Report of Committee of Conference

H.516

TO THE SENATE AND HOUSE OF REPRESENTATIVES:

The Committee of Conference, to which were referred the disagreeing votes of the two Houses upon House Bill, entitled:

H.516. An act relating to miscellaneous tax changes.

Respectfully reports that it has met and considered the same and recommends that the Senate recede from its proposal of amendment and that the bill be amended by striking out all after the enacting clause and inserting in lieu thereof the following:

* * * Administrative and Technical Provisions * * *

Sec. 1. 7 V.S.A. § 423(a) is amended to read:

(a) The ~~Commissioner of Taxes and the~~ Liquor Control Board shall adopt such rules as ~~they deem~~ it deems necessary for the proper administration and collection of the tax imposed under section 422 of this title.

Sec. 2. 24 V.S.A. § 1168 is amended to read:

§ 1168. RETURN OF NAMES OF LISTERS TO DIRECTOR OF THE DIVISION OF PROPERTY VALUATION AND REVIEW

After each annual meeting, a town clerk shall report forthwith ~~in writing~~ electronically to the Director of the Division of Property Valuation and Review the name of each lister therein, his or her post office address, and the length of

his or her term of office. In like manner, ~~such~~ a town clerk shall notify the Director of the Division of Property Valuation and Review of any lister appointed to fill a vacancy.

Sec. 3. 32 V.S.A. § 3102 is amended to read:

§ 3102. CONFIDENTIALITY OF TAX RECORDS

(a) No present or former officer, employee, or agent of the Department of Taxes shall disclose any return or return information to any person who is not an officer, employee, or agent of the Department of Taxes except in accordance with the provisions of this section. A person who violates this section shall be fined not more than $1,000.00 or imprisoned for not more than one year, or both; and if the offender is an officer or employee of this State, he or she shall, in addition, be dismissed from office and be incapable of holding any public office for a period of five years thereafter.

(b) The following definitions shall apply for purposes of this ~~section~~ chapter:

(1) "Person" shall include any individual, firm, partnership, association, joint stock company, corporation, trust, estate, or other entity.

(2) "Return" means any tax return, declaration of estimated tax, license application, report, or similar document, including attachments, schedules, and transmittals, filed with the Department of Taxes.

(3) "Return information" includes a person's name, address, date of birth, Social Security or federal identification number or any other identifying number; information as to whether or not a return was filed or required to be filed; the nature, source or amount of a person's income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liabilities, tax payments, deficiencies or over-assessments; and any other data, from any source, furnished to or prepared or collected by the Department of Taxes with respect to any person.

(4) "Tax administration" means the verification of a tax return or claim for credit, rebate or refund; the investigation, assessment, determination, litigation or collection of a tax liability of any person; the investigation or prosecution of a tax-related crime; or the enforcement of a tax statute.

(5) "Commissioner" means the Commissioner of Taxes appointed under section 3101 of this title or any officer, employee or agent of the Department of Taxes authorized by the Commissioner (directly or indirectly by one or more redelegations of authority) to perform any function of the Commissioner.

(6) "State" means any sovereign body politic, including the United States, any state or territory thereof, and any foreign country or state or province thereof.

(7) "Authorized representative" means any person who would be considered a designee of the taxpayer under 26 U.S.C. § 6103(c). The signature of a notary public shall not be required for a person to be considered an "authorized representative."

* * *

(e) The Commissioner may, in his or her discretion and subject to such conditions and requirements as he or she may provide, including any confidentiality requirements of the Internal Revenue Service, disclose a return or return information:

* * *

(17) To the Department of Financial Regulation, if such return or return information relates to the tax on premiums of captive insurance companies contained in 8 V.S.A. chapter 141, to the tax on surplus lines under 8 V.S.A. § 5035, to the tax on the direct placement of insurance under 8 V.S.A. § 5036, or to the tax on insurance premiums under section 8551 of this title.

(18) To the Agency of Natural Resources, if such return or return information relates to the tax on hazardous waste under chapter 237 of this title, or to the franchise tax on waste facilities under subchapter 13 of chapter 151 of this title.

(19) To the Vermont Student Assistance Corporation if such return or return information is necessary to verify eligibility for the matching allocation required by 16 V.S.A. § 2880d(c).

* * *

Sec. 4. 32 V.S.A. § 5914(a) is amended to read:

(a) An S corporation which engages in activities in Vermont which would subject a C corporation to the requirement to file a return under section 5862 of this title shall file with the Commissioner an annual return, in the form prescribed by the Commissioner, on or before the due date prescribed for the filing of ~~C corporation returns under section 5862~~ S corporation returns under subsection 6072(b) of the Internal Revenue Code. The return shall set forth the name, address, and Social Security or federal identification number of each shareholder; the income attributable to Vermont and income not attributable to Vermont with respect to each shareholder as determined under this subchapter; and such other information as the Commissioner may by regulation prescribe. The S corporation shall, on or before the day on which such return is filed, furnish to each person who was a shareholder during the year a copy of such information shown on the return as the Commissioner may by regulation prescribe.

Sec. 5. 32 V.S.A. § 9243(a) is amended to read:

(a) Where the meals and rooms tax liability under this chapter for the immediately preceding full calendar year has been (or would have been in cases when the business was not operating for the entire year) $500.00 or less, the gross receipts taxes imposed by this chapter shall be due and payable in quarterly installments on or before the 25th day of the calendar month succeeding the quarter ending the last day of March, June, September, and December of each year. In all other cases, the gross receipts tax imposed by this chapter shall be due and payable monthly on or before the 25th (23rd of February) day of the month following the month for which the tax is due. The Commissioner may authorize payment of the tax due by electronic funds transfer. The Commissioner may require payment by electronic funds transfer from any taxpayer who is required by federal tax law to pay any federal tax in that manner, or from any taxpayer who has submitted to the Department of Taxes two or more protested or otherwise uncollectible checks with regard to any State tax payment in the prior two years. Each operator shall make out and sign under the pains and penalties of perjury a return for each quarter or month. The return shall be filed with the Commissioner on a form prescribed by the Commissioner. The Commissioner shall distribute return forms to the operators, upon request, but no operator shall be excused from liability for failure to file a return or pay the tax because he or she has failed to receive a

form. A remittance for the amount of taxes shall accompany each quarterly or monthly return. Returns shall be made on forms provided by the Commissioner. Payment of taxes by electronic funds transfer does not affect the requirement to file returns.

Sec. 6. 32 V.S.A. § 9606(e) is amended to read:

(e) The Commissioner of Taxes is authorized to disclose to any person any information appearing on a property transfer tax return, including statistical information derived therefrom, and such information derived from research into information appearing on property transfer tax returns as is necessary to determine if the property being transferred is subject to 10 V.S.A. chapter 151, except the Commissioner shall not disclose the Social Security number, federal identification number, e-mail address, or telephone number of any person pursuant to this subsection.

Sec. 7. 32 V.S.A. § 5824 is amended to read:

§ 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

The statutes of the United States relating to the federal income tax, as in effect for taxable year ~~2015~~ 2016, but without regard to federal income tax rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the tax liability under this chapter.

Sec. 8. 32 V.S.A. § 7442a(c) is added to read:

(c) All values shall be as finally determined for federal estate tax purposes.

Sec. 9. 33 V.S.A. § 1959(a) is amended to read:

(a)(1) The annual assessment for each ambulance agency shall be 3.3 percent of the ambulance agency's annual net patient revenues for services delivered to patients in Vermont during the most recent annual fiscal period. As used in this section, "net patient revenues" means the total amount of payments an ambulance agency received during the fiscal period from Medicaid, Medicare, commercial insurance, and all other payers as payment for services rendered. The term does not include municipal appropriations, donations from any source, or any other funding unrelated to the delivery of health care services.

(2) The Department shall determine the appropriate fiscal period as necessary to ensure compliance with federal law.

(3) Ambulance agencies shall remit the assessment amount to the Department annually on or before March 31, beginning with March 31, 2017.

Sec. 10. 32 V.S.A. § 5400(i) is added to read:

(i) The statutory purpose of subdivision 5401(10)(D) of this title is to support Vermont's ski industry and to encourage personal property investments and improvements at ski resorts.

