

1 H.516

2 Introduced by Committee on Ways and Means

3 Date:

4 Subject: Taxation; various

5 Statement of purpose of bill as introduced: This bill proposes to make a
6 number of miscellaneous tax changes.

7 An act relating to miscellaneous tax changes

8 It is hereby enacted by the General Assembly of the State of Vermont:

9 * * * Tax on Spirits and Fortified Wines; Rulemaking Authority * * *

10 Sec. 1. 7 V.S.A. § 423(a) is amended to read:

11 (a) The ~~Commissioner of Taxes and the~~ Liquor Control Board shall adopt
12 such rules as ~~they deem~~ it deems necessary for the proper administration and
13 collection of the tax imposed under section 422 of this title.

14 * * * Property Valuation and Review * * *

15 Sec. 2. 24 V.S.A. § 1168 is amended to read:

16 § 1168. RETURN OF NAMES OF LISTERS TO DIRECTOR OF THE

17 DIVISION OF PROPERTY VALUATION AND REVIEW

18 After each annual meeting, a town clerk shall report forthwith ~~in writing~~
19 electronically to the Director of the Division of Property Valuation and Review

1 the name of each lister therein, his or her post office address, and the length of
2 his or her term of office. In like manner, ~~such~~ a town clerk shall notify the
3 Director of the Division of Property Valuation and Review of any lister
4 appointed to fill a vacancy.

5 Sec. 3. 32 V.S.A. § 3102 is amended to read:

6 § 3102. CONFIDENTIALITY OF TAX RECORDS

7 (a) No present or former officer, employee, or agent of the Department of
8 Taxes shall disclose any return or return information to any person who is not
9 an officer, employee, or agent of the Department of Taxes except in
10 accordance with the provisions of this section. A person who violates this
11 section shall be fined not more than \$1,000.00 or imprisoned for not more than
12 one year, or both; and if the offender is an officer or employee of this State, he
13 or she shall, in addition, be dismissed from office and be incapable of holding
14 any public office for a period of five years thereafter.

15 (b) The following definitions shall apply for purposes of this ~~section~~
16 chapter:

17 (1) "Person" shall include any individual, firm, partnership, association,
18 joint stock company, corporation, trust, estate, or other entity.

19 (2) "Return" means any tax return, declaration of estimated tax, license
20 application, report, or similar document, including attachments, schedules, and
21 transmittals, filed with the Department of Taxes.

1 (3) “Return information” includes a person’s name, address, date of
2 birth, Social Security or federal identification number or any other identifying
3 number; information as to whether or not a return was filed or required to be
4 filed; the nature, source or amount of a person’s income, payments, receipts,
5 deductions, exemptions, credits, assets, liabilities, net worth, tax liabilities, tax
6 payments, deficiencies or over-assessments; and any other data, from any
7 source, furnished to or prepared or collected by the Department of Taxes with
8 respect to any person.

9 (4) “Tax administration” means the verification of a tax return or claim
10 for credit, rebate or refund; the investigation, assessment, determination,
11 litigation or collection of a tax liability of any person; the investigation or
12 prosecution of a tax-related crime; or the enforcement of a tax statute.

13 (5) “Commissioner” means the Commissioner of Taxes appointed under
14 section 3101 of this title or any officer, employee or agent of the Department
15 of Taxes authorized by the Commissioner (directly or indirectly by one or
16 more redelegations of authority) to perform any function of the Commissioner.

17 (6) “State” means any sovereign body politic, including the United
18 States, any state or territory thereof, and any foreign country or state or
19 province thereof.

20 (7) “Authorized representative” means any person who would be
21 considered a designee of the taxpayer under 26 U.S.C. § 6103(c). The

1 signature of a notary public shall not be required for a person to be considered
2 an “authorized representative.”

3 * * *

4 (e) The Commissioner may, in his or her discretion and subject to such
5 conditions and requirements as he or she may provide, including any
6 confidentiality requirements of the Internal Revenue Service, disclose a return
7 or return information:

8 * * *

9 (17) To the Department of Financial Regulation, if such return or
10 return information relates to the tax on premiums of captive insurance
11 companies contained in 8 V.S.A. chapter 141, to the tax on surplus lines under
12 8 V.S.A. § 5035, to the tax on the direct placement of insurance under 8 V.S.A.
13 § 5036, or to the tax on insurance premiums under section 8551 of this title.

14 (18) To the Agency of Natural Resources, if such return or return
15 information relates to the tax on hazardous waste under chapter 237 of this
16 title, or to the franchise tax on waste facilities under subchapter 13 of chapter
17 151 of this title.

18 (19) To the Vermont Student Assistance Corporation if such return or
19 return information is necessary to verify eligibility for the matching allocation
20 required by 16 V.S.A. § 2880d(c).

21 * * *

1 Sec. 4. 32 V.S.A. § 5914(a) is amended to read:

2 (a) An S corporation which engages in activities in Vermont which would
3 subject a C corporation to the requirement to file a return under section 5862
4 of this title shall file with the Commissioner an annual return, in the form
5 prescribed by the Commissioner, on or before the due date prescribed for the
6 filing of ~~C corporation returns under section 5862~~ S corporation returns under
7 subsection 6072(b) of the Internal Revenue Code. The return shall set forth
8 the name, address, and Social Security or federal identification number of each
9 shareholder; the income attributable to Vermont and income not attributable to
10 Vermont with respect to each shareholder as determined under this subchapter;
11 and such other information as the Commissioner may by regulation prescribe.
12 The S corporation shall, on or before the day on which such return is filed,
13 furnish to each person who was a shareholder during the year a copy of such
14 information shown on the return as the Commissioner may by regulation
15 prescribe.

