

1 Introduced by Representative Giambatista of Essex  
2 Referred to Committee on  
3 Date:  
4 Subject: Taxation; corporate income tax; apportionment of income  
5 Statement of purpose of bill as introduced: This bill proposes to establish a  
6 study committee to explore moving Vermont to market-based sourcing of  
7 corporate income.

8 An act relating to studying market-based sourcing apportionment methods

9 It is hereby enacted by the General Assembly of the State of Vermont:

10 Sec. 1. INCOME APPORTIONMENT FOR CORPORATE INCOME TAX;

11 STUDY COMMITTEE; REPORT

12 (a) Creation. There is created the Market-Based Sourcing Study  
13 Committee to explore whether the State should move to a market-based  
14 sourcing method to apportion corporate income derived from sales of other  
15 than tangible personal property for income tax purposes.

16 (b) Membership. The Committee shall be composed of the following nine  
17 members:

18 (1) one current member of the House of Representatives who shall be  
19 appointed by the Speaker of the House;

1           (2) one current member of the Senate who shall be appointed by the

2           Committee on Committees;

3           (3) one member of the business community appointed by the Speaker of  
4           the House;

5           (4) one member of the business community appointed by the Committee  
6           on Committees;

7           (5) one member selected by the Vermont Bar Association Board of  
8           Managers;

9           (6) one member selected by the Vermont Society of Certified Public  
10          Accounts Board of Directors;

11          (7) the Commissioner of Taxes or designee;

12          (8) the Commissioner of Economic Development or designee; and

13          (9) the Attorney General or designee.

14          (c) Powers and duties. The Committee shall study whether the State should  
15          move to a market-based sourcing method for apportioning corporate income  
16          derived from sales of other than tangible personal property for income tax  
17          purposes, including the following issues:

18               (1) the consequences to the State and taxpayers of changing to a market-  
19               based sourcing method compared with maintaining the current corporate  
20               income sourcing method for sales of other than tangible personal property

1 under 32 V.S.A. § 5833, including incentives and disincentives that may be  
2 created and the potential for loopholes and double taxation;

3 (2) assuming the State were to move to market-based sourcing of  
4 corporate income, the extent to which the system should be modeled on the  
5 Multistate Tax Commission’s Uniform Division of Income for Tax Purposes  
6 Act Article IV, Section 17 and the associated Model General Allocation &  
7 Apportionment Regulations;

8 (3) whether certain industries or classes of corporations may face special  
9 consequences or require special rules under a market-based sourcing system;

10 (4) whether income derived from certain sources, including intellectual  
11 property, digital services, goodwill, and professional services may require  
12 special rules under a market-based sourcing system;

13 (5) whether other states or entities have established market-based  
14 sourcing systems, regulatory systems, or specific rules that the State should  
15 emulate in whole or part; and

16 (6) whether there are additional corporate income sourcing options  
17 which deserve future study.

18 (d) Assistance. The Committee shall have the administrative, technical,  
19 and legal assistance of the Department of Taxes.

20 (e) Report. On or before January 15, 2019, the Committee shall submit a  
21 written report with its findings and any recommendations for legislative action

1 to the Speaker of the House, the President Pro Tempore of the Senate, the  
2 House Committees on Ways and Means and on Commerce and Economic  
3 Development, and the Senate Committees on Finance and on Economic  
4 Development, Housing and General Affairs.

5 (f) Meetings.

6 (1) The Commissioner of Taxes or designee shall call the first meeting  
7 of the Committee to occur on or before July 1, 2018.

8 (2) The Committee shall select a chair from among its members at the  
9 first meeting.

10 (3) A majority of the membership shall constitute a quorum.

11 (4) The Committee shall cease to exist on January 16, 2019.

12 (g) Compensation and reimbursement.

13 (1) For attendance at meetings during adjournment of the General  
14 Assembly, a legislative member of the Committee serving in his or her  
15 capacity as a legislator shall be entitled to per diem compensation and  
16 reimbursement of expenses pursuant to 2 V.S.A. § 406 for not more than six  
17 meetings. These payments shall be made from monies appropriated to the  
18 General Assembly.

19 (2) Other members of the Committee who are not employees of the State  
20 of Vermont and who are not otherwise compensated or reimbursed for their  
21 attendance shall be entitled to reimbursement for the mileage required to travel

1 to Committee meetings at the full rate provided to State employees as  
2 published by the Department of Human Resources for not more than six  
3 meetings. These payments shall be made from monies appropriated to the  
4 Department of Taxes.

5 Sec. 2. EFFECTIVE DATE

6 This act shall take effect on passage.