Sec. 11. 3 V.S.A. chapter 10 is added to read:

CHAPTER 10. FEDERAL TAX INFORMATION

§ 241. BACKGROUND INVESTIGATIONS

(a) "Federal tax information" or "FTI" means returns and return information as defined in 26 U.S.C. § 6103(b) that are received directly from the Internal Revenue Service or obtained through an IRS-authorized secondary source, that are in the Recipient's possession or control, and that are subject to the confidentiality protections and safeguarding requirements of the Internal Revenue Code and corresponding federal regulations and guidance.

(b) As used in this chapter, "Recipient" means the following authorities of the Executive Branch of State government that receive FTI:

(1) Agency of Human Services, including:

(A) Department for Children and Families;

(B) Department of Health;

(C) Department of Mental Health; and

(D) Department of Vermont Health Access.

(2) Department of Labor.

(3) Department of Motor Vehicles.

(4) Department of Taxes.

(c) The Recipient shall conduct an initial background investigation of any prospective employee, volunteer, contractor, or subcontractor, to whom the

Recipient will permit access to FTI for the purpose of assessing the individual's fitness to be permitted access to FTI.

(d) The Recipient shall request and obtain from the Vermont Crime Information Center (VCIC) the Federal Bureau of Investigation and State and local law enforcement criminal history records based on fingerprints for the purpose of conducting a background investigation under this section.

(e) The Recipient shall sign and keep a user agreement with the VCIC.

(f) A request made under subsection (d) of this section shall be accompanied by a release signed by the individual on a form provided by the VCIC, a set of the individual's fingerprints, and a fee established by the VCIC that shall reflect the cost of obtaining the record. The fee for a current or prospective employee shall be paid by the Recipient. The release form to be signed by the individual shall include a statement informing the individual of:

(1) the right to challenge the accuracy of the record by appealing to the VCIC pursuant to rules adopted by the Commissioner of Public Safety; and

(2) the Recipient's policy regarding background investigations and the maintenance and destruction of records.

(g) Upon completion of a criminal history record check under subsection (d) of this section, the VCIC shall send to the Recipient either a notice that no record exists or a copy of the record. If a copy of a criminal history record is

received, the Recipient shall forward it to the individual and shall inform the individual in writing of:

(1) the right to challenge the accuracy of the record by appealing to the VCIC pursuant to rules adopted by the Commissioner of Public Safety; and

(2) the Recipient's policy regarding background investigations and the maintenance and destruction of records.

(h) Criminal history records and information received under this chapter are exempt from public inspection and copying under the Public Records Act and shall be kept confidential by the Recipient, except to the extent that federal or State law authorizes disclosure of such records or information to specifically designated persons.

(i) The Recipient shall adopt policies in consultation with the Department of Human Resources to carry out this chapter and to guide decisions based on the results of any background investigation conducted under this chapter.

* * * Property Taxes; Reporting Education Fund Impact of TIFs * * *

Sec. 11a. 32 V.S.A. § 305b is added to read:

§ 305b. EDUCATION PROPERTY TAX INCREMENT; EMERGENCY BOARD ESTIMATE

Annually, at the January meeting of the Emergency Board held pursuant to section 305a of this title, the Joint Fiscal Office and the Secretary of Administration shall provide to the Emergency Board a consensus estimate of

the impact on the Education Fund resulting from tax increment financing districts authorized pursuant to 24 V.S.A. chapter 53 and section 5404a of this title. The estimate shall be for the succeeding fiscal year. The Emergency Board shall adopt an official estimate of the impact on the Education Fund at the January meeting.

* * * Games of Chance * * *

Sec. 12. 13 V.S.A. § 2143 is amended to read:

§ 2143. NONPROFIT ORGANIZATIONS

(a) Notwithstanding the provisions of this chapter, a nonprofit organization, as defined in ~~32 V.S.A. § 10201(5)~~ 31 V.S.A. § 1201(5), may organize and execute, and an individual may participate in lotteries, raffles or other games of chance for the purpose of raising funds to be used in charitable, religious, educational, and civic undertakings or used by fraternal organizations to provide direct support to charitable, religious, educational, or civic undertakings with which they are affiliated. Except as provided in subsection (d) of this section, gambling machines and other mechanical devices described in section 2135 of this title shall not be utilized under authority of this section.

* * *

(d) Casino events shall be limited as follows:

* * *

(2) A location that is owned by a nonprofit, as defined in ~~32 V.S.A. § 10201(5)~~ 31 V.S.A. § 1201(5), may be the site of no more than three casino events in any calendar quarter and no more than 12 casino events in any calendar year as long as there are at least 15 days between each event.

(3) A nonprofit organization, as defined in ~~32 V.S.A. § 10201(5)~~ 31 V.S.A. § 1201(5), may organize and execute no more than:

(A) one casino event in any calendar quarter; or

(B) three casino events in any calendar year, as long as there are at least 15 days between each event.

* * *

(e) Games of chance shall be limited as follows:

* * *

(6) A nonprofit organization shall not organize and execute games of chance on more than two days in any calendar week, nor shall games of chance be organized and executed at any location on more than two days in any calendar week, except that:

(A) Casino events may be conducted only as permitted under subsection (d) of this section.

(B) Break-open tickets may be purchased and distributed only as provided in ~~32 V.S.A. chapter 239~~ 31 V.S.A. chapter 23.

(C) A nonprofit organization may organize and execute games of chance on three consecutive days not more than twice in any calendar year as long as there are at least 90 days between each event.

(D) Agricultural fairs qualified to receive a State stipend pursuant to 31 V.S.A. § 617 may organize and execute games of chance for not more than 12 consecutive days during the fair once each calendar year.

(E) A nonprofit organization may organize and execute games of chance at a location used by another nonprofit organization which results in the location being used on more than two days a week if all the nonprofit organizations using the location were in existence as of January 1, 1994, and are not affiliated with each other or under common control.

* * *

Sec. 13. 31 V.S.A. chapter 23 is added to read:

CHAPTER 23. GAMES OF CHANCE

§ 1201. DEFINITIONS

As used in this chapter:

(1) "Break-open ticket" means a lottery utilizing a card or ticket of the so-called pickle card, jar ticket, or break-open variety commonly bearing the name "Lucky 7," "Nevada Club," "Victory Bar," "Texas Poker," "Triple Bingo," or any other name.

(2) "Commissioner" means the Commissioner of Liquor Control.

(3)(A) "Distributor" means a person that purchases break-open tickets from a manufacturer and sells or distributes break-open tickets at wholesale in Vermont. "Distributor" shall include any officer, employee, or agent of a corporation or dissolved corporation that has a duty to act for the corporation in complying with the requirements of this chapter.

(B) "Distributor" shall not include a person who distributes only jar tickets that are used only for merchandise prizes.

(4) "Manufacturer" means a person that designs, assembles, fabricates, produces, constructs, or who otherwise prepares a break-open ticket for sale to a distributor.

(5) "Nonprofit organization" means a nonprofit corporation that is qualified for tax exempt status under I.R.C. § 501(c), as amended, and that has engaged, in good faith, in charitable, religious, educational, or civic activities in Vermont on a regular basis during the preceding year. "Nonprofit organization" also includes churches, schools, fire departments, municipalities, fraternal organizations, and organizations that operate agricultural fairs or field days, and that have engaged, in good faith, in charitable, religious, educational, or civic activities in Vermont on a regular basis during the preceding year. An organization shall be considered a nonprofit organization under this subdivision only if it certifies annually, on a form with whatever information is

required by the Commissioner, how it meets the definition under this subdivision.

§ 1202. LICENSE REQUIRED

(a) Manufacture. Break-open tickets sold in Vermont shall be manufactured only by a person licensed by the Commissioner. A licensed manufacturer shall sell break-open tickets only to distributors licensed under this chapter. A distributor licensed under this chapter shall purchase break-open tickets only from a manufacturer licensed under this chapter.

(b) Distribution. A distributor who sells or distributes break-open tickets for resale in Vermont shall be licensed by the Commissioner, and shall also be:

(1) a natural person who is a resident of Vermont;

(2) a partnership in which the majority of partners are residents of Vermont;

(3) a corporation incorporated under the laws of Vermont, provided that a majority of the ownership interest is held by residents of Vermont; or

(4) a person who is not a resident of Vermont and whose state of residence allows residents or corporations of Vermont to distribute break-open tickets in that state under similar terms and conditions as provided under this chapter.