16 Sec. 5. 32 V.S.A. § 9243(a) is amended to read:

17 (a) Where the meals and rooms tax liability under this chapter for the
18 immediately preceding full calendar year has been (or would have been in
19 cases when the business was not operating for the entire year) \$500.00 or less,
20 the gross receipts taxes imposed by this chapter shall be due and payable in
21 quarterly installments on or before the 25th day of the calendar month

1 succeeding the quarter ending the last day of March, June, September, and
2 December of each year. In all other cases, the gross receipts tax imposed by
3 this chapter shall be due and payable monthly on or before the 25th (23rd of
4 February) day of the month following the month for which the tax is due. The
5 Commissioner may authorize payment of the tax due by electronic funds
6 transfer. The Commissioner may require payment by electronic funds transfer
7 from any taxpayer who is required by federal tax law to pay any federal tax in
8 that manner, or from any taxpayer who has submitted to the Department of
9 Taxes two or more protested or otherwise uncollectible checks with regard to
10 any State tax payment in the prior two years. Each operator shall make out
11 and sign under the pains and penalties of perjury a return for each quarter or
12 month. The return shall be filed with the Commissioner on a form prescribed
13 by the Commissioner. The Commissioner shall distribute return forms to the
14 operators, upon request, but no operator shall be excused from liability for
15 failure to file a return or pay the tax because he or she has failed to receive a
16 form. A remittance for the amount of taxes shall accompany each quarterly or
17 monthly return. Returns shall be made on forms provided by the
18 Commissioner. Payment of taxes by electronic funds transfer does not affect
19 the requirement to file returns.

20 Sec. 6. 32 V.S.A. § 9606(e) is amended to read:

21 (e) The Commissioner of Taxes is authorized to disclose to any person any

1 information appearing on a property transfer tax return, including statistical
2 information derived therefrom, and such information derived from research
3 into information appearing on property transfer tax returns as is necessary to
4 determine if the property being transferred is subject to 10 V.S.A. chapter 151,
5 except the Commissioner shall not disclose the Social Security number, federal
6 identification number, e-mail address, or telephone number of any person
7 pursuant to this subsection.

8 Sec. 7. 32 V.S.A. § 5824 is amended to read:

9 § 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

10 The statutes of the United States relating to the federal income tax, as in
11 effect for taxable year ~~2015~~ 2016, but without regard to federal income tax
12 rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the
13 tax liability under this chapter.

14 Sec. 8. 32 V.S.A. § 7442a(c) is added to read:

15 (c) All values shall be as finally determined for federal estate tax purposes.

16 Sec. 9. 33 V.S.A. § 1959(a) is amended to read:

17 (a)(1) The annual assessment for each ambulance agency shall be 3.3
18 percent of the ambulance agency's annual net patient revenues for services
19 delivered to patients in Vermont during the most recent annual fiscal period.
20 As used in this section, "net patient revenues" means the total amount of
21 payments an ambulance agency received during the fiscal period from

1 Medicaid, Medicare, commercial insurance, and all other payers as payment
2 for services rendered. The term does not include municipal appropriations,
3 donations from any source, or any other funding unrelated to the delivery of
4 health care services.

5 (2) The Department shall determine the appropriate fiscal period as
6 necessary to ensure compliance with federal law.

7 (3) Ambulance agencies shall remit the assessment amount to the
8 Department annually on or before March 31, beginning with March 31, 2017.

9 Sec. 10. 32 V.S.A. § 5400(i) is added to read:

10 (i) The statutory purpose of subdivision 5401(10)(D) of this title is to
11 support Vermont's ski industry and to encourage personal property investments
12 and improvements at ski resorts.

13 Sec. 11. PERSONNEL SECURITY PROGRAM

14 The Commissioner of Taxes shall establish a personnel security program
15 that ensures an initial background investigation is completed at the appropriate
16 level for any prospective employee or contractor of the Department of Taxes
17 who will have access to federal tax information. The Commissioner shall
18 establish this program in conformity with IRS Publication 1075. The
19 Commissioner shall comply with the requirements of 21 V.S.A. § 495j when
20 conducting a background investigation of any prospective employee. The
21 Commissioner shall adopt rules to implement its personnel security program.

1 * * * Games of Chance * * *

2 Sec. 12. 13 V.S.A. § 2143 is amended to read:

3 § 2143. NONPROFIT ORGANIZATIONS

4 (a) Notwithstanding the provisions of this chapter, a nonprofit
5 organization, as defined in ~~32 V.S.A. § 10201(5)~~ 31 V.S.A. § 1201(5), may
6 organize and execute, and an individual may participate in lotteries, raffles or
7 other games of chance for the purpose of raising funds to be used in charitable,
8 religious, educational, and civic undertakings or used by fraternal
9 organizations to provide direct support to charitable, religious, educational, or
10 civic undertakings with which they are affiliated. Except as provided in
11 subsection (d) of this section, gambling machines and other mechanical
12 devices described in section 2135 of this title shall not be utilized under
13 authority of this section.

14 * * *

15 (d) Casino events shall be limited as follows:

16 * * *

17 (2) A location that is owned by a nonprofit, as defined in ~~32 V.S.A.~~
18 ~~§ 10201(5)~~ 31 V.S.A. § 1201(5), may be the site of no more than three casino
19 events in any calendar quarter and no more than 12 casino events in any
20 calendar year as long as there are at least 15 days between each event.

