

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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H.904 An act relating to miscellaneous agricultural subjects – Senate Natural Resources And Energy Recommendation Of Amendment, with further Recommendation of Amendment by Senate Finance

<https://legislature.vermont.gov/assets/Documents/2018/WorkGroups/Senate%20Finance/Bills/H.904/H.904~Michael%20O'Grady~Draft%20No.%205.2,%205-1-2018~5-4-2018.pdf>

Bill Summary

The underlying proposal of amendment includes numerous provisions dealing with agriculture and forestry policy. Sections 19-21 of the underlying proposal include the establishment of a sales tax exemption for advanced wood heating boilers. The Senate Finance proposal would require that the Clean Energy Development fund report the cost of the tax expenditure quarterly to the Tax Dept. and to reimburse the general fund and education fund annually in State FY19 and FY20 for the total cost of the expenditure. The sales tax exemption would be effective on July 1, 2018.

Fiscal Summary

Sec. 19-21 Sales and Use Tax for Advanced Wood Boilers

These sections, from the underlying proposal, would establish a definition for advanced wood boilers, establish a sales tax exemption for the same and create a statutory purpose for the new tax expenditure. In order to be exempt, the boiler would need to be 1) a primary central heating system, 2) rated as high-efficiency, 3) contain one-week fuel storage, automated startup and shutdown, and fuel feed, and 4) meet other standards established by the Dept. of Environmental Conservation. Revenues from the sales and use tax are allocated 64% to the general fund and 36% to the education fund.

FY19 cost of \$75,000 (~\$48k GF, ~\$27k EF).

FY20 cost of \$85,000 (~\$54k GF, ~\$31k EF).

Sec. 21a Transfer from CEDF to General Fund

This section, which is in the Senate Finance proposal of amendment, would require that the Clean Energy Development Fund (CEDF) notify the Tax Dept. quarterly of the amount of foregone revenue from the advanced wood boiler tax exemption starting on Oct. 1, 2018. In FY2019 and FY2020 the CEDF would be required to reimburse the general fund and the education fund for the cost of the sales tax exemption up to a two-year total of \$200,000. It is possible that not all advanced wood boiler installations would apply for the existing CEDF incentive, in which case the cost of the sales tax exemption that is reported to the Tax Dept. would be lower than the true cost. Additionally, if the CEDF stops offering the existing incentive then it would have no way of collecting the cost of the sales tax exemption.