxpayers with more than \$150,000 in federal adjusted gross income.
21	Creates an income tax credit of 5% of the charitable contributions to a qualified donee for taxpayers who itemize at the federal level. A “qualified donee” is a charity that provides a direct benefit to a charitable purpose in the State.
22	Annual update of the income tax link to the Internal Revenue Code.

Section	
23	Requires income tax withholders to report aggregate cost of applicable employer-sponsored coverage to Department of Taxes.
24	Requires payment of withholding tax on a semiweekly basis if the taxpayer is a semiweekly filer for federal withholding. Under current law, semiweekly filing status is triggered by a dollar amount.
25	Requires trusts and estates to make estimated payments of income tax liability in the same manner as individuals.
25a	Provides that a publicly traded partnership is not liable for withholding and paying income taxes for its members if it provides the Department with certain information about its partners.
Downtown Tax Credits	
26	Expands credit for “qualified code of technology improvement project” to apply to limited use limited application elevators.
27	Limits the new elevator credit to \$40,000 and increases the total cap for awarded code improvement credits from \$25,000 to \$50,000.
Cigarette and Tobacco Taxes	
28–41	These sections amend tobacco and cigarette statutes in Titles 32 and 33 to conform to 2013 Acts and Resolves No. 14, which made definitional changes, eliminated redundant terms, and made numerous other technical changes to the cigarette and tobacco tax statutes, and required certain nonparticipating manufacturers to post bond. These amendments are all in the nature of housekeeping changes.
Corporation Taxes	
42	Incorporates the administrative provisions of chapters 103 (administration) and 151 (income tax), including interest and penalty, appeal, and collection provisions into chapter 211 which imposes various franchise taxes, including insurance and telephone taxes.
Meals and Rooms Tax - FY2016	
43	Removes meals and rooms tax exemption for delicatessen sales by weight or measure.
44-45	Extends meals and rooms tax to vending machine sales and clarifies that vending machine operators do not need a separate license for each machine.
46	Provides that interest paid on a meals and rooms tax refund shall begin to run

Section	
	from 45 days after the refund request was made. This conforms to the calculation of both income tax and sales tax refunds.
	Sales and Use Tax - FY2016
47	Adds definitions for “bottled water,” “soft drink,” and “candy.” Excludes those same items from the definition of “food and food ingredients” which has the effect of excluding those items from the current exemption for “food.”
48	Updates language for current law “food” exemption to reflect Streamlined Sales and Use Tax language and current law references to SNAP program.
	Sales and Use Tax - FY2017
49	Adds definitions for “consumer,” “service,” “health care services,” “education services,” and “social services.” Excludes “dietary supplements” from definition of “food and food ingredients,” which has the effect of excluding those items from the current exemption for “food.” Makes conforming changes to other definitions to reflect the extension of the sales tax to services purchased by a consumer.
50–52	Makes conforming changes to reflect the extension of the sales tax to services purchased by a consumer.
53	Limits current law exemption for drugs and medical supplies to only those prescribed by a doctor. Removes several exemptions to reflect the extension of the sales tax to consumer services, including funeral charges, personal service transactions, residential electricity and gas, advertising materials, clothing, and documents. Adds exemptions for health care services, educational services, and social services.
54	Lowers sales tax rate from 6.0 percent to 4.75 percent. Extends sales tax to services sold to a consumer. Provides rules for sourcing services purchased.
55	Lowers corresponding use tax rate from 6.0 percent to 4.75 percent. Extends use tax to services used by a consumer not otherwise taxed.
56	Provides rules for sourcing services for the use tax.
	Repeals
57	Repeals statute outlining responsibility of PVR for mapping. Repeals obsolete cross-reference in statute.
	Effective Dates
58	Effective Dates.