21 (3) A nonprofit organization, as defined in ~~32 V.S.A. § 10201(5)~~

1 31 V.S.A. § 1201(5), may organize and execute no more than:

2 (A) one casino event in any calendar quarter; or

3 (B) three casino events in any calendar year, as long as there are at
4 least 15 days between each event.

5 * * *

6 (e) Games of chance shall be limited as follows:

7 * * *

8 (6) A nonprofit organization shall not organize and execute games of
9 chance on more than two days in any calendar week, nor shall games of
10 chance be organized and executed at any location on more than two days in
11 any calendar week, except that:

12 (A) Casino events may be conducted only as permitted under
13 subsection (d) of this section.

14 (B) Break-open tickets may be purchased and distributed only as
15 provided in ~~32 V.S.A. chapter 239~~ 31 V.S.A. chapter 23.

16 (C) A nonprofit organization may organize and execute games of
17 chance on three consecutive days not more than twice in any calendar year as
18 long as there are at least 90 days between each event.

19 (D) Agricultural fairs qualified to receive a State stipend pursuant
20 to 31 V.S.A. § 617 may organize and execute games of chance for not more
21 than 12 consecutive days during the fair once each calendar year.

1 (E) A nonprofit organization may organize and execute games of
2 chance at a location used by another nonprofit organization which results in
3 the location being used on more than two days a week if all the nonprofit
4 organizations using the location were in existence as of January 1, 1994, and
5 are not affiliated with each other or under common control.

6 * * *

7 Sec. 13. 31 V.S.A. chapter 23 is added to read:

8 CHAPTER 23. GAMES OF CHANCE

9 § 1201. DEFINITIONS

10 As used in this chapter:

11 (1) “Break-open ticket” means a lottery utilizing a card or ticket of the
12 so-called pickle card, jar ticket, or break-open variety commonly bearing the
13 name “Lucky 7,” “Nevada Club,” “Victory Bar,” “Texas Poker,” “Triple
14 Bingo,” or any other name.

15 (2) “Commissioner” means the Commissioner of Liquor Control.

16 (3)(A) “Distributor” means a person that purchases break-open tickets
17 from a manufacturer and sells or distributes break-open tickets at wholesale in
18 Vermont. “Distributor” shall include any officer, employee, or agent of a
19 corporation or dissolved corporation that has a duty to act for the corporation
20 in complying with the requirements of this chapter.

21 (B) “Distributor” shall not include a person who distributes only

1 jar tickets that are used only for merchandise prizes.

2 (4) “Manufacturer” means a person that designs, assembles, fabricates,
3 produces, constructs, or who otherwise prepares a break-open ticket for sale to
4 a distributor.

5 (5) “Nonprofit organization” means a nonprofit corporation that is
6 qualified for tax exempt status under I.R.C. § 501(c), as amended, and that has
7 engaged, in good faith, in charitable, religious, educational, or civic activities
8 in Vermont on a regular basis during the preceding year. “Nonprofit
9 organization” also includes churches, schools, fire departments, municipalities,
10 fraternal organizations, and organizations that operate agricultural fairs or field
11 days, and that have engaged, in good faith, in charitable, religious,
12 educational, or civic activities in Vermont on a regular basis during the
13 preceding year.

14 § 1202. LICENSE REQUIRED

15 (a) Manufacture. Break-open tickets sold in Vermont shall be
16 manufactured only by a person licensed by the Commissioner. A licensed
17 manufacturer shall sell break-open tickets only to distributors licensed under
18 this chapter. A distributor licensed under this chapter shall purchase break-
19 open tickets only from a manufacturer licensed under this chapter.

20 (b) Distribution. A distributor who sells or distributes break-open tickets
21 for resale in Vermont shall be licensed by the Commissioner, and shall also be:

1 (1) a natural person who is a resident of Vermont;

2 (2) a partnership in which the majority of partners are residents of
3 Vermont;

4 (3) a corporation incorporated under the laws of Vermont, provided
5 that a majority of the ownership interest is held by residents of Vermont; or

6 (4) a person who is not a resident of Vermont and whose state of
7 residence allows residents or corporations of Vermont to distribute break-open
8 tickets in that state under similar terms and conditions as provided under this
9 chapter.

10 § 1203. DISTRIBUTION; RETAIL PURCHASE AND SALE

11 (a) Only nonprofit organizations may purchase break-open tickets from a
12 distributor licensed under this chapter.

13 (b) No person, other than a licensed distributor or a nonprofit organization
14 acting under subsection (f) of this section, shall distribute a box of break-open
15 tickets. No person shall distribute a box of break-open tickets unless the box
16 bears indicia as required by the Commissioner. No person shall distribute or
17 sell a break-open ticket at retail unless the ticket bears a unique serial number.

18 (c) A distributor licensed under this chapter may sell break-open tickets
19 only to nonprofit organizations as defined in subdivision 1201(5) of this
20 chapter, except that a person other than a licensed distributor may sell such
21 tickets to a licensed distributor upon written approval of the Commissioner.

1 (d) Only nonprofit organizations may sell break-open tickets at retail.

2 (e) Break-open tickets shall not be sold at premises licensed to sell

3 alcoholic beverages except:

4 (1) at clubs as defined in 7 V.S.A. § 2(7); or

5 (2) a nonprofit organization may sell break-open tickets at premises

6 licensed to sell alcoholic beverages if, notwithstanding 13 V.S.A. § 2143(e) of

7 this chapter, all proceeds from the sale of break-open tickets are used by the

8 nonprofit organization exclusively for charitable, religious, educational, and

9 civic undertakings, with only the following costs deducted from the proceeds:

10 (A) actual cost of the break-open tickets;

11 (B) the prizes awarded;

12 (C) reasonable legal fees necessary to organize the nonprofit

13 organization and to ensure compliance with all legal requirements; and

14 (D) reasonable accounting fees necessary to account for the proceeds

15 from the sale of break-open tickets.

