VERMONT

Tax Expenditures

2017 Biennial Report

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Legislative Joint Fiscal Office
Vermont Department of Taxes

VERMONT

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2017 Vermont Tax Expenditure Report

Introduction

This 2017 Vermont Tax Expenditure Report is a continuing effort to catalogue all exemptions, exclusions, deductions, credits, preferential rates or deferral of liability as defined in 32 V.S.A. § 312 (a) applicable to the state's major tax sources and provide an estimate of the fiscal effect for each. Tax expenditure reporting is now in its twelfth year in Vermont and is improved to reflect more recent research and recommended best practices.[1]

This year's report, for the first time, contains evaluations of certain tax expenditures (expedited reviews) as required by Sec. 40 of Act 134 of 2016. An expedited review analyzes the purpose of a tax expenditure, delineates its cost and benefits, and considers whether it meets its policy goal. This 2017 report reviews tax expenditures related to encouraging economic growth and investment. The Joint Fiscal Office completed the expedited reviews with data assistance and legal analyses as needed from the Tax Department.

Tax expenditures are statutory provisions which reduce the amount of revenue that would otherwise be collected in order to encourage a particular activity or to limit the amount of taxes collected from groups of individuals. Tax expenditures have essentially the same fiscal effects as direct government appropriations. Most states publish tax expenditure reports on a regular basis with a variety of information included in order to increase transparency and illuminate the public policy choices being made through the tax code.

The Legislature has codified statutory purposes for each tax expenditure as well as defined tax expenditures for reporting requirements. Four categories of items are not considered tax expenditures: 1) revenue outside the taxing power of the state; 2) provisions outside the normal structure of a particular tax; 3) revenue foregone as unduly burdensome to administer; and 4) those excluded for the purpose of avoiding government taxing itself. This report encompasses expenditures to the major income taxes (individual and corporate); the major sales taxes (sales and use, meals and rooms, and purchase and use); alternative business taxes (bank franchise and insurance premiums), property taxes, and transportation excise taxes (gasoline and diesel fuel). This represents the majority of the state's annual tax revenue. Vermont has additional tax sources that raise smaller amounts of revenue that are not included in the report.

The estimates provided in this report are for the value in a fiscal year of providing a particular tax expenditure. These values are estimated in isolation without regard to the interaction with other provisions in the tax code, implementation issues, or other considerations. Therefore, these values are not a substitute for a more detailed analysis

[1] NCSL Tax Expenditure Budgets and Reports: Best Practices http://www.ncsl.org/documents/task_forces/Tax_Expenditure_Report.pdf

of the revenue gain that would result from the elimination of one of these expenditures in the legislative context.

Organization of the Report
The report is divided into sections according to tax type with the descriptive list of tax expenditures including statutory reference, date of enactment, estimated foregone revenue, statutory purpose, and a brief description. At the end of each section is a summary of the expenditures and multiple year data as well as projections for the upcoming budget year.

Brief Definitions of the Various Tax Bases

Individual and Corporate Income Tax
Vermont income taxes are linked to the federal tax structure and the state uses federal taxable income as the starting point for calculating state income taxes for both the state individual and the corporate income tax. The tax value of the expenditure differs depending on whether it is a deduction or exclusion from federal taxable income, a reduction of the Vermont tax prior to applying the income adjustment, income that is exempt and part of the adjustment calculation, or a credit against tax, which may be refundable or nonrefundable.

Sales and Use Tax
Vermont adopted a definition[2] of "retail sale" developed by a consortium of states as part of the Streamlined Sales and Use Tax Agreement. With some exceptions, this is the tax base and the starting point for the sales and use tax. Estimating expenditures in sales and use taxes presents different challenges because Vermont does not require the collection of data on exempted sales. Therefore, the estimates contained in this report are based on data from a variety of sources for different years and using different methodologies. When using data sources that do not have annual updates, the data have been adjusted for inflation.

Meals and Rooms Tax
The tax on meals[3] and rooms was enacted in 1959. The tax on alcoholic beverages was added in 1963. Unlike the sales tax chapter, the meals and rooms tax does not contain an exemption statute. Most of the exemptions or exclusions are found in definitions. The meals and rooms tax poses similar challenges as the sales and use tax for estimation of tax expenditures and the same methodology is used for estimating these expenditures.

Property Tax
This section of the tax expenditure report is for exemptions from the statewide education property tax, including both the homestead and the nonresidential portions of the education grand list. With only two exceptions, both categories of the grand list are made up of real property - that is land and improvements to land - as opposed to personal property. Homestead property means a principal dwelling and land;

[2] included in 32 V.S.A. §9701(5)
[3] The definition of "taxable meal" was substantially rewritten in 1993.

nonresidential property specifically excludes personal property. The two exceptions from the personal property exclusion are "utility cables and line, poles, and fixtures" and "gas distribution lines." A property tax expenditure is almost always a total exemption from tax or an adjustment to the value of the property that results in a lower tax. The tax expenditures in the enumerated list are organized according to type; ordinary exemptions; adjustments to property values; session law exemptions; and property taxed under alternate schemes.

Bank Franchise Tax
Financial institutions doing business in Vermont are taxed on the average monthly deposits held in Vermont by the corporation. There are two categories of tax expenditures reported: deposits in state-chartered credit unions that are not subject to the tax, and expenditures includes tax credits. Credits can be awarded to financial institutions for direct investment or, in the case of the downtown and village center credits, indirectly through bank credit certificates.

Insurance Premiums Tax
Insurance companies doing business in Vermont are taxed on the premiums and assessments written on business in the state. Certain organizations are exempt from paying the insurance premiums tax. There are also some Vermont tax credits available to insurance companies to offset tax liability.

Gasoline and Diesel Taxes
The Department of Motor Vehicles (DMV) has a gross figure for the amount of tax-exempt gallons of gasoline and diesel sold in Vermont. The tax expenditure estimates are derived by using data from several sources to estimate the quantity of dealer to dealer sales and the quantity of diesel fuel purchases by state and local government entities and public transit agencies and these are parsed out from the total provided by DMV.

Motor Vehicle Purchase and Use Tax
The purchase and use tax is based on the value of a vehicle less the value of a vehicle traded. The Department of Motor Vehicles (DMV) database includes transactions exempted in seven categories and contains information on the vehicle type, make, model, and year, but not the sales price. The expenditure estimate is derived by multiplying the number of transactions in each category by the average tax paid per taxable transaction. There is also an estimate based on a sample of transactions of the additional tax revenue if there was no trade-in allowance.

The Joint Fiscal Office and the Vermont Department of Taxes have made estimates based on the best data available for each of the tax types. As additional data, or improved methodologies become known, the estimates may be updated and improved.

INDIVIDUAL AND CORPORATE INCOME TAX EXPENDITURES

LIST OF FISCAL YEAR 2015 INDIVIDUAL INCOME TAX EXPENDITURES

1.000 Adjustments to Federal Taxable Income

1.001 Vermont Municipal Bond Income Exemption

Statute: 32 V.S.A. §5811(21)(A)(i)
Enacted: 1986
Estimate: $2,783,000
Taxpayers: 5,491

Statutory Purpose: 32 V.S.A. § 5813(a)
The statutory purpose of the exemption for Vermont municipal bond income in subdivision 5811(21)(A)(i) of this title is to lower the cost of borrowing in order to finance State and municipal projects.

Interest income from Vermont state and local government obligations is exempt from taxation in Vermont. However, interest income from non-Vermont state and local obligations is added to the amount of federal taxable income.

1.002 Capital Gains Exclusion

Statute: 32 V.S.A. §5811(21)(B)(ii)
Enacted: 2002; amended 2009, 2010
Estimate: $17,408,000
Taxpayers: 47,189

Statutory Purpose: 32 V.S.A. § 5813(b)
The statutory purpose of the Vermont flat capital gains exclusion in subdivision 5811(21)(B)(ii) of this title is intended to increase savings and investment by making the effective tax rate on capital gains income lower than the effective tax rate on earned income while exempting a portion of the gain that may represent inflation. The 40 percent business capital gains exclusion mitigates the impact of one-time realizations in a progressive tax structure.

Taxpayers may reduce taxable income by up to $5,000 in adjusted net capital gain income or 40% adjusted net capital gain income from the sale of certain business assets held for more than three years. The exclusion amount cannot exceed 40% of federal taxable income.

1.100 Subtractions from Vermont Income Tax

1.101 Credit for Child and Dependent Care

Statute: 32 V.S.A. §5822(d)
Enacted: 1967
Estimate: $1,769,000
Taxpayers: 15,276

Statutory Purpose: 32 V.S.A. § 5813(c)
The statutory purpose of the Vermont credit for child and dependent care in subsection 5822(d) of this title is to provide financial assistance to employees who must incur dependent care expenses to stay in the workforce in the absence of prekindergarten programming.

A taxpayer is entitled to a nonrefundable tax credit equal to 24% of the federal child and dependent care credit applied against federal tax liability. A taxpayer may claim this credit or the low income child and dependent care credit, but not both.

1.102 Credit for Elderly or Disabled

Statute: 32 V.S.A. §5822(d)
Enacted: 1967
Estimate: $4,000
Taxpayers: 73

Statutory Purpose: 32 V.S.A. § 5813(d)
The statutory purpose of the Vermont credit for persons who are elderly or disabled in subsection 5822(d) of this title is to provide financial assistance to seniors and persons who are disabled with little tax-exempt retirement or disability income.

A taxpayer is entitled to a nonrefundable tax credit equal to 24% of the federal credit available to the elderly (age 65 or older) and permanently disabled, which was applied against federal tax liability.

1.103 Investment Tax Credit

Statute: 32 V.S.A. §5822(d)
Enacted: 1967
Estimate: $1,863,000
Taxpayers: 155

Statutory Purpose: 32 V.S.A. § 5813(e)
The statutory purpose of the Vermont investment tax credit in subsection 5822(d) of this title is to encourage Vermont business investments by lowering the effective costs of certain activities.

A taxpayer is entitled to a nonrefundable tax credit equal to 24% of the federal investment tax credit applied against federal tax liability for Vermont-property investment in the following activities: rehabilitation (IRC §47), energy (IRC §48(a)), advanced coal products (IRC §48(a)), and gasification products (IRC 48B(e)). The Business Solar Credit claimed against individual income tax under the Investment Tax Credit umbrella is the only component of this exemption that can be carried forward, and solar credits can be carried forward for a period of five years.

1.104 Farm Income Averaging Credit

Statute: 32 V.S.A. §5822(c)(2)
Enacted: 2002
Estimate: $152,000
Taxpayers: 195

Statutory Purpose: 32 V.S.A. § 5813(f)
The statutory purpose of the Vermont farm income averaging credit in subdivision 5822(c)(2) of this title is to mitigate the adverse tax consequences of fluctuating farm incomes under a progressive tax structure and to provide stability to farm operations.

A nonrefundable tax credit is available in the amount of 24% of the reduction in the taxpayer's federal tax liability due to farm income averaging.

1.200 Adjustments to Vermont Income Tax

1.201 Military Pay

Statute: 32 V.S.A. §5823(a)(2) & (b)(3)
Enacted: 1966
Estimate: $1,435,000
Taxpayers: 1,794

Statutory Purpose: 32 V.S.A. § 5813(g)
The statutory purpose of the exemption for military pay in subdivisions 5823(a)(2) and (b)(3) of this title is to provide additional compensation for military personnel in recognition of their service to Vermont and to the country.

Exempts all military pay for full-time active duty earned outside Vermont. This also exempts the first $2,000 of military pay earned for commander certified unit training in Vermont for National Guard or United States Reserve personnel who have a federal AGI under $50,000. Exemption also applies to funds received through the federal armed forces educational loan repayment program.

1.202 Qualified Bond Interest Income Exemption

Statute: 16 V.S.A. §2825 (VSAC); 30 V.S.A. §8074 (VTA)
Enacted: 1965; 2007
Estimate: $39,000
Taxpayers: 396

Statutory Purpose: 16 V.S.A. § 2826; 30 V.S.A. § 8060(c)
(a) The statutory purpose of the exemption for interest income from Vermont Student Assistance Corporation (VSAC) bonds in section 2825 of this title is to lower the cost of borrowing in order to finance education loan programs.
(c) The statutory purpose of the exemption for Vermont Telecommunications Authority (VTA) bonds and notes in section 8074 of this title is to lower the cost of borrowing in order to finance the expansion of broadband access across the State.
The exemption applies to interest and income from these sources when included in a taxpayer’s federal AGI.

1.300 Vermont Tax Credits Applied after Income Adjustment

1.301 Charitable Housing Credit

Statute: 32 V.S.A. §5830c
Enacted: 1990
Estimate: $27,000
Taxpayers: 53

Statutory Purpose: 32 V.S.A. § 5813(h)
The statutory purpose of the Vermont charitable housing credit in section 5830c of this title is to enable lower capital cost to certain affordable housing charities by restoring some of the forgone investment income through a tax credit to the investor.

Vermont taxpayers may receive nonrefundable credit equal to the difference between the net income that would have been received at the charitable threshold rate and the actual net income received by, or credited to, the taxpayer. The credit cannot exceed 3% of the average outstanding principal balance of the investment during the taxable year. Unused credits may be carried forward for three years.

1.302 Affordable Housing Credit

Statute: 32 V.S.A. §5930u
Enacted: 2000
Estimate: Not disclosed
Taxpayers: Fewer than 10

Statutory Purpose: 32 V.S.A. § 5813(i)
The statutory purpose of the Vermont affordable housing credit in section 5930u of this title is to increase the capital available to certain affordable housing projects for construction or rehabilitation by attracting up-front private investment.

A nonrefundable tax credit may be taken for an affordable rental housing project or owner-occupied affordable housing units, provided the project has been authorized by the Vermont Housing Finance Agency. The amount of the credit is based on a taxpayer's eligible cash contribution and the agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year allocation plus the succeeding four years' deemed allocation. (These credits are taken almost exclusively against bank franchise tax and insurance premiums tax.)

1.303 Qualified Sale of Mobile Home Park Credit

Statute: 32 V.S.A. §5828
Enacted: 1998
Estimate: Not disclosed
Taxpayers: Fewer than 10

Statutory Purpose: 32 V.S.A. § 5813(j)
The statutory purpose of the Vermont qualified sale of a mobile home park credit in section 5828 of this title is to encourage sales of mobile home parks to a group composed of a majority of the mobile home park leaseholders, or to a nonprofit organization that represents such a group, and, in doing so, to provide stability to the inhabitants of such mobile home parks.

The taxpayer is entitled to a nonrefundable credit worth 7% of the taxpayer’s gain from the sale of a mobile home park. This is measured by the gain subject to federal income tax. Unused credits may be carried forward for three years.

1.304 Higher Education Investment Credit

Statute: 32 V.S.A. §5825a
Enacted: 2003 (revised in 2007)
Estimate: $2,325,000
Taxpayers: 4,362

Statutory Purpose: 32 V.S.A. § 5813(k)
The statutory purpose of the Vermont higher education investment credit in section 5825a of this title is to encourage contributions to 529 plans that would not otherwise occur and to lower the cost of higher education for Vermont students and the Vermont taxpayers who financially support them.

A taxpayer, including each spouse filing a joint return, is entitled to a nonrefundable credit of 10% for the first $2,500 contributed for each beneficiary to a Vermont higher education investment plan account. A recipient of this credit is subject to a 10% repayment for any distribution not excluded from federal AGI, up to a maximum of the total credits received.

1.305 Entrepreneurs' Seed Capital Fund Credit

Statute: 32 V.S.A. §5830b
Enacted: 2004
Estimate: $0
Taxpayers: None

Statutory Purpose: 32 V.S.A. § 5813(l)
The statutory purpose is to provide incentives for investment in the Seed Capital Fund, ensuring it has sufficient capital to make equity investments in Vermont businesses.

A taxpayer who contributes to the Seed Capital Fund may claim a nonrefundable credit equal to the lesser of either 4% of the taxpayer's contribution or 50% of the taxpayer's tax liability for the year prior to claiming the credit, provided that the aggregate credit allowable for all taxable years not exceed 20% of the taxpayer's contribution to the initial capitalization of the fund. Unused credits may be carried forward for four years.

1.306 Historic Rehabilitation Tax Credit

Statute: 32 V.S.A. §5930cc(a); see §5930aa – 3930ff
Enacted: 2006
Estimate: Not disclosed
Taxpayers: Fewer than 10

Statutory Purpose: 32 V.S.A. § 5813(m)
The statutory purpose of the Vermont historical rehabilitation tax credit in subsection 5930cc(a) of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

A taxpayer who is deemed qualified by the Vermont Downtown Development Board and completes a qualified historic rehabilitation project may claim a nonrefundable credit of 10% of those qualified rehabilitation expenditures. Unused credits may be carried forward for nine years. (A substantial number of these credits are taken against bank franchise tax.)

1.307 Façade Improvement Tax Credit

Statute: 32 V.S.A. §5930cc(b); see §5930aa – 5930ff
Enacted: 2006
Estimate: $29,000
Taxpayers: 15

Statutory Purpose: 32 V.S.A. § 5813(n)
The statutory purpose of the Vermont facade improvement tax credit in subsection 5930cc(b) and sections 5930aa–5930ff of this title is to provide incentives to improve facades and rehabilitate historic properties in designated downtowns and village centers.

Taxpayers are eligible for a nonrefundable credit equal to 25% of expenditures up to $25,000 on a qualified façade improvement project, as approved by the Vermont Downtown Development Board. Unused credits may be carried forward for nine years. (A substantial number of these credits are taken against bank franchise tax.)

1.308 Code Improvement Tax Credit

Statute: 32 V.S.A. §5930cc(c); see §5930aa – 5930ff
Enacted: 2006
Estimate: $95,000
Taxpayers: 11

Statutory Purpose: 32 V.S.A. § 5813(o)
The statutory purpose of the Vermont code improvement tax credit in subsection 5930cc(c) and sections 5930aa–5930ff of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

Taxpayers are eligible for a nonrefundable credit equal to 50% of costs for qualified code improvement or installation projects, up to the following limits: $12,000 for a platform lift, $50,000 for an elevator or sprinkler system, and $25,000 for combined costs of all other code improvement and installation projects, as approved by the Vermont Downtown Development Board. Unused credits may be carried forward for nine years. (A substantial number of these credits are taken against bank franchise tax.)

1.309 Research and Development Tax Credit

Statute: 32 V.S.A. §5930ii
Enacted: 2009; effective tax year 2011; modified in 2014
Estimate: $203,000
Taxpayers: 36

Statutory Purpose: 32 V.S.A. § 5813(p)
The statutory purpose of the Vermont research and development tax credit in section 5930ii of this title is to encourage business investment in research and development within Vermont and to attract and retain intellectual-property-based companies.

A taxpayer is eligible for a nonrefundable credit equal to 27% of the amount of the federal tax credit for eligible R&D expenditures made within Vermont. Unused credits may be carried forward for ten years. (Note: Tax Years 2011-2013 credit was 30%)

1.400 Refundable Credits

1.401 Low Income Child and Dependent Care Credit

Statute: 32 V.S.A. §5828c
Enacted: 2002
Estimate: $36,000
Taxpayers: 273

Statutory Purpose: 32 V.S.A. § 5813(r)
The statutory purpose of the Vermont low-income child and dependent care tax credit in section 5828c of this title is to provide cash relief to lower-income employees who incur dependent care expenses in certified centers to enable them to remain in the workforce.

A refundable credit is available for taxpayers with federal AGI under $30,000, if filing individually, or $40,000, if married filing jointly. The credit is equal to 50% of the federal child and dependent care credit for child and dependent care services procured in Vermont, so long as the facility providing these services has been certified by the Agency of Human Services.

