

## H.922 An act relating to making numerous revenue changes

As Passed by House and Senate Finance

Emily Miller, Legislative Council Law Clerk 5/7/2018

Sec.	As Passed by House	Senate Finance
	<b>Municipal Stormwater Fees</b>	<b>Municipal Stormwater Fees</b>
<b>1</b>	Adjusts the stormwater runoff fees paid by municipalities from a flat \$2000 per municipality fee to a graduated schedule of fees ranging from zero to \$1,800 depending upon population size, miles of maintained road, and other factors.	<ul style="list-style-type: none"> <li>• Same.</li> </ul>
	<b>Green Mountain Care Board Billback Formula</b>	<b>Green Mountain Care Board Billback Formula</b>
<b>2</b>	Makes changes to the Green Mountain Care Board's billback formula: <ul style="list-style-type: none"> <li>• Allows the Board to bill regulated entities directly for actual costs the Board incurs in conducting health insurance rate review, hospital budget review, and accountable care organization (ACO) certification and budget review.</li> <li>• Reallocates the amounts assessed to regulated entities for other Board duties (those duties not attributable to a specific entity).</li> <li>• Imposes a \$150 minimum fee on each regulated entity.</li> </ul>	<ul style="list-style-type: none"> <li>• Same.</li> </ul>
	<b>Assessment on Manufacturers of Prescription Opioids Dispensed in Vermont</b>	<b>Assessment on Manufacturers of Prescription Opioids Dispensed in Vermont</b>
<b>2a-2d</b>	<ul style="list-style-type: none"> <li>• Not in House version.</li> </ul>	Establishes an assessment on manufacturers of Vermont-dispensed prescription opioids <ul style="list-style-type: none"> <li>• <b>2a</b> creates the Substance use Disorder Prevention,</li> </ul>

		<p>Treatment, and Recovery Fund.</p> <ul style="list-style-type: none"> <li>○ Fund to be administered by Agency of Human Services and used for prevention of substance use disorders, substance use disorder treatment, and opportunities for safe recovery.</li> <li>• <b>2b</b> creates a new 32 VSA chapter 221 governing the assessment. <ul style="list-style-type: none"> <li>○ § 9001 -- Definitions.</li> <li>○ § 9002(a)-(b) Assessment is designed to raise \$3.1 million each year, with each manufacturer paying based on its proportional share of the total amount of opioids dispensed in Vermont.</li> <li>○ § 9002(c) exempts opioids used in medication-assisted treatment and limits reach to what is allowed by federal and state law.</li> <li>○ § 9002(d) deposits all revenue into the Fund created in Sec. 2a.</li> <li>○ §§ 9003-9004 deal with administration of the assessment, manufacturers' rights to a hearing.</li> <li>○ § 9005 governs provision of information regarding amounts of dispensed opioids from Department of Health to the Tax Department.</li> </ul> </li> <li>• <b>2c</b> amends 18 V.S.A. § 4284(b)(2) to allow the Department of Health to provide the tax Department information about opioids dispensed.</li> <li>• <b>2d</b> <ul style="list-style-type: none"> <li>○ (a) appropriates funds from the fund created in Sec. 2a for fiscal year 2019 for various state programs and sets out intentions for 2020 appropriations;</li> <li>○ (b) sets out legislative intent that any additional available funds in 2020 be appropriated to Agency of Human Services to improve</li> </ul> </li> </ul>
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		<p>treatment services in underserved regions;</p> <ul style="list-style-type: none"> <li>○ (c) allocates one-time funds for implementation of the assessment.</li> </ul>
	<b>529 Plans</b>	<b>529 Plans</b>
<b>3-7</b>	<p>Changes Vermont’s law on 529 plans to adjust to federal changes.</p> <ul style="list-style-type: none"> <li>• Shifts “postsecondary education” definitions to reference Vermont law rather than federal law and makes other conforming changes.</li> <li>• Requires repayment of tax credit when participant uses 529 funds for purposes other than postsecondary education.</li> <li>• Requires VSAC to report the amount of 529 funds withdrawn for purposes other than postsecondary education each year, as well as the total amount withdrawn.</li> </ul>	<ul style="list-style-type: none"> <li>• Same except for addition of phase “As far as practicable” to reporting requirement at beginning of Sec. 7.</li> </ul>
	<b>Federal Tax Link-Up and Adjustments</b>	<b>Federal Tax Link-Up and Adjustments</b>
<b>7a-7b</b>	<ul style="list-style-type: none"> <li>• Not in House version.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>7a</b> updates the annual link-up between the Vermont and federal tax codes.</li> <li>• <b>7b</b> directs Leg. Council, JFO and the Department of Taxes to report on Vermont changes necessitated by the 2017 federal tax bill.</li> </ul>
	<b>Tax Credit for Affordable Housing; First Time Homebuyer Program</b>	<b>Tax Credit for Affordable Housing; First Time Homebuyer Program</b>
<b>8</b>	<p>Makes changes to the affordable housing tax credit.</p> <ul style="list-style-type: none"> <li>• Increases the amount of first-year credit allocations for the Home Ownership Down Payment Assistance program by \$125,000 for seven years.</li> <li>• Updates the “Allocation Plan” definition to clarify that multifamily projects will receive credits, while single family projects will receive loans or grants funded by sales of credits by the Agency.</li> <li>• Other clarifying and conforming changes.</li> </ul>	<ul style="list-style-type: none"> <li>• Same.</li> </ul>