§ 1203. DISTRIBUTION; RETAIL PURCHASE AND SALE

(a) Only nonprofit organizations may purchase break-open tickets from a distributor licensed under this chapter.

(b) No person, other than a licensed distributor or a nonprofit organization acting under subsection (f) of this section, shall distribute a box of break-open tickets. No person shall distribute a box of break-open tickets unless the box bears indicia as required by the Commissioner. No person shall distribute or sell a break-open ticket at retail unless the ticket bears a unique serial number.

(c) A distributor licensed under this chapter may sell break-open tickets only to nonprofit organizations as defined in subdivision 1201(5) of this chapter, except that a person other than a licensed distributor may sell such tickets to a licensed distributor upon written approval of the Commissioner.

(d) Only nonprofit organizations may sell break-open tickets at retail.

(e) Break-open tickets shall not be sold at premises licensed to sell alcoholic beverages except:

(1) at clubs as defined in 7 V.S.A. § 2(7); or

(2) a nonprofit organization may sell break-open tickets at premises licensed to sell alcoholic beverages if, notwithstanding 13 V.S.A. § 2143(e) of this chapter, all proceeds from the sale of break-open tickets are used by the nonprofit organization exclusively for charitable, religious, educational, and civic undertakings, with only the following costs deducted from the proceeds:

(A) actual cost of the break-open tickets;

(B) the prizes awarded;

(C) reasonable legal fees necessary to organize the nonprofit organization and to ensure compliance with all legal requirements; and

(D) reasonable accounting fees necessary to account for the proceeds from the sale of break-open tickets.

(f) A nonprofit organization that sells break-open tickets, other than a club as defined in 7 V.S.A. § 2(7), shall report to the Department of Liquor Control on a quarterly basis the number of tickets purchased and distributed, and the corresponding serial numbers of those tickets, the amount of revenue realized by the nonprofit organization, and the amounts accounted for under subdivisions (e)(2)(A)–(D) of this section. The nonprofit organization shall also identify an individual from the organization responsible for the reporting requirements under this subsection. If the Department of Liquor Control determines that a nonprofit organization has failed to comply with the requirements of this subsection, the Department of Liquor Control shall notify the nonprofit organization and any licensed distributors of this failure, and any licensed distributor that continues to sell break-open tickets to that nonprofit organization after notice shall be considered in violation of the requirements of this chapter, until the Department of Liquor Control has determined the nonprofit organization is back in compliance with this subsection.

(g) The provisions of this chapter regarding sales and purchases of break-open tickets also apply to transfers of break-open tickets for no charge.

§ 1204. LICENSE REQUIREMENTS; FEES

(a) Upon application and payment of the fee, the Commissioner may issue the following licenses to qualified applicants:

(1) Manufacturer annual license: $3,000.00

(2) Distributor annual license: $2,000.00

(b) A license shall not be granted to an individual who has been convicted of a felony within five years of the license application nor to an entity in which any partner, officer, or director has been convicted of a felony within five years of the application.

(c) Licenses issued under this section may be renewed annually on October 1, upon reapplication and payment of the licensing fee.

(d) All fees collected pursuant to this section shall be deposited into the Liquor Control Enterprise Fund.

§ 1205. RECORDS; REPORT

(a) Each distributor and manufacturer licensed under this chapter shall maintain records and books relating to the distribution and sale of break-open tickets and to any other expenditure required by the Commissioner. A licensee shall make its records and books available to the Commissioner for auditing.

(b) Each licensed distributor shall file with the Commissioner on the same schedule as the distributor files sales tax returns the following information for the preceding reporting period:

(1) The names of organizations to which boxes of break-open tickets were sold.

(2) The number of boxes of break-open tickets sold to each organization.

(3) The ticket denomination and serial numbers of tickets for each box.

(c) Records and reports filed under this section shall be designated confidential unless, under State or federal law or regulation, the record or information may be disclosed to specifically designated persons.

(d) Notwithstanding subsection (c) of this section, the Commissioner of Liquor Control shall provide the records and reports filed under this section to the Attorney General, upon request.

§ 1206. ENFORCEMENT

(a) Any person who intentionally violates section 1203 of this chapter shall be fined not more than $500.00.

(b) Any person who intentionally violates section 1202, 1204, or 1205 of this title shall be fined not more than $10,000.00 for the first offense and fined not more than $20,000.00 or imprisoned not more than one year, or both, for each subsequent offense.

(c) In addition to the criminal penalties provided under subsections (a) and (b) of this section, any person who violates a provision of this chapter shall be subject to one or more of the following penalties:

(1) Revocation or suspension by the Commissioner of a license granted pursuant to this chapter.

(2) Confiscation of break-open tickets or confiscation of the revenues derived from the sale of those tickets, or both.

§ 1207. APPEALS

Any licensee aggrieved by an action taken under subsection 1206(c) of this chapter and any person aggrieved by the Commissioner's refusal to issue or renew a license under this chapter may appeal in writing to the Commissioner for review of such action. The Commissioner shall thereafter grant a hearing subject to the provisions of 3 V.S.A. chapter 25 upon the matter and notify the aggrieved person in writing of his or her determination. The Commissioner's determination may be appealed within 30 days to the Washington Superior Court or the Superior Court of the county in which the taxpayer resides or has a place of business.

§ 1208. RULEMAKING

The Department of Liquor Control may regulate the licensing and reporting requirements of manufacturers and distributors of break-open tickets under this chapter. The Commissioner of Liquor Control may adopt rules for licensure

and indicia for boxes of break-open tickets, for record keeping relating to the distribution and sale of break-open tickets, and the remittance of net proceeds from sales of break-open tickets to the intended eligible charitable recipients. The rules shall permit no proceeds to be retained by the operators of for-profit bars, except for:

(1) the actual cost of the break-open tickets;

(2) the prizes awarded; and

(3) any sales tax due on the sale of break-open tickets under 32 V.S.A. chapter 233.

* * * Income Tax; Adjusted Gross Income * * *

Sec. 13a. 32 V.S.A. § 5811 is amended to read:

§ 5811. DEFINITIONS

The following definitions shall apply throughout this chapter unless the context requires otherwise:

(21) "Taxable income" means, in the case of an individual, federal ~~taxable~~ adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

(A) Increased by the following items of income (to the extent such income is excluded from federal adjusted gross income):

(i) interest income from non-Vermont state and local obligations; and

(ii) dividends or other distributions from any fund to the extent they are attributable to non-Vermont state or local obligations;

~~(iii) the amount of State and local income taxes deducted from federal adjusted gross income for the taxable year, but in no case in an amount that will reduce total itemized deductions below the standard deduction allowable to the taxpayer; and~~

~~(iv) the amount of total itemized deductions, other than deductions for State and local income taxes, medical and dental expenses, or charitable contributions, deducted from federal adjusted gross income for the taxable year, that is in excess of two and one-half times the standard deduction allowable to the taxpayer;~~ and

(B) Decreased by the following items of income (to the extent such income is included in federal adjusted gross income):

(i) income from U.S. government obligations;

(ii) with respect to adjusted net capital gain income as defined in 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend income: either the first $5,000.00 of such adjusted net capital gain income; or 40 percent of adjusted net capital gain income from the sale of assets held by the taxpayer for more than three years, except not adjusted net capital gain income from:

(I) the sale of any real estate or portion of real estate used by the taxpayer as a primary or nonprimary residence; or

(II) the sale of depreciable personal property other than farm property and standing timber; or stocks or bonds publicly traded or traded on an exchange, or any other financial instruments; regardless of whether sold by an individual or business; and provided that the total amount of decrease under this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable income; and

(iii) recapture of State and local income tax deductions not taken against Vermont income tax; and

(C) Decreased by the following exemptions and deductions:

(i) the amount of personal exemptions taken at the federal level;

(ii) for taxpayers who do not itemize at the federal level, the amount of the standard deduction taken at the federal level; and

(iii) for taxpayers who itemize at the federal level:

(I) the amount of federally itemized deductions for medical and dental expenses and charitable contributions;

(II) the total amount of federally itemized deductions, other than deductions for State and local income taxes, medical and dental expenses, and charitable contributions, deducted from federal adjusted gross income for the taxable year, but in no event shall the amount under this subdivision exceed

two and one-half times the federal standard deduction allowable to the taxpayer; and

(III) in no event shall the total amount of deductions allowed under subdivisions (I) and (II) of this subdivision (21)(C)(iii) reduce the total amount of itemized deductions below the federal standard deduction allowable to the taxpayer.