1.402 Earned Income Tax Credit

Statute: 32 V.S.A. §5828b
Enacted: 1988
Estimate: $27,170,000
Taxpayers: 44,162

Statutory Purpose: 32 V.S.A. § 5813(s)
The statutory purpose of the Vermont earned income tax credit in section 5828b of this title is to provide incentives for low-income working families and individuals and to offset the effect on these Vermonters of conventionally regressive taxes.

Any taxpayer entitled to a federal earned income tax credit may claim a Vermont EITC in the amount of 32% of the federal credit, proportional to the percentage of total income that was earned or received in Vermont.

1.500 Repealed, Expired, or Credits in Carry-Forward Status Only

1.501 Vermont Business Solar Energy Credit (carry-forward only)

Statute: 32 V.S.A. §5930z
Enacted: 2002; 2011 (FY12) last year of claims
Estimate: Not Disclosed
Taxpayers: Fewer than 10

A nonrefundable tax credit of 76% of the Vermont-property portion of the business solar energy tax credit component of the federal investment tax credit applied against the taxpayer's federal tax liability. This credit, in combination with the 24% Investment Tax Credit, provides a total credit of 100% of the amount of the federal business solar energy credit. The credit may be carried-forward for up to 5 years.

1.502 EATI Tax Credits (carry-forward only)

Statute: 32 V.S.A. §5930c-k
Enacted: 1997; repealed 2006
Estimate: Not disclosed
Taxpayers: Fewer than 10

A suite of tax credits based on payroll increases, research and development investment, workforce development expenditures, or capital investments in facilities and machinery or equipment, and sales of product shipped out of state. The final taxable year in which credits can be earned is 2010; the last year carry-forward credits can be claimed is 2015.

Vermont Individual Income Tax Expenditures

Item Number	Individual Income Tax Expenditure	FY 2014 actual	FY 2015 actual	FY 2018 projected
1.001	Vermont Municipal Bond Income	2,930,000	2,783,000	2,800,000
1.002	Capital Gains Exclusion	11,858,000	17,408,000	11,800,000
1.101	Credit for Child and Dependent Care	1,716,000	1,769,000	1,800,000
1.102	Credit for Elderly or Disabled	2,000	4,000	5,000
1.103	Investment Tax Credit	508,000	1,863,000	600,000
1.104	Farm Income Averaging Credit	170,000	152,000	150,000
1.201	Military Pay Exemption	1,408,000	1,435,000	1,500,000
1.202	Qualified Bond Interest Income Exemption	37,000	39,000	50,000
1.301	Charitable Housing Credit	23,000	27,000	25,000
1.302	Affordable Housing Credit	*	*	0
1.303	Qualified Sale of Mobile Home Park Credit	*	*	50,000
1.304	Higher Education Investment Credit	2,130,000	2,325,000	2,500,000
1.305	Entrepreneurs' Seed Capital Fund Credit	0	0	0
1.306	Historic Rehabilitation Tax Credit (Downtown)	*	*	10,000
1.307	Façade Improvement Tax Credit (Downtown)	*	29,000	10,000
1.308	Code Improvement Tax Credit (Downtown)	122,000	95,000	100,000
1.309	Research and Development Tax Credit	284,000	203,000	300,000
1.401	Low Income Child and Dependent Care Credit	64,000	36,000	60,000
1.402	Earned Income Tax Credit	27,535,000	27,170,000	28,000,000
1.501	Vermont Business Solar Energy Credit	*	*	Repealed
* Sum of Suppressed Data (Fewer than 10 claimants)		1,646,000	1,297,000	N/A
	Total	**50,433,000**	**56,635,000**	**49,760,000**

Federal Personal Income Tax Expenditures

Item Number	Federal Personal Income Tax Expenditure	TY 2014 modeled
1.601	Medical & Dental Expenses	$4,607,000
1.602	State & Local Income and Sales Taxes	$3,333,000
1.603	Real Estate Taxes	$15,719,000
1.604	Personal Property Taxes	$328,000
1.605	Home Mortgage Interest Deduction	$15,022,000
1.606	Investment Interest	$262,000
1.607	Charitable Contributions & Gifts	$18,615,000
1.608	Casualty or Theft Losses	$33,000
1.609	Job Expenses & Other Miscellaneous Deductions	$4,663,000
1.701	Standard Deduction	$73,785,000
1.702	Personal Exemption	$107,144,000
	Total	**$243,511,000**

The figures above reflect the Vermont revenue impact from the elimination of the expenditure at the federal level. Note that there are interactions within the Vermont tax code.

LIST OF FISCAL YEAR 2015 CORPORATE INCOME TAX EXPENDITURES

2.000 Adjustments to Federal Taxable Income

2.001 Vermont Municipal Bond Income Exemption

Statute: 32 V.S.A. §5811(21)(A)(i)
Enacted: 1986
Estimate: Inadequate data
\# Taxpayers: Data unavailable

Statutory Purpose: 32 V.S.A. § 5813(a)
The statutory purpose of the exemption for Vermont municipal bond income in subdivision 5811(21)(A)(i) of this title is to lower the cost of borrowing in order to finance State and municipal projects.

Interest income from Vermont state and local government obligations is exempt from taxation in Vermont. However, interest income from non-Vermont state and local obligations is added to the amount of federal taxable income.

2.100 Vermont Tax Credits

2.101 Charitable Housing Credit

Statute: 32 V.S.A. §5830c
Enacted: 1990
Estimate: $0
\# Taxpayers: None

Statutory Purpose: 32 V.S.A. § 5813(h)
The statutory purpose of the Vermont charitable housing credit in section 5830c of this title is to enable lower capital cost to certain affordable housing charities by restoring some of the forgone investment income through a tax credit to the investor.

Vermont taxpayers who make an authorized charitable investment in an eligible housing charity are entitled to a nonrefundable credit in the amount equal to the difference between the net income that would have been received at the charitable threshold rate and the actual net income received by, or credited to, the taxpayer. The credit cannot exceed 3% of the average outstanding principal balance of the investment during the taxable year. Unused credits may be carried forward for three years.

2.102 Affordable Housing Credit

Statute: 32 V.S.A. §5930u
Enacted: 2000
Estimate: $0
Taxpayers: None

Statutory Purpose: 32 V.S.A. § 5813(i)
The statutory purpose is to increase the capital available to certain affordable housing projects for construction or rehabilitation by attracting up-front private investment.

A nonrefundable tax credit may be taken for an affordable rental housing project or owner-occupied affordable housing units, provided the project has been authorized by the Vermont Housing Finance Agency. The amount of the credit is based on a taxpayer's eligible cash contribution and the agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year allocation plus the succeeding four years' deemed allocation. (These credits are taken almost exclusively against bank franchise tax and insurance premiums tax.)

2.103 Qualified Sale of Mobile Home Park Credit

Statute: 32 V.S.A. §5828
Enacted: 1998
Estimate: $0
Taxpayers: None

Statutory Purpose: 32 V.S.A. § 5813(j)
The statutory purpose of the Vermont qualified sale of a mobile home park credit in section 5828 of this title is to encourage sales of mobile home parks to a group composed of a majority of the mobile home park leaseholders, or to a nonprofit organization that represents such a group, and, in doing so, to provide stability to the inhabitants of such mobile home parks.

The taxpayer is entitled to a nonrefundable credit worth 7% of the taxpayers gain from the sale of a mobile home park. This is measured by the gain subject to federal income tax. Unused credits may be carried forward for three years.

2.104 Entrepreneurs' Seed Capital Fund Credit

Statute: 32 V.S.A. §5830b
Enacted: 2004
Estimate: $0
Taxpayers: None

Statutory Purpose: 32 V.S.A. § 5813(l)
The statutory purpose is to provide incentives for investment in the Seed Capital Fund, ensuring it has sufficient capital to make equity investments in Vermont businesses.

A taxpayer who contributes to the Seed Capital Fund may claim a nonrefundable credit equal to the lesser of either 4% of the taxpayer's contribution or 50% of the taxpayer's tax liability for the year prior to claiming the credit, provided that the aggregate credit allowable for all taxable years not exceed 20% of the taxpayer's contribution to the initial capitalization of the fund. Unused credits may be carried forward for four years.

2.105 Historic Rehabilitation Tax Credit

Statute: 32 V.S.A. §5930cc(a); see §§5930aa - 5930ff
Enacted: 2006
Estimate: $0
Taxpayers: None

Statutory Purpose: 32 V.S.A. § 5813(m)
The statutory purpose of the Vermont historical rehabilitation tax credit in subsection 5930cc(a) of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

Credit equals 10% of qualified rehabilitation expenditures as defined in the IRC 26 U.S.C. § 47(c).

2.106 Façade Improvement Tax Credit

Statute: 32 V.S.A. 5930cc(b); see §§5930aa - 5930ff
Enacted: 2006
Estimate: $0
Taxpayers: None

Statutory Purpose: 32 V.S.A. § 5813(n)
The statutory purpose of the Vermont facade improvement tax credit in subsection 5930cc(b) and sections 5930aa–5930ff of this title is to provide incentives to improve facades and rehabilitate historic properties in designated downtowns and village centers.

Credit equals 25% of qualified expenditures for façade improvements, up to a maximum amount of $25,000.

2.107 Code Improvement Tax Credit

Statute: 32 V.S.A. 5930cc(c); see §§5930aa - 5930ff
Enacted: 2006
Estimate: $0
Taxpayers: None

Statutory Purpose: 32 V.S.A. § 5813(o)
The statutory purpose of the Vermont code improvement tax credit in subsection 5930cc(c) and sections 5930aa–5930ff of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

A qualified applicant is eligible for a tax credit of 50% for qualified expenditures up to a maximum of $12,000 for installation or improvement of a platform lift, a maximum tax credit of $50,000 for installation or improvement of a sprinkler system, and a maximum tax credit of $25,000 for the combined costs of all other qualified code improvements.

2.108 Machinery and Equipment Tax Credit

Statute: 32 V.S.A. §5930ll
Enacted: 2010
Estimate: $0
Taxpayers: None

Statutory Purpose: 32 V.S.A. § 5813(t)
The statutory purpose of the Vermont machinery and equipment tax credit in section 5930ll of this title is to provide an incentive to make a major, long-term capital investment in Vermont-based plants and property to ensure the continuation of in-state employment.

A qualified taxpayer approved by VEPC for a machinery and equipment investment tax credit certification is entitled to a nonrefundable credit in an amount equal to 10% of the total qualified capital expenditures. The total amount of credit authorized by statute is $8 million, and may not exceed $1 million in any one tax year. Applies to tax years beginning on January 1, 2012; repealed effective June 1, 2026.

2.109 Research and Development Tax Credit

Statute: 32 V.S.A. §5930ii
Enacted: 2009; effective Tax Year 2011
Estimate: $1,280,000
Taxpayers: 20 – this list is for corporations and businesses that applied this tax at the entity level. Pass-through businesses were removed, as those tax expenditures are account for in the Individual Income Tax section.

Statutory Purpose: 32 V.S.A. § 5813(p)
The statutory purpose of the Vermont research and development tax credit in section 5930ii of this title is to encourage business investment in research and development within Vermont and to attract and retain intellectual-property-based companies.

A taxpayer is eligible for a nonrefundable credit equal to 27% of the amount of the federal tax credit for eligible R&D expenditures made within Vermont. Unused credits may be carried forward for ten years. (Note: Credit was 30% prior to Tax Year 2014.)

2.200 Repealed, Expired, or Credits in Carry-Forward Status

2.201 EATI Tax Credits (carry-forward only)

Statute: 32 V.S.A. §5930a
Enacted: 1997; repealed 2006
Estimate: $0
Taxpayers: None

A suite of tax credits based on payroll increases, research and development investment, workforce development expenditures, or capital investments in facilities and machinery or equipment, and sales of product shipped out of state. The final taxable year in which credits can be earned is 2010; *the last year carry forward credits can be claimed is 2015.*

Corporate Income Tax Expenditures

Item Number	Corporate Income Tax Expenditures	FY 2014 actual	FY 2015 actual	FY 2018 projected
2.001	Vermont Municipal Bond Income Exemption	Inadequate data	Inadequate data	Inadequate data
2.101	Charitable Housing Credit	0	0	0
2.102	Affordable Housing Credit	0	0	0
2.103	Qualified Sale of Mobile Home Park Credit	0	0	0
2.104	Entrepreneur's Seed Capital Fund	0	0	0
2.105	Historic Rehabilitation Tax Credit	*	0	0
2.106	Façade Improvement Tax Credit	0	0	0
2.107	Code Improvement Tax Credit	0	0	0
2.108	Machinery and Equipment Tax Credit	*	0	0
2.109	Research and Development Tax Credit	3,013,000	1,280,000	1,800,000
2.201	EATI Tax Credits (carryforward only)	*	0	Repealed
2.203	Wood Products Manufacture Tax Credit	*	0	Repealed
* Suppressed Data (Fewer than 10 claimants)		*	0	
	Total	**3,013,000**	**1,280,000**	**1,800,000**

SALES & USE AND MEALS & ROOMS TAX EXPENDITURES

LIST OF FISCAL YEAR 2015 SALES TAX EXPENDITURES

3.000 Sales Not Covered; Transactions and Entities Not Taxed

3.001 Medical products

Statute: 32 V.S.A. §9741(2)
Enacted: 1969 (amended in 2012)
Estimate: $56,190,000

Statutory Purpose: 32 V.S.A. §9706(a)
The statutory purpose of the exemption for medical products in subdivision 9741(2) of this title is to lower the cost of medical products in order to support the health and welfare of Vermont residents.

This exemption includes several categories of sales for items used in the "treatment intended to alleviate human suffering or to correct . . . human physical disabilities." The exemption includes sales of both prescription and non-prescription drugs, supplies used for medical treatment, and durable medical equipment that is either used directly by a patient, such as an oxygen system, or used in a hospital or clinic such as x-ray or magnetic resonance imaging systems. The 2012 amendment includes nominally priced dental supplies provided to patients without charge under this exemption.

Data sources: Chainbridge,, MN Department of Revenue, and Bureau of Labor Statistics (BLS) Producer Price Index Industry Data

3.002 Agricultural inputs

Statute: 32 V.S.A. §9741(3)
Enacted: 1969 (amended in 2014)
Estimate: $22,550,000

Statutory Purpose: 32 V.S.A. §9706(b)
The statutory purpose of the exemption for agricultural inputs in subdivision 9741(3) of this title is to promote Vermont's agricultural economy.

This exemption includes several categories of sales for items used in the production on farms of tangible personal property. The exemption applies to a list of specific items, including feed, seed, plants, baler twine, silage bags, sheets of plastic for bunker covers or agricultural wrap, and breeding or other livestock. The exemption also includes pesticides, chemicals, and fertilizers but only when used for agriculture. The 2014 amendment includes high carbon bulking agents used for commercial or on-farm composting or on-farm energy production; and compost, animal manure, manipulated animal manure, and planting mix sold in bulk.

Data sources: USDA Census of Agriculture (Vermont) 2012, BLS and US Congressional Budget Office (CBO)

3.003 Veterinary supplies

Statute: 32 V.S.A. §9741(3)
Enacted: 1969
Estimate: $2,580,000

Statutory Purpose: 32 V.S.A. §9706(c)
The statutory purpose of the exemption for veterinary supplies in subdivision 9741(3) of this title is to lessen the cost of veterinary services in order to support the health and welfare of Vermont animals.

The same section of statute that includes agricultural inputs also exempts veterinary supplies that apply in some cases to supplies used in the treatment of non-agricultural animals. The veterinary supplies exemption is intended only for those items used in the treatment of animals at a veterinarian or for health-related items that are not otherwise available from non-veterinarian retailers.

Data sources: American Veterinarian Medical Association and US Census CPI

3.004 Fuels for railroads and off-road uses

Statute: 32 V.S.A. §9741(7)
Enacted: 1969
Estimate: $3,280,000

Statutory Purpose: 32 V.S.A. §9706(d)
The statutory purpose of the exemption for fuels for railroads and boats in subdivision 9741(7) of this title is to avoid the taxation of fuels for the types of transportation for which public expenditure on infrastructure is unnecessary.

Railroads are exempt under Title 23 and the use of diesel fuel in boats is exempt under the Title 32 exemption for other motor fuels. Non-dyed fuels for on-road motor vehicles are taxed under Title 23.

Data sources: US Energy Information Administration (EIA)

3.005 Sales of Food

Statute: 32 V.S.A. §9741(13)
Enacted: 1969
Estimate: $108,650,000

Statutory Purpose: 32 V.S.A. §9706(e)
The statutory purpose of the exemption for sales of food in subdivision 9741(13) of this title is to limit the cost of goods that are necessary for the health and welfare of all people in Vermont.

Food that is sold for consumption off the premises where it is sold, including groceries, is exempt from the sales tax. This includes vitamins and dietary supplements.

Data source: Chainbridge Vermont Sales Tax Model and BLS

3.006 Newspapers

Statute: 32 V.S.A. §9741(15)
Enacted: 1969; amended in 1980
Estimate: $3,140,000

Statutory Purpose: 32 V.S.A. §9706(f)
The statutory purpose of the exemption for newspapers in subdivision 9741(15) of this title is to reduce the cost of access to news and community information for people in Vermont.

The sale of newspapers is exempt (including newspapers that are given away and not sold) as are the materials used in the production of newspapers, such as newsprint and ink.

Data source: US Census

3.007 Rentals of “coin-operated” washing facilities, including car washes

Statute: 32 V.S.A. §9741(19)
Enacted: 1970
Estimate: $1,100,000

Statutory Purpose: 32 V.S.A. §9706(g)
The statutory purpose of the exemption for rentals of coin-operated washing facilities in subdivision 9741(19) of this title is to exclude from taxation facilities that are still operated with coins.

Laundry and car washing facilities whether or not coin-operated are exempt from the sales tax.

Data source: Economic Census of Vermont

3.008 Admission fees to nonprofit museums

Statute: 32 V.S.A. §9741(20)
Enacted: 1970
Estimate: $1,900,000

Statutory Purpose: 32 V.S.A. §9706(h)
The statutory purpose of the exemption for admission fees to nonprofit museums in subdivision 9741(20) of this title is to support the missions of certain nonprofit facilities and encourage higher visitation.

The admission fees to museums operated by organizations with a federal tax exempt status are not subject to the sales tax.

Data source: Economic Census of Vermont

3.009 Items sold to fire, ambulance, and rescue squads

Statute: 32 V.S.A. §9741(21)
Enacted: 1970
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9706(i)
The statutory purpose of the exemption for items sold to fire, ambulance, and rescue squads in subdivision 9741(21) of this title is to limit the tax on organizations charged with protecting the safety of the public.

This exemption is provided to emergency responders as a particular set of users for equipment and supplies that might otherwise be taxable as tangible personal property. In addition, the materials and equipment used in the construction and renovation of buildings and other real property housing the emergency responders are exempt when purchased by contractors.

3.010 Funeral charges

Statute: 32 V.S.A. §9741(22)
Enacted: 1970
Estimate: $1,800,000

Statutory Purpose: 32 V.S.A. §9706(j)
The statutory purpose of the exemption for funeral charges in subdivision 9741(22) of this title is to lessen the costs accumulated by the bereaved.

This exemption includes the purchase of funeral furnishings that are necessary incidents of a funeral, including caskets, vaults, and crematory urns. (The exemption does not include items sold as an accommodation, such as flowers.)

