

1 H.507

2 Introduced by Representatives Dolan of Waitsfield, Squirrell of Underhill, and
3 Webb of Shelburne

4 Referred to Committee on

5 Date:

6 Subject: Taxation; conservation and development; water quality; sugar-
7 sweetened beverages; beauty salons; nail salons

8 Statement of purpose of bill as introduced: This bill proposes to raise revenue
9 for water quality projects and programs. The bill would establish a 10 cent per
10 bottle tax on bottled water sold in the State. The bill would establish a 15 cent
11 per bottle tax on each bottle of sugar-sweetened beverage sold in the State.

12 The bill would also raise individual income rates by 0.10 percent. The bill
13 would establish a sales tax of six percent on the value of barbering or
14 cosmetology services. Revenue raised under the bill would be deposited in the
15 Clean Water Fund for the purposes of that Fund, except that 67 percent of the
16 revenue raised from the excise tax on sugar-sweetened beverages would be
17 deposited in the State Health Care Resources Fund for use according to the
18 purposes of the Fund.

19 An act relating to water quality financing

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

2 Sec. 1. 32 V.S.A. chapter 242 is added to read:

3 CHAPTER 242. EXCISE TAXES

4 § 10351. EXCISE TAX ON BOTTLED WATER

5 (a) Definitions. As used in this section:

6 (1) "Bottle" means any closed container of five gallons or less that is
7 labeled by a manufacturer of bottled water and used to contain or convey
8 bottled water.

9 (2) "Bottled water" means all water that is sealed in bottles and offered
10 for sale for human consumption and includes flavored water, vitamin water,
11 and carbonated water.

12 (3) "Commercial bulk water extractor" means a person, except for
13 municipalities as defined in 1 V.S.A. § 126 or a consolidated water district
14 established under 24 V.S.A. § 3342, who sells water in bulk to a manufacturer
15 for the purpose of filling or refilling a bottle with bottled water.

16 (4) "Manufacturer" means any processor, bottler, or other person who
17 fills or refills a bottle with bottled water and others engaged in purifying,
18 filtrating, or any other alteration of water for the purpose of selling or reselling
19 bottled water.

20 (b) Imposition of excise tax.

1 (1) Beginning on January 1, 2020, an excise tax is imposed on each
2 manufacturer of bottled water who sells bottled water in or into the State. The
3 excise tax is imposed at a rate of \$0.10 per bottle of water sold in or into the
4 State.

5 (2) Beginning on January 1, 2020, an excise tax is imposed on each
6 commercial bulk water extractor who sells in or into the State water in bulk to
7 a manufacturer for the purpose of filling or refilling a bottle with bottled water.
8 The excise tax is imposed at a rate of \$0.01 per gallon sold in or into the State.

9 (c) Collection of excise tax. On or before the 25th day of each month, a
10 manufacturer of bottled water sold in or into the State or a commercial bulk
11 water extractor who sells in or into the State water in bulk to a manufacturer
12 for the purpose of filling or refilling a bottle with bottled water shall:

13 (1) report to the Department of Taxes the number of bottles of bottled
14 water or the number of gallons of bulk water sold in or into the State during the
15 preceding month; and

16 (2) pay to the Department of Taxes the tax for each bottle of bottled
17 water sold by the manufacture or for each gallon of bulk water sold by the
18 commercial bulk water extractor in or into the State in the preceding month.

19 (d) Deposit of excise tax. The Department of Taxes shall deposit the tax
20 collected under this section into the Clean Water Fund under 10 V.S.A. § 1388
21 for use according to the purposes of the Fund.

1 (e) Implementation and rulemaking. The Department of Taxes may adopt
2 rules, procedures, and forms necessary to implement the requirements of this
3 section.

4 Sec. 2. 32 V.S.A. chapter 227 is added to read:

5 CHAPTER 227. SUGAR-SWEETENED BEVERAGE TAX

6 § 9401. DEFINITIONS

7 As used in this chapter:

8 (1) “Bottle” means any closed container of five gallons or less that is
9 used to contain or convey a sugar-sweetened beverage.

10 (2) “Commissioner” means the Commissioner of Taxes and his or her
11 authorized agents and employees.

12 (3) “Consumer” means a person who purchases or otherwise obtains a
13 sugar-sweetened beverage for consumption and not for sale to another.

14 (4) “Department” means the Vermont Department of Taxes.