	<b>Downtown and Village Center Tax Credit</b>	<b>Downtown and Village Center Tax Credit</b>
<b>9</b>	Raises the annual cap on the downtown and village center tax credit from \$2,400,000 to \$2,650,000.	<ul style="list-style-type: none"> <li>• Same.</li> </ul>
	<b>Tax on E-Cigarettes</b>	<b>Tax on E-Cigarettes</b>
<b>10-10a</b>	<p>Establishes a tax of 46% of the wholesale price on liquids used in e-cigarette devices (both nicotine-based and any other liquids) and on single-use e-cigarette devices.</p> <ul style="list-style-type: none"> <li>▪ <b>10</b> includes the liquids used in e-cigarettes and single-use e-cigarettes in the definition of “other tobacco products.</li> <li>▪ <b>10a</b> sets tax rate at 46% of wholesale price.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Same.</li> </ul>
	<b>Taxable Meal Exclusions</b>	<b>Taxable Meal Exclusions</b>
<b>11</b>	<p>Expands the taxable meal exclusions.</p> <ul style="list-style-type: none"> <li>• Provides that fire departments and providers of emergency medical services can qualify for the nonprofit exclusion from “taxable meals” even when they serve meals <u>off</u> their premises.</li> <li>• Clarifies (at the request of the Tax Department) that food or beverage purchased for resale is excluded from “taxable meals.”</li> </ul>	<ul style="list-style-type: none"> <li>• Deletes expansion of exemption for fire departments and first responders.</li> <li>• Resale provision is the same.</li> </ul>
	<b><u>Sections 12 – 30: Tax Department Miscellaneous Requests</u></b>	<b><u>Sections 12 – 30: Tax Department Miscellaneous Requests</u></b>
	<b>Solar Energy Investment Income Tax Credit</b>	<b>Solar Energy Investment Income Tax Credit</b>
<b>12</b>	Cleans up language to reflect previous phase-out of 100% solar energy investment income tax credit. Vermont currently allows a credit of 24% of the federal credit for solar energy investment. Previously, the credit was increased to 100% of the federal credit (an addition of 76%). To accommodate that change, an additional 76% recapture was added to the recapture language in 5822(d). However, the additional 76% credit has been phased out in session law (and is removed from statute in this bill, Sec. 30). As such, the additional 76%	<ul style="list-style-type: none"> <li>• Same.</li> </ul>

	recapture language serves no purpose and is deleted here.	
	<b>Minimum Corporate Income Tax</b>	<b>Minimum Corporate Income Tax</b>
<b>13</b>	Clarifies, in accord with current practice, that minimum corporate income tax is determined with regard to Vermont gross receipts and not total gross receipts.	<ul style="list-style-type: none"> <li>• Same.</li> </ul>
	<b>Publicly Traded Partnerships Income Tax Withholding Exemption</b>	<b>Publicly Traded Partnerships Income Tax Withholding Exemption</b>
<b>13a-13b</b>	<ul style="list-style-type: none"> <li>• Not in House version.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>13a</b> extends the already established income tax withholding exemption for publicly traded partnerships to lower-tier pass-through affiliates of the partnerships. <ul style="list-style-type: none"> <li>○ Requires both the publicly traded partnership and lower-tier pass-through entities to give the Tax Department information about the income and location of persons owing tax in Vermont, among other information.</li> <li>○ The exemption for lower-tier pass-through entities must be renewed every three years.</li> </ul> </li> <li>• <b>13b</b> allows the Tax Department to disclose tax return information to such entities for purposes of reviewing exemption requests.</li> </ul>
	<b>Property Tax; Land Use Change Tax Lien</b>	<b>Property Tax; Land Use Change Tax Lien</b>
<b>14</b>	<ul style="list-style-type: none"> <li>• Replaces the requirement a lien be placed on all property enrolled in the current use program and instead requires that a notice of contingent lien be filed, with a lien to be filed when land is developed.</li> <li>• Converts existing liens on current use property to contingent liens.</li> <li>• See also Sec. 30(1): repeal of land use change tax lien subordination.</li> </ul>	<ul style="list-style-type: none"> <li>• Same.</li> </ul>
	<b>Fee Waiver for Property Tax Appeals</b>	<b>Fee Waiver for Property Tax Appeals</b>
<b>15</b>	Gives the director of Property Valuation and Review authority to waive property tax appeal fees in cases of hardship or to join appeals regarding the same parcel.	<ul style="list-style-type: none"> <li>• Same.</li> </ul>