Data sources: National Funeral Directors Association, the Funeral Consumers Alliance of Vermont and Vermont Department of Health statistics.

3.011 Property used in commercial, industrial or agricultural research

Statute: 32 V.S.A. §9741(24)
Enacted: 1974
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9706(k)
The statutory purpose of the exemption for commercial, industrial, or agricultural research tangible personal property use in subdivision 9741(24) of this title is to reduce financial barriers to research and innovation in the commercial, industrial, and agricultural industries.

Property purchased and used in commercial, industrial or agricultural research is exempt from the sales tax.

3.012 Agricultural machinery and equipment

Statute: 32 V.S.A. §9741(25)
Enacted: 1974
Estimate: $3,200,000

Statutory Purpose: 32 V.S.A. §9706(l)
The statutory purpose of the exemption for agricultural machinery and equipment in subdivision 9741(25) of this title is to promote Vermont's agricultural economy.

The purchase of machinery and equipment used in the production of agricultural goods and livestock is exempt from the sales tax.

Data source: USDA Census of Agriculture (VT) 2012 and Farm Production Expenditures

3.013 Energy purchases for a residence

Statute: 32 V.S.A. §9741(26)
Enacted: 1977
Estimate: $47,410,000

Statutory Purpose: 32 V.S.A. §9706(m)
The statutory purpose of the exemption for energy purchases for a residence in subdivision 9741(26) of this title is to limit the cost of goods that are necessary for the health and welfare of Vermonters.

Electricity, fuel oil, natural gas, propane, and other fuels are subject to tax as tangible personal property. When these fuels are sold to residences, the fuel supplier or utility is not required to collect the sales tax. A fuel gross receipts tax of 0.5% of the retail sale is applied to heating oil, kerosene, other dyed diesel fuels, natural gas, propane gas, electricity, and coal used to heat a residence or business (33 V.S.A. § 2503). A gross operating revenue tax on utilities is also assessed, and the rates depend on the type of utility (30 VSA §22).

Data sources: EIA Residential Energy Consumption Survey, Annual Energy Outlook 2016, BLS Household Energy Consumer Price Index

3.014 Energy purchases for farming

Statute: 32 V.S.A. §9741(27)
Enacted: 1977
Estimate: $3,120,000

Statutory Purpose: 32 V.S.A. §9706(n)
The statutory purpose of the exemption for energy purchases for farming in subdivision 9741(27) of this title is to promote Vermont's agricultural economy.

When electricity, fuel oil, natural gas, propane and other fuels are sold to farmers, the fuel supplier or utility is not required to collect the sales tax.
Data sources: USDA Census of Agriculture (VT) 2012, EIA Annual Outlook and BLS

3.015 Sales (or lease) of films to movie theaters

Statute: 32 V.S.A. §9741(28)
Enacted: 1981
Estimate: $800,000

Statutory Purpose: 32 V.S.A. §9706(o)
The statutory purpose of the exemption for sales of films to movie theaters in subdivision 9741(28) of this title is to avoid double taxation.

Movie theaters that charge for admission do not need to pay sales tax on the purchase or licensed use of films from film distributors.

Data source: National Association of Theater Owners

3.016 Aircraft and depreciable parts for commercial and private (parts only) use

Statute: 32 V.S.A. §9741(29)
Enacted: 1986
Estimate: Less than $100,000

Statutory Purpose: 32 V.S.A. §9706(p)
The statutory purpose of the exemption for aircraft and depreciable parts for commercial and private use in subdivision 9741(29) of this title is to promote the growth of the aircraft maintenance industry in Vermont by lowering the cost of parts and equipment relative to other states with private airplane maintenance facilities.

This exemption is for the purchase of aircraft for commercial use, such as the transport of people and goods for compensation and hire. The current exemption also includes the purchase of parts, machinery, and equipment to be installed in any aircraft regardless of whether it is purchased for commercial or private, non-commercial use. Under current law, the exemption of parts and equipment for private, non-commercial use is due to sunset effective July 1, 2018.

Data source: Chainbridge Vermont Sales Tax Model

3.017 Railroad rolling stock and depreciable parts

Statute: 32 V.S.A. §9741(30)
Enacted: 1986
Estimate: Less than $100,000

Statutory Purpose: 32 V.S.A. §9706(q)
The statutory purpose of the exemption for railroad rolling stock and depreciable parts in subdivision 9741(30) of this title is to increase the use of rail for transport.

This exemption includes the purchase of railroad locomotives and cars and the parts and equipment used in their maintenance.

Data source: Division of Property Valuation and Review

3.018 Ferryboats and depreciable parts

Statute: 32 V.S.A. §9741(31)
Enacted: 1988
Estimate:

Statutory Purpose: 32 V.S.A. §9706(r)
The statutory purpose of the exemption for ferryboats and depreciable parts in subdivision 9741(31) of this title is to increase the use of ferries for transport.

This exemption includes the purchase of ferries used in the transport of people and property for compensation or hire, and the parts and equipment used in their maintenance.

Data source: History of Lake Champlain Ferries 1947–2005.

3.019 Sales of mobile homes and modular housing

Statute: 32 V.S.A. §9741(32)
Enacted: 1989
Estimate: Less than $100,000

Statutory Purpose: 32 V.S.A. §9706(s)
The statutory purpose of the exemption for sales of mobile homes and modular housing in subdivision 9741(32) of this title is to create equity between mobile and modular housing and traditional residential construction by providing an exemption for the estimated portion of the cost attributable to labor (versus materials).

Forty percent of the sales price of a new mobile home or manufactured home is exempt from the sales tax (the remaining 60% is subject to the sales tax). In the case of a used mobile home or manufactured home when sold as real estate, there is no sales tax. Real estate transactions are subject to the property transfer tax.

3.020 U.S. flag sold to or by exempt veterans' organizations

Statute: 32 V.S.A. §9741(33)
Enacted: 1990
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9706(t)
The statutory purpose of the exemption for the United States flag sold to or by exempt veterans’ organizations in subdivision 9741(33) of this title is to support veterans’ organizations in performing their traditional functions.

U.S. flags purchased or sold by exempt veteran’s organizations are exempt from the sales tax.

3.021 Property transferred as part of personal service transaction or transfer of intangible property rights

Statute: 32 V.S.A. §9741(35)
Enacted: 1995
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9706(u)
The statutory purpose of the exemption for property transferred as an incidental part of a personal service transaction or transfer of intangible property rights in subdivision 9741(35) of this title is to forgo taxation when the cost of compliance exceeds the revenues.

Transactions that focus on the sale of personal services such as bookkeeping or hair styling or the transfer of intangible property, such as stocks or marketing logos, may also require the transfer of tangible property. The transaction is exempt from sales tax as long as the value of the tangible personal property transferred is less than 10% of the sales price for the complete transaction.

3.022 Advertising materials

Statute: 32 V.S.A. §9741(36)
Enacted: 1995
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9706(v)
The statutory purpose of the exemption for advertising materials in subdivision 9741(36) of this title is to exclude tangible personal property from taxation if it is incidental to a larger service.

Transactions that transfer the right to use advertising materials are exempt from sales tax. Such transactions may include the transfer of a single copy of advertising materials to the purchasing customer.

3.023 Documents that record a professional service

Statute: 32 V.S.A. §9741(37)
Enacted: 1995
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9706(w)
The statutory purpose of the exemption for documents that record a professional service in subdivision 9741(37) of this title is to exclude tangible personal property from taxation if it is incidental to a service package.

Bills, invoices, briefs, agreements, and wills are examples of documents that may be provided to customers without the payment of the sales tax on the price of the transaction.

3.024 Tracked vehicles

Statute: 32 V.S.A. §9741(38)
Enacted: 1997
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9706(x)
The statutory purpose of the tracked vehicles cap in subdivision 9741(38) of this title is to lessen the cost of capital investments.

The sale of tracked vehicles is subject to the sales tax. The exemption applies on sales that would otherwise result in a tax paid above a capped amount. The cap is required by law to be adjusted by the CPI as of July 1 in each even-numbered year. The cap was $1,200 in FY 2011 and $1,260 in FY 2012.

3.025 Sales of building materials

Statute: 32 V.S.A. §9741(39)(i) and (ii)
Enacted: 1997
Estimate: Less than $100,000

Statutory Purpose: 32 V.S.A. §9706(y)
The statutory purpose of the exemption for sales of building materials in subdivisions 9741(39) of this title is to provide incentives to restore and revitalize downtown districts.

Sales of building materials within any three consecutive years in excess of $250,000 in purchase value and incorporated into a downtown redevelopment project, as defined by the Department of Economic, Housing, and Community Development.

Data source: Vermont Economic Progress Council

3.026 Scrap construction materials by a third party

Statute: 32 V.S.A. §9741(43)
Enacted: 1998
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9706(z)
The statutory purpose of the exemption for third party scrap construction materials in subdivision 9741(43) of this title is to promote the reuse and recycling of scrap construction materials.

Scrap materials generated during construction or demolition are not subject to sales tax if a third party takes possession of the material with no payment.

3.027 Property incorporated in railroad line

Statute: 32 V.S.A. §9741(44)
Enacted: 1998
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9706(aa)
The statutory purpose of the exemption for property incorporated in a railroad line in subdivision 9741(44) of this title is to increase the use of rail for transport by lowering the costs of materials.

Materials used in the construction, repair, operation, or maintenance of railroad lines are exempt from the sales tax.

3.028 Clothing and footwear

Statute: 32 V.S.A. §9741(45)
Enacted: 1999; all clothing and footwear exempt January 1, 2007
Estimate: $34,400,000*

Statutory Purpose: 32 V.S.A. §9706(bb)
The statutory purpose of the exemption for clothing and footwear in subdivision 9741(45) of this title is to limit the tax burden on the purchase of goods that are necessary for the health and welfare of all people in Vermont.

Clothing, including footwear, is exempt from the sales tax. Accessories and protective equipment are not exempt. *Note: eliminating this exemption would **not** result in the full amount of additional state tax revenue because the impact of remote sales would likely reduce the revenue impact by 20-30%.

Data source: Bureau of Labor Statistics, Consumer Expenditure Survey, and US Census Bureau

3.029 Property incorporated into a net metering system, an on premise energy system not connected to the electric distribution system, or a solar hot water heating system

Statute: 32 V.S.A. §9741(46)
Enacted: 1999
Estimate: $2,890,000

Statutory Purpose: 32 V.S.A. §9706(cc)
The statutory purpose of the exemptions for property incorporated into a net metering system, on premise energy systems not connected to the electric distribution system, and solar hot water heating systems in subdivision 9741(46) of this title are to increase the deployment of solar technologies until the price of solar materials and installation decreases to the point it does not need State subsidization.

Property incorporated into photovoltaic systems that are not covered by the manufacturing exemption is exempt under this specific subsection of statute. In addition, solar equipment for heating water is exempt.
Data Source: Vermont Public Service Board

3.030 Purchases by and limited purchases from 501(c)(3) organizations

Statute: 32 V.S.A. §9743(3)
Enacted: 1969, amended
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9706(dd)
The statutory purpose of the exemption for purchases by and limited purchases from 501(c)(3) organizations in subdivision 9743(3) of this title is to reduce costs for certain nonprofit organizations in order to allow them to dedicate more of their financial resources to furthering the public-service missions of the organizations.

Nonprofit organizations purchases are exempt from the sales tax. Some sales by churches, schools, and other organizations are also exempt to a $20,000 limit. These sales include garage sales and sporting equipment swap sales. Charges for entertainment sponsored by nonprofits also have a limited exemption.

3.031 Building materials and supplies used in construction or, repair of buildings by governmental bodies or 501(c)(3) organizations or development corporations

Statute: 32 V.S.A. §9743(4)
Enacted: 1969
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9706(ee)
The statutory purpose of the exemption for building materials and supplies used in construction or repair of buildings by governmental bodies, 501(c)(3) organizations, or development corporations in subdivision 9743(4) of this title is to reduce the costs of construction for certain nonprofit organizations in order to allow them to dedicate more financial resources to their public-service missions.

This exemption includes the materials used for most public works projects as well as the construction of structures for nonprofit organizations.

3.032 Amusement charges for 4 events a year for 501(c)(4)-(13) and (19) organizations and political organizations

Statute: 32 V.S.A. §9743(5)
Enacted: 1983
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9706(ff)
The statutory purpose of the exemption for amusement charges for four events per year for 501(c)(4)–(13) and (19) organizations and political organizations in subdivision 9743(5) of this title is to reduce the costs for and encourage participation in a limited number of events organized by certain nonprofit organizations in order to allow these organizations to dedicate more financial resources to their public-service missions.

3.033 Amusement charges for events presented by 501(c)(3) organizations

Statute: 32 V.S.A. §9743(7)
Enacted: 1983 (amended 2010)
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9706(gg)
The statutory purpose of the exemption for amusement charges for events presented by 501(c)(3) organizations in subdivision 9743(7) of this title is to reduce the costs for and encourage participation in fundraising events organized by certain nonprofit organizations in order to allow these organizations to dedicate more financial resources to their public-service missions.

Nonprofit organizations under IRC 501(c)(3) may charge for live performances without collecting sales tax but only if their proceeds from the past year's events do not exceed $100,000.

3.034 Reallocation of receipts from tax imposed on sales of construction materials

Statute: 32 V.S.A. §9819
Enacted: 1998
Estimate: Under $100,000

Statutory Purpose: 32 V.S.A. §9706(hh)
The statutory purpose of the reallocation of receipts from tax imposed on sales of construction materials in section 9819 of this title is to provide incentives to restore and revitalize certain properties in designated downtown districts.

The sales tax revenues from materials used in construction of qualified projects in designated downtown districts above certain amounts (varying by the size of the community) are allocated to the municipalities that are the location of those projects.

Data source: Department of Taxes

3.035 Sales to nonprofit hospital service corporations

Statute: 8 V.S.A. §4518
Enacted: 1947
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9247
The statutory purpose of the remaining exemptions in 8 V.S.A. § 4518 is to lower the cost of health services to Vermonters.

Nonprofit hospital service corporations are exempt from the sales and use tax.

3.036 Sales to nonprofit medical service corporations

Statute: 8 V.S.A. §4590
Enacted: 1947
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9247
The statutory purpose of the remaining exemptions in 8 V.S.A. § 4590 is to lower the cost of health services to Vermonters.

Nonprofit medical service corporations are exempt from the sales and use tax.

3.037 Sales to credit unions

Statute: 8 V.S.A. §30901
Enacted: 1967
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9247
The statutory purpose of the remaining exemptions in 8 V.S.A. § 30901 is to affirm the nonprofit, cooperative structure of credit unions.

Credit unions are exempt from the sales and use tax.

3.038 Sales by licensed auctioneers

Statute: 32 V.S.A. §9741(48)
Enacted: 2011
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. §9706(ii)
The statutory purpose of the exemption for sales by licensed auctioneers in subdivision 9741(48) of this title is to extend the “casual sale” exemption to sales involving an auctioneer selling on behalf of a third party.

Sales of tangible personal property are exempt from the sales tax when sold by an auctioneer and the auction is conducted on the premises of the owner of the property.

Sales Tax Expenditure Summary

Item Number	Sales Tax Expenditure	FY 2014 estimated	FY 2015 estimated	FY 2018 projected
3.001	Medical products	52,150,000	56,190,000	66,770,000
3.002	Agricultural inputs	22,580,000	22,550,000	23,930,000
3.003	Veterinary supplies	2,460,000	2,580,000	3,000,000
3.004	Fuels for railroads and off-road uses	4,890,000	3,280,000	4,080,000
3.005	Sales of food	106,730,000	108,650,000	115,360,000
3.006	Newspapers	3,260,000	3,140,000	2,770,000
3.007	Rentals of washing facilities	1,100,000	1,100,000	1,200,000
3.008	Admission fees to nonprofit museums	1,800,000	1,900,000	2,000,000
3.009	Items sold to fire, ambulance and rescue squads	Not estimated	Not estimated	Not estimated
3.010	Funeral charges	1,700,000	1,800,000	1,900,000
3.011	Property used in research	Not estimated	Not estimated	Not estimated
3.012	Agricultural machinery and equipment	3,200,000	3,200,000	3,200,000
3.013	Energy purchases for a residence	49,620,000	47,410,000	48,510,000
3.014	Energy purchases for farming	3,660,000	3,120,000	3,180,000
3.015	Sales of films to movie theaters	800,000	800,000	800,000
3.016	Aircraft and depreciable parts for commercial use	Not estimated	Under 100,000	Under 100,000
3.017	Railroad rolling stock and depreciable parts	Under 100,000	Under 100,000	Under 100,000
3.018	Ferryboats and depreciable parts	100,000	100,000	100,000
3.019	Sales of mobile homes and modular housing	Under 100,000	Under 100,000	Under 100,000
3.020	U.S. flag sold to or by exempt veterans' orgs	Not estimated	Not estimated	Not estimated
3.021	Property transferred as part of personal service	Not estimated	Not estimated	Not estimated
3.022	Advertising materials	Not estimated	Not estimated	Not estimated
3.023	Documents that record a professional service	Not estimated	Not estimated	Not estimated
3.024	Tracked vehicles	Not estimated	Not estimated	Not estimated
3.025	Sales of building materials	Under 100,000	Under 100,000	Under 100,000
3.026	Scrap construction materials by a third party	Not estimated	Not estimated	Not estimated
3.027	Property incorporated in railroad line	Not estimated	Not estimated	Not estimated
3.028	Clothing and footwear	33,700,000	34,400,000	36,700,000
3.029	Property incorporated into a net metering system	2,230,000	2,890,000	1,730,000
3.030	Purchases by and from 501(c)(3)s	Not estimated	Not estimated	Not estimated
3.031	Building materials used government of or 501(c)(3)s	Not estimated	Not estimated	Not estimated
3.032	Amusement charges by nonprofit and political orgs	Not estimated	Not estimated	Not estimated
3.033	Amusement charges presented by 501(c)(3)s	Not estimated	Not estimated	Not estimated
3.034	Reallocation of receipts from construction materials	Under 100,000	Under 100,000	Under 100,000
3.035	Sales to nonprofit hospital service corporations	Not estimated	Not estimated	Not estimated
3.036	Sales to nonprofit medical service corporations	Not estimated	Not estimated	Not estimated
3.037	Sales to credit unions	Not estimated	Not estimated	Not estimated
3.038	Sales by licensed auctioneers	Not estimated	Not estimated	Not estimated
	Total	**289,980,000**	**293,110,000**	**315,230,000**

LIST OF FISCAL YEAR 2015 MEALS AND ROOMS TAX EXPENDITURES

4.000 Meals and Alcoholic Beverage Tax

4.001 Grocery-type items furnished for take-out (meals tax only)

Statute: 32 V.S.A. §9202(10)(D)(i)
Enacted: 1959
Estimate: $6,400,000

Statutory Purpose: 32 V.S.A. § 9201(a)
The statutory purpose of the exemption for grocery-type items furnished for take-out in subdivision 9202(10)(D)(i) of this title is to limit the cost of goods that are necessary for the health and welfare of all people in Vermont.

Most food purchased from a grocery store is not subject to the meals tax. This exemption is for prepared food that is still intended for home use and includes whole pies, cakes, and loaves of bread, single-serving bakery items sold in quantities of three or more, deli and candy sales by weight, whole uncooked pizzas, and larger containers of ice cream, salad dressings, sauces, cider, or milk.