16 (f) A nonprofit organization selling break-open tickets at a premises

17 licensed to sell alcoholic beverages under subdivision (e)(2) of this section

18 must purchase the break-open tickets directly from a distributor. The nonprofit

19 organization shall report to the Department of Liquor Control on a quarterly

20 basis the number of tickets purchased and distributed at premises that serve

21 alcohol, and the corresponding serial numbers of those tickets, the amount of

1 revenue realized by the nonprofit organization, and the amounts accounted for
2 under subdivisions (e)(2)(A)–(D) of this section. As part of its reporting
3 requirement, the nonprofit shall also identify how it qualifies as a nonprofit
4 organization under the definitions in this chapter. The nonprofit organization
5 shall also provide the names of any individual members or employees who
6 handle the sale of break-open tickets or the reporting requirements under this
7 subsection for the organization. The persons identified by the organization in
8 this subsection shall not be employees or owners of the premises where
9 alcohol is served. If the Department of Liquor Control determines that a
10 nonprofit organization has failed to comply with the requirements of this
11 subsection, the Department of Liquor Control shall notify the nonprofit
12 organization and any licensed distributors of this failure, and any licensed
13 distributor that continues to sell break-open tickets to that nonprofit
14 organization after notice shall be considered in violation of the requirements of
15 this chapter.

16 (g) The provisions of this chapter regarding sales and purchases of break-
17 open tickets also apply to transfers of break-open tickets for no charge.

18 § 1204. LICENSE REQUIREMENTS; FEES

19 (a) Upon application and payment of the fee, the Commissioner may issue
20 the following licenses to qualified applicants:

21 (1) Manufacturer annual license: \$3,000.00

1 (2) Distributor annual license: \$2,000.00

2 (b) A license shall not be granted to an individual who has been convicted
3 of a felony within five years of the license application nor to an entity in which
4 any partner, officer, or director has been convicted of a felony within five
5 years of the application.

6 (c) Licenses issued under this section may be renewed annually on
7 October 1, upon reapplication and payment of the licensing fee.

8 (d) All fees collected pursuant to this section shall be deposited into the
9 Liquor Control Enterprise Fund.

10 § 1205. RECORDS; REPORT

11 (a) Each distributor and manufacturer licensed under this chapter shall
12 maintain records and books relating to the distribution and sale of break-open
13 tickets and to any other expenditure required by the Commissioner. A licensee
14 shall make its records and books available to the Commissioner for auditing.

15 (b) Each licensed distributor shall file with the Commissioner on the same
16 schedule as the distributor files sales tax returns the following information for
17 the preceding reporting period:

18 (1) The names of organizations to which boxes of break-open tickets
19 were sold.

20 (2) The number of boxes of break-open tickets sold to each
21 organization.

1 (3) The ticket denomination and serial numbers of tickets for each
2 box.

3 (c) Records and reports filed under this section shall be designated
4 confidential unless, under State or federal law or regulation, the record or
5 information may be disclosed to specifically designated persons.

6 (d) Notwithstanding subsection (c) of this section, the Commissioner of
7 Liquor Control shall provide the records and reports filed under this section to
8 the Attorney General, upon request.

9 § 1206. ENFORCEMENT

10 (a) Any person who intentionally violates section 1203 of this chapter
11 shall be fined not more than \$500.00.

12 (b) Any person who intentionally violates section 1202, 1204, or 1205 of
13 this title shall be fined not more than \$10,000.00 for the first offense and fined
14 not more than \$20,000.00 or imprisoned not more than one year, or both, for
15 each subsequent offense.

16 (c) In addition to the criminal penalties provided under subsections (a) and
17 (b) of this section, any person who violates a provision of this chapter shall be
18 subject to one or more of the following penalties:

19 (1) Revocation or suspension by the Commissioner of a license
20 granted pursuant to this chapter.

21 (2) Confiscation of break-open tickets or confiscation of the revenues

1 derived from the sale of those tickets, or both.

2 § 1207. APPEALS

3 Any licensee aggrieved by an action taken under subsection 1206(c) of this
4 chapter and any person aggrieved by the Commissioner's refusal to issue or
5 renew a license under this chapter may appeal in writing to the Commissioner
6 for review of such action. The Commissioner shall thereafter grant a hearing
7 subject to the provisions of 3 V.S.A. chapter 25 upon the matter and notify the
8 aggrieved person in writing of his or her determination. The Commissioner's
9 determination may be appealed within 30 days to the Washington Superior
10 Court or the Superior Court of the county in which the taxpayer resides or has
11 a place of business.

12 § 1208. RULEMAKING

13 The Department of Liquor Control may regulate the licensing and
14 reporting requirements of manufacturers and distributors of break-open tickets
15 under this chapter. The Commissioner of Liquor Control may adopt rules for
16 licensure and indicia for boxes of break-open tickets, for record keeping
17 relating to the distribution and sale of break-open tickets, and the remittance of
18 net proceeds from sales of break-open tickets to the intended eligible charitable
19 recipients. The rules shall permit no proceeds to be retained by the operators
20 of for-profit bars, except for:

21 (1) the actual cost of the break-open tickets;

1 (2) the prizes awarded; and

2 (3) any sales tax due on the sale of break-open tickets under 32 V.S.A.
3 chapter 233.

