

H.839 Section-by-Section

Sec. #	Citation	Explanation	Notes
*** Annual Income Tax Link Up ***			
1.	32 V.S.A. § 5824	Adoption of federal income tax laws in effect for TY 2017 for the purpose of computing VT tax liability.	Must pass
*** Income Tax; Exemptions ***			
2.	32 V.S.A. § 5811(21)	Changes in definition of taxable income to exclude a) portion of Social Security benefits; and b) military pension income.	These changes are also in proposed <i>Working Families Taxpayer Protection Act</i> language.
3.	32 V.S.A. § 5813	Updates statutory purposes section to explain reason for Social Security benefits and military pension exemptions.	
4.	32 V.S.A. § 5830e	<p>Adds new section to exclude a portion of Social Security benefits. Phase-in of exemption over 3 years:</p> <ul style="list-style-type: none"> • 33% of benefit excluded in TY18, 67% in TY19, and 100% in TY20 and after. <p>For single, etc., filers</p> <ul style="list-style-type: none"> • \$45,000 or less of AGI = 100% of federally taxable income is exempt; and • Over \$45,000 and up to \$55,000 of AGI = exemption phased out from 100%-0% in proportion to amount over \$45,000. <p>For married filing jointly, etc., filers</p> <ul style="list-style-type: none"> • \$60,000 or less of AGI = 100% of federally taxable income is exempt; and • Over \$60,000 and up to \$70,000 of AGI = exemption phased out from 100%-0% in proportion to amount over \$60,000. <p>Clarifying limit at which no exclusion applies</p> <ul style="list-style-type: none"> • \$55,000 single filers • \$70,000 married filing jointly filers <p>Estimated fiscal impact:</p> <ul style="list-style-type: none"> • TY18: \$1.9M • TY19: \$4M • TY20: \$6.1M 	
*** Income Tax; Solar Investment Tax Credit ***			
5.	32 V.S.A. § 5822	<p>Subdiv. (c)(1)(B) cleans up recapture provision, so as to only recapture the amount of credit allowed under VT law, which is 24% of federal investment tax credit attributable to the Vermont-property portion of the investment.</p> <p>Subdiv. (d)(2) strikes reference to “business” solar credit, which is a language holdover from an old credit for C corps (no longer available), and which creates ambiguity because this carryforward provision is in the individual income tax section and is only available to individuals and pass-through</p>	

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		entities like partnerships.	
*** Corporate Income Tax ***			
6.	32 V.S.A. § 5832	Clarifying that CIT applies to “Vermont” gross receipts, which means “gross receipts for the corporation that are attributable to Vermont,” rather than total receipts. This is already current Department practice.	
*** Property Taxes ***			
7.	32 V.S.A. § 3757(f)	Land Use Change Tax Lien. Taxpayer Advocate’s recommendation. Removes requirement that the current use application constitute a lien on the land. Rather, in the event LUCT becomes due and owner does not pay it timely, the State places a lien on the property. The statute still makes it explicit that the current use requirements run with the land. Purpose: to make subordination easier for TPs when getting a mortgage on enrolled land. See also repeal of 32 V.S.A. § 3777 that if a property owner obtains a mortgage on the land, then the property owner must request the State to subordinate its lien in favor of the lender/mortgagor.	Dept. suggests changing language to follow NH’s model of recording application in land records as a “notice of contingent lien.” NH doesn’t require subordination; only imposes change tax upon development. Supported by real estate attorneys and bankers. Should also clarify that “contingent” lien status applies to all existing, recorded liens. Purpose: place lenders in first position, but still have clear land records of enrolled parcels.
8.	32 V.S.A. § 4461(a)	Fee waiver for property tax appeals to PVR from decisions of town Board of Civil Authority. Allows PVR Director to waive, reduce, or refund fee for reasonable cause shown.	
9.	32 V.S.A. § 10007(c)	Land gains tax certificate. Remove requirement to obtain a Commissioner’s certificate certifying that no LGT is due at time of sale, and instead require seller to certify directly to buyer. If certification is false or incorrect, then tax due remains seller’s liability. Purpose: reduce unnecessary administrative burden on real estate transactions and on Dept. Current data: <ul style="list-style-type: none"> • approx. 2,600 LGT returns filed annually <ul style="list-style-type: none"> ○ approx. 500 are paid returns ○ remaining ~2,100 are exempt. • 1,500-2,000 LGT certificates issued annually 	
*** Definitions; Homestead and Household Income ***			
10.	32 V.S.A. § 5401(7)	Amends education property tax definition of “homestead” to include the principal dwelling of a widower or widow when the dwelling is owned by the estate of the person’s deceased spouse and it	