Data source: Economic Census of Vermont, Consumer Expenditure Survey

4.002 Served or furnished on the premises of a nonprofit

Statute: 32 V.S.A. §9202(10)(D)(ii)(I)
Enacted: 1959
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(b)
The statutory purpose of the exemption for meals served or furnished on the premises of a nonprofit organization in subdivision 9202(10)(D)(ii)(I) of this title is to allow more of the revenues generated by certain activities to be dedicated to furthering the public-service missions of the organizations.

Nonprofit organizations may sell meals without a meals tax when those meals are sold on the premises and further the purpose of the organization. The profits from meals sold under this exemption must also be used exclusively for the nonprofit organization.

4.003 Premises of a school

Statute: 32 V.S.A. §9202(10)(D)(ii)(II)
Enacted: 1959
Estimate: $2,000,000

Statutory Purpose: 32 V.S.A. § 9201(c)
The statutory purpose of the exemption for meals provided on school premises in subdivision 9202(10)(D)(ii)(II) of this title is to reduce the overall cost of education in Vermont.

Schools may sell meals on their own grounds without collecting the meals tax. Contractors may sell meals to school students and staff under this exemption, but restaurants and caterers otherwise subject to the tax may not deliver meals to the schools without collecting the tax.

Data source: Vermont Department of Education

4.004 Hospitals, convalescent and nursing homes

Statute: 32 V.S.A. §9202(10)(D)(ii)(IV)
Enacted: 1959
Estimate: $1,000,000

Statutory Purpose: 32 V.S.A. § 9201(d)
The statutory purpose of the exemption for meals provided at hospitals and convalescent and nursing homes in subdivision 9202(10)(D)(ii)(IV) of this title is to reduce the overall costs of health care and senior care in Vermont.

Meals provided at locations that have a primary purpose for delivering health care or hospice are not subject to the meals tax.

Data source: Vermont Inpatient Hospital Utilization Report

4.005 Summer camp for children

Statute: 32 V.S.A. §9202(10)(D)(ii)(VI)
Enacted: 1959
Estimate: Less than $100,000

Statutory Purpose: 32 V.S.A. § 9201(e)
The statutory purpose of the exemption for summer camps for children in subdivision 9202(10)(D)(ii)(VI) of this title is to reduce the cost of summer education and outdoor activities for youth.

Meals provided at camps serving children are not subject to the meals tax.

Data source: www.vermontcamps.org

4.006 Nonprofits at fairs, bazaars, picnics, and similar events, but limited to 4 days

Statute: 32 V.S.A. §9202(10)(D)(ii)(VII)
Enacted: 1964
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(f)
The statutory purpose of the exemption for nonprofits at fairs, bazaars, picnics, and similar events in subdivision 9202(10)(D)(ii)(VII) of this title is to allow more of the revenues generated by certain activities to be dedicated to furthering the public-service missions of the organizations.

Nonprofit organizations may provide meals at public events without collecting the meals tax, but only for four calendar days during any given year.

4.007 Furnished to an employee of a hotel or restaurant operator as remuneration for his or her employment

Statute: 32 V.S.A. §9202(10)(D)(ii)(VIII)
Enacted: 1963
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(g)
The statutory purpose of the exemption for meals furnished to an employee of a hotel or restaurant operator as remuneration for his or her employment in subdivision 9202(10)(D)(ii)(VIII) of this title is to avoid the taxation of in-kind benefits.

Meals provided to employees as a part of their compensation are not subject to the meals tax.

4.008 Served on the premises of a continuing care retirement community

Statute: 32 V.S.A. §9202(10)(D)(ii)(XI)
Enacted: 1988
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(h)
The statutory purpose of the exemption for meals served on the premises of a continuing care retirement community in subdivision 9202(10)(D)(ii)(XI) is to exclude meals prepared in a person’s home from taxation.

Meals provided at continuing care retirement communities are not subject to the meals tax.

4.100 Rooms Tax

4.101 Student housing

Statute: 32 V.S.A. §9202(8)
Enacted: 1964
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(i)
The statutory purpose of the exemption for student housing in subdivision 9202(8) of this title is to reduce the overall costs of education in Vermont.

The rental charges to students attending a school are not subject to the rooms tax.

4.102 Furnished to an employee of a hotel or restaurant operator as remuneration for his or her employment

Statute: 32 V.S.A. §9202(6)
Enacted: 1959
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(j)
The statutory purpose of the exemption for rooms furnished to an employee of a hotel or restaurant operator as remuneration for his or her employment in subdivision 9202(6) of this title is to exclude the taxation of in-kind benefits.

Workers residing in a hotel are not subject to the rooms tax when the accommodation is provided as compensation for employment.

4.103 Summer camp for children

Statute: 32 V.S.A. §9202(6)
Enacted: 1959
Estimate: Under $100,000

Statutory Purpose: 32 V.S.A. § 9201(k)
The statutory purpose of the exemption for summer camps for children in subdivision 9202(6) of this title is to reduce the cost of summer education and outdoor activities for youth.

Overnight accommodations at camps serving children are not subject to the rooms tax.

Data source: www.vermontcamps.org

4.104 Rooms on the premises of a nonprofit

Statute: 32 V.S.A. §9202(3)(C)
Enacted: 1959
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(l)
The statutory purpose of the exemption for rooms on the premises of a nonprofit in subdivision 9202(3)(C) of this title is to allow more of the revenues generated by certain activities to be dedicated to furthering the public-service missions of the organizations.

Nonprofits operating hotels to further their exempt purpose are exempt from collecting the rooms tax.

4.105 Rooms on the premises of a continuing care retirement community

Statute: 32 V.S.A. §9202(3)(D)
Enacted: 1988
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(m)
The statutory purpose of the exemption for rooms on the premises of a continuing care retirement community in subdivision 9202(3)(D) of this title is to exclude from taxation rooms that are a person's residence.

A continuing care community is exempt from collecting the rooms tax on the rent of its accommodations.

4.106 Hospital, sanatorium, convalescent home, nursing home, or home for the aged

Statute: 32 V.S.A. §9202(3)(A)
Enacted: 1959
Estimate: Data unavailable

The room charges to occupy a hospital or other institution providing health care are not subject to the rooms tax.

Meals and Rooms Tax Expenditure Summary

Item Number	Meals & Alcoholic Beverages Tax	FY 2014 actual	FY 2015 actual	FY 2018 projected
4.001	Grocery-type items furnished for take-out	6,400,000	6,400,000	6,600,000
4.002	Served on the premises of a non-profit	Not estimated	Not estimated	Not estimated
4.003	Served on the premises of a school	2,000,000	2,000,000	2,000,000
4.004	Served in hospitals, convalescent and nursing homes	1,000,000	1,000,000	1,100,000
4.005	Summer camp for children	Under 100,000	Under 100,000	Under 100,000
4.006	Sold by nonprofits at fairs etc but limited to 4 days	Not estimated	Not estimated	Not estimated
4.007	Furnished to an employee of a hotel or restaurant	Not estimated	Not estimated	Not estimated
4.008	Served at a continuing care retirement facility	Not estimated	Not estimated	Not estimated
	Total	**9,400,000**	**9,400,000**	**9,700,000**

Item Number	Rooms Tax	FY 2014 actual	FY 2015 actual	FY 2018 projected
4.101	Student housing	Not estimated	Not estimated	Not estimated
4.102	Hotel or restaurant employee	Not estimated	Not estimated	Not estimated
4.103	Summer camps	Under 100,000	Under 100,000	Under 100,000
4.104	Nonprofit establishments	Not estimated	Not estimated	Not estimated
4.105	Rooms at a continuing care retirement facility	Not estimated	Not estimated	Not estimated
4.106	Hospital, convalescent and nursing home	Under 100,000	Under 100,000	Under 100,000

PROPERTY TAX EXPENDITURES

LIST OF FISCAL YEAR 2015 PROPERTY TAX EXPENDITURES

5.000 Property Tax Exemptions

5.001 Nonprofit Medical and Hospital Service Corporations

Statute: 8 V.S.A. §4518 and §4590
Enacted: 1939
Estimate: $144,000
# of parcels: 1

Statutory Purpose: 32 V.S.A. §9247
The statutory purpose of the remaining exemptions in 8 V.S.A. §4518 and §4590 is to lower the cost of health services to Vermonters.

5.002 Local Development Corporations

Statute: 10 V.S.A. § 236
Enacted: 1973
Estimate: $103,000
# of parcels: 27

Statutory Purpose: 10 V.S.A. § 210
The statutory purpose of the exemption for local development corporations in section 236 of this title is to promote economic development.

Unoccupied portions of buildings and industrial parks owned by local development authorities are exempt.

5.003 Vermont Housing Finance Agency

Statute: 10 V.S.A. § 641 (a)
Enacted: 1973
Estimate: $101,000
# of parcels: 26

Statutory Purpose: 10 V.S.A. § 602
The statutory purpose of the exemption for the Vermont Housing Finance Agency in subsection 641(a) of this title is to provide and promote affordable housing.

All property of the agency is public property and exempt from all taxes.

5.004 Vermont State Colleges

Statute: 16 V.S.A. § 2178
Enacted: 1961; amended 2005.
Estimate: $5,724,000
# of parcels: 43

Statutory Purpose: 16 V.S.A. § 2170
The statutory purpose of the exemption for the Vermont State Colleges in section 2178 of this title is to allow institutions providing higher education to deploy more of their financial resources to their educational missions.

Property used for educational and not commercial purposes is exempt.

5.005 Vermont Student Assistance Corporation (VSAC)

Statute: 16 V.S.A. § 2825
Enacted: 1965
Estimate: $33,000
# of parcels: 1

All real and personal property of VSAC is exempt from taxation.

5.006 University of Vermont

Statute: 16A APPX V.S.A. § 1-15
Enacted: 1802
Estimate: $11,656,000
# of parcels: 149

Statutory Purpose: 16 App. V.S.A. § 1-15a
The statutory purpose of the exemption for the University of Vermont in section 1-15 of this chapter is to allow institutions providing higher education to deploy more of their financial resources to their educational missions.

Property used for educational purposes is exempt.

5.007 Cemeteries

Statute: 18 V.S.A. § 5317, § 5376; 32 V.S.A. § 3802(7);
Enacted: some version of this exemption existed when Vermont became a State in 1791
Estimate: $599,000
# of parcels: 478

Statutory Purpose: 18 V.S.A. § 5300 and 32 V.S.A. § 3800(e)
The statutory purpose of the exemption for cemeteries in sections 18 V.S.A. § 5317, § 5376 and 32 V.S.A. § 3802(7) is to lower the cost of establishing and maintaining cemeteries.

5.008 Libraries

Statute: 22 V.S.A. § 109
Enacted: prior to 1947
Estimate: $830,000
# of parcels: 81

Statutory Purpose: 22 V.S.A. § 68
The statutory purpose of the exemption for libraries in section 109 of this title is to aid libraries in offering free and public access to information and research resources to the public.

If the institution is a free and public library, the library and other property is forever exempt.

5.009 Housing Authorities

Statute: 24 V.S.A. § 4020
Enacted: 1961
Estimate: $1,795,000
# of parcels: 62

Statutory Purpose: 24 V.S.A. § 4000
The statutory purpose of the exemption for housing authorities in section 4020 of this title is to promote, provide, and preserve affordable housing.

The property of a housing authority is declared public property and is exempt.

5.010 Congressionally Chartered Organizations

Statute: 32 V.S.A. § 3802(2)
Enacted: 1957
Estimate: $752,000
# of parcels: 109

Statutory Purpose: 32 V.S.A. § 3800(a)
The statutory purpose of the exemption for congressionally chartered organizations in subdivision 3802(2) of this title is to support certain organizations with a patriotic, charitable, historical, or educational purpose.

Congress issued federal charters from 1791 until 1992 and over 100 organizations have this status. Congress does not oversee or supervise organizations with the charter, and the designation was largely honorific. Congress suspended federal charters because of the unmerited public assumption that the charter signifies federal approval of the organization’s activities. (CRS Report, April 8, 2004) There are two main groups of congressionally chartered organizations, including veterans, fraternal or patriotic groups such as the American Red Cross, National Academy of Sciences, or Girl and Boy Scouts, and corporate entities such as the Federal Reserve Bank, Fannie Mae, Freddie Mac, and the Tennessee Valley Authority.

5.011 Public, pious, and charitable property

Statute:	32 V.S.A. §§3802(4) 3832, 3840, 5404(a)
Enacted:	Some version of § 3802(4) existed when Vermont became a State in 1791; a version of §3832 was enacted in 1880
Estimate:	$48,831,000
# of parcels:	2,077

Subdivided estimates:	Charitable:	$ 5,785,000;	485 parcels
	College:	$14,577,000;	138 parcels
	Pious:	$11,540,000;	1,167 parcels
	Schools:	$ 4,969,000;	175 parcels
	Hospitals	$11,960,000;	112 parcels

Statutory Purpose: 32 V.S.A. § 3800(b)
The statutory purpose of the exemption for public, pious, and charitable property in sections 3832 and 3840 and subdivision 3802(4) of this title is to allow these organizations to dedicate more of their financial resources to furthering their public-service missions.

Subdivision 3802(4) exemptions are grouped together because municipalities are only required to report the statutory reference and not differentiate between the various exemption types.

5.012 College fraternities and societies

Statute:	32 V.S.A. §3802(5) Note: this exemption is limited by 32 V.S.A. §3831 This will be repealed on January 1, 2017 (Act No.200 Sec 22(4))
Enacted:	1906
Estimate:	$189,000
# of parcels:	10

Statutory Purpose: 32 V.S.A. § 3800(c)
The statutory purpose of the exemption for college fraternities and societies in subdivision 3802(5) of this title is to provide a tax benefit to college fraternities and societies.

Property held for the benefit of college fraternities and societies and corporations owning such property are exempt. The exemption shall not apply to property held for investment purposes.

5.013 Young Men's and Women's Christian Associations

Statute: 32 V.S.A. §3802(6)
Enacted: 1906 (YMCA) and 1963 (YWCA)
Estimate: $268,000
# of parcels: 10

Statutory Purpose: 32 V.S.A. § 3800(d)
The statutory purpose of the exemption for Young Men's and Women's Christian Associations in subdivision 3802(6) of this title is to allow these organizations to dedicate more of their financial resources to furthering their public-service missions.

YMCA and YWCA property is exempt if it is used for the purposes of the organization and the income is used entirely for such purposes.

5.014 Owned by agricultural societies

Statute: 32 V.S.A. §3802(9)
Enacted: 1902
Estimate: $497,000
# of parcels: 14

Statutory Purpose: 32 V.S.A. § 3800(f)
The statutory purpose of the exemption for property owned by agricultural societies in subdivision 3802(9) of this title is to lower the cost of public access to agricultural events.

The property is exempt if it is used annually for agricultural fairs.

5.015 Property exclusively installed and operated for the abatement of water pollution

Statute: 32 V.S.A. § 3802(12)
Enacted: 1961
Estimate: $3,000
# of parcels: 2

Statutory Purpose: 32 V.S.A. § 3800(h)
The statutory purpose of the exemption for property exclusively installed and operated for the abatement of water pollution in subdivision 3802(12) of this title is to encourage real property improvements that abate water pollution by nonpublic entities that would not qualify for an exemption as a government entity.

This property is exempt as long as it meets with the approval of the Secretary of the Agency of Natural Resources.

5.016 Humane societies

Statute: 32 V.S.A. § 3802(15)
Enacted: 1976
Estimate: $110,000
# of parcels: 12

Statutory Purpose: 32 V.S.A. § 3800(i)
The statutory purpose of the exemption for humane societies in subdivision 3802(15) of this title is to lower operating costs for organizations that protect animals to allow them to dedicate more of their financial resources to furthering their public-service missions.

Property owned by a charitable, nonprofit organization devoted to the welfare, protection, and humane treatment of animals is exempt.

5.017 FQHC and RHCs

Statute: 32 V.S.A. § 3802(16)
Enacted: 1999
Estimate: $421,000
# of parcels: 26

Statutory Purpose: 32 V.S.A. § 3800(j)
The statutory purpose of the exemption for federally qualified health centers or rural health clinics in subdivision 3802(16) of this title is to support health centers that serve an underserved area or population, offer a sliding fee scale, provide comprehensive services, and have an ongoing quality assurance program.

Property owned by a federally qualified health center or a free-standing, federally designated rural health clinic is exempt.

5.018 Ski Lifts and Snowmaking Equipment

Statute: 32 V.S.A. § 5401(10)(D)
Enacted: 2002 (effective for 2004 and thereafter)
Estimate: $1,438,000
# of parcels: 39

Statutory Purpose: None

Fixed equipment, including ski lifts and snowmaking equipment is exempt. This estimate does not include $550,000 in foregone revenues (or PILOT payments made to towns) for ski lifts and snowmaking equipment at two resorts. That is because leases with the State of Vermont put title to that property in the State’s name, which would mean that if this exemption were removed that equipment would still not be taxable by the State. This situation is described in the 2015 report by the Vermont State Auditor’s Office, *State Land Leases Boost Ski Industry, but Are Dated and Inconsistent.*

5.019 Whey Processing Fixtures

Statute: 32 V.S.A. § 5401(10)(G)
Enacted: 2001
Estimate: $0
# of parcels: None

Statutory Purpose: 32 V.S.A. § 5400 (a)
The statutory purpose of the exemption for whey processing fixtures in subdivision 5401(10)(G) of this title is to support industries using whey processing facilities to convert waste into value-added products.

Nonresidential property does not include machinery and equipment used directly in the processing of whey.

5.020 Municipalities Hosting Large Power Plants

Statute: 32 V.S.A. § 5402(d); Amended 20014 Act No. 174 Sec. 62
Enacted: § 4502(d) – 2004; §5402a – 1999 (but special taxing provisions have applied since 1998)
Estimate: $1,752,000

Statutory Purpose: 32 V.S.A. § 5400 (b)
The statutory purpose of the exemption for municipalities hosting large power plants in subsection 5402(d) of this title is to compensate businesses and residents of the community hosting a nuclear power facility.

The residential and nonresidential education property tax rates (adjusted appropriately for the CLA and district spending) are applied at a percentage of the base amount in the Town of Vernon. This preferential rate is scheduled to phase up as follows; 75% in 2015 and 2016; 83% in 2017; and 91% in 2018.

5.100 Adjustments to Property Values

5.101 $10,000 exemption of appraised value of a residence for a veteran

Statute: 32 V.S.A. § 3802(11) and 32 V.S.A. § 6066(i)
Enacted: prior to 1910; amended 2011
Estimate: $364,000
# of parcels: 2,506

Statutory Purpose: 32 V.S.A. § 3800(g)
The statutory purpose of the exemption for $10,000.00 of appraised value of a residence for a veteran in subdivision 3802(11) of this title is to recognize disabled veterans' service to Vermont and to the country.

The exemption is for a veteran of any war or who has received an American Expeditionary Medal. The exemption also applies to the veteran's spouse, widow, widower, or child, if one or more of them are receiving disability compensation for at least 50 percent disability, death compensation, dependence and indemnity compensation, or pension for disability paid through any military department or the Veteran's Administration.

5.102 Qualified Housing

Statute: 32 V.S.A. § 5404a(a)(6)
Enacted: 2004
Estimate: $684,000
# of parcels: 624

Statutory Purpose: 32 V.S.A. § 5400 (c)
The statutory purpose of the exemption for qualified housing in subdivision 5404a(a)(6) of this title is to ensure that taxes on this rent restricted housing provided to low- and moderate-income Vermonters are more equivalent to property taxed using the State homestead rate and to adjust the costs of investment in rent restricted housing to reflect more accurately the revenue potential of such property.

Residential rental units that are subject to specific rent restrictions may qualify for an exemption of 10% of the value of the parcel.