15 (5) “Distributor” means any person, including a manufacturer and a
16 wholesale dealer, who receives, stores, manufactures, bottles, or distributes
17 syrup, powder, or sugar-sweetened beverages for sale to retailers, whether or
18 not that person also sells such products to consumers. “Distributor” also
19 means any person importing or causing to be imported syrup, powder, or
20 sugar-sweetened beverages into the State from outside the State for sale to a
21 retailer or consumer.

1 (6) “Place of business” means any place where syrup, powder, or sugar-
2 sweetened beverages are manufactured or received for sale in the State.

3 (7) “Powder” means any solid mixture of ingredients used in making,
4 mixing, or compounding sugar-sweetened beverages by mixing the powder
5 with any one or more other ingredients, including water, ice, syrup, simple
6 syrup, fruits, vegetables, fruit juice, vegetable juice, or carbonation or other
7 gas.

8 (8) “Retailer” means any person who sells syrup, powder, or sugar-
9 sweetened beverages to consumers in the State.

10 (9) “Sale” means the transfer of title or possession for valuable
11 consideration regardless of the manner by which the transfer is completed.

12 (10) “Sugar-sweetened beverage” means any nonalcoholic beverage,
13 carbonated or noncarbonated, that is intended for human consumption and
14 contains any added sweetener. As used in this definition, “nonalcoholic
15 beverage” means any beverage that contains less than one-half of one percent
16 alcohol per volume. However, the term “sugar-sweetened beverage” does not
17 include:

18 (A) beverages consisting of 100 percent natural fruit or vegetable
19 juice with no added sweetener. As used in this subdivision (10), “natural fruit
20 juice” and “natural vegetable juice” mean the original liquid resulting from the

1 pressing of fruits or vegetables or the liquid resulting from the dilution of
2 dehydrated natural fruit juice or natural vegetable juice;

3 (B) milk, with or without any added sweetener, which means natural
4 liquid milk regardless of animal source or butterfat content; natural milk
5 concentrate, whether or not reconstituted, regardless of animal source or
6 butterfat content; dehydrated natural milk, whether or not reconstituted and
7 regardless of animal source or butterfat content; or soy, rice, or similar milk
8 substitutes;

9 (C) maple syrup or raw honey; or

10 (D) infant formula.

11 (11) “Sweetener” means any caloric substance suitable for human
12 consumption that humans perceive as sweet and includes sucrose, fructose,
13 glucose, or other sugars but does not include any substance that adds fewer
14 than five calories per reference amount customarily consumed or per labeled
15 serving.

16 (12) “Syrup” means a liquid mixture of ingredients used in making,
17 mixing, or compounding sugar-sweetened beverages using one or more other
18 ingredients, such as water, ice, powder, simple syrup, fruits, vegetables, fruit
19 juice, vegetable juice, or carbonation or other gas. However, the term “syrup”
20 does not include maple syrup or raw honey.

1 § 9402. TAX IMPOSED

2 (a) There is imposed on every distributor an excise tax of \$0.15 per bottle
3 of sugar-sweetened beverage sold in the State.

4 (b) There is imposed on every distributor an excise tax of \$0.01 per ounce
5 of syrup and powder sold in the State. For purposes of calculating the tax
6 under this subsection, the taxable volume of syrup or powder shall be equal to
7 the largest volume of sugar-sweetened beverage resulting from use of the syrup
8 or powder according to the manufacturer's instructions.

9 § 9403. RETURNS AND REMITTANCES

10 (a) Any distributor liable for the tax imposed by this chapter shall, on or
11 before the 15th day of every month, return to the Commissioner, under oath of
12 a person with legal authority to bind the distributor, a statement containing its
13 name and place of business; the quantity of syrup, powder, and sugar-
14 sweetened beverages subject to the excise tax imposed by this chapter sold in
15 the preceding month; and any other information required by the Commissioner,
16 along with the tax due.

17 (b)(1) 67 percent of the revenue from the tax imposed by this chapter shall
18 be deposited in the State Health Care Resources Fund established under
19 33 V.S.A. § 1901d for use according to the purposes of the Fund.

1 (2) 33 percent of the revenue from the tax imposed by this chapter shall
2 be deposited into the Clean Water Fund under 10 V.S.A. § 1388 for use
3 according to the purposes of the Fund.

4 § 9404. RECORDS

5 Every distributor shall maintain, for not less than three years, accurate
6 records showing all transactions subject to tax liability under this chapter.
7 Distributors shall identify the amount of tax collected on a separate invoice
8 line on sales to retailers. These records are subject to inspection by the
9 Commissioner at all reasonable times during normal business hours.

