Act No. 71 (H.541). Taxation and fees

An act relating to changes that affect the revenue of the State

This act:

- Capital Gains. Limits the amount of capital gains subject to the preferential 40% rate to a total gain amount of $350,000.00. Effective July 1, 2019.
- Medical Deductions. Provides a state deduction from personal taxable income for medical expenses which is limited by the state standard deduction, the state personal exemptions, and amount of the federal deduction resulting by payments to a continuing care retirement community.
- Tax Credit for Affordable Housing/Down Payment Assistance Program:
    - Allows the Vermont Housing Finance Agency (VHFA) to pool and sell credits as one batch.
    - Increases the down payment assistance credits by $125,000 and extends the program from FY22 to FY26.
    - Increases the homeownership creation and mobile home replacement program by $125,000.
    - Separates out the rental housing credit from the homeownership credit and credits three separate credits for clarity.
- Downtown and Village Center Tax Credit:
    - Amends the definition of "qualified applicant" to include religious organizations.
    - Amends the definition of "qualified building" as one that was built at least 30 years before the date of the application.
    - Increases total credit cap from $2,400,000 to $2,600,000.
    - Requires credits be used within three years, instead of five.
    - Increases maximum credits for certain elevators and eliminates the credit for technology improvement projects.
- Estate tax:
    - Increases the State exclusion from $2,750,000 to $5,000,000 by January 1, 2021.

    - Increases the exclusion in two steps:
        - to $4,250,000 on January 1, 2020, and then
        - to $5,000,000 on January 1, 2021.
- Rooms Tax:
    - Includes "booking agents" in definition of "operator" and "rent" so that whoever collects the rent for a sleeping accommodation must collect and remit the rooms tax on the entire amount of rent they collect.
    - The effect would be to bring online travel companies and short term rental platforms within the rooms tax.
- Property Transfer Tax:
    - Changes the definitions to make it clear that the transfer of a controlling interest in a legal entity that holds real property triggers liability for the tax.
    - A controlling interest is 50 percent or more of the controlling stock or interest in the entity.
    - The tax is applied to value of the property held by the entity, apportioned to reflect the percentage of ownership interest that was transferred.
    - If more than one person is acting in concert, their interests are aggregated for the purpose of determining a controlling interest and their liability for the tax.
- Land gains tax:
    - Changes definition of "land" so that the tax only applies to land that is purchased and subdivided in the six years prior to the sale or exchange.
    - If a sale or exchange of property is for land that falls outside of this definition, there is no obligation to file or withhold.
    - Effective January 1, 2020.
- Fuel tax:
    - Clarifies who the tax applies to in light of 2016 changes.
    - Extends the sunset on the tax for five years to 2024.
- Health Information Technology. Extends the current health claims tax revenue devoted to the Health Information Technology Fund for two additional years, until July 1, 2021.

- Home Health Agencies. Extends the sunset on the home health agency provider tax by two years, until July 1, 2021.
- Department of Taxes is to conduct outreach to technology community on the use and potential taxation of prewritten software accessed remotely.

Multiple effective dates, beginning on January 1, 2019