5.103 Tax Increment Financing Districts

Statute: 32 V.S.A. § 5404a(f)
Enacted: 1997, amended multiple times (1998 Act No. 71; 2000 Act No. 159; 2006 Act No. 184; 2008 Act No. 190; 2009 Act No. 54)
Estimate: $3,775,000
# of Districts: 6

Statutory Purpose: 32 V.S.A. § 5400 (d)
The statutory purpose of the tax increment financing districts in subsection 5404a(f) of this title is to allow communities to encourage investment and improvements that would not otherwise occur and to use locally the additional property tax revenue attributable to those investments to pay off the debt incurred to construct the improvements.

TIF allows a municipality to retain and utilize a portion of the education property tax revenue from an approved district for improvements related to the district.

5.104 VEPC Approved Stabilization Agreements

Statute: 32 V.S.A. §5404a
Enacted: 1997; Repealed effective January 1, 2017 (2016 Act. No 157 Sec. H.6.)
Estimate: $34,000
# of parcels: 1

Statutory Purpose: 32 V.S.A. § 5400 (e)
The statutory purpose of the Vermont Economic Progress Council approved stabilization agreements in section 5404a of this title is to provide exemptions on a case-by-case basis in conjunction with other economic development efforts in order to facilitate economic development that would not otherwise occur.

Municipalities that entered into property tax stabilization agreements for improvements to commercial or industrial property were allowed to apply to VEPC for additional state education property tax stabilizations for up to 10 years.

5.200 Session Law Exemptions

5.201 Permanent Session Law Exemptions (never codified)

Statute: Various
Enacted: Multiple dates
Estimate: $64,000
# of parcels: 6 identified

Statutory Purpose: 32 V.S.A. § 3800(m)
(m) The statutory purpose of the exemptions in Vermont permanent session law in 2008 Acts and Resolves No. 190, 1892 Acts and Resolves No. 213 (*Holton Home, Brattleboro*), 1945 Acts and Resolves No. 204 (*Moose Lodge, Rutland City*), 1939 Acts and Resolves No. 250 (*Italian American Club, Rutland City*), 1921 Acts and Resolves No. 31(*American Legion, Rutland City*), 1921 Acts and Resolves No. 262

(*Knights of Columbus, Rutland City*), 1910 Acts and Resolves No. 370 (*Masonic Building Association, Brattleboro*), and 1900 Acts and Resolves No. 244 (*Masonic Temple, Rutland City*), is to provide relief to specific properties that have demonstrated an individual purpose to the General Assembly.

The Legislature has enacted a number of property-specific permanent exemptions from education property tax. The ones that can be identified have been grouped together.

5.300 Property Taxed Under Alternate Scheme

5.301 Railroad Property

Statute: 32 V.S.A. §3803(1)
Enacted: 1882
Alternative Tax: 32 V.S.A. §8211

Statutory Purpose: 32 V.S.A. § 3800(k)
The statutory purpose of the railroad property alternative tax method in subdivision 3803(1) of this title is to provide an alternative to the traditional valuation method in order to achieve consistency across municipalities.

An alternative tax is assessed on the appraised value of property and corporate franchise of each railroad company. The revenue is split between the state's general fund and the town where the railroad property is located.

5.302 Telephone Property

Statute: 32 V.S.A. §3803(2)
Enacted: 1882
Alternative Tax: 32 V.S.A. §§8521 and 8522

Statutory Purpose: 32 V.S.A. § 3800(l)
The statutory purpose of the telephone property alternative tax method referenced in subdivision 3803(2) of this title is to provide an alternative to the

A company may elect either a telephone property tax of 2.37% of net book value or an alternative tax based on gross operating revenue. This is a general fund tax source, rather than the education fund where property taxes and their alternatives are typically deposited.

5.303 Large Power Plants

Statute: 32 V.S.A. §5401(10)(B)
Enacted: 1997; amended 2003 and 2012
Alternative Tax: 32 V.S.A §5402a (repealed effective 7/1/12)

Statutory Purpose: 32 V.S.A. § 5400 (f)
The statutory purpose of the large power plants alternative tax method in subdivision 5401(10)(B) of this title is to provide an alternative to the traditional valuation method for a unique property.

The Vermont Yankee Nuclear power facility is exempt from the education property tax ***if it is operating***. The electrical energy generating tax in the amount of $0.0025 per kWh of electrical energy produced is applied instead.

5.304 Wind-Powered Electric Generating Facilities

Statute: 32 V.S.A. § 5401(10)(J)(i)
Enacted: 2008; amended 2012
Alternative Tax: 32 V.S.A. § 5402c(a)

Statutory Purpose: 32 V.S.A. § 5400 (g)
The statutory purpose of the wind-powered electric generating facilities alternative tax scheme in subdivision 5401(10)(J)(i) of this title is to provide an alternative to the traditional valuation method in order to achieve consistent valuation across municipalities.

The buildings and fixtures (not the land) of wind-powered electric generating facilities that are one megawatt and over are exempt from education property tax. The alternate tax is $0.003 per kWh of electrical energy produced. The alternative tax was amended (2012 Act No. 127 Sec. 5) to apply to facilities that generate at least one megawatt instead of the original five megawatts. Smaller facilities are exempt.

5.305 Renewable Energy Plant Generating Electricity from Solar Power

Statute: 32 V.S.A. § 5401(10)(J)(ii)
Enacted: 2012
Alternative Tax: 32 V.S.A. § 8701

Statutory Purpose: 32 V.S.A. § 5400 (h)
The statutory purpose of the renewable energy plant generating electricity from solar power alternative tax structure in subdivision 5401(10)(J)(ii) is to provide an alternative to the traditional valuation method in order to achieve consistent valuation across municipalities.

The fixtures and personal property (not land) of a solar electric renewable energy plant are exempt from the education property tax. Plants larger than 10 kWh are subject to a uniform capacity tax of $4.00 per kWh of plant capacity. Smaller facilities are exempt from both the property tax and the generation tax. The exemption for small facilities is repealed in 10 years on January 1, 2023.

Property Tax Expenditure Summary

Item Number	Property Tax Expenditure	FY 2015 actual	FY 2016 actual	FY 2018 projected
5.001	Non-Profit Medical Service Corporations	144,000	147,000	150,000
5.002	Local Development Corporations	103,000	67,000	80,000
5.003	Vermont Housing Finance Agency (VHFA)	101,000	82,000	100,000
5.004	Vermont State Colleges	5,724,000	5,848,000	5,975,000
5.005	VSAC	33,000	35,000	35,000
5.006	University of Vermont	11,656,000	11,912,000	12,174,000
5.007	Cemeteries	599,000	609,000	619,000
5.008	Libraries	830,000	822,000	814,000
5.009	Housing Authorities	1,795,000	1,743,000	1,750,000
5.010	Congressionally Chartered Organizations	752,000	805,000	800,000
5.011	Public, pious and charitable property	48,831,000	49,932,000	51,093,000
5.011	PPC - Charitable	5,785,000	5,950,000	6,120,000
5.011	PPC - College	14,577,000	14,410,000	14,245,000
5.011	PPC - Pious	11,540,000	12,017,000	12,514,000
5.011	PPC - School	4,969,000	5,341,000	5,741,000
5.011	PPC - Hospital	11,960,000	12,214,000	12,473,000
5.012	College fraternities and societies	189,000	196,000	Repealed
5.013	YMCA and YWCAs	268,000	173,000	175,000
5.014	Owned by agricultural societies	497,000	504,000	511,000
5.015	Water pollution abatement property	3,000	3,000	3,000
5.016	Humane societies	110,000	112,000	115,000
5.017	FQHC and RHCs	421,000	422,000	423,000
5.018	Ski lifts and snowmaking equipment	1,438,000	1,701,000	2,012,000
5.019	Whey processing fixtures	0	0	0
5.020	Municipalities hosting large power plants	1,752,000	1,530,000	1,040,000
5.101	$10,000 for veterans	364,000	388,000	414,000
5.102	Qualified Housing	684,000	696,000	708,000
5.103	Tax Increment Financing Districts	3,775,000	4,332,000	4,971,000
5.104	VEPC Approved Stabilization Agreements	34,000	38,000	40,000
5.201	Permanent Session Law Exemptions	64,000	65,000	66,000
	Total	**128,998,000**	**132,094,000**	**135,161,000**

BANK FRANCHISE AND INSURANCE PREMIUMS TAX EXPENDITURES

LIST OF FISCAL YEAR 2015 BANK FRANCHISE TAX EXPENDITURES

6.000 Exemptions from Tax on Deposits

6.001 Credit Unions

Statute: 8 V.S.A. §2085
Enacted: 1967
Estimate: $1,230,000

Statutory Purpose: 32 V.S.A. §9247
The statutory purpose of the remaining exemptions in 8 V.S.A. § 30901 is to affirm the nonprofit, cooperative structure of credit unions.

Deposits and shares in Vermont state-chartered credit unions are not subject to taxation.

6.100 Bank Franchise Tax Credits

6.101 Affordable Housing Credit

Statute: 32 V.S.A. §5930u
Enacted: 2000
Estimate: $1,910,000

Statutory Purpose: 32 V.S.A. § 5813(i)
The statutory purpose of the Vermont affordable housing credit in section 5930u of this title is to increase the capital available to certain affordable housing projects for construction or rehabilitation by attracting up-front private investment.

A credit is available for affordable rental housing projects or owner-occupied affordable housing units, provided the project has been authorized by the Vermont Housing Finance Agency. The amount of the credit is based on a taxpayer's eligible cash contribution and the agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year allocation plus the succeeding four years' deemed allocation.

6.102 Downtown and Village Center Program Tax Credits
Historic Rehabilitation, Façade Improvement, and Code Improvement Credit

Statute: 32 V.S.A. §5930cc
Enacted: 2006 (replacing similar credits from 1997)
Estimate: $1,730,200

Statutory Purpose: 32 V.S.A. § 5813(m)
The statutory purpose of the Vermont historical rehabilitation tax credit in subsection 5930cc(a) of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

Statutory Purpose: 32 V.S.A. § 5813(n)
The statutory purpose of the Vermont facade improvement tax credit in subsection 5930cc(b) and sections 5930aa–5930ff of this title is to provide incentives to improve facades and rehabilitate historic properties in designated downtowns and village centers.

Statutory Purpose: 32 V.S.A. § 5813(o)
The statutory purpose of the Vermont code improvement tax credit in subsection 5930cc(c) and sections 5930aa–5930ff of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

There are three available credits for improvements in a designated downtown or village center:
Historic rehabilitation – 10% of qualified rehabilitation expenditures
Façade improvement – 25% of qualified expenditures (maximum = $25,000)
Code improvement – 50% of qualified expenditures.

6.103 Entrepreneurs' Seed Capital Fund Credit

Statute: 32 V.S.A. §5830b
Enacted: 1986; amended 2006
Estimate: $0

Statutory Purpose: 32 V.S.A. § 5813(l)
The statutory purpose of the Vermont entrepreneurs' seed capital fund credit in section 5830b of this title is to provide incentives for investment in the Seed Capital Fund, ensuring it has sufficient capital to make equity investments in Vermont businesses.

A credit is available for a taxpayer who contributes to the fund in an amount equal to the lesser of either 4% of the taxpayer's contribution or 50% of the taxpayer's tax liability for the year prior to claiming the credit, provided that the aggregate credit allowable for all taxable years not exceed 20% of the taxpayer's contribution to the initial capitalization of the fund.

6.104 Charitable Housing Credit

Statute: 32 V.S.A. §5830c
Enacted: 1990
Estimate: $0

Statutory Purpose: 32 V.S.A. § 5813(h)
The statutory purpose of the Vermont charitable housing credit in section 5830c of this title is to enable lower capital cost to certain affordable housing charities by restoring some of the forgone investment income through a tax credit to the investor.

Credit for the difference between interest income that would have been received at the charitable threshold rate and actual interest income received. The rate effective each July 1 is 2% below Bank Prime Loan Rate for March.

LIST OF FISCAL YEAR 2015 INSURANCE PREMIUMS TAX EXPENDITURES

7.000 Insurance Premiums Tax Credits

7.001 Affordable Housing Credit

Statute: 32 V.S.A. §5930u
Enacted: 2000
Estimate: Suppressed – fewer than 10 claimants

Statutory Purpose: 32 V.S.A. § 5813(i)
The statutory purpose of the Vermont affordable housing credit in section 5930u of this title is to increase the capital available to certain affordable housing projects for construction or rehabilitation by attracting up-front private investment.

A credit is available for affordable rental housing projects or owner-occupied affordable housing units, provided the project has been authorized by the Vermont Housing Finance Agency. The amount of the credit is based on a taxpayer's eligible cash contribution and the agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year allocation plus the succeeding four years' deemed allocation.

7.002 Downtown and Village Center Program Tax Credits

Statute: 32 V.S.A. §5930cc
Enacted: 2006 (replacing similar credits from 1997)
Estimate: Suppressed – fewer than 10 claimants

Statutory Purpose: 32 V.S.A. § 5813(m)
The statutory purpose of the Vermont historical rehabilitation tax credit in subsection 5930cc(a) of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

Statutory Purpose: 32 V.S.A. § 5813(n)
The statutory purpose of the Vermont facade improvement tax credit in subsection 5930cc(b) and sections 5930aa–5930ff of this title is to provide incentives to improve facades and rehabilitate historic properties in designated downtowns and village centers.

Statutory Purpose: 32 V.S.A. § 5813(o)
The statutory purpose of the Vermont code improvement tax credit in subsection 5930cc(c) and sections 5930aa–5930ff of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

There are three available credits for improvements in a designated downtown or village center.

7.003 Entrepreneurs’ Seed Capital Fund Credit

Statute: 32 V.S.A. §5830b
Enacted: 2004, amended 2006
Estimate: $0

Statutory Purpose: 32 V.S.A. § 5813(l)
The statutory purpose of the Vermont entrepreneurs’ seed capital fund credit in section 5830b of this title is to provide incentives for investment in the Seed Capital Fund, ensuring it has sufficient capital to make equity investments in Vermont businesses.

A credit is available for a taxpayer who contributes to the fund in an amount equal to the lesser of either 4% of the taxpayer’s contribution or 50% of the taxpayer’s tax liability for the year prior to claiming the credit, provided that the aggregate credit allowable for all taxable years not exceed 20% of the taxpayer’s contribution to the initial capitalization of the fund.

7.100 Exemptions from the Premiums Tax

7.101 Annuity Considerations

Statute: 8 V.S.A. §3718
Enacted: 1967
Estimate: $10,760,000

Statutory Purpose: 8 V.S.A. § 3700
The statutory purpose of the exemption for annuity considerations in section 3718 of this title is to avoid reciprocity from other states.

7.102 Fraternal Societies

Statute: 8 V.S.A. §4501
Enacted: 1959
Estimate: Less than $80,000

Statutory Purpose: 8 V.S.A. § 4460
The statutory purpose of the exemption for fraternal societies in section 4500 of this title is to support benevolent societies that provide benefits to members and to the community.

7.103 Hospital and Medical Service Organizations

Statute: 8 V.S.A. §§4518, 4590
Enacted: 1939
Estimate: $14,490,000

Statutory Purpose: 32 V.S.A. §9247
The statutory purpose of the remaining exemptions in 8 V.S.A. §4518 and §4590 is to lower the cost of health services to Vermonters.

Bank Franchise and Insurance Premiums Tax Expenditure Summary

Item Number	Bank Franchise Tax	FY 2014	FY 2015	FY 2018
6.001	Credit Unions	1,180,000	1,230,000	1,390,000
6.101	Affordable Housing Tax Credit	1,860,000	1,910,000	2,980,000
6.102	Downtown and Village Center Program Tax Credits	720,000	1,730,000	2,760,000
6.103	Entrepreneurs' Seed Capital Fund Credit	0	0	0
6.104	Charitable Housing Credit	0	0	0
	Total	**3,760,000**	**4,870,000**	**7,130,000**

Item Number	Insurance Premiums Tax	FY 2014	FY 2015	FY 2018
7.001	Affordable Housing Tax Credit	*	*	*
7.002	Downtown and Village Center Program Tax Credits	*	*	*
7.003	Entrepreneurs' Seed Capital Fund Credit	0	0	0
7.101	Annuity Considerations	10,560,000	10,760,000	10,650,000
7.102	Fraternal Societies	90,000	80,000	90,000
7.103	Hospital and Medical Service Organizations	14,200,000	14,490,000	15,150,000
	Total	**25,360,000**	**26,600,000**	**25,890,000**

MOTOR FUEL AND PURCHASE AND USE TAX EXPENDITURES

DESCRIPTION OF GASOLINE AND DIESEL FUEL AND MOTOR VEHICLE PURCHASE AND USE TAX EXPENDITURES

No. 160 (2010), Sec. 1 amended 32 V.S.A. §312 to add reporting on the gasoline tax, diesel fuel tax and motor vehicle purchase and use tax to the biennial tax expenditure report.

Gasoline Tax

There are no end user exemptions to the gasoline tax.

Diesel Fuel Tax and Transportation Infrastructure Bond (TIB) Fund Diesel Fuel Assessment

23 V.S.A. §3003 imposes on the sale of diesel fuel (1) a tax of $0.28 per gallon, (2) a petroleum distributor license fee of $0.01 per gallon which is deposited in the petroleum clean up fund and (3) a transportation infrastructure bond (TIB) fund assessment of $0.03 per gallon. This analysis treats exemptions from the tax, fee and assessment as all being tax expenditures and herein the term “tax” is all inclusive.

As specified in 23 V.S.A. §3003(d)(1), the following uses are exempted from the diesel fuel tax, the license fee and TIB assessment:

- off road uses for agricultural purposes
- use by a vehicle registered as a farm truck
- off road uses by any vehicle
- uses by state or municipal entities (including school districts, fire districts)
- use by a non-profit public transit agency

Diesel fuel purchases by government entities and public transit agencies are excluded from this analysis.

The Department of Motor Vehicles (DMV) database is limited to information on the number of taxable and tax exempt gallons sold and does not break down the aggregate numbers by user type. Therefore, this report does not estimate the tax expenditure value of the individual exemptions but instead provides one aggregate estimate for all the exemptions in 23 V.S.A. §3003(d)(1). The tax expenditure estimates are derived by using data from several sources to estimate the quantity of dealer to dealer sales and the quantity of diesel fuel purchases by state and local government entities and public transit agencies, which are not considered to be tax expenditures. These totals were then subtracted from DMV’s gross figure for tax-exempt gallons.

DMV revised its reporting system for the diesel tax effective January 1, 2014 to separately track dealer to dealer sales from sales to tax exempt end users. In doing so, DMV and the Joint Fiscal Office discovered that dealer to dealer sales accounted for a much larger proportion of total undifferentiated sales than was previously assumed for purposes of this report, resulting in a substantial over-estimate of the tax expenditures associated with the diesel fuel tax exemptions.

DMV's new system separately accounts for inter-dealer sales but, as stated, the system only went into effect on January 1, 2014. Thus DMV's FY14 data includes six months of dealer to dealer sales mixed in with sales to tax exempt end users. A more accurate analysis will have to await full fiscal year data starting with FY 2015. The estimates provided here based on the data for the six month period from January through June 30, 2014.

Motor Vehicle Purchase and Use Tax

Motor Vehicle Purchase & Use Tax – Specific Exemptions
Exemptions from the P&U tax are specified in 32 V.S.A §8911. The exemption for state and local government entities is excluded from the analysis.

The DMV database includes transactions exempted from the P&U tax in 7 categories. Information is available on the vehicle type, make, model and year, but not the sales price.. The expenditure estimate is derived by multiplying the number of transactions in each category by the average P&U tax paid per taxable transaction.