4 * * * Health Care Provisions; Health IT-Fund * * *

5 Sec. 14. 2013 Acts and Resolves No. 73, Sec. 60(10) is amended to read:

6 (10) Secs. 48-51 (health claims tax) shall take effect on July 1, 2013 and
7 52 and 53 (health claims sunset) shall take effect on July 1, ~~2017~~ 2018.

8 Sec. 15. HEALTH INFORMATION TECHNOLOGY REPORT

9 (a) The Secretary of Administration and the Secretary of the Agency of
10 Human Services shall conduct a comprehensive review of the State's Health-
11 IT Fund established by 32 V.S.A. § 10301, Health Information Technology
12 Plan established by 18 V.S.A. § 9351, and Vermont Information Technology
13 Leaders established by 18 V.S.A. § 9352.

14 (b) The report shall:

15 (1) review the need for a State sponsored Health-IT Fund;

16 (2) review how past payments from the fund have or have not promoted
17 the advancement of health information technology adoption and utilization in
18 Vermont;

19 (3) review the past development, approval process, and use of the
20 Vermont Health Information Technology Plan;

21 (4) review the Vermont Information Technology Leaders (VITL)

1 organization, including its maintaining and operating Vermont's Health
2 Information Exchange and the organization's ability to support current and
3 future health reform goals;

4 (5) recommend whether to continue the Health-IT Fund, including with
5 its current revenue source as set forth in 32 V.S.A § 10402;

6 (6) recommend any changes to the structure of VITL, including whether
7 it should be a public or private entity, and any other proposed modifications to
8 18 V.S.A § 9352;

9 (7) review property and ownership of the VHIE, including identifying
10 all specific tangible and intangible assets that comprise or support the VHIE
11 (especially in regards to VITL's current and previous agreements with the
12 State), and the funding sources used to create this property; and

13 (8) recommend any accounting or financial actions the State should take
14 in regards to State-owned tangible and intangible assets that comprise or
15 support the VHIE.

16 (c) On or before November 15, 2017, the Secretary of Administration and
17 the Secretary of the Agency of Human Services shall submit this report to the
18 House Committees on Health Care, on Appropriations, on Energy and
19 Technology, and on Ways and Means and the Senate Committees on Health
20 and Welfare, on Appropriations, and on Finance.

21 * * * Health Care Provisions; Employer Assessment * * *

1 Sec. 16. 32 V.S.A. chapter 245 is added to read:

2 CHAPTER 245. HEALTH CARE FUND CONTRIBUTION

3 ASSESSMENT

4 § 10501. PURPOSE

5 For the purpose of more equitably distributing the costs of health care to
6 uninsured residents of this State, an employers' health care fund contribution
7 is established to provide a fair and reasonable method for sharing health care
8 costs with employers that do not offer their employees health care coverage
9 and employers that offer insurance but whose employees enroll in Medicaid.

10 § 10502. DEFINITIONS

11 As used in this chapter:

12 (1) "Employee" means an individual who is:

13 (A) 18 years of age or older for all of a calendar quarter,

14 (B) employed full-time or part-time, and

15 (C) reported by an employer for purposes of complying with

16 Vermont unemployment compensation law pursuant to 21 V.S.A. chapter 17.

17 (2) "Employer" means a person who is required to furnish

18 unemployment insurance coverage pursuant to 21 V.S.A. chapter 17.

19 (3)(A) "Full-time equivalent" or "FTE" means the number of employees

20 expressed as the number of employee hours worked during a calendar quarter

21 divided by 520. The FTE calculation shall be based on a 40-hour work week.

1 No more than one FTE may be assessed against an individual employee,
2 regardless of the actual number of hours worked by that employee during the
3 calendar quarter.

4 (B) The hours worked during a calendar quarter means hours worked
5 during all pay periods in that quarter for which gross wages were reported and
6 paid. Unworked hours, such as vacation or sick time, may be excluded from
7 the FTE calculation.

8 (C) “Full-time equivalent” shall not include any employee hours
9 attributable to a seasonal employee or part-time employee of an employer who
10 offers health care coverage to all of its regular full-time employees, provided
11 that the seasonal employee or part-time employee has health care coverage
12 under either a private plan or any public plan except Medicaid.

13 (4) “Health care coverage” shall mean any private or public plan that
14 includes both hospital and physician services.

15 (5) “Part-time employee” shall mean an employee who works for an
16 employer for fewer than 30 hours a week or fewer than 390 hours in a calendar
17 quarter.

18 (6) “Seasonal employee” means an employee who:

19 (A) works for an employer for 20 weeks or fewer in a calendar
20 year; and

21 (B) works in a job scheduled to last 20 weeks or fewer.

1 (7) “Uncovered employee” means:

2 (A) an employee of an employer who does not offer to pay any part
3 of the cost of health care coverage for its employees;

4 (B) an employee who is not eligible for health care coverage offered
5 by an employer to any other employees; or

6 (C) an employee who is offered and is eligible for coverage by the
7 employer but elects not to accept the coverage and:

8 (i) is enrolled in Medicaid;

9 (ii) has no other health care coverage under either a private or
10 public plan except Medicaid; or

11 (iii) has purchased health insurance coverage as an individual
12 through the Vermont Health Benefit Exchange.

13 § 10503. HEALTH CARE FUND CONTRIBUTION ASSESSMENT

14 (a) The Commissioner of Taxes shall assess and an employer shall pay a
15 quarterly Health Care Fund contribution for each full-time equivalent
16 uncovered employee employed during that quarter in excess of four full-time
17 equivalent employees.