* * *

(27)(A) For the purposes of ~~subdivision~~ subdivisions (21)(B)(ii)(I), (21)(B)(ii)(II), (28)(B)(ii)(I), and (28)(B)(ii)(II) of this section, the sale of a farm shall mean the disposition of real and personal property owned by a farmer as that term is defined in subsection 3752(7) of this title and used by the farmer in the business of farming as that term is defined in 26 C.F.R. § 1.175-3.

(B) For the purposes of ~~subdivision (21)(B)(ii)(I)~~ subdivisions (21)(B)(ii)(II) and (28)(B)(ii)(II) of this section, the sale of standing timber shall mean the disposition of standing timber by an owner of timber that would give rise to the owner recognizing a capital gain or loss as defined in 26 U.S.C. § 631(b).

(28) "Taxable income" means, in the case of an estate or a trust, federal taxable income determined without regard to 26 U.S.C. § 168(k) and:

(A) increased by the following items of income:

(i) interest income from non-Vermont state and local obligations;

(ii) dividends or other distributions from any fund to the extent they are attributable to non-Vermont state or local obligations; and

(iii) the amount of State and local income taxes deducted from federal gross income for the taxable year; and

(B) decreased by the following items of income:

(i) income from U.S. government obligations;

(ii) with respect to adjusted net capital gain income as defined in 26 U.S.C. § 1(h), reduced by the total amount of any qualified dividend income: either the first $5,000.00 of such adjusted net capital gain income; or 40 percent of adjusted net capital gain income from the sale of assets held by the taxpayer for more than three years, except not adjusted net capital gain income from:

(I) the sale of any real estate or portion of real estate used by the taxpayer as a primary or nonprimary residence; or

(II) the sale of depreciable personal property other than farm property and standing timber; or stocks or bonds publicly traded or traded on an exchange, or any other financial instruments; regardless of whether sold by an individual or business; and provided that the total amount of decrease under this subdivision (28)(B)(ii) shall not exceed 40 percent of federal taxable income; and

(iii) recapture of State and local income tax deductions not taken against Vermont income tax.

* * * Health Care Provisions; Health IT-Fund * * *

Sec. 14. 2013 Acts and Resolves No. 73, Sec. 60(10) is amended to read:

(10) Secs. 48-51 (health claims tax) shall take effect on July 1, 2013 and 52 and 53 (health claims sunset) shall take effect on July 1, ~~2017~~ 2018.

Sec. 15. HEALTH INFORMATION TECHNOLOGY REPORT

(a) The Secretaries of Administration and of Human Services shall conduct a comprehensive review of the State's Health-IT Fund established by 32 V.S.A. § 10301, Health Information Technology Plan established by 18 V.S.A. § 9351, and Vermont Information Technology Leaders administered pursuant to 18 V.S.A. § 9352.

(b) The report shall:

(1) review the need for a State-sponsored Health-IT Fund;

(2) review how past payments from the Fund have or have not promoted the advancement of health information technology adoption and utilization in Vermont;

(3) review the past development, approval process, and use of the Vermont Health Information Technology Plan;

(4) review the Vermont Information Technology Leaders (VITL) organization, including:

(A) its maintenance and operation of Vermont's Health Information Exchange (VHIE);

(B) the organization's ability to support current and future health care reform goals;

(C) defining VITL's core mission;

(D) identifying the level of staffing necessary to support VITL in carrying out its core mission; and

(E) examining VITL's use of its staff for activities outside its core mission;

(5) recommend whether to continue the Health-IT Fund, including with its current revenue source as set forth in 32 V.S.A § 10402;

(6) recommend any changes to the structure of VITL, including whether it should be a public or private entity, and any other proposed modifications to 18 V.S.A § 9352;

(7) review property and ownership of the VHIE, including identifying all specific tangible and intangible assets that comprise or support the VHIE (especially in regards to VITL's current and previous agreements with the State), and the funding sources used to create this property;

(8) evaluate approaches to health information exchange in other states, including Maine and Michigan, in order to identify opportunities for reducing duplication in Vermont's health information exchange infrastructure; and

(9) recommend any accounting or financial actions the State should take regarding State-owned tangible and intangible assets that comprise or support the VHIE.

(c) On or before November 15, 2017, the Secretaries of Administration and of Human Services shall submit this report to the House Committees on Health Care, on Appropriations, on Energy and Technology, and on Ways and Means and the Senate Committees on Health and Welfare, on Appropriations, and on Finance.

* * * Health Care Provisions; GMCB Bill Backs * * *

Sec. 15a. GREEN MOUNTAIN CARE BOARD; FISCAL YEAR 2018 BILL BACK ALLOCATION

(a) Notwithstanding any provision of 18 V.S.A. § 9374(h) to the contrary and except as otherwise provided in subsection (b) of this section, for fiscal year 2018 only, expenses incurred by the Green Mountain Care Board to obtain information, analyze expenditures, review hospital budgets, and for any other contracts authorized by the Board shall be borne as follows:

(1) 40 percent by the State from State monies;

(2) 15 percent by the hospitals; and

(3) 45 percent by nonprofit hospital and medical service corporations licensed under 8 V.S.A. chapter 123 or 125, health insurance companies

licensed under 8 V.S.A. chapter 101, and health maintenance organizations licensed under 8 V.S.A. chapter 139.

(b) The Board may determine the scope of the incurred expenses to be allocated pursuant to the formula set forth in subsection (a) of this section if, in the Board's discretion, the expenses to be allocated are in the best interests of the regulated entities and of the State.

(c) Expenses under subdivision (a)(3) of this section shall be billed to persons licensed under Title 8 based on premiums paid for health care coverage, which for the purposes of this section shall include major medical, comprehensive medical, hospital or surgical coverage, and comprehensive health care services plans, but shall not include long-term care or limited benefits, disability, credit or stop loss, or excess loss insurance coverage.

* * * Health Care Provisions; Employer Assessment * * *

Sec. 16. 32 V.S.A. chapter 245 is added to read:

CHAPTER 245. HEALTH CARE FUND CONTRIBUTION ASSESSMENT

§ 10501. PURPOSE

For the purpose of more equitably distributing the costs of health care to uninsured residents of this State, an employers' health care fund contribution is established to provide a fair and reasonable method for sharing health care

costs with employers that do not offer their employees health care coverage and employers that offer insurance but whose employees enroll in Medicaid.

§ 10502. DEFINITIONS

As used in this chapter:

(1) "Employee" means an individual who is:

(A) 18 years of age or older for all of a calendar quarter,

(B) employed full-time or part-time, and

(C) reported by an employer for purposes of complying with Vermont unemployment compensation law pursuant to 21 V.S.A. chapter 17.

(2) "Employer" means a person who is required to furnish unemployment insurance coverage pursuant to 21 V.S.A. chapter 17.

(3)(A) "Full-time equivalent" or "FTE" means the number of employees expressed as the number of employee hours worked during a calendar quarter divided by 520. The FTE calculation shall be based on a 40-hour work week. No more than one FTE may be assessed against an individual employee, regardless of the actual number of hours worked by that employee during the calendar quarter.

(B) The hours worked during a calendar quarter means hours worked during all pay periods in that quarter for which gross wages were reported and paid. Unworked hours, such as vacation or sick time, may be excluded from the FTE calculation.

(C) "Full-time equivalent" shall not include any employee hours attributable to a seasonal employee or part-time employee of an employer who offers health care coverage to all of its regular full-time employees, provided that the seasonal employee or part-time employee has health care coverage under either a private plan or any public plan except Medicaid.

(4) "Health care coverage" shall mean any private or public plan that includes both hospital and physician services.