	<b>Land Gains Tax Affidavit</b>	<b>Land Gains Tax Affidavit</b>
<b>16</b>	Allows a seller of land who has paid any land gains tax owed on the sale to provide an <u>affidavit</u> that the tax was paid or that none is due instead of obtaining <u>certification</u> from the Commissioner of Taxes to that effect.	<ul style="list-style-type: none"> <li>• Same.</li> </ul>
	<b>Property Tax Definitions; Homestead and Household Income</b>	<b>Property Tax Definitions; Homestead and Household Income</b>
<b>17</b>	For property tax income sensitivity adjustment: <ul style="list-style-type: none"> <li>• “Homestead” expanded to cover principal dwelling of widow(er)s where the dwelling is owned by deceased spouse’s estate and likely to pass to widow(er).</li> </ul>	<ul style="list-style-type: none"> <li>• Same.</li> </ul>
<b>18</b>	For property tax income sensitivity adjustment: <ul style="list-style-type: none"> <li>• “household income” does <u>not</u> include income of spouse or former spouse of claimant if legally separated or divorced in the taxable year; or income of spouse against whom claimant has protection order.</li> </ul>	<ul style="list-style-type: none"> <li>• Same.</li> </ul>
	<b>Aggregate Common Level of Appraisal and Distribution of Property Tax Adjustments</b>	<b>Aggregate Common Level of Appraisal and Distribution of Property Tax Adjustments</b>
<b>19</b>	Requires statewide education property tax bills to include the language from Sec. 21 below.	<ul style="list-style-type: none"> <li>• <u>Section deleted.</u></li> </ul>
<b>20</b>	Authorizes municipalities within a unified union school district to merge assessment districts, so long as they agree to standardized assessment procedures. The merged municipalities must maintain separate grand lists and other administrative processes unless granted permission to consolidate all property valuation administrative functions. Municipalities may un-merge after 5 years unless they consolidated all property valuation administrative functions.	<ul style="list-style-type: none"> <li>• Same.</li> </ul>
<b>21</b>	Requires Tax Department to provide the following to municipalities to display in property tax bills: <ul style="list-style-type: none"> <li>• District homestead property tax rate before</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Section deleted.</u></li> </ul>

	<p>equalization;</p> <ul style="list-style-type: none"> <li>• Nonresidential tax rate before equalization;</li> <li>• The calculation process leading to the equalized homestead and nonresidential tax rates;</li> <li>• An explanation of the common level of appraisal, including origin and purpose.</li> </ul>	
22	Increases frequency with which the tax department notifies and pays municipalities for homestead property tax adjustments from yearly to monthly.	<ul style="list-style-type: none"> <li>• Same.</li> </ul>
	<b>Insurance Taxes</b>	<b>Insurance Taxes</b>
23-26	<ul style="list-style-type: none"> <li>• Shifts certain insurance tax collection duties from DFR to the Tax Department and clarifies Tax Department may use administrative tools to enforce the taxes.</li> <li>• Deletes reference to surplus lines companies from those insurance companies which must contribute to the Fire Safety Special Fund to reflect current practice.</li> </ul>	<ul style="list-style-type: none"> <li>• Same.</li> </ul>
	<b>Short-Term Rental Platform Reporting</b>	<b>Short-Term Rental Platform Reporting</b>
27	Exempts Internet platforms that connect consumers with short-term property rentals from the requirement that they collect information on operators who use the platform, as long as the Internet platform agrees to collect and remit the meals and rooms tax imposed on the operators.	<ul style="list-style-type: none"> <li>• Same.</li> </ul>
	<b>Appeal to Superior Court; Security</b>	<b>Appeal to Superior Court; Security</b>
28-29	Removes requirement that appellants in tax appeals to the Superior Court provide security to guarantee the tax in dispute will be paid if they lose.	<ul style="list-style-type: none"> <li>• Same.</li> </ul>
	<b>Repeals</b>	<b>Repeals</b>
30	<p>Repeals:</p> <ul style="list-style-type: none"> <li>• Current use program's land use change tax lien subordination provision in conjunction with move to new contingent lien mechanism in Sec. 14.</li> <li>• Solar energy tax credit which was already phased out</li> </ul>	<ul style="list-style-type: none"> <li>• Same.</li> </ul>

	<p>in session law.</p> <ul style="list-style-type: none"> <li>• Tax which only applied to the now closed Vermont Yankee nuclear plant.</li> </ul>	
	<b>Intent for E-Cigarette Tax Proceeds</b>	<b>Intent for E-Cigarette Tax Proceeds</b>
<b>30a</b>	Expresses legislative intent that e-cigarette revenue be transferred from State Health Care Resources Fund to General Fund in FY 2019 to offset costs of first time homebuyer program, downtown/village center tax credit, and taxable meal exclusions.	<ul style="list-style-type: none"> <li>• Same.</li> </ul>
	<b>Effective Dates</b>	<b>Effective Dates</b>
<b>31</b>	Effective Dates	<ul style="list-style-type: none"> <li>• Edited to account for added and deleted sections.</li> <li>• Sec. 30(1) (land use change tax lien subordination repeal) delayed to 7/1/19 to allow transition period.</li> </ul>