18 (b) The amount of the contribution shall be \$158.77 for each full-time
19 equivalent employee in excess of four. Starting in calendar year 2018, the
20 amount of the contribution shall be adjusted by a percentage equal to any
21 percentage change in premiums for the second lowest-cost silver-level plan in

1 the Vermont Health Benefit Exchange.

2 (c) Health Care Fund contribution assessments under this chapter shall be
3 determined on a calendar quarter basis, due and payable on or before the 25th
4 day of the calendar month succeeding the close of each quarter. All
5 administrative provisions of chapter 151 of this title shall apply to this chapter,
6 except penalty and interest shall apply according to chapter 103 of this title.

7 (d) Revenues from the Health Care Fund contributions collected shall be
8 deposited into the State Health Care Resources Fund established under
9 33 V.S.A. § 1901d.

10 (e)(1) Notwithstanding any provision of law to the contrary, the
11 Department of Taxes shall provide the Joint Fiscal Office with all returns or
12 return information relating to the Health Care Fund contribution assessment
13 except information that would identify a taxpayer. The information sharing
14 required by this subsection shall occur quarterly within a reasonable time
15 following the return due date for each quarter.

16 (2) When handling information shared pursuant to this subsection, the
17 Joint Fiscal Office shall be subject to the same requirements and penalties as
18 employees of the Department of Taxes under section 3102 of this title. It shall
19 be considered an unauthorized disclosure for an officer, employee, or agent of
20 the Joint Fiscal Office to disclose returns or return information provided
21 pursuant to this subsection that does not combine a taxpayer's information

1 with at least nine other taxpayers.

2 § 10504. HOURS WORKED BY UNCOVERED EMPLOYEES;

3 CALCULATION AND REPORTING

4 (a) Employers shall report to the Department of Taxes the number of hours
5 worked by each uncovered employee on a return provided by the Department.
6 The return shall be filed at the same time payment is required under subsection
7 10503(c) of this chapter, shall be filed electronically, and shall include any
8 information required by the Commissioner.

9 (b) Quarterly health care contributions shall be calculated in the following
10 manner:

11 (1) An employer shall divide the total hours worked by all uncovered
12 employees during a quarter by 520, to represent one full-time equivalent
13 employee. The employer shall then round the resulting number down to the
14 nearest whole number and subtract four. The employer shall then multiply the
15 resulting number by the amount established under subsection 10503(b) of this
16 chapter to determine the amount of assessment due for the quarter.

17 (A) For full-time salaried employees, employers shall use 520 hours
18 a quarter for the total hours worked.

19 (B) For all employees who worked more than 520 hours in a quarter,
20 employers shall use 520 hours a quarter for the total hours worked.

21 (2) The Commissioner shall provide an electronic declaration of health

1 care coverage form for employers to collect the health coverage statuses of
2 their employees for purposes of this assessment. The form shall preserve the
3 confidentiality of the type of coverage possessed by the employee and the
4 employer shall only use the form for purposes of this assessment.

5 (A) An employer shall annually obtain a declaration of health care
6 coverage from every employee who is not enrolled in a plan offered by the
7 employer.

8 (B) An employer shall maintain declarations of health care coverage
9 for a minimum of three years in a manner reasonably available for review
10 and audit.

11 (C) Employees for whom no declaration of coverage is obtained shall
12 be treated as uncovered.

13 (c) In the case of an employee leasing agreement, leased employees shall
14 be considered employees of a client company and not employees of an
15 employee leasing company.

16 § 10505. HEALTH BENEFIT COSTS

17 (a) Employers shall provide their employees with an annual statement
18 indicating:

19 (1) the total monthly premium cost paid for any employer-sponsored
20 health benefit plan;

21 (2) the employer's share and the employee's share of the total monthly

1 premium; and

2 (3) any amount the employer contributes toward the employee's cost-
3 sharing requirement or other out-of-pocket expenses.

4 (b) Notwithstanding the provisions of subsection (a) of this section, an
5 employer who reports the cost of coverage under an employer-sponsored
6 health benefit plan as required by 26 U.S.C. § 6051(a)(14) shall be deemed to
7 be in full compliance with the requirements of this section.

8 Sec. 17. 32 V.S.A. § 3102(d) is amended to read:

9 (d) The Commissioner shall disclose a return or return information:

10 * * *

11 (5) to the Attorney General, if such return or return information relates
12 to chapter 205 of this title or 33 V.S.A. chapter 19, subchapters 1A and 1B, for
13 purposes of investigating potential violations of and enforcing 7 V.S.A. chapter
14 40, 20 V.S.A. chapter 173, subchapter 2A, and 33 V.S.A. chapter 19,
15 subchapters 1A and 1B; and

16 (6) to the Joint Fiscal Office pursuant to 32 V.S.A. § 10503(e) and
17 subject to the conditions and limitations specified in that subsection.