(5) "Part-time employee" shall mean an employee who works for an employer for fewer than 30 hours a week or fewer than 390 hours in a calendar quarter.

(6) "Seasonal employee" means an employee who:

(A) works for an employer for 20 weeks or fewer in a calendar year; and

(B) works in a job scheduled to last 20 weeks or fewer.

(7) "Uncovered employee" means:

(A) an employee of an employer who does not offer to pay any part of the cost of health care coverage for its employees;

(B) an employee who is not eligible for health care coverage offered by an employer to any other employees; or

(C) an employee who is offered and is eligible for coverage by the employer but elects not to accept the coverage and:

(i) is enrolled in Medicaid;

(ii) has no other health care coverage under either a private or public plan except Medicaid; or

(iii) has purchased health insurance coverage as an individual through the Vermont Health Benefit Exchange.

§ 10503. HEALTH CARE FUND CONTRIBUTION ASSESSMENT

(a) The Commissioner of Taxes shall assess and an employer shall pay a quarterly Health Care Fund contribution for each full-time equivalent uncovered employee employed during that quarter in excess of four full-time equivalent employees.

(b) The amount of the contribution shall be $158.77 for each full-time equivalent employee in excess of four. Starting in calendar year 2018, the amount of the contribution shall be adjusted by a percentage equal to any percentage change in premiums for the second lowest-cost silver-level plan in the Vermont Health Benefit Exchange.

(c) Health Care Fund contribution assessments under this chapter shall be determined on a calendar quarter basis, due and payable on or before the 25th day of the calendar month succeeding the close of each quarter. All administrative provisions of chapter 151 of this title shall apply to this chapter, except penalty and interest shall apply according to chapter 103 of this title.

(d) Revenues from the Health Care Fund contributions collected shall be deposited into the State Health Care Resources Fund established under 33 V.S.A. § 1901d.

(e)(1) Notwithstanding any provision of law to the contrary, the Department of Taxes shall provide the Joint Fiscal Office with all returns or return information relating to the Health Care Fund contribution assessment except information that would identify a taxpayer. The information sharing required by this subsection shall occur quarterly within a reasonable time following the return due date for each quarter.

(2) When handling information shared pursuant to this subsection, the Joint Fiscal Office shall be subject to the same requirements and penalties as employees of the Department of Taxes under section 3102 of this title. It shall be considered an unauthorized disclosure for an officer, employee, or agent of the Joint Fiscal Office to disclose returns or return information provided pursuant to this subsection that does not combine a taxpayer's information with at least nine other taxpayers.

§ 10504. HOURS WORKED BY UNCOVERED EMPLOYEES; CALCULATION AND REPORTING

(a) Employers shall report to the Department of Taxes the number of hours worked by each uncovered employee on a return provided by the Department. The return shall be filed at the same time payment is required under subsection

10503(c) of this chapter, shall be filed electronically, and shall include any information required by the Commissioner.

(b) Quarterly health care contributions shall be calculated in the following manner:

(1) An employer shall divide the total hours worked by all uncovered employees during a quarter by 520, to represent one full-time equivalent employee. The employer shall then round the resulting number down to the nearest whole number and subtract four. The employer shall then multiply the resulting number by the amount established under subsection 10503(b) of this chapter to determine the amount of assessment due for the quarter.

(A) For full-time salaried employees, employers shall use 520 hours a quarter for the total hours worked.

(B) For all employees who worked more than 520 hours in a quarter, employers shall use 520 hours a quarter for the total hours worked.

(2) The Commissioner shall provide an electronic declaration of health care coverage form for employers to collect the health coverage statuses of their employees for purposes of this assessment. The form shall preserve the confidentiality of the type of coverage possessed by the employee and the employer shall only use the form for purposes of this assessment.

(A) An employer shall annually obtain a declaration of health care coverage from every employee who is not enrolled in a plan offered by the employer.

(B) An employer shall maintain declarations of health care coverage for a minimum of three years in a manner reasonably available for review and audit.

(C) Employees for whom no declaration of coverage is obtained shall be treated as uncovered.

(c) In the case of an employee leasing agreement, leased employees shall be considered employees of a client company and not employees of an employee leasing company.

§ 10505. HEALTH BENEFIT COSTS

(a) Employers shall provide their employees with an annual statement indicating:

(1) the total monthly premium cost paid for any employer-sponsored health benefit plan;

(2) the employer's share and the employee's share of the total monthly premium; and

(3) any amount the employer contributes toward the employee's cost-sharing requirement or other out-of-pocket expenses.

(b) Notwithstanding the provisions of subsection (a) of this section, an employer who reports the cost of coverage under an employer-sponsored health benefit plan as required by 26 U.S.C. § 6051(a)(14) shall be deemed to be in full compliance with the requirements of this section.

Sec. 17. 32 V.S.A. § 3102(d) is amended to read:

(d) The Commissioner shall disclose a return or return information:

* * *

(5) to the Attorney General, if such return or return information relates to chapter 205 of this title or 33 V.S.A. chapter 19, subchapters 1A and 1B, for purposes of investigating potential violations of and enforcing 7 V.S.A. chapter 40, 20 V.S.A. chapter 173, subchapter 2A, and 33 V.S.A. chapter 19, subchapters 1A and 1B; and

(6) to the Joint Fiscal Office pursuant to 32 V.S.A. § 10503(e) and subject to the conditions and limitations specified in that subsection.

* * * Health Care Provisions; Home Health Agency Provider Tax * * *

Sec. 18. 33 V.S.A. § 1951 is amended to read:

§ 1951. DEFINITIONS

As used in this subchapter:

(1) "Assessment" means a tax levied on a health care provider pursuant to this chapter.

(2)(A) "~~Core home~~ Home health ~~care~~ services" means any of the following:

(i) those medically necessary, intermittent, skilled ~~nursing, home health aide, therapeutic, and personal care attendant services, provided exclusively in the home by home health agencies. Core home health services do not include private duty nursing, hospice, homemaker, or physician services, or services provided under early periodic screening, diagnosis, and treatment (EPSDT), traumatic brain injury (TBI), high technology programs, or services provided by a home for persons who are terminally ill as defined in subdivision 7102(3) of this title~~ home health services provided by Medicare-certified home health agencies of the type covered under Title XVIII (Medicare) or XIX (Medicaid) of the Social Security Act;

(ii) services covered under the adult and pediatric High Technology Home Care programs as of January 1, 2015;

(iii) personal care, respite care, and companion care services provided through the Choices for Care program contained within Vermont's Global Commitment to Health Section 1115 demonstration; and

(iv) hospice services.

(B) The term "home health services" shall not include any other service provided by a home health agency, including:

(i) private duty services;

(ii) case management services, except to the extent that such services are performed in order to establish an individual's eligibility for services described in subdivision (A) of this subdivision (2);

(iii) homemaker services;

(iv) adult day services;

(v) group-directed attendant care services;

(vi) primary care services;

(vii) nursing home room and board when a hospice patient is in a nursing home; and

(viii) health clinics, including occupational health, travel, and flu clinics.

(C) The term "home health services" shall not include any services provided by a home health agency under any other program or initiative unless the services fall into one or more of the categories described in subdivision (A) of this subdivision (2). Other programs and initiatives include:

(i) the Flexible Choices or Assistive Devices options under the Choices for Care program contained within Vermont's Global Commitment to Health Section 1115 demonstration;

(ii) services provided to children under the early and periodic screening, diagnostic, and treatment Medicaid benefit;

(iii) services provided pursuant to the Money Follows the Person demonstration project;

(iv) services provided pursuant to the Traumatic Brain Injury Program; and

(v) maternal-child wellness services, including services provided through the Nurse Family Partnership program.

* * *

(10) "Net ~~operating~~ patient revenues" means a provider's gross charges related to patient care services less any deductions for bad debts, charity care, contractual allowances, and other payer discounts.

* * *

Sec. 18a. 33 V.S.A. § 1955a is amended to read:

§ 1955a. HOME HEALTH AGENCY ASSESSMENT

(a)(1) ~~Beginning October 1, 2011, each~~ Each home health agency's assessment shall be ~~19.30~~ 4.25 percent of its net ~~operating~~ patient revenues from ~~core~~ home health ~~care~~ services~~, excluding revenues for services provided under Title XVIII of the federal Social Security Act; provided, however, that each home health agency's annual assessment shall be limited to no more than six percent of its annual net patient revenue~~ provided exclusively in Vermont.

