

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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S.260 An act relating to funding the cleanup of State waters – House Ways and Means Recommendation of Amendment

Amendment Summary

The Ways and Means proposal would remove sections 1-4 of the House Natural Resources proposal (Findings, Clean Water Working Group, Water Quality Surcharge, and Clean Water Fund allocations) and replace them with the following:

Sec. 1 – amended findings;

Sec. 2-3 – increase of the meals and rooms tax rate (no alcohol) from 9% to 9.25%;

Sec. 4 – would direct deposit initiators¹ to begin remitting unclaimed beverage container deposits to the State on a quarterly basis starting on January 1, 2020;

4a-4b – would direct revenues from unclaimed beverage deposits and the 0.25% on the meals and rooms tax to the Clean Water Fund, and would amend the General Fund allocation of meals and rooms taxes to exclude the 0.25%.

Section 13, the effective dates, would also be amended in the Ways and Means proposal so that the meals and rooms tax increase and the amended Clean Water Fund and General Fund allocations would go into effect on January 1, 2020.

Fiscal Summary

S.260 New Clean Water Fund Revenues (est.)			
	FY19 \$ (millions)	FY20 \$ (millions)	FY21 \$ (millions)
Sec. 2-3: 0.25% increase on meals and rooms tax	\$ -	\$ 2.45	\$ 4.55
Sec. 4: Escheats on unclaimed beverage deposits	\$ -	\$ 0.97	\$ 1.94
Total Clean Water Fund (CWF) Revenue	\$ 0	\$ 3.42	\$ 6.49
General Fund (GF) Costs (prelim. estimate) ²	\$ -	\$ (0.40)	\$ (0.10)
Net CWF Revenue – adjusted for GF costs	\$ 0	\$ 3.02	\$ 6.39

¹ As used in this bill, “deposit initiator” means the first distributor or manufacturer to collect the deposit on a beverage container sold to any person within this State.

² Cost estimates were provided by the Tax Dept. and have not been adjusted by JFO staff.

Sec. 2-3 Meals and Rooms Tax

The proposed amendment would increase the meals and rooms tax rate, starting on January 1, 2020, from 9% to 9.25%. This increase would not apply to the current 10% alcohol tax, only to meals and rooms. This provision would raise approximately \$2.94 million in FY20 and approximately \$6.49 million in FY21. These estimates are based on the 5-year provisional consensus forecast from January 2018. In FY20, only five months of meals and rooms revenue would be collected (Jan. to May) at the new rate. Approximately \$25,000³ in one-time costs would be incurred by the Tax Department to update its meals and rooms licensing and reporting system to reflect the new rate.

Sec. 4 Abandoned Beverage Container Deposits

The proposed amendment would require that, starting on October 1, 2019, all “deposit initiators” would need to deposit the refund value of all refundable beverage deposits collected into an interest-bearing deposit transaction account. Starting on January 1, 2020 and continuing quarterly thereafter, deposit initiators would then be required to remit all unredeemed, or abandoned, deposits from the account to the Tax Dept. The deposit initiator would be able to request a reimbursement from the Tax Dept. in the event that redemptions exceed amounts available in the deposit transaction account. The Tax Dept. would be required to fulfill the reimbursement upon confirmation that there are insufficient funds in the account and that any previous reimbursements over the previous twelve months do not exceed amounts remitted to the Tax Dept. over the same period.

Proceeds from the abandoned beverage container deposits are estimated to be approximately \$0.97 million in FY20 and \$1.94 million in FY21. These numbers assume an 85% deposit redemption rate. The Tax Dept. has estimated that the cost to set up a system to collect remittances from deposit initiators would be approximately \$300,000 in one-time monies and \$100,000 ongoing for one new full-time position. The one-time cost would likely be incurred in FY20 as would the first year cost of the ongoing staff position. The Tax Dept. is primarily funded through General Fund dollars and these new costs would need to be addressed in the FY20 budget.

Sec. 4a-4b Clean Water Fund and General Fund

This proposal would require that proceeds from the additional 0.25% on the meals and rooms tax be deposited in the Clean Water Fund while proceeds from the existing 9% rate would continue to go to the General Fund. Any expenditures of the new Clean Water Fund dollars would be built into a proposed spending plan from the Clean Water Fund Board and subsequently incorporated into the Governor’s budget proposal for FY2020 (to be presented during the 2019 legislative session). Proceeds from the unclaimed beverage container deposits would also be allocated to the Clean Water Fund.

³ This cost was provided by the Tax Department.