18 * * * Income Tax; Adjusted Gross Income * * *

19 Sec. 18. 32 V.S.A. § 5811(21) is amended to read:

20 (21) "Taxable income" means federal ~~taxable~~ adjusted gross income
21 determined without regard to 26 U.S.C. § 168(k) and:

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

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

5 (ii) dividends or other distributions from any fund to the extent
6 they are attributable to non-Vermont state or local obligations;

7 ~~(iii) the amount of State and local income taxes deducted from~~
8 ~~federal adjusted gross income for the taxable year, but in no case in an amount~~
9 ~~that will reduce total itemized deductions below the standard deduction~~
10 ~~allowable to the taxpayer; and~~

11 ~~(iv) the amount of total itemized deductions, other than~~
12 ~~deductions for State and local income taxes, medical and dental expenses, or~~
13 ~~charitable contributions, deducted from federal adjusted gross income for the~~
14 ~~taxable year, that is in excess of two and one-half times the standard deduction~~
15 ~~allowable to the taxpayer; and~~

16 (B) Decreased by the following items of income (to the extent such
17 income is included in federal adjusted gross income):

18 (i) income from U.S. government obligations;

19 (ii) with respect to adjusted net capital gain income as defined in
20 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend
21 income: either the first \$5,000.00 of such adjusted net capital gain income; or

1 40 percent of adjusted net capital gain income from the sale of assets held by
2 the taxpayer for more than three years, except not adjusted net capital gain
3 income from:

4 (I) the sale of any real estate or portion of real estate used by
5 the taxpayer as a primary or nonprimary residence; or

6 (II) the sale of depreciable personal property other than farm
7 property and standing timber; or stocks or bonds publicly traded or traded on
8 an exchange, or any other financial instruments; regardless of whether sold by
9 an individual or business; and provided that the total amount of decrease under
10 this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable
11 income; ~~and~~

12 (iii) recapture of State and local income tax deductions not taken
13 against Vermont income tax;

14 (iv) the amount of personal exemptions taken at the federal level;

15 (v) for taxpayers who do not itemize at the federal level, the
16 amount of the standard deduction taken at the federal level; and

17 (vi) for taxpayers who itemize at the federal level;

18 (I) the amount of federally itemized deductions for medical and
19 dental expenses and charitable contributions; and

20 (II) the total amount of federally itemized deductions, other
21 than deductions for State and local income taxes, medical and dental expenses,

1 and charitable contributions, deducted from federal adjusted gross income for
2 the taxable year, but in no event shall the amount under this subdivision
3 exceed two and one-half times the federal standard deduction allowable to the
4 taxpayer.

5 * * * Sales and Use Tax; Aircraft * * *

6 Sec. 19. 32 V.S.A. § 9741(29) is amended to read:

7 (29) Aircraft, but not drones, sold to a person which holds itself out to
8 the general public as engaging in air commerce, for use primarily in the
9 carriage of persons or property for compensation or hire; and parts, machinery,
10 and equipment to be installed in any aircraft, other than drones.

11 * * * Strategies for Increased Collections * * *

12 Sec. 20. 32 V.S.A. § 5870 is amended to read:

13 § 5870. REPORTING USE TAX ON INDIVIDUAL INCOME TAX
14 RETURNS

15 (a) The Commissioner of Taxes shall provide that individuals report use tax
16 on their State individual income tax returns. Taxpayers are required to attest to
17 the amount of their use tax liability under chapter 233 of this title for the
18 period of the tax return. Alternatively, they may elect to report an amount that
19 is a percentage of their ~~Vermont~~ adjusted gross income ~~indexed annually~~
20 determined under subsection (b) of this section, as shown on a table published
21 by the Commissioner of Taxes; and use tax liability arising from the purchase
22 of each item with a purchase price in excess of \$1,000.00 shall be added to the

1 table amount.

2 (b) The amount of use tax a taxpayer may elect to report under subsection
3 (a) of this section shall be ~~0.20~~ 0.10 percent of their ~~Vermont~~ adjusted gross
4 income in tax year ~~2016~~, increased for each subsequent tax year by a
5 percentage that is twice the change in the annual national Consumer Price
6 Index for goods and services published by the U.S. Bureau of Labor Statistics,
7 from tax year ~~2016~~ to the tax year in which the indexing calculation is being
8 made; provided however, that a taxpayer shall not be required to pay more
9 than \$500.00 for use tax liability under this subsection, arising from total
10 purchases of items with a purchase price of \$1,000.00 or less.

11 Sec. 21. INCREASING USE TAX COMPLIANCE

12 32 V.S.A. § 5870 provides that the Commissioner of Taxes “shall provide
13 that individuals report use tax on their State individual income tax returns.” In
14 an effort to increase the level of use tax compliance, the Department of Taxes
15 shall conduct an outreach and education campaign designed to highlight the
16 use tax liability for taxpayers on their income tax forms, and to increase ease
17 of compliance. These efforts shall be in addition to any current compliance
18 and enforcement efforts.

19 Sec. 22. 32 V.S.A. § 5862d is amended to read:

20 § 5862d. FILING OF FEDERAL FORM 1099

21 (a) Any individual or business required to file a federal form 1099 with
22 respect to a nonresident who performed services within the State during the

1 taxable year shall file a copy of the form with the Department. The
2 Commissioner may authorize electronic filing of the form.

3 (b) Any ~~individual or business person~~ required to file information returns
4 pursuant to 26 U.S.C. § 6050W shall within 30 days of the date the filing is
5 due to the Internal Revenue Service file with the Commissioner a duplicate of
6 such information returns on which the recipient has a Vermont address. In
7 addition, at the same time the information in this subsection is required, third-
8 party settlement organizations shall report to the Department of Taxes, and to
9 any participating payee with a Vermont address, any information required by
10 26 U.S.C. § 6050W with respect to third-party network transactions related to
11 that participating payee, as if the de minimis limitations of 26 U.S.C.
12 § 6050W(e) did not apply, but that the de minimis limitations of 26 U.S.C.
13 § 6041(a) did apply. The Commissioner may adopt rules and authorize
14 electronic filing of the form information required by this subsection.

15 (c) A failure to provide the information required by subsections (a) and (b)
16 of this section shall be considered a failure to provide a return or return
17 information required by this chapter, for the purposes of sections 3202, 5863,
18 and 5864 of this title.