(2) On or before May 1 of each year, each home health agency shall provide to the Department a copy of its most recent audited financial statement

prepared in accordance with generally accepted accounting principles. The amount of the tax shall be determined by the Commissioner based on the home health net patient revenue attributable to services reported on the agency's ~~most recent audited~~ financial ~~statements~~ statement ~~at the time of submission, a copy of which shall be provided on or before May 1 of each year to the Department~~.

(3) For providers who ~~begin~~ began operations as a home health agency after January 1, 2005, the tax shall be assessed as follows:

~~(1)~~(A) Until such time as the home health agency submits audited financial statements for its first full year of operation as a home health agency, the Commissioner, in consultation with the home health agency, shall annually estimate the amount of tax payable and shall prescribe a schedule for interim payments.

~~(2)~~(B) At such time as the full-year audited financial statement is filed, the final assessment shall be determined, and the home health agency shall pay any underpayment or the Department shall refund any overpayment. The assessment for the State fiscal year in which a provider commences operations as a home health agency shall be prorated for the proportion of the State fiscal year in which the new home health agency was in operation.

* * *

Sec. 18b. 2016 Acts and Resolves No. 134, Sec. 32 is amended to read:

Sec. 32. HOME HEALTH AGENCY ASSESSMENT FOR FISCAL ~~YEARS~~ YEAR 2017 ~~AND 2018~~

Notwithstanding any provision of 33 V.S.A. § 1955a(a) to the contrary, for fiscal ~~years~~ year 2017 ~~and 2018~~ only, the amount of the home health agency assessment under 33 V.S.A. § 1955a for each home health agency shall be 3.63 percent of its annual net patient revenue.

Sec. 18c. TRANSITIONAL PROVISION FOR FISCAL YEAR 2018

Notwithstanding any provision of 33 V.S.A. § 1955a(a)(2) to the contrary, for fiscal year 2018 only, the Commissioner of Vermont Health Access may determine the amount of a home health agency's provider tax based on such documentation as the Commissioner deems acceptable.

Sec. 18d. REPEAL

33 V.S.A. § 1955a (home health agency assessment) is repealed on July 1, 2019.

* * * Sales and Use Tax; Aircraft * * *

Sec. 19. 32 V.S.A. § 9741(29) is amended to read:

(29) Aircraft, but not drones, sold to a person which holds itself out to the general public as engaging in air commerce, for use primarily in the carriage of persons or property for compensation or hire; and parts, machinery, and equipment to be installed in any aircraft, other than drones.

* * * Strategies for Increased Collections * * *

Sec. 20. 32 V.S.A. § 5870 is amended to read:

§ 5870. REPORTING USE TAX ON INDIVIDUAL INCOME TAX RETURNS

(a) The Commissioner of Taxes shall provide that individuals report use tax on their State individual income tax returns. Taxpayers are required to attest to the amount of their use tax liability under chapter 233 of this title for the period of the tax return. Alternatively, they may elect to report an amount that is a percentage of their ~~Vermont~~ adjusted gross income ~~indexed annually~~ determined under subsection (b) of this section, as shown on a table published by the Commissioner of Taxes; and use tax liability arising from the purchase of each item with a purchase price in excess of $1,000.00 shall be added to the table amount.

(b) The amount of use tax a taxpayer may elect to report under subsection (a) of this section shall be ~~0.20~~ 0.10 percent of their ~~Vermont~~ adjusted gross income ~~in tax year 2016, increased for each subsequent tax year by a percentage that is twice the change in the annual national Consumer Price Index for goods and services published by the U.S. Bureau of Labor Statistics, from tax year 2016 to the tax year in which the indexing calculation is being made~~; provided however, that a taxpayer shall not be required to pay more than

$500.00 for use tax liability under this subsection, arising from total purchases of items with a purchase price of $1,000.00 or less.

Sec. 21. INCREASING USE TAX COMPLIANCE

32 V.S.A. § 5870 provides that the Commissioner of Taxes "shall provide that individuals report use tax on their State individual income tax returns." In an effort to increase the level of use tax compliance, the Department of Taxes shall conduct an outreach and education campaign designed to highlight the use tax liability for taxpayers on their income tax forms, and to increase ease of compliance. These efforts shall be in addition to any current compliance and enforcement efforts.

Sec. 22. 32 V.S.A. § 5862d is amended to read:

§ 5862d. FILING OF FEDERAL FORM 1099

(a) Any individual or business required to file a federal form 1099 with respect to a nonresident who performed services within the State during the taxable year shall file a copy of the form with the Department. The Commissioner may authorize electronic filing of the form.

(b) Any ~~individual or business~~ person required to file information returns pursuant to 26 U.S.C. § 6050W shall within 30 days of the date the filing is due to the Internal Revenue Service file with the Commissioner a duplicate of such information returns on which the recipient has a Vermont address. In addition, at the same time the information in this subsection is required, third-

party settlement organizations shall report to the Department of Taxes, and to any participating payee with a Vermont address, any information required by 26 U.S.C. § 6050W with respect to third-party network transactions related to that participating payee, as if the de minimis limitations of 26 U.S.C. § 6050W(e) did not apply, but that the de minimis limitations of 26 U.S.C. § 6041(a) did apply. The Commissioner may adopt rules and authorize electronic filing of the ~~form~~ information required by this subsection.

(c) A failure to provide the information required by subsections (a) and (b) of this section shall be considered a failure to provide a return or return information required by this chapter, for the purposes of sections 3202, 5863, and 5864 of this title.

Sec. 23. 32 V.S.A. § 9712 is amended to read:

§ 9712. NOTICE REQUIREMENTS FOR NONCOLLECTING VENDORS

* * *

(c) Each noncollecting vendor shall file a copy of the notice required by subsection (b) with the Department of Taxes on or before January 31 of each year. The notice required by this subsection only apply to noncollecting vendors who made $100,000.00 or more of sales into Vermont in the previous calendar year. Failure to file a copy of the notice required by this subsection shall subject the noncollecting vendor to a penalty of $10.00 for each failure, unless the noncollecting vendor shows reasonable cause.

(d) The Commissioner is authorized to adopt rules or procedures or to create forms necessary to implement this section. Penalties imposed under this section shall be subject to the same administrative and appeal provisions of this chapter as if imposed under section 3202 of this title.

Sec. 24. TAX COLLECTIONS

The General Assembly finds that there is a gap between the amount of taxes paid in this State and the amount of taxes due. Therefore, the General Assembly directs the Department of Taxes to use new and existing strategies for collections to close the tax gap during the State fiscal year 2018. The Department of Taxes shall redeploy resources to focus on these strategies with the goal of increasing current collections by $3,175,000.00 in fiscal year 2018.

Sec. 24a. SMALL BUSINESS TAXPAYER OUTREACH AND EDUCATION WORKING GROUP

The Taxpayer Advocate at the Department of Taxes shall convene a working group of interested stakeholders to examine the ways the Department can improve outreach and education to small business taxpayers. On or before November 15, 2017, the Taxpayer Advocate shall report to the House Committee on Ways and Means and the Senate Committee on Finance recommendations to improve the relationship between the Department and small businesses. In considering the recommendations, the Taxpayer Advocate shall examine the following:

(1) identifying complex areas of the law that could be simplified to enhance voluntary compliance;

(2) compiling a list of common issues on which the Department may focus its outreach and education efforts;

(3) considering how the Department can maximize its existing resources to provide additional guidance targeted to small businesses;

(4) directing the Department to identify existing organizations and resources for small businesses and how to provide tax guidance through those organizations;

(5) providing for a plan to contact and provide direction to new small businesses in Vermont within one year of their operation in the State;

(6) recommending guidelines to forgive tax penalties and interest under certain circumstances; and

(7) making other recommendations as appropriate.

