Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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S.94 An act relating to promoting remote work – As Passed by the Senate
https://legislature.vermont.gov/assets/Documents/2018/Docs/BILLS/S-0094/S-0094%20As%20Passed%20by%20the%20Senate%20Unofficial.pdf

Bill Summary
The bill would establish a new tax credit targeted at workers who move to Vermont starting in January 1, 2019, are full-time employees of a business domiciled outside of Vermont and who spend a majority of their time working remotely. The tax credit could be utilized to offset certain qualifying expenses. The credit would be non-refundable and could be taken in amounts not to exceed $2,000 per year and not to exceed $10,000 per person. There are additional carry-forward provisions in the current bill language. The credit would be available on a first-come, first-served basis each year. The Agency of Commerce and Community Development would be responsible for certifying eligibility for the credit, and would issue certificates to individuals that would be filed with tax returns. The annual program cap would be $250,000. The bill would also require several studies from the administration.

Fiscal Summary
Sec. 1 Remote Worker Tax Credit
JFO estimates that the cost of this provision to the general fund (GF) in FY19 could be up to $30,000 and the cost would likely be at least $250,000 (GF) in FY20 and future years. Individuals that move to Vermont on or after January 1, 2019 would be able to claim the tax credit on tax forms filed for that year. Some of these individuals may choose to adjust estimated payments or withholding to reflect the anticipated tax credit. This could result in some potential fiscal impact from the tax credit in state FY2019. This impact would be dependent on the timing of when an individual might move to Vermont, incur expenses, file a tax credit request to ACCD and receive a certificate of eligibility, and subsequently adjust tax payments.

Beginning in 2020, the annual cap of $250,000 would likely be reached each year. However, the bill appears to set the cap on a calendar year basis so true costs on a fiscal year basis could be over the cap based on changes to withholding and estimated payments. This makes it difficult to predict the true cost of this legislation in fiscal years beyond FY19. Some of this cost could be indirectly offset by increased general fund revenues from personal income taxes, sales taxes, meals and rooms taxes, etc. There would likely be some administrative costs to establish and run this program.

Sec. 2-4 Executive Branch Studies
The studies required in the bill would require resources from executive branch agencies in FY19, which may put pressure on other programs and activities.