Motor Vehicle Purchase & Use Tax – Trade-In Value Exemption
32 V.S.A §8902(4) and (5) define the purchase price subject to the P&U tax as, in general terms, being equal to the gross price paid minus the value of any trade-in involved in the transaction (broadly defined to include separate sales). It has been argued that a trade-in allowance constitutes a tax expenditure. It has also been argued that a trade-in allowance is necessary to avoid double taxation. In 2005, at the request of the House Ways & Means Committee, the Joint Fiscal Office provided revenue estimates for several options involving the elimination of the trade-in allowance, in whole or in part. The figures were an estimate of the additional P&U tax revenue that would have been generated had the trade-in allowance not existed in the fiscal year involved (adjusted for estimated demand effects).The estimate for a zero trade-in allowance was updated and is included in this report. Whether this revenue constitutes a tax expenditure or rather double taxation is a separate question.

LIST OF FISCAL YEAR 2015 GASOLINE AND DIESEL FUEL TAX EXPENDITURES

8.000 Gasoline and Diesel Fuel Tax Expenditures

8.001 Gasoline Tax

There are no end user exemptions from the gasoline tax.

8.002 Diesel Tax

Statute: 23 V.S.A. §3003
Enacted: 1982
Estimate: $398,000

Statutory purpose: 23 V.S.A. §3000
The statutory purpose of the exemption for diesel tax in section 3003 of this title is to relieve off-road uses and farm truck uses from the user fee for the State highway system.

Note: DMV revised its reporting system for the diesel tax effective January 1, 2014 to separately track dealer to dealer sales from sales to tax exempt end users. In doing so, DMV and the Joint Fiscal Office discovered that dealer to dealer sales accounted for a much larger proportion of total undifferentiated sales than was previously assumed for purposes of this report, resulting in a substantial over-estimate of the tax expenditures associated with the diesel fuel tax exemptions in prior years. The estimates provided here are based DMV's new reporting system.

LIST OF FISCAL YEAR 2015 MOTOR VEHICLE PURCHASE AND USE TAX EXPENDITURES

9.000 Motor Vehicle Purchase and Use Tax Expenditures

9.001 Religious or charitable institutions or volunteer fire companies

Statute: 32 V.S.A. §8911 (3)
Enacted: 1960, amended 1987, 2006
Estimate: $162,000

Statutory purpose: 32 V.S.A §8900(a)
The statutory purpose of the exemption for pious or charitable institutions or volunteer fire companies in subdivision 8911(3) of this title is to lower the operating costs of pious and charitable organizations considered exempt under subdivision 3802(4) of this title to allow them to dedicate more of their financial resources to furthering their public-service missions.

9.002 Non-registered vehicles

Statute: 32 V.S.A. §8911 (5)
Enacted: 1960, amended 1987, 2006
Estimate: Data unavailable

Statutory purpose: 32 V.S.A §8900(b)
The statutory purpose of the exemption for nonregistered vehicles in subdivision 8911(5) of this title is to exclude from the tax vehicles that are not entitled to use the State highway system.

9.003 Gifts

Statute: 32 V.S.A. §8911 (8)
Enacted: 1960, amended 1987, 2006
Estimate: $3,040,000

Statutory purpose: 32 V.S.A §8900(c)
The statutory purpose of the exemption for gifts in subdivision 8911(8) of this title is to avoid the intrusion of a tax into sharing transactions that are common within families.

9.004 IRC Sec. 351

Statute: 32 V.S.A. §8911 (10)
Enacted: 1960, amended 1987, 2006
Estimate: $24,000

Statutory purpose: None
Note: “IRC Sec. 351” refers to transfers by an owner to a business controlled by the owner pursuant to Internal Revenue Code Sec. 351.

9.005 Handicapped

Statute: 32 V.S.A. §8911 (12)
Enacted: 1960, amended 1987, 2006
Estimate: $50,000

Statutory purpose: 32 V.S.A §8900(d)
The statutory purpose of the exemption for persons with disabilities in subdivision 8911(12) of this title is to lessen the cost of purchasing a vehicle that has been modified to meet the physical needs of a qualifying Vermonter.

9.006 Veterans

Statute: 32 V.S.A. §8911 (14)
Enacted: 1960, amended 1987, 2006
Estimate: $30,000

Statutory purpose: 32 V.S.A §8900(e)
The statutory purpose of the exemption for veterans in subdivision 8911(14) of this title is to remove every cost to a qualifying veteran receiving a vehicle granted by the Veterans' Administration.

9.007 General exemption of trade-in value

Statute: 32 V.S.A. §8902(4) and (5)
Enacted: 1960, amended 1967
Estimate: $28,770,000

Statutory purpose: 32 V.S.A §8900(f)
The statutory purpose of the general exemption of trade-in value in subdivisions 8902(4) and (5) of this title is to ensure the use value of a vehicle is taxed only once.

Gasoline and Diesel Fuel Tax Expenditure Summary

Item Number	Expenditure	FY 2015	FY 2016	FY 2018 Projected
8.001	Gasoline Tax	0	0	0
8.002	Diesel Fuel	398,000	458,000	456,000
	Totals	**398,000**	**458,000**	**456,000**

Motor Vehicle Purchase & Use Tax Expenditure Summary

Item Number	Expenditure	FY 2015	FY 2016	FY 2018 Projected
9.001	Religious, charitable	162,000	159,000	180,000
9.002	Non-registered vehicles	Data unavailable	Data unavailable	Data unavailable
9.003	Gifts	3,040,000	3,057,000	3,400,000
9.004	IRC Sec. 351	24,000	51,000	30,000
9.005	Handicap	50,000	47,000	60,000
9.006	Veterans	30,000	31,000	30,000
	Subtotals	**3,306,000**	**3,345,000**	**3,700,000**
9.007	Trade-In Allowance	28,770,000	29,620,000	32,180,000
	Totals	**32,076,000**	**32,965,000**	**32,880,000**

TAX EXPENDITURE EVALUATIONS
EXPEDITED REVIEW

The Joint Fiscal Office completed the expedited reviews with data assistance and legal analyses from the Tax Department.

Tax Expenditures to Encourage Economic Growth and Investment
Tracked Vehicles Sales and Use Tax Cap – Expedited Review

Tax Expenditure	Statutory Purpose	Estimated Revenue Impact	JFO Recommendations
The amount of sales and use tax paid on a tracked vehicle is limited to the amount of the "cap." The cap is adjusted by the CPI on July 1st in each even-numbered year.	To lessen the cost of capital investments.	Unknown – data unavailable	**Review:** Require reporting or reimbursement of the tax paid in order to quantify the cost and those benefitting. Consider the parity between tracked and wheeled vehicles.

Public Policy Objectives

The Legislature stated that the public policy objective of the limiting the amount of sales tax due on a tracked vehicle is to lessen the cost of capital investments.

The current cap amount is $1,320 for the 6% state sales tax and $220 for towns with a 1% local option sales tax as of July 1, 2016 for FY 2017 and FY 2018. Since FY 2009 the cap amount is indexed every other year. The current cap is equivalent to the sales tax on the first $22,000 of tracked vehicle price. Additional value, above the first $22,000 of purchase price is not taxed.

Examples of tracked vehicles subject to the sales and use tax are; snow groomers, bulldozers, excavators, and other specialized tracked equipment. Snowmobiles are a commonly purchased tracked vehicle for which this cap could apply, but with an average new price of just over $11,000 it appears that the cap would not affect the tax due in most cases. If the vehicle has wheels, this cap does not apply and the full amount of tax is due.

Estimates and Analysis

The Vermont Tax Department does not collect detailed data on sales and use tax exemptions, therefore it is unknown how many transactions or what value is currently exempt for tracked vehicle purchases.

A tracked vehicle with a purchase price of $70,000 would be required to pay $4,200 in state sales (or use) tax and up to an additional $700 of local option sales tax without this limit. In this example, the purchaser would save $2,880 in state tax and $480 in local sales tax. In this case, the total cost of the capital investment is reduced by about 4.5% as a result of this tax expenditure.

Equivalent vehicles with wheels instead of tracks are taxed at the full price and vehicles for which the purchase and use tax is due, creating an inequity within the tax code. If these capital assets are purchased by a business, usually the asset may be depreciated for income tax purposes, either on a straight-line schedule or an expedited schedule using bonus depreciation. Any tax paid may also be deducted as a business expense.

Legal History

1997 Tracked Vehicles Cap at $900
2005 Cap increased from $900 to $1,100 and indexed

The Streamlined Sales and Use Tax Agreement allows for caps for certain items including vehicles, boats etc.

State Comparisons

After a brief survey of sales tax expenditures in other states, there was no other “tracked vehicle” caps reported, although there were a few states with tax expenditures that covered similar equipment such as Maine and Minnesota’s exemption for snowmobiles and grooming equipment purchased by nonprofit snowmobile clubs; Utah’s exemption for equipment purchased by a ski resort; and Idaho and Wisconsin’s blanket exemption for all snowmaking and snow grooming equipment.

Tracked Vehicle Examples

Tax Expenditures to Encourage Economic Growth and Investment
Tangible Personal Property Used in Research S&U Tax Exemption – Expedited Review

Tax Expenditure	Statutory Purpose	Estimated Revenue Impact	JFO Recommendations
Sales and use tax exemption for tangible personal property purchased for use in commercial, industrial, or agricultural research or development in the experimental or laboratory sense (32 VSA §9741 (24)).	The statutory purpose of the exemption for the sale of commercial, industrial, or agricultural research property is to reduce financial barriers to research and innovation in the commercial, industrial, and agricultural industries (32 VSA §9706(K)).	Not Estimated	**Review and Clarify:** ▪ Revise statutory purpose to provide clearer direction for evaluation. ▪ Establish a threshold that better meets policy aim.

Public Policy Objectives

The sales and use tax exemption language in §9741 states that exempt property should be used for experimentation. The law is explicit: “Such research or development shall not be deemed to include the ordinary testing or inspection of materials or products for quality control, efficiency surveys, management studies, consumer surveys, advertising, promotions, or research in connection with literary, historical, or similar projects.”

The statutory purpose language, however, is a bit less clear “The statutory purpose … is to reduce financial barriers to research and innovation in the commercial, industrial, and agricultural industries” (32 VSA §9706(K)).

The definitions of “commercial (and) industrial … industries” are not as targeted as “agricultural industries.” If the Legislature aims to assist all industries, there might be stronger ways of stating this objective, such as simply pairing the “reduce financial barriers” language with that in the tax exemption statute 32 VSA §9741(24). For example, it could read: “The Statutory purpose of the sales and use tax exemption for tangible personal property used in research (§9741 (24)) is to reduce financial barriers for commercial, industrial, or agricultural research or development in the experimental sense.”

The statute also states that this property should be used “directly and exclusively” for research, and the exemption excludes property purchased for “isolated or occasional” experimentation. But the exemption sets a low bar for “occasional” applications, stating that “uses are not isolated or occasional if they total more than four percent of the time the machinery or equipment is operated.” Therefore, if property is used 5 percent of the time for experimentation and 95 percent for other purposes, it qualifies for the exemption as a “direct and exclusive” use. That means that this exemption, as worded, could regularly reduce financial barriers for activities that are not research and therefore not the objective of the policy.

The exemption’s direct and exclusive language also doesn’t consider property other than machinery or equipment. Raw materials also qualify for this exemption, but there is no guidance in the statute about when they qualify as direct and exclusive.

Lastly, a percentage definition is difficult to administer accurately compared to a clear "direct" (100%) or "indirect" (less than 100%) definition. Determining whether a business used property 3 percent of the time, 5 percent of the time, or 15 percent of the time for research is extremely difficult for companies and tax administrators to get right.

There are similar exemptions in other states that are much clearer and easier to administer. In Virginia, for example, the language of "direct and exclusive" actually means direct and exclusive. If property is purchased for direct and exclusive research use and is later used for other purposes, the exemption no longer applies.[4] Virginia's law is also much clearer and more specific about the items included in tangible personal property for research.[5]

Estimates and Analysis

The Tax Department, like many revenue departments across the US, does not collect data on sales and use tax exemptions because it aims to keep the remittance process simple for filers, who often encounter difficulties when remitting this tax. Furthermore, Vermont – along with 23 other states – is a member of Streamlined Sales and Use Tax, which was established by the National Governor's Association and the National Conference of State Legislatures to simplify the collection of sales tax.[6] In signing this membership agreement, Vermont must accept the streamlined exemption certificate as the only proof necessary for a sales and use tax exemption.[7] Therefore, if the State were to implement a detailed exemption schedule for filers to submit with sales and use tax returns, filers could opt out of this schedule and use the Streamlined schedule, so long as Vermont participates in Streamlined Sales and Use Tax.

The Tax Department and the Legislative Joint Fiscal Office create or use existing models to estimate many of the sales and use tax exemptions in this report, neither entity has been able to reliably estimate the value of this research tax expenditure since the first biennial tax expenditure report in 2009.

In addition to this research sales tax exemption, the State of Vermont offers a research and development (R&D) tax credit equal to 27 percent of the federal credit for R&D expenses. Corporations, businesses, and individuals can claim this credit against their Vermont income taxes (32 VSA §5930ii). Included in the federally eligible R&D expenses are supplies, or tangible property.[8] This property (if it has nexus to Vermont's sales and use tax) would likely also qualify for Vermont's research sales tax exemption. In other words, R&D property that is used in a credit against income taxes is also likely exempt from sales taxes.

The Department of Taxes' Compliance Division reports anecdotally that it rarely encounters the R&D sales tax exemption when reviewing exemption certificates that sellers are required to collect.[9] Where tax auditors and examiners usually see this exemption applied is on the use tax.

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4 Virginia Joint Subcommittee to Evaluate Tax Preferences, *Executive Summary: Tangible Property Used in Research & Development,* 2015. See: http://services.dlas.virginia.gov/User_db/frmView.aspx?ViewId=4415&s=23.
5 See: 23VAC10-210-3071(A).
6 For more on the Streamlined Sales and Use Tax, see: http://www.streamlinedsalestax.org/index.php?page=faqs
7 See: The Streamlined Sales and Use Tax Agreement and the Uniform Certificate of Exemption.
8 See: Federal Form 6765 and 26 USC §41(b)(2)(c).
9 See: Vermont Sales and Use Tax Exemption Certificates.

Legal History

1973 Subsection 24 was added to 32VSA §9741 exempt from sales and use tax tangible personal property purchased for use in commercial, industrial, or agricultural research.

1977 Subsection 24 was amended to include language about isolated or occasional uses.

State Comparisons

Of the 45 states with a sales and use tax, 30 have some form of an R&D exemption.[10] In late 2015, the Virginia Joint Subcommittee to Evaluate Tax Preferences compared state sales and use tax exemptions for R&D. The subcommittee found that: 1) 12 states generally exempt property sold for R&D; 2) Texas uses a general exemption, but limits it to certain taxpayers that do not claim other specific exemptions; 3) eight states, including Vermont, use exemptions that target products related to manufacturing and/or agriculture; 4) four states exempt machinery and equipment, but not other property used for R&D; and 5) states like Colorado and Utah exempt R&D products for specific purposes (e.g. biotechnology and alternative energy). Other states implement additional R&D sales provisions, such as lower tax rates (California) and limiting exemptions to qualified projects (Kentucky).[11]

[10] Virginia Joint Subcommittee to Evaluate Tax Preferences, *Executive Summary: Tangible Property Used in Research & Development,* 2015.
[11] Ibid.

Tax Expenditures to Encourage Economic Growth and Investment
Local Development Corporations Property Tax Exemption – Expedited Review

Tax Expenditure	Statutory Purpose	Estimated Revenue Impact	JFO Recommendations
Exempts the unoccupied portions of buildings and industrial parks that that are owned by local development authorities.	The statutory purpose of the exemption for local development corporations in section 236 of this title is to promote economic development.	$67,000 in FY 2016	**Review and clarify:** Confirm that the exemption is applied to unoccupied property only. Statewide benefits should be considered when reviewing property tax expenditures benefitting local jurisdictions.

Public Policy Objectives

The Legislature stated that the public policy objective of the exemption for local development corporations is to promote economic development.

One of the common roles of local development corporations (LDCs) in Vermont is the acquisition of real or personal property in the area the LDC serves. The property often remains vacant as the LDC works to transition it to a purpose/owner in line with the economic development interests of the governing entity. During the period of vacancy, the property is exempt from the statewide education property tax. 10 V.S.A. § 236 (a). There are 12 local development corporations in Vermont representing the various regions in the state. They are:

- Addison County Economic Development Corporation
- Bennington County Industrial Corporation
- Brattleboro Development Credit Corporation
- Central Vermont Economic Development Corporation
- Franklin County Industrial Development Corporation
- Greater Burlington Industrial Corporation
- Green Mountain Economic Development Corporation
- Lake Champlain Islands Economic Development Corporation
- Lamoille Economic Development Corporation
- Northeastern Vermont Development Association
- Rutland Economic Development Corporation
- Springfield Regional Development Corporation

Estimates and Analysis

As part of its contribution to the biennial expenditure report process, the Tax Department categorizes the properties that are listed as exempt in the grand list and computes the total exempted value for each exemption category. In the FY16 grand list there were 26 properties belonging to a local development corporation with a total exempted value of $4.6M. Multiplying by the applicable education tax rate yields a total of about $70,000 of lost revenue to the education fund. It is not possible to tell if the LDC-owned property was previously publicly-owned and would have therefor been exempt from property taxes anyway. The income and receipts of LDCs are exempt from other forms of taxation because they are nonprofit corporations.

$70,000 is not a significant amount of lost revenue to an education fund of roughly $1.6 billion. However, that small amount of lost revenue will be borne by taxpayers across the state in the form of (very slightly) increased tax rates. The local development corporation may or may not be improving economic conditions in the locality where it operates, but the expenditure associated with its property holdings is not localized because of our statewide education funding system.

Property owned by local development corporations can be hard to identify in the grand list because local listers sometimes have difficulty properly attributing ownership, exemption codes, and exempted value due to the complex structure of LDCs. For that reasons, the expenditure associated with LDCs can be hard to accurately measure. The counts and values in this table are designed to give a general idea of the location and scope of LDC activity in the state over the past five years.