* * * Clean Water * * *

Sec. 25. STATE TREASURER; PUBLIC GOOD PAYMENTS; WATER QUALITY REVENUE BOND

On or before January 15, 2018, the State Treasurer shall recommend to the House Committees on Ways and Means and on Corrections and Institutions and the Senate Committees on Finance and on Institutions whether public good benefits payments made to the State for water quality as a condition of a

certificate of public good issued by the Public Service Board provide sufficient revenue to leverage the issuance of a revenue bond to fund water quality improvements in the State through the Clean Water Fund. In developing a recommendation, the State Treasurer shall review all final and proposed public good payments for water quality required by the Public Service Board, including all payments for pollution abatement in, restoration of, and enhancement of State waters and what is necessary to ensure their deposit in the Clean Water Fund.

Sec. 26. WORKING GROUP ON WATER QUALITY FUNDING

(a) Establishment. There is established the Working Group on Water Quality Funding to develop recommendations for equitable and effective long-term funding methods to support clean water efforts in Vermont.

(b) Membership. The Working Group shall be composed of the following six members:

(1) the Secretary of Natural Resources or designee;

(2) one member from the Vermont League of Cities and Towns, appointed by the Board of Directors of that organization;

(3) the Secretary of Agriculture, Food and Markets or designee;

(4) a representative of the Vermont Center for Geographic Information;

(5) the Commissioner of Taxes or designee;

(6) one member representing commercial or industrial business interests in the State, to be appointed by the Governor, after consultation with other business groups in the State;

(c) Advisory Council. The Working Group shall be assisted by an Advisory Council to be made up of:

(1) the State Treasurer or designee;

(2) the Secretary of Transportation or designee;

(3) one member from the Vermont Municipal Clerks and Treasurers Association appointed by the Executive Board of that organization;

(4) one member from the Vermont Mayors Coalition appointed by that organization;

(5) a representative of an environmental advocacy group appointed by the Speaker of the House;

(6) a representative of the agricultural community appointed by the Vermont Association of Conservation Districts; and

(7) a representative of University of Vermont Extension appointed by the President Pro Tempore of the Senate.

(d) Powers and duties. The Working Group on Water Quality Funding shall recommend to the General Assembly draft legislation to establish equitable and effective long-term funding methods to support clean water efforts in Vermont.

(e) Consultation with Advisory Council. The Working Group shall meet at least three times with the Advisory Council for input on the report to be submitted to the General Assembly under subsection (f) of this section. The Advisory Council's comments shall be included in the final report.

(f) Report. On or before November 15, 2017, the Working Group on Water Quality Funding shall submit to the General Assembly a summary of its activities, an evaluation of existing sources of funding, and draft legislation to establish equitable and effective long-term funding methods to support clean water efforts in Vermont.

(g) Meetings.

(1) The Secretary of Natural Resources shall call the first meeting of the Working Group to occur on or before July 1, 2017.

(2) The Secretary of Natural Resources shall be the Chair of the Working Group.

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

(4) The Working Group shall cease to exist on March 1, 2018.

(5) No specific state appropriations shall be used to support the working group or advisory council.

(h) Assistance. The Working Group on Water Quality Funding shall have the administrative, technical, and legal assistance of the Agency of Natural Resources and the Department of Taxes. The Working Group on Water

Quality Funding shall have the technical assistance of the Vermont Center for Geographic Information or designee.

* * * Property Tax Appeals * * *

Sec. 27. 32 V.S.A. § 5412 is amended to read:

§ 5412. REDUCTION OF LISTED VALUE AND RECALCULATION OF EDUCATION TAX LIABILITY

(a)(1) If a listed value is reduced as the result of an appeal or court action~~,~~ ~~and if the municipality files a written request with the Commissioner within 30 days after the date of the determination, entry of the final order, or settlement agreement if the Commissioner determines that the settlement value is the fair market value of the parcel, the Commissioner~~ made pursuant to section 4461 of this title, a municipality may submit a request for the Director of Property Valuation and Review to recalculate its education property tax liability for the education grand list value lost due to a determination, declaratory judgment, or settlement. The Director shall recalculate the municipality's education property tax liability for ~~the~~ each year at issue, in accord with the reduced valuation, provided that:

(A) ~~the~~ The reduction in valuation is the result of an appeal under chapter 131 of this title to the Director of Property Valuation and Review or to a court, with no further appeal available with regard to that valuation, or any judicial decision with no further right of appeal, or a settlement of either an

appeal or court action if the ~~Commissioner~~ Director determines that the settlement value is the fair market value of the parcel~~;~~.

(B) ~~the~~ The municipality ~~notified the Commissioner of the appeal or court action, in writing, within 10 days after notice of the appeal was filed under section 4461 of this title or after the complaint was served; and~~ submits the request on or before January 15 for a request involving an appeal or court action resolved within the previous calendar year.

(C) ~~as a result of the valuation reduction of the parcel, the value of the municipality's grand list is reduced at least one percent.~~ [Repealed.]

(D) The Director determines that the municipality's actions were consistent with best practices published by the Property Valuation and Review in consultation with the Vermont Assessors and Listers Association. The municipality shall have the burden of showing that its actions were consistent with the Director's best practices.

(2) A determination of the Director made under subdivision (1) of this subsection may be appealed within 30 days by an aggrieved municipality to the Commissioner for a hearing to be held in accordance with 3 V.S.A. §§ 809–813. The Commissioner's determination may be further appealed to Superior Court, which shall review the Commissioner's determination using the record that was before the Commissioner. The Commissioner's determination may only be overturned for abuse of discretion.

(3) ~~The municipality's~~ Upon the Director's request, a municipality submitting a request under subdivision (1) of this subsection shall include a copy of the agreement, determination or final order, and any other documentation necessary to show the existence of these conditions.

(b) To the extent that the municipality has paid that liability, the ~~Commissioner~~ Director shall allow a credit for any reduction in education tax liability against the next ensuing year's education tax liability ~~or, at the request of the municipality, may refund to the municipality an amount equal to the reduction in education tax liability~~.

(c) If a listed value is increased as the result of an appeal under chapter 131 of this title or court action, whether adjudicated or settled and the ~~Commissioner~~ Director determines that the settlement value is the fair market value of the parcel, with no further appeal available with regard to that valuation, the ~~Commissioner~~ Director shall recalculate the municipality's education property tax for each year at issue, in accord with the increased valuation, and shall assess the municipality for the additional tax at the same time the ~~Commissioner~~ Director assesses the municipality's education tax liability for the next ensuing year, unless the resulting assessment would be less than $300.00. Payment under this section shall be due with the municipality's education tax liability for the next ensuing year.

(d) Recalculation of education property tax under this section shall have no effect other than to reimburse or assess a municipality for education property tax changes ~~which~~ that result from property revaluation.

(e) A reduction made under this section shall be an amount equal to the loss in education grand list value multiplied by the tax rate applicable to the subject property in the year the request is submitted. However, the total amount for all reductions made under this section in one year shall not exceed $100,000.00. If total reductions for a calendar year would exceed this amount, the Director shall instead prorate the reductions proportionally among all municipalities eligible for a reduction so that total reductions equal $100,00.00.

(f) Prior to the issuance of a final administrative determination or judicial order, a municipality may request that the Director certify that best practices were followed for purposes of meeting the requirements of subdivision (a)(1)(D) of this section. The Director may choose to grant certification, deny certification, or refrain from a decision until a request is submitted under subdivision (a)(1) of this section. The Director shall consider the potential impact on the Education Fund, the unique character of the subject property or properties, and any extraordinary circumstances when deciding whether to grant certification under this subsection. The Director shall be bound by a decision to grant certification unless the municipality agrees to a settlement after such certification was made.

Sec. 28. GRAND LIST LITIGATION ASSISTANCE; STUDY

(a) The Attorney General, in consultation with the Vermont League of Cities and Towns, property owners, and other interested stakeholders, shall study approaches to assisting municipalities with expenses incurred during litigation pursuant to 32 V.S.A. chapter 131, including assigning an Assistant Attorney General to the Division of Property Valuation and Review to support municipalities litigating complex matters.

(b) On or before December 1, 2017, the Attorney General shall submit a report to the Senate Committee on Finance and the House Committee on Ways and Means on the findings of the study described in subsection (a) of this section. The report shall include recommendations for legislative action based on the findings of the study.