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		appears reasonably likely that the dwelling will pass to the widower or widow by law or valid will when the estate is settled.	
11.	32 V.S.A. § 6061(4)	Amends definition of “household income” for purposes of Homestead Property Tax Income Sensitivity Adjustment, to exclude <ul style="list-style-type: none"> • MAGI of legally separated or divorced spouse when separation or divorce occurred in the taxable year. • MAGI of a claimant’s spouse when that spouse is subject to a protection order, as defined in 15 V.S.A. § 1101(5), as long as the order is in effect at the time household income is reported to the Department of Taxes. 	
*** Common Level of Appraisal ***			
12.	32 V.S.A. § 5402	Requires tax bills to include the language specified under §5405(g) regarding the common level of appraisal.	
13.	32 V.S.A. § 5403	Creates enabling language for merged districts to create merged assessment districts for the purposes of the common level of appraisal.	
14.	32 V.S.A. § 5405(g)	Specifies the information that Commissioner must provide to towns for property tax bills: explanation of equalization rates and process, and CLA.	
15.	32 V.S.A. § 6066a	Subsecs. (a), (f)(1), and (g) remove the required dates for distribution of homestead declarations and property tax adjustments from the Department to towns. This allows for immediate distribution, including late-filed homestead declarations. Subdiv. (f)(5) requires tax bills to include the language specified under §5405(g) regarding the common level of appraisal.	
*** Electrical Energy Tax ***			
16.	32 V.S.A. § 435	Removes reference in general fund to tax on electric generating plants that only applied to the VT Yankee nuclear plant, which is now closed. See also repeal of tax in 32 V.S.A. § 8861, in “repeals” Sec. 23.	
*** Insurance Taxes ***			
17.	32 V.S.A. § 8557	Amends section on tax on insurance companies to fund the Vermont Fire Service Training Council, in order to allow Department of Taxes to collect tax instead of Department of Financial Regulation. Applies all administrative, collection, and enforcement provisions under title 32, chapter 151	Must pass Note that language in subsec. (b) re: collection is different from other sections and should be made consistent.

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		to tax.	
18.	8 V.S.A. § 5034	Amends section on surplus lines tax to move quarterly filing requirements from Commissioner of Financial Regulation to Commissioner of Taxes.	Must pass
19.	8 V.S.A. § 5035	Amends section on surplus lines tax to move reporting and payment requirements from Commissioner of Financial Regulation to Commissioner of Taxes. Applies all administrative, collection, and enforcement provisions under title 32, chapter 151 to tax.	Must pass
20.	8 V.S.A. § 5036	Amends section on direct placement insurance tax to move reporting requirements from Commissioner of Financial Regulation to Commissioner of Taxes. Applies all administrative, collection, and enforcement provisions under title 32, chapter 151 to tax.	Must pass
*** Meals and Rooms Tax ***			
21.	32 V.S.A. § 9202(10)(D)	Amends definition of a taxable meal to include meals for resale, to ensure tax is charged and collected at time of final sale to person consuming the meal. Issue for caterers who are reselling to final consumer. Used to be part of MRT regulations, but taken out for insufficient statutory basis.	
22.	32 V.S.A. § 9248	Online rental platform reporting. Amends requirement that Dept. of Taxes collect information on operators from online platforms (or fine for noncompliance), to only require reporting if platform does not already have a collection agreement with Dept. Act 134 of 2015, took effect eff. July 1, 2017.	Must pass
*** Appeal to Superior Court; Security ***			
22a. NEW	32 V.S.A. § 9275	Pay to play. Strikes requirement that “any person aggrieved by the decision of the Commissioner” must pay (give security) in order to appeal a Commissioner’s decision on meals and rooms tax to Superior Court	New proposal; not in bill As Introduced
22b. NEW	32 V.S.A. § 9817	Pay to play. Strikes requirement that “any aggrieved TP” must pay (give security) in order to appeal a Commissioner’s decision on sales and use tax to Superior Court	New proposal; not in bill As Introduced
*** Repeals ***			
23.	Repeals	The following sections in Title 32 are repealed: (1) § 3777 removes requirement for property owner to request lien subordination from State if obtaining mortgage on enrolled land. See also Sec. 7 changes to 32 V.S.A. § 3557. (2) § 5930z repeals business solar energy tax	

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		<p>credit, which has not been available to C corporations since end 2011, and for which carryforward period expired in 2016. See also Sec. 5 changes to 32 V.S.A. § 5822.</p> <p>(3) § 8661 repeals tax on electric generating plants that only applied to the VT Yankee nuclear plant, which is now closed. See also Sec. 16 changes to 32 V.S.A. § 435.</p>	
*** Effective Dates ***			
24.	Effective Dates	<p>Act and all sections take effect on passage, except:</p> <p>(1) Sec. 1 (annual update of income tax link to the IRC) on January 1, 2017 and apply to all tax years thereafter.</p> <p>(2) Secs. 2-6 (income tax sections), 23(2) (repeal of business solar energy tax credit), and 22 (short-term rental platform reporting) on January 1, 2018 and apply to all tax years thereafter.</p> <p>(3) Secs. 7-15 (property tax sections) and 25(1) (repeal of land use change tax lien subordination) on July 1, 2018 and apply to grand lists lodged thereafter.</p>	<p>Department suggests amending the effective date for Sec. 22 (short-term rental platform reporting), making it retroactive to July 1, 2017, when this section first took effect.</p>