19 Sec. 23. 32 V.S.A. § 9712 is amended to read:

20 § 9712. NOTICE REQUIREMENTS FOR NONCOLLECTING VENDORS

21 * * *

22 (c) Each noncollecting vendor shall file a copy of the notice required by

1 subsection (b) with the Department of Taxes on or before January 31 of each
2 year. The notice required by this subsection only apply to noncollecting
3 vendors who made \$100,000.00 or more of sales into Vermont in the previous
4 calendar year. Failure to file a copy of the notice required by this subsection
5 shall subject the noncollecting vendor to a penalty of \$10.00 for each failure,
6 unless the noncollecting vendor shows reasonable cause.

7 (d) The Commissioner is authorized to adopt rules or procedures or to
8 create forms necessary to implement this section. Penalties imposed under this
9 section shall be subject to the same administrative and appeal provisions of
10 this chapter as if imposed under section 3202 of this title.

11 Sec. 24. TAX COLLECTIONS

12 The General Assembly finds that there is a gap between the amount of taxes
13 paid in this State and the amount of taxes due. Therefore, the General
14 Assembly directs the Department of Taxes to use new and existing strategies
15 for collections to close the tax gap during the State fiscal year 2018. The
16 Department of Taxes shall redeploy resources to focus on these strategies with
17 the goal of increasing current collections by \$3,175,000.00 in fiscal year 2018.

18 * * * Clean Water * * *

19 Sec. 25. STATETREASURER; PUBLIC GOOD PAYMENTS; WATER
20 QUALITY REVENUE BOND

21 On or before January 15, 2018, the State Treasurer shall recommend to the

1 House Committees on Ways and Means and on Corrections and Institutions
2 and the Senate Committees on Finance and on Institutions whether public
3 good benefits payments made to the State for water quality as a condition of a
4 certificate of public good issued by the Public Service Board provide sufficient
5 revenue to leverage the issuance of a revenue bond to fund water quality
6 improvements in the State through the Clean Water Fund. In developing a
7 recommendation, the State Treasurer shall review all final and proposed public
8 good payments for water quality required by the Public Service Board,
9 including all payments for pollution abatement in, restoration of, and
10 enhancement of State waters and what is necessary to ensure their deposit in
11 the Clean Water Fund.

12 Sec. 26. CLEAN WATERWORKING GROUP

13 There is established the Clean Water Working Group, to be chaired by the
14 Secretary of Natural Resources or designee, and which shall include one
15 member of the House, appointed by the Speaker, and one member of the
16 Senate, appointed by the President Pro Tempore. The Working Group shall
17 develop recommendations for equitable and effective long-term funding
18 methods to support clean water efforts in Vermont. Recommendations from
19 the working group shall be submitted to the General Assembly on or before
20 December 15, 2017. The Working Group shall include representatives from
21 key stakeholder groups, including farmers, businesses, environmental groups,

1 and municipalities.

2 * * * Repeals * * *

3 Sec. 27. REPEALS

4 The following are repealed:

5 (1) 32 V.S.A. chapter 239 (games of chance).

6 (2) 32 V.S.A. § 10010(c) (requirement that form for payment of land

7 gains tax set out penalties in large type).

8 (3) 2007 Acts and Resolves No. 81, Secs. 7a (amendment to sales tax

9 exemption for aircraft parts) and 7b (effective date).

10 (4) 2008 Acts and Resolves No. 190, Sec. 43 (extension of sales tax

11 exemption for aircraft parts).

12 (5) 21 V.S.A. chapter 25 (Employer Assessment).

13 (6) 2015 Acts and Resolves No. 64, Sec. 39 (sunset of Clean Water

14 Surcharge on the property transfer tax).

15 * * * Effective Dates * * *

16 Sec. 28. EFFECTIVE DATES

17 This act shall take effect on passage except:

18 (1) Notwithstanding 1 V.S.A. § 214, Sec. 7 (annual update of income

19 tax link to the IRC) shall take effect retroactively on January 1, 2016 and apply

20 to taxable years beginning on and after January 1, 2016.

21 (2) Notwithstanding 1 V.S.A. § 214, Sec. 8 (estate tax) shall take effect

1 retroactively on January 1, 2016.

2 (3) Secs. 12 and 13 (break-open tickets) shall take effect on
3 July 1, 2017, except the first quarter for which nonprofit organizations shall be
4 required to comply with 32 V.S.A. § 1203(f) shall be the fourth quarter of
5 2017.

6 (4) Secs. 16–17 (transferring employer assessment from the Department
7 of Labor to the Department of Taxes) and Sec. 27(5) shall take effect on
8 January 1, 2018 with the return of the fourth quarter of 2017 being due on
9 January 25, 2018.

10 (5) Sec. 18 (adjusted gross income) shall take effect on January 1, 2018
11 and apply to taxable year 2018 and after.

12 (6) Sec. 19 (sales tax exemption for aircraft) shall take effect on
13 July 1, 2017.

14 (7) Notwithstanding 1 V.S.A. § 214, Sec. 20 (use tax reporting) shall
15 take effect retroactively on January 1, 2017 and apply to returns filed for tax
16 year 2017 and after.

17 (8) Notwithstanding 1 V.S.A. § 214, Sec. 22 (third party settlement
18 network reporting requirements) shall take effect retroactively on
19 January 1, 2017 and apply to taxable year 2017 and after.

20 (9) Sec. 23 (additional noncollecting vendor reporting requirements)
21 shall take effect on July 1, 2017.