Sec. 29. REIMBURSEMENT OF EDUCATION TAX LIABILITY; REPORT

(a) On or before December 1, 2019, the Director of Property Valuation and Review shall submit a report to the Senate Committee on Finance and the House Committee on Ways and Means on the reimbursement of education tax liabilities to municipalities pursuant to Sec. 27 of this act.

(b) The report shall include:

(1) the annual number of reductions to the education grand list;

(2) the annual amount reimbursed to municipalities from the Education Fund; and

(3) the annual increase, if any, to the education grand list.

Sec. 29a. COMPENSATION FOR OVERPAYMENT

Notwithstanding any other provision of law, the sum of $56,791.80 shall be transferred from the Education Fund to the Town of Georgia in fiscal year 2018 to compensate the town for an overpayment of education taxes in fiscal year 2017 due to an erroneous classification of certain property.

* * * Property and Debt of Merging Districts * * *

Sec. 29b. TRANSFER OF PROPERTY AND DEBT OF MERGED DISTRICTS

(a) Notwithstanding any other provision of law, under 16 V.S.A. § 706b(6)–(8), a study committee report may provide terms for transferring the ownership of capital assets, and the liability for any associated debt, from the merging districts to the towns within the merging district where those assets are fixed. A study committee report may also provide terms for leases governing the management of these same capital assets.

(b) A transfer of assets included in a study committee report under this section and approved under 16 V.S.A. chapter 11 shall not be considered a sale for the purpose of the refund upon sale requirement of 16 V.S.A. § 3448(b).

(c) As used in this section, a union school district established under 16 V.S.A. chapter 11 includes a school district voluntarily created pursuant to 2015 Acts and Revolves No. 46, Sec. 6 or 7, or a regional education district, or any other district eligible to receive incentives pursuant to 2010 Acts and Resolves No. 153, as amended by 2012 Acts and Resolves No. 156 and 2013 Acts and Resolves No. 56.

* * * Calculation of Certain Rates; Five Percent Hold Harmless Rule * * *

Sec. 29c. CALCULATION OF TAX RATES FOR MEMBER TOWNS IN VOLUNTARY SCHOOL GOVERNANCE MERGERS.

(a) Definitions. As used in this section:

(1) "Five percent provision" means collectively the provisions in 2010 Acts and Resolves No. 153, 2012 Acts and Resolves No.156, and 2015 Acts and Resolves No. 46, limiting a town's equalized homestead property tax rate increase or decrease, and related household income percentage adjustments to five percent in a single year during the years in which the corresponding tax rate reductions apply to a new union school district's equalized unified homestead property rate.

(2) "Tax rate reductions" means collectively the equalized homestead property tax rate reductions, and related household income percentage reductions, provided for voluntary school governance mergers in 2010 Acts

and Resolves No. 153, 2012 Acts and Resolves No. 156, and 2015 Acts and Resolves No. 46.

(3) "Education spending in the prior fiscal year" means the total education spending of all merging districts in the year prior to merger, divided by the total number of equalized pupils of all the merging districts in the year prior to merger.

(4) "Tax rate of a member town" means collectively the equalized homestead property tax rate, and related household income percentage reductions, for the referenced town.

(b) Tax rate reduction review.

(1) In a fiscal year in which the tax rate reductions are applied to a new union school district, if the district's education spending per equalized pupil increases by four percent or less over its education spending per equalized pupil in the prior fiscal year, then it shall be presumed to not trigger Tax Rate Reduction Review.

(2) In a fiscal year in which the tax rate reductions are applied to a new union school district, if the district's education spending per equalized pupil increases by more than four percent over its education spending per equalized pupil in the prior fiscal year, then it shall be subject to a Tax Rate Reduction Review.

(3) Upon the request of the Secretary, a union school district shall submit its budget to Tax Rate Reduction Review to determine whether its increase in education spending per equalized pupil was beyond the school district's control or for other good cause. In conducting the Review, the Secretary will select three business managers and three superintendents to serve in an advisory role in the Review. The Review shall consider at least the following factors:

(A) the extent to which the increase in education spending per equalized pupil is caused by declining enrollment in the union school district;

(B) the extent to which the increase in education spending per equalized pupil is caused by unifying employee contracts in the course of the union school district formation process; and

(C) the extent to which the increase in education spending per equalized pupil is caused by increases in tuition paid by the union school district.

(4) If, at the conclusion of the Review, the Secretary determines that the union school district's budget contains excessive increases in educational spending per equalized pupil that are within the district's control and are not supported by good cause, then union school district rates for the fiscal year will be determined as follows:

(A) The tax rate of a member town that would otherwise be increased by no more than five percent shall be increased by no more than five percent plus the difference between a four percent increase in education spending per equalized pupil and the actual increase in the union school district's education spending per equalized pupil.

(B) The tax rate of a member town that would otherwise be decreased by no more than five percent shall be decreased by no more than five percent minus the difference between a four percent increase in education spending per equalized pupil and the actual increase in the union school district's education spending per equalized pupil.

* * * Premium Tax Credit; Captive Insurance Companies * * *

Sec. 30. 8 V.S.A. § 6014(k) is amended to read:

(k) A captive insurance company first licensed under this chapter on or after January 1, ~~2011~~ 2017 shall receive a nonrefundable credit of ~~$7,500.00~~ $5,000.00 applied against the aggregate taxes owed for the first two taxable ~~year~~ years for which the company has liability under this section.

* * * Repeals * * *

Sec. 31. REPEALS

The following are repealed:

(1) 32 V.S.A. chapter 239 (games of chance).

(2) 32 V.S.A. § 10010(c) (requirement that form for payment of land gains tax set out penalties in large type).

(3) 2007 Acts and Resolves No. 81, Secs. 7a (amendment to sales tax exemption for aircraft parts) and 7b (effective date).

(4) 2008 Acts and Resolves No. 190, Sec. 43 (extension of sales tax exemption for aircraft parts).

(5) 21 V.S.A. chapter 25 (Employer Assessment).

* * * Effective Dates * * *

Sec. 32. EFFECTIVE DATES

This act shall take effect on passage except:

(1) Notwithstanding 1 V.S.A. § 214, Sec. 7 (annual update of income tax link to the IRC) shall take effect retroactively on January 1, 2016 and apply to taxable years beginning on and after January 1, 2016.

(2) Notwithstanding 1 V.S.A. § 214, Sec. 8 (estate tax) shall take effect retroactively on January 1, 2016.

(3) Sec. 11 (background checks) shall take effect on passage.

(4) Secs. 12–13 (break-open tickets) shall take effect on September 1, 2017, except the first quarter for which nonprofit organizations shall be required to comply with 31 V.S.A. § 1203(f) shall be the fourth quarter of 2017.

(5) Sec. 13a (adjusted gross income) shall take effect on January 1, 2018 and apply to taxable year 2018 and after.

(6) Sec. 15a (Green Mountain Care Board bill backs) shall take effect on July 1, 2017.

(7) Secs. 16 and 17 (transferring employer assessment from the Department of Labor to the Department of Taxes) and Sec. 31(5) (repeal) shall take effect on January 1, 2018 with the return of the fourth quarter of 2017 being due on January 25, 2018.

(8) Sec. 19 (sales tax exemption for aircraft) shall take effect on September 1, 2017.

(9) Notwithstanding 1 V.S.A. § 214, Sec. 20 (use tax reporting) shall take effect retroactively on January 1, 2017 and apply to returns filed for tax year 2017 and after.

(10) Notwithstanding 1 V.S.A. § 214, Sec. 22 (third party settlement network reporting requirements) shall take effect retroactively on January 1, 2017 and apply to taxable year 2017 and after.

(11) Sec. 23 (additional noncollecting vendor reporting requirements) shall take effect on July 1, 2017.

(12) Sec. 30 (premium tax credit) shall take effect on July 1, 2017.

COMMITTEE ON THE PART OF THE SENATE	COMMITTEE ON THE PART OF THE HOUSE
_____	_____
SEN. ANN E. CUMMINGS	REP. JANET ANCEL
_____	_____
SEN. MARK A. MACDONALD	REP. SAMUEL R. YOUNG
_____	_____
SEN. DUSTIN ALLARD DEGREE	REP. FRED K. BASER