List of Exempt LDC Property and Value

	FY12		FY13		FY14		FY15		FY16	
Town	**Count**	**Value**	**Count**	**Value**	**Count**	**Value**	**Count**	**Value**	**Count**	**Value**
Bennington	3	$ 993,262	2	$ 854,300	2	$ 854,300	2	$ 854,300	2	$ 854,300
Bradford	1	$ 351,049	1	$ 351,049	1	$ 351,049	1	$ 351,049	0	$ -
Brandon	4	$ 284,200	4	$ 284,200	1	$ 65,000	1	$ 65,000	1	$ 65,000
Brattleboro	7	$ 1,109,600	7	$ 1,113,200	7	$ 835,976	8	$ 1,115,753	8	$ 716,922
Burlington	3	$ 1,745,300	3	$ 1,745,300	1	$ 433,900	1	$ 433,900	1	$ 433,900
Lyndon	1	$ 789,000	1	$ 789,000	1	$ 789,000	1	$ 789,000	1	$ 789,000
Middlebury	1	$ -	1	$ 1,000	1	$ 1,000	1	$ 1,000	1	$ 1,000
Milton	6	$ 684,520	4	$ 503,550	3	$ 418,800	3	$ 418,800	3	$ 418,800
Morristown	0	$ -	1	$ 22,000	1	$ 22,000	1	$ 22,000	1	$ 22,000
Randolph	2	$ 1,578,000	2	$ 1,578,000	2	$ 1,578,000	2	$ 1,568,000	1	$ 45,500
Rockingham	1	$ 46,000	1	$ 46,000	1	$ 46,000	1	$ 46,000	0	$ -
Rutland City	2	$ 496,240	2	$ 496,240	2	$ 496,240	2	$ 496,240	1	$ 208,940
Rutland Town	1	$ 133,800	1	$ 133,800	1	$ 117,900	1	$ 117,900	1	$ 117,900
St. Albans Town	1	$ 637,800	1	$ 637,800	1	$ 637,800	1	$ 637,800	1	$ 637,800
St. Johnsbury	3	$ 301,940	3	$ 301,940	3	$ 301,940	3	$ 301,940	3	$ 301,940
Swanton	1	$ -	1	$ 21,500	1	$ 21,500	1	$ 21,500	1	$ 21,500
State Total	**37**	**$ 9,150,700**	**35**	**$ 8,878,900**	**29**	**$ 6,970,400**	**30**	**$ 7,240,200**	**26**	**$ 4,634,500**
Tax Expenditure (approx)		$ 137,000		$ 133,000		$ 105,000		$ 109,000		$ 70,000

Both the number and total value of property owned by LDCs appears to have decreased across the past five years. Properties once owned by LDCs in Brattleboro, Burlington, and Randolph that were transferred over this time frame are responsible for a large percentage of the decrease in value. The property counts and total values also suggest that some towns have seen little change in LDC-owned property over the period. Since the exemption is only for unoccupied property, that would suggest the properties have remained unoccupied over the period. The Agency of Commerce and Community Development should check to make sure the exemption is being applied according to statute.

Legal History

1973 Exempted all unoccupied LDC-owned property from all taxes

State Comparisons

Almost every state has nonprofit development corporations of one kind or another. Those corporations may operate at the town, county, or state level. Some states, including Vermont, have considered taxing property owned by (certain) nonprofits, but no state taxes or is considering taxing government-owned property. Because local development corporations are generally considered extensions of local government, their property is not usually taxed.

Aircraft and depreciable parts for commercial and private (parts only) use – Expedited Review

Tax Expenditure	Statutory Purpose	Estimated Revenue Impact	JFO Recommendations
Exempts the purchase of aircraft for commercial use. The current exemption also includes the purchase of parts, machinery, and equipment to be installed in any aircraft regardless of whether it is purchased for commercial or private, non-commercial use. The exemption of parts and equipment for private use is due to sunset effective July 1, 2018.	The statutory purpose of the exemption for aircraft and depreciable parts for commercial and private use in subdivision is to promote the growth of the aircraft maintenance industry in Vermont by lowering the cost of parts and equipment relative to other states with private airplane maintenance facilities.	Less than $100,000 in FY 2018	Consider amending the sunset of private aircraft parts in light of the stated policy objective for this exemption, or alternatively, amend the statutory purpose to reflect the permanent components of this exemption.

Public Policy Objectives

The Legislature stated that the public policy objective of the exemption for aircraft and depreciable parts for commercial and private (parts only) use is “to promote the growth of the aircraft maintenance industry in Vermont by lowering the cost of parts and equipment relative to other states with private airplane maintenance facilities.”

While the exemption for aircraft themselves is limited to the purchase of commercial aircraft only, it extends to parts, machinery, and equipment to be installed in any aircraft regardless of whether it is purchased for commercial or private use. Under current law, the exemption of parts and equipment for private, non-commercial use is due to sunset effective July 1, 2018.

The states surrounding Vermont do not impose sales tax on aircraft parts. The statutory purpose language highlights the goal of tax parity with other states with maintenance facilities for private airplanes. Because airplanes are mobile, parity of tax treatment with nearby states assures that Vermont maintenance facilities are not at a competitive disadvantage due to taxation issues (see State Comparisons below).

However, because the exemption of aircraft parts for private use is due to sunset in 2018, there is a notable inconsistency between the current law exemption and the language defining its policy objective. The policy objective only references the part of the exemption that is due to sunset; it does not provide a policy objective for the exemption for commercial aircraft and parts which will remain in law after 2018. The legislature should consider amending the sunset for private aircraft parts in light of the existing policy objective for this exemption, or alternatively, amend the salutatory purpose language to reflect the permanent components of this exemption.

Estimates and Analysis

The Vermont Department of Taxes does not receive any data on individual sales and use tax exemptions, so estimates are based on national surveys of spending on consumer goods. The Chainbridge Sales and Use Tax Model was used to estimate the fiscal impact of this tax Expenditure – less than $100,000 for FY18. According to the Aircraft Owners and Pilots Association, Vermont has 10 repair stations across its 16 public use airports.

Legal History

1986	Enacted
2007	Temporarily broadened scope of the exemption to include parts for non-commercial aircraft (effective July 2007; phase out 2011). Removed language “depreciable parts, machinery and equipment to be installed as a capital asset in <u>such</u> aircraft” and replaced with “parts, machinery, and equipment to be installed in <u>any</u> aircraft.”
2008	Phase out of the language changing “any aircraft” to “such aircraft” was pushed back to July 1, 2018, allowing the broader exemption to continue for an additional seven years.

State Comparisons

All states with a sales and use tax exempt the purchase of commercial (or “common carrier”) aircraft and parts from imposition of the tax.

In at least 28 states, as in Vermont, the purchase of private, non-commercial planes is taxable. Note that some of these states use “intrastate” and “interstate” categorizations to define taxability rather than private and commercial. Some states add complexity by exempting larger private planes above a certain weight, or propelled by certain means (ME, CT, NJ, MO, WA). In Oklahoma and Virginia, planes are subject to a specific airplane tax and therefore exempt from the sales tax. Some states reduce the taxability of private planes: Mississippi taxes planes at a reduced sales tax rate, and North Carolina has a cap on the maximum tax due on an airplane purchase.

States are less uniform when it comes to the taxing parts, machinery, and equipment for private, non-commercial (or intrastate) aircraft. Private aircraft parts are taxable in at least 16 states and exempt in at least 18. In a few states taxability depends on who is installing the parts or the size of the private aircraft undergoing maintenance.

Vermont’s neighboring states tend towards exempting private aircraft and parts. Massachusetts, Rhode Island, and New York exempt all planes and parts. Maine and Connecticut are similar, but tax private aircraft under 6,000 lbs. There is no sales and use tax in New Hampshire.

Exempt the Necessities of Life, including Health Care, from Taxation
Clothing and Footwear Sales Tax Exemption – Expedited Review

Tax Expenditure	Statutory Purpose	Estimated Revenue Impact	JFO Recommendations
Exempts clothing and footwear purchases from the 6% state sales and use tax and the 1% local option sales tax.	To limit the tax burden on the purchase of goods that are necessary for the health and welfare of all people in Vermont.	$36.7 million in FY 2018* *Note: eliminating this exemption would **not** result in the full amount of additional state tax revenue because the impact of remote sales would likely reduce the revenue impact by 20-30%.	**Review and clarify:** Consider limiting the exemption to necessary clothing and footwear items or amounts. This may require reimplementation of a threshold or another method of providing a benefit.

Public Policy Objectives
The Legislature stated that the public policy objective of the exemption for clothing and footwear is to exempt “necessities” from sales tax for people in Vermont.

A blanket exemption of an item is not targeted and therefore can have a larger revenue reduction than is necessary to achieve the public policy goal. Certainly not all clothing purchases are necessities.

- This exemption is not directed at any particular group of people in Vermont, for example state residents or low-income taxpayers.
- The stated public policy objective does not consider economic competitiveness or the difficulty of collecting state sales taxes on remote sales.

Estimates and Analysis
The Vermont Tax Department does not collect any data on sales and use tax exemptions. All of the estimates are based on national surveys of spending on consumer goods, including clothing and footwear.

The Chainbridge Sales and Use Tax Model was used to estimate the fiscal impact of this tax expenditure and its distribution among resident households in Vermont (Table 1). On average, each household realizes a benefit equal to $127 per year. Approximately 67% of resident households have adjusted gross income of $75,000 or less which is close to the median family income in 2015 estimated to be $67,154 by the Census. Households with income below $75,000 receive about half of the tax savings value from excluding clothing and footwear from the sales and use tax.

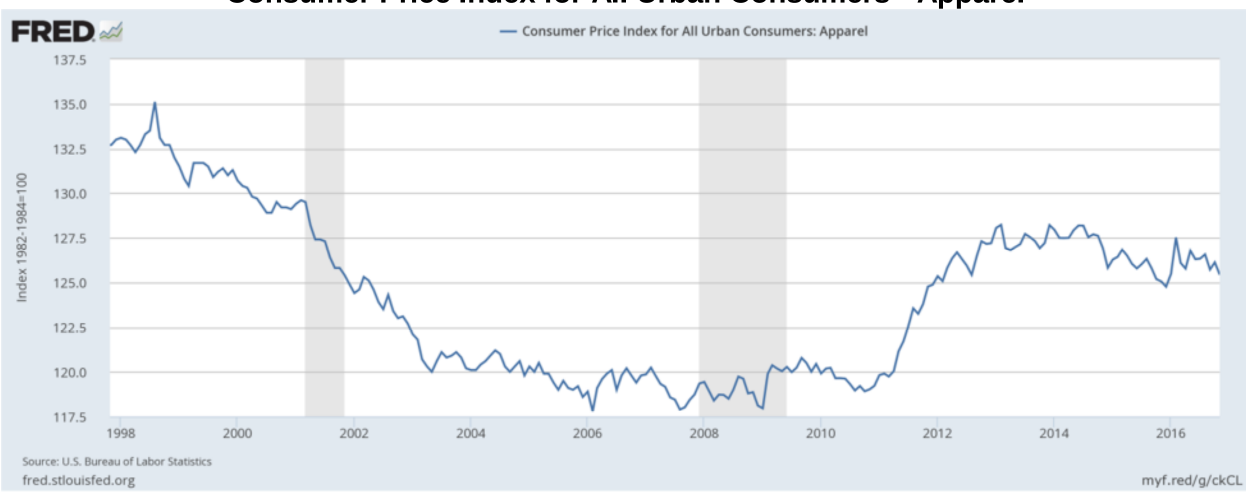
Each year the IRS sets a national standard amount for monthly purchases of necessary apparel and services by family size.[12] For a two-person household as of March 2016, this amount is $148 per month (and includes items in addition to clothing and footwear). Using the 6 percent tax rate, $148 per month or $1,776 per year yields $107 in foregone sales tax per household. On average, the Chainbridge model suggests that Vermont households are receiving a slightly

[12] www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/National-Standards-Food-Clothing-and-Other-Items

larger benefit per household than what is considered “necessary” by the IRS measure for clothing and footwear purchases, although many households likely receive far less than this benefit and a few are receiving much more.

Another policy for future consideration may be the price of apparel over the time of the Vermont exemption. While the value of the tax expenditure has increased, the prices of apparel over this time period have declined, indicting greater buying power for consumers. For a comparison of prices for apparel in 1999 and today, the Consumer Price Index for All Urban Consumers: Apparel is useful. That Index has not surpassed its June 1994 value of 134.00 in the last 21 years. The Index was 131.30 in December 1999, and the November 2016 value was 125.42.

Consumer Price Index for All Urban Consumers - Apparel



Source: https://research.stlouisfed.org/fred2/series/CPIAPPSL#

Internet sales and remote tax issues have grown over the time of this exemption along with the erosion of the sales tax base. Remote sales now account for a large part of clothing and footwear purchases nationally (18.2% of sales from e-shopping and mail order businesses[13] in 2013 which excludes brick and mortar retailers with an online presence). Because of this, even if Vermont were to apply the tax to clothing and footwear, a large number of remote sales would avoid the tax because of low compliance levels with the use tax.

Legal History

1999	Clothing items less than $110 exempt on December 1, 1999
2001	Footwear exempt on July 1, 2001
2007	The $110 clothing threshold eliminated when Vermont joined the Streamlined Sales and Use Tax Agreement on January 1, 2007

State Comparisons

Of the 45 states with a sales and use tax, 7 states partially or fully exempt clothing and/or footwear: Massachusetts if $175 per item or less; Minnesota; New Jersey; New York if $110 per item or less; Pennsylvania; Rhode Island; and Vermont.

[13] www.census.gov/econ/estats/2013/all2013tables.html - Table 5 U.S. Electronic Shopping and Mail-Order Houses (NAICS 4541) - Total and E-commerce Sales by Merchandise Line1: 2013 and 2012

Connecticut recently eliminated its sales tax exemption for clothing and footwear costing less than $50. Now the general sales tax rate of 6.35% applies to most sales, and a rate of 7% applies to sales for more than $1,000 of an article of clothing or footwear intended to be worn on or about the human body, a handbag, luggage, umbrella, wallet or watch. Every year, clothing and footwear costing less than $100 per item are excluded from the sales tax for one week.[14]

Table 1: Clothing and Footwear Sales Tax Exemption - Chainbridge Model Results FY 2017 Estimates

Household AGI		# Households	Household Distribution	Total VT AGI	6% Sales Tax Value	Tax Expenditure Distribution	Tax Savings Per Household	Average Spending Per Household	2014 CEX (Tables 1110 & 2301)
($ Dollars)			(%)	($ Millions)	($ Millions)	(%)	($ Dollars)	($ Dollars)	($ Dollars)
-infinity	25,000	64,310	23%	928.9	4.4	12%	68	1,140	791
25,001	50,000	72,850	26%	2,681.30	6.6	18%	90	1,508	1,429
50,001	75,000	52,140	19%	3,227.60	6.8	19%	129	2,158	1,607
75,001	100,000	34,330	12%	2,977.20	4.1	11%	119	1,986	2,110
100,001	125,000	21,530	8%	2,391.10	3.5	10%	163	2,725	2,838
125,001	150,000	13,180	5%	1,792.60	2.1	6%	159	2,656	3,222
150,001	175,000	7,230	3%	1,172.40	1.7	5%	235	3,919	N/A
175,001	200,000	4,370	2%	811.2	0.9	2%	197	3,280	N/A
200,001	250,000	4,470	2%	986.3	1.1	3%	244	4,064	4,412
250,001	500,000	5,140	2%	1,701.30	1.5	4%	284	4,734	4,718
500,001	1,000,000	1,220	0%	816.2	1.6	5%	1,328	22,131	N/A
1,000,001	infinity	460	0%	1,448.50	1.5	4%	3,283	54,710	N/A
	Totals	**281,240**	**100%**	**20,934.40**	**35.7**	**100%**	**127**	**2,115**	**1,786**

2015 Median Vermont Household Income = $67,154

American Community Survey (single year) https://www.census.gov/hhes/www/income/data/statemedian/

[14] http://askdrs.ct.gov/Scripts/drsrightnow.cfg/php.exe/enduser/std_adp.php?p_faqid=401&p_topview=1

APPENDICES

APPENDIX A
STATUTORY REFERENCE

32 V.S.A. § 312. Tax expenditure report

§ 312. Tax expenditure report

(a) As used in this section, "tax expenditure" shall mean the actual or estimated loss in tax revenue resulting from any exemption, exclusion, deduction, credit, preferential rate, or deferral of liability applicable to the tax. Tax expenditures shall not include the following:

(1) revenue outside the taxing power of the State;

(2) provisions outside the normal structure of a particular tax;

(3) revenue forgone as unduly burdensome to administer; and

(4) for the purpose of avoiding government taxing itself.

(b) Tax expenditure reports. Biennially, as part of the budget process, beginning January 15, 2009, the Department of Taxes and the Joint Fiscal Office shall file with the House Committees on Ways and Means and on Appropriations and the Senate Committees on Finance and on Appropriations a report on tax expenditures in the personal and corporate income taxes, sales and use tax, and meals and rooms tax, insurance premium tax, bank franchise tax, education property tax, diesel fuel tax, gasoline tax, motor vehicle purchase and use tax. The Office of Legislative Council shall also be available to assist with this tax expenditure report. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the report to be made under this subsection. The report shall include, for each tax expenditure, the following information:

(1) a description of the tax expenditure;

(2) the most recent fiscal information available on the direct cost of the tax expenditure in the past two years;

(3) the date of enactment of the expenditure;

(4) a description of and estimate of the number of taxpayers directly benefiting from the expenditure provision;

(5) a description of the statutory purpose explaining the policy goal behind the expenditure as required by subsection (d) of this section and 2013 Acts and Resolves No. 73, Sec. 5; and

(6) a compilation of the items excluded under subsection (a) of this section.

(c) Repealed.

(d) Every tax expenditure, as defined in subsection (a) of this section, in the tax expenditure report required by this section shall be accompanied in statute by a statutory purpose explaining the policy goal behind the exemption, exclusion, deduction, or credit applicable to the tax. The statutory purpose shall appear as a separate subsection or subdivision in statute and shall bear the title "Statutory Purpose." Notwithstanding any other provision of law, a tax expenditure listed in the tax expenditure report that lacks a statutory purpose in statute shall not be implemented or enforced until a statutory purpose is provided. The Department of Taxes shall notify the General Assembly when it has determined that a tax expenditure listed in the tax expenditure report lacks a statutory purpose, and the Department shall specify a date, no later than one year after its determination, that it will cease implementation or enforcement of the tax expenditure. (Added 2005, No. 75, § 26; amended 2005, No. 207 (Adj. Sess.), § 23, eff. May 31, 2006; 2007, No. 190 (Adj. Sess.), § 24, eff. June 6, 2008; 2009, No. 160 (Adj. Sess.), § 1, eff. June 4, 2010; 2011, No. 45, § 36k, eff. May 24, 2011; 2013, No. 73, § 4, eff. July 1, 2014; 2013, No. 142 (Adj. Sess.), § 59; 2013, No. 200 (Adj. Sess.), § 21.)

2016 Act. No 134
* * * Evaluation of Tax Expenditures * * *

Sec. 40. EVALUATION OF TAX EXPENDITURES

(a) Definitions. As used in this section:

(1) "Expedited review" means an evaluation of a tax expenditure that analyzes the purpose of the tax expenditure, delineates its cost and benefits, and considers whether it still meets its policy goals. The term "expedited review" shall have the same meaning as that term is used in the report titled "Tax Expenditure Review Report 2016," submitted to the General Assembly on January 15, 2016, as required by 2015 Acts and Resolves No. 33.

(2) "Full evaluation" means a review of a tax expenditure that includes the elements of an expedited review but also includes a quantitative analysis of the economic impact of the tax expenditure, consideration of the direct and indirect economic and social benefits of the tax expenditure, and a comparison of the effectiveness of the tax expenditure with alternate policies.

(b) Expedited review. The Department of Taxes and the Joint Fiscal Office shall conduct an expedited review of certain tax expenditures as outlined in Appendix C of the report required by 2015 Acts and Resolves No. 33. The specific tax expenditures receiving expedited review, and the schedule for conducting that review, shall be as follows:

(1) For the tax expenditure report due in January 2017, the tax expenditures related to encouraging economic growth and investment shall be reviewed.

(2) For the tax expenditure report due in January 2019, the tax expenditures related to incentivizing a specific desirable outcome, including agriculture, and related to excluding charitable and public service organizations from taxation shall be reviewed.

(3) For the tax expenditure report due in January 2021, the tax expenditures related to enhancing community development, including housing and historic revitalization, shall be reviewed.

(4) For the tax expenditure report due in January 2023, the tax expenditures related to promoting income security and encouraging work; exempting the necessities of life, including health care, from taxation; and implementing State tax policy and other priorities shall be reviewed.

(c) Full evaluation. On or before January 15, 2017, the Joint Fiscal Office shall develop recommendations for the standards and processes to conduct a full evaluation of tax expenditures, as outlined in the report required by 2015 Acts and Resolves No. 33. The report shall include recommendations on how to structure and fund a program designed to conduct a full evaluation of tax expenditures. The Joint Fiscal Office shall submit its recommendations and report to the Senate Committees on Finance and on Appropriations and the House Committees on Ways and Means and on Appropriations.

APPENDIX B
LIST OF EXCLUDED EXEMPTIONS

Individual Income Tax
Railroad retirement income
Statute: 32 V.S.A. §5823(a)(1)
45 U.S.C. § 231m(a); I.R.C. § 6334.

Sales & Use Tax
Non-business, casual sales
Statute: 32 V.S.A. §9741(4)
Enacted: 1969

Manufacturers' material and equipment
Statute: 32 V.S.A. §9741(14)
Enacted: 1969 (amended in 2012)

Packaging and shipping materials
Statute: 32 V.S.A. §9741(16)
Enacted: 1969

Rented furniture for residential use
Statute: 32 V.S.A. §9741(17)
Enacted: 1970

Admissions to municipal, state, and federal recreation facilities
Statute: 32 V.S.A. §9741(18)
Enacted: 1970

Energy used in manufacturing tangible personal property for sale
Statute: 32 V.S.A. §9741(34)
Enacted: 1993

Wholesale transactions between telecommunications service providers
Statute: 32 V.S.A. §9741(41)
Enacted: 1997

Meals & Rooms Tax
Premises of Vermont or federal institutions to inmates and employees
Statute: 32 V.S.A. §9202(10)(D)(ii)(III)
Enacted: 1959

Furnished while transporting passengers for hire on train, bus, or airplane (carriers)
Statute: 32 V.S.A. §9202(10)(D)(ii)(V);
Enacted: 1959

Provided to the elderly pursuant to the Older Americans Act
Statute: 32 V.S.A. §9202(10)(D)(ii)(IX)
Enacted: 1973

Purchased with Food Stamps
Statute: 32 V.S.A. §9202(10)(D)(ii)(X)
Enacted: 1987

Meals & Rooms Tax
Time share rights
Statute: 32 V.S.A. §9202(8)
Enacted: 1992

Permanent residents
Statute: 32 V.S.A. §9202(6) and (7)
Enacted: 1959

State or US-operated establishment
Statute: 32 V.S.A. §9202(3)(B)
Enacted: 1959

Property Tax
Federal and State Government Property
Statute: 32 V.S.A. § 3802(1)
Enacted: 1791

Municipally owned
Statute: 32 V.S.A. § 5401(10)(F);
Enacted: 1997

Use Value Appraisal Program
Statute: Chapter 124 of Title 32
Enacted: 1977

Property Tax Adjustments
Statute: Chapter 154 of Title 32
Enacted: 1997

Purchase and Use Tax
IRC Sec. 351 transfers by an owner to a business controlled by the owner
Statute: 32 V.S.A. §8911 (10);
Enacted: 1960, amended 1987, 2006

2014 Vermont Individual Income Tax Returns – Three Largest Value Expenditure Details

AGI Income Class	Capital Gains Exclusion		Earned Income Tax Credit		VT Muni Bond Income	
Description	# Returns	Total $	# Returns	Total $	# Returns	Total $
Negative	-	-	250	4,330	20	7,950
None/Missing	-	-	10	140	-	-
.01 - 4,999	580	9,920	5,030	698,690	40	1,680
5,000 - 9,999	570	25,100	7,790	2,980,430	50	66,220
10,000 - 14,999	930	39,820	8,310	4,926,770	80	6,180
15,000 - 19,999	960	59,920	4,710	5,437,160	80	9,120
20,000 - 24,999	1,090	75,590	4,210	4,797,000	80	121,400
25,000 - 29,999	1,280	99,480	4,090	3,701,870	80	13,140
30,000 - 34,999	1,330	111,490	3,710	2,393,270	120	17,750
35,000 - 39,999	1,340	120,860	2,920	1,293,170	90	14,220
40,000 - 44,999	1,330	126,410	1,640	549,980	110	18,220
45,000 - 49,999	1,350	139,180	760	158,730	120	14,980
50,000 - 59,999	2,770	365,640	130	10,500	260	48,500
60,000 - 74,999	3,830	586,420	-	-	410	81,540
75,000 - 99,999	5,900	1,078,070	-	-	670	167,300
100,000 - 124,999	4,330	1,076,230	-	-	540	217,650
125,000 - 149,999	3,070	884,870	-	-	420	145,450
150,000 - 199,999	3,490	1,153,830	-	-	550	300,840
200,000 - 299,999	2,810	1,372,640	-	-	560	325,260
300,000 - 499,999	1,590	1,134,710	-	-	460	382,020
500,000 - 999,999	780	1,024,260	-	-	280	336,040
1,000,000 +	410	6,801,050	-	-	200	435,460
Total VT Resident	**39,720**	**16,285,500**	**43,550**	**26,952,060**	**5,200**	**2,730,870**
Total out of State	7,700	1,607,710	790	304,940	170	53,230
Grand Total	**47,420**	**17,893,200**	**44,340**	**27,257,000**	**5,370**	**2,784,100**

2014 Vermont Individual Income Tax Returns – Next Highest Participation Expenditure Details

AGI Income Class	Child and Dependent Care		VT Higher Education Investment Plan		Military Pay Exemption	
Description	# Returns	Total $	# Returns	Description	# Returns	Total $
Negative	-	-	10	5,430	-	-
None/Missing	-	-	-	-	-	-
.01 - 4,999	-	-	10	1,440	-	-
5,000 - 9,999	-	-	10	2,420	20	510
10,000 - 14,999	10	120	10	2,920	80	5,720
15,000 - 19,999	170	8,130	10	2,860	110	25,550
20,000 - 24,999	390	36,360	20	3,980	200	65,130
25,000 - 29,999	520	63,100	20	3,320	150	55,010
30,000 - 34,999	600	76,860	30	6,600	130	46,470
35,000 - 39,999	500	61,120	30	6,500	120	49,190
40,000 - 44,999	490	55,790	40	9,640	110	54,000
45,000 - 49,999	460	52,900	40	10,190	100	56,090
50,000 - 59,999	1,040	119,200	120	35,060	100	81,480
60,000 - 74,999	1,650	212,160	240	79,530	130	151,080
75,000 - 99,999	2,880	382,500	620	212,330	110	145,550
100,000 - 124,999	2,040	274,900	710	294,360	70	132,140
125,000 - 149,999	1,040	127,280	530	251,870	40	107,330
150,000 - 199,999	910	109,330	700	423,550	40	130,520
200,000 - 299,999	500	59,490	620	448,570	20	63,330
300,000 - 499,999	200	26,800	360	315,450	-	16,150
500,000 - 999,999	60	7,400	130	134,900	-	-
1,000,000 +	20	2,820	50	47,880	-	-
Total VT Resident	**13,480**	**1,676,260**	**4,310**	**2,298,800**	**1,530**	**1,185,250**
Total out of State	1,830	94,700	70	35,240	250	249,970
Grand Total	**15,310**	**1,770,960**	**4,380**	**2,334,040**	**1,780**	**1,435,220**

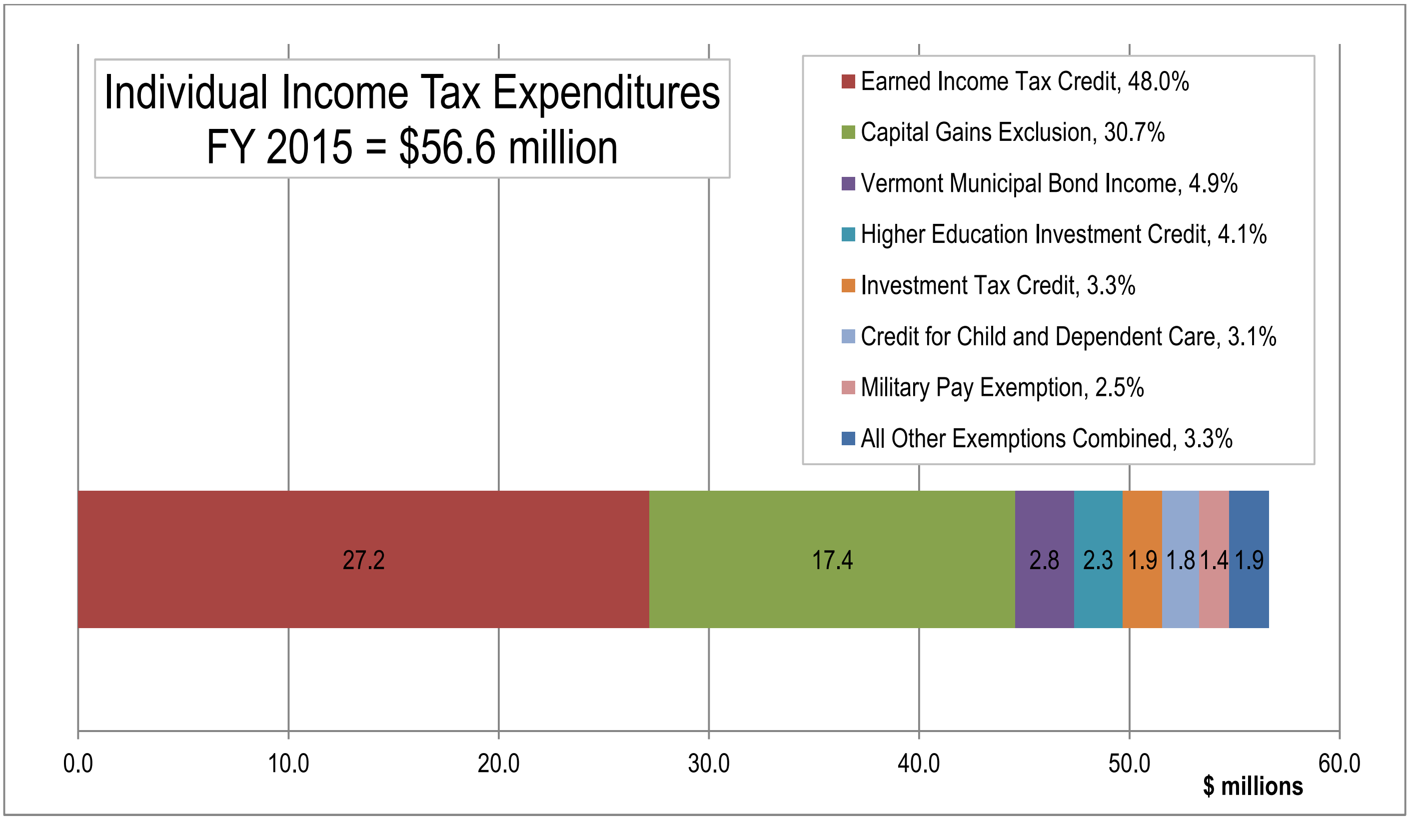
APPENDIX D
Research and Development Tax Credit List

This list shows companies completing activity in tax year 2014, which allowed them to claim the Research and Development Tax Credit, and that filed a return in calendar year 2015. This list might not include some entities that used the credit because it only includes entities that claimed the credit by earning and/or carrying it forward in this filing period. This list reflects returns filed and processed as of January 15, 2016.

Research and Development Tax Credit Earners

1 Advanced Illumination, Inc.
2 Applied Bolting Technology Products
3 Autodesk, Inc.
4 Autumn Harp, Inc.
5 Battenkill Technologies, Inc.
6 Burlington Laboratories, Inc.
7 Concept II, Inc.
8 Critical Process Systems Group, Inc.
9 DS Ventures, LLC
10 Fidelity National Information
11 General Dynamics OTS, Inc.
12 Green Mountain Antibodies, Inc.
13 GS Blodgett Affiliates
14 GW Plastics, Inc.
15 Hazelett Strip-Casting Corporation
16 IBM Corp
17 Leader Evaporator Co., Inc.
18 LEDdynamics, Inc.
19 Lionheart Technologies, Inc.
20 LLC Green Mountain Apps, LLC
21 Medical Device Partners, Inc.
22 MorrisSwitzer Environments for Health
23 Mywebgrocer, Inc.
24 NRG Systems, Inc.
25 Pad Print Machinery of Vermont, Inc.
26 Roche Holdings, Inc. & Subsidiaries
27 Senix Corporation
28 Split Rock Fund, LLC
29 Superior Technical Ceramics Corp.
30 Synticos, LLC
31 Tibbits Equipment Services, Inc.
32 Twincraft Holding Company, Inc.
33 United Technologies Corporation
34 Vermont Maple Sugar CO, Inc.
35 Visible Electrophysiology, LLC
36 W Blake Management Company, Inc.
37 Whitney Blake Company

Item #	Vermont Tax Expenditure	FY 2015
	Charitable Housing Credit	27,000
	Qualified Sale of Mobile Home Park Credit	Suppressed
	Entrepreneurs' Seed Capital Fund Credit	0
	Research and Development Tax Credit	1,483,000
	Downtown and Village Center Program Tax Credits	1,854,000
1.001	Vermont Municipal Bond Income	2,783,000
1.002	Capital Gains Exclusion	17,408,000
1.101	Credit for Child and Dependent Care	1,769,000
1.102	Credit for Elderly or Disabled	4,000
1.103	Investment Tax Credit	1,863,000
1.104	Farm Income Averaging Credit	152,000
1.201	Military Pay Exemption	1,435,000
1.202	Qualified Bond Interest Income Exemption	39,000
1.304	Higher Education Investment Credit	2,325,000
1.401	Low Income Child and Dependent Care Credit	36,000
1.402	Earned Income Tax Credit	27,170,000
1.501	Vermont Business Solar Energy Credit	Suppressed
2.001	Vermont Municipal Bond Income Exemption	Data unavailable
2.108	Machinery and Equipment Tax Credit	0
2.201	EATI Tax Credits (carryforward only)	0
2.203	Wood Products Manufacture Tax Credit	0
3.001	Medical products	56,190,000
3.002	Agricultural inputs	22,550,000
3.003	Veterinary supplies	2,580,000
3.004	Fuels for railroads and off-road uses	3,280,000
3.005	Sales of food	108,650,000
3.006	Newspapers	3,140,000
3.007	Rentals of washing facilities	1,100,000
3.008	Admission fees to nonprofit museums	1,900,000
3.009	Items sold to fire, ambulance and rescue squads	Not estimated
3.010	Funeral charges	1,800,000
3.011	Property used in research	Not estimated
3.012	Agricultural machinery and equipment	3,200,000
3.013	Energy purchases for a residence	47,410,000
3.014	Energy purchases for farming	3,120,000
3.015	Sales of films to movie theaters	800,000
3.016	Aircraft and depreciable parts for commercial use	Under 100,000
3.017	Railroad rolling stock and depreciable parts	Under 100,000
3.018	Ferryboats and depreciable parts	100,000
3.019	Sales of mobile homes and modular housing	Under 100,000
3.02	U.S. flag sold to or by exempt veterans' orgs	Not estimated
3.021	Property transferred as part of personal service	Not estimated
3.022	Advertising materials	Not estimated
3.023	Documents that record a professional service	Not estimated
3.024	Tracked vehicles	Not estimated
3.025	Sales of building materials	Under 100,000
3.026	Scrap construction materials by a third party	Not estimated
3.027	Property incorporated in railroad line	Not estimated
3.028	Clothing and footwear	34,400,000
3.029	Property incorporated into a net metering system	2,890,000
3.03	Purchases by and from 501(c)(3)s	Not estimated
3.031	Building materials used government of or 501(c)(3)s	Not estimated
3.032	Amusement charges by nonprofit and political orgs	Not estimated
3.033	Amusement charges presented by 501(c)(3)s	Not estimated
3.034	Reallocation of receipts from construction materials	Under 100,000
3.035	Sales to nonprofit hospital service corporations	Not estimated
3.036	Sales to nonprofit medical service corporations	Not estimated
3.037	Sales to credit unions	Not estimated
3.038	Sales by licensed auctioneers	Not estimated
4.001	Grocery-type items furnished for take-out	6,400,000
4.002	Served on the premises of a non-profit	Not estimated
4.003	Served on the premises of a school	2,000,000
4.004	Served in hospitals, convalescent and nursing homes	1,000,000
4.005	Summer camp for children	Under 100,000
4.006	Sold by nonprofits at fairs etc but limited to 4 days	Not estimated
4.007	Furnished to an employee of a hotel or restaurant	Not estimated
4.008	Served at a continuing care retirement facility	Not estimated
4.101	Student housing	Not estimated
4.102	Hotel or restaurant employee	Not estimated
4.103	Summer camps	Under 100,000
4.104	Nonprofit establishments	Not estimated
4.105	Rooms at a continuing care retirement facility	Not estimated
4.106	Hospital, convalescent and nursing home	Under 100,000
5.001	Non-Profit Medical Service Corporations	147,000
5.002	Local Development Corporations	67,000
5.003	Vermont Housing Finance Agency (VHFA)	82,000
5.004	Vermont State Colleges	5,848,000
5.005	VSAC	35,000
5.006	University of Vermont	11,912,000
5.007	Cemeteries	609,000
5.008	Libraries	822,000
5.009	Housing Authorities	1,743,000
5.010	Congressionally Chartered Organizations	805,000
5.011	Public, pious and charitable property	49,932,000
5.011	PPC - Charitable	5,950,000
5.011	PPC - College	14,410,000
5.011	PPC - Pious	12,017,000
5.011	PPC - School	5,341,000
5.011	PPC - Hospital	12,214,000
5.012	College fraternities and societies	196,000
5.013	YMCA and YWCAs	173,000
5.014	Owned by agricultural societies	504,000
5.015	Water pollution abatement property	3,000
5.016	Humane societies	112,000
5.017	FQHC and RHCs	422,000
5.018	Ski lifts and snowmaking equipment	1,701,000
5.019	Whey processing fixtures	0
5.020	Municipalities hosting large power plants	1,530,000
5.101	$10,000 for veterans	388,000
5.102	Qualified Housing	696,000
5.103	Tax Increment Financing Districts	4,332,000
5.104	VEPC Approved Stabilization Agreements	38,000
5.201	Permanent Session Law Exemptions	65,000
6.001	Credit Unions	1,230,000
6.101	Affordable Housing Tax Credit	1,910,000
7.101	Annuity Considerations	10,760,000
7.102	Fraternal Societies	80,000
7.103	Hospital and Medical Service Organizations	14,490,000
8.001	Gasoline Tax	0
8.002	Diesel Fuel	398,000
9.001	Religious, charitable	162,000
9.002	Non-registered vehicles	Data unavailable
9.003	Gifts	3,040,000
9.004	IRC Sec. 351	24,000
9.005	Handicap	50,000
9.006	Veterans	30,000
9.007	Trade-In Allowance	28,770,000
	* Sum of Suppressed Data (Fewer than 10 claimants)	1,297,000
	Total	**354,494,000**


Individual Income Tax Expenditures
FY 2015 = $56.6 million
Earned Income Tax Credit, 48.0%
Capital Gains Exclusion, 30.7%
Vermont Municipal Bond Income, 4.9%
Higher Education Investment Credit, 4.1%
Investment Tax Credit, 3.3%
Credit for Child and Dependent Care, 3.1%
Military Pay Exemption, 2.5%
All Other Exemptions Combined, 3.3%
27.2
17.4
2.8
2.3
1.9
1.8
1.4
1.9
0.0
10.0
20.0
30.0
40.0
50.0
60.0
$ millions