10 § 9405. EXEMPTIONS

11 The following shall be exempt from the tax imposed by section 9402 of this
12 chapter:

13 (1) syrup, powder, or sugar-sweetened beverages sold to the
14 U.S. government, its subdivisions, or under any other circumstances in which
15 the State is without power to impose the tax;

16 (2) syrup, powder, or sugar-sweetened beverages sold by a distributor
17 for resale or consumption outside the State; and

18 (3) syrup, powder, or sugar-sweetened beverages sold by a distributor to
19 another distributor and not intended for resale to a consumer if the purchasing
20 distributor holds a license issued under section 9406 of this chapter and if the
21 sales invoice clearly indicates that the sale is exempt.

1 § 9406. LICENSE REQUIRED

2 Each distributor shall secure a license from the Commissioner before
3 engaging in the business of selling sugar-sweetened beverages in the State.

4 § 9407. APPLICATION FOR AND ISSUANCE OF LICENSE

5 (a) A separate application and license is required for each wholesale outlet
6 when a distributor owns or controls more than one such outlet.

7 (b) Licenses shall be issued by the Commissioner on application, without
8 charge, on forms prescribed by the Commissioner, stating the name and
9 address of the applicant, the address of the place of business, the type of
10 business, and any other information the Commissioner may require for the
11 proper administration of this chapter.

12 § 9408. TERM OF LICENSES

13 Each license issued under the provisions of this chapter shall be valid as
14 long as the licensee continues to do business at the place named, unless the
15 license is revoked or suspended by the Commissioner as provided in section
16 9409 of this chapter. If the business is sold or transferred or if the licensee
17 ceases to do business at the place named, the license shall immediately be
18 returned to the Commissioner for cancellation.

1 § 9409. REVOCATION AND SUSPENSION OF LICENSES

2 The Commissioner may revoke or suspend the license of any licensee for
3 failure to comply with any provision of this chapter or for failure to comply
4 with the provisions of 11 V.S.A. chapter 15.

5 § 9410. PENALTIES

6 (a) Any person subject to the provisions of this chapter who fails to pay the
7 tax imposed by this chapter by the date that payment is due or fails to submit a
8 return as required by this chapter is subject to the provisions of section 3202 of
9 this title (interest and penalties).

10 (b) Any person subject to the provisions of this chapter who sells or offers
11 for sale any syrup, powder, or sugar-sweetened beverages in the State without
12 holding a license as required by this chapter is liable for a penalty of up to
13 \$100.00 for each day such sales are made or offered.

14 § 9411. APPEALS

15 Any person aggrieved by an action taken by the Commissioner under this
16 chapter may appeal in writing to the Commissioner for a review. The
17 Commissioner shall then grant a hearing under 3 V.S.A. chapter 25 and notify
18 the aggrieved person in writing of his or her determination. The
19 Commissioner's determination may be appealed within 30 days to the Superior
20 Court of the county of this State in which the taxpayer resides or has a place of
21 business or to the Superior Court of Washington County.

1 § 9412. BONDING

2 When the Commissioner, at his or her discretion, considers it necessary to
3 protect the revenues raised under this chapter, he or she may require any
4 licensee to file with him or her a bond under the terms of section 3114 of this
5 title.

6 Sec. 3. MONITORING

7 The Department of Health shall develop criteria and components for an
8 independent evaluation to assess the impact that the sugar-sweetened beverage
9 tax has on consumption of products affected by the implementation of the tax.
10 Specifically, the evaluation shall seek to determine the impact of these
11 exclusions on consumer purchasing and health outcomes.

12 Sec. 4. LEGISLATIVE INTENT

13 It is the intent of the General Assembly that the excise tax created by Sec. 2
14 of this act shall have the effect of raising the retail price of sugar-sweetened
15 beverages by the amount of the tax. Executive agencies shall interpret and
16 implement this tax in such a way as to further this intent.

17 Sec. 5. 2018 (Sp. Sess.) Acts and Resolves No. 11, Sec. H.2 is amended to
18 read:

19 Sec. H.2 PERSONAL INCOME TAX RATES

20 (a) 2009 Spec. Sess. Acts and Resolves No. 2, Sec. 20 is repealed.

1 (b) For taxable year 2018 ~~and after~~ only, income tax rates under 32 V.S.A.
2 § 5822(a)(1)–(5), after taking into consideration any inflation adjustments to
3 taxable income as required by 32 V.S.A. § 5822(b)(2), shall be as follows:

4 (1) taxable income that without the passage of this act would have been
5 subject to a rate of 3.55 percent shall be taxed at the rate of 3.35 percent
6 instead;

7 (2) taxable income that without the passage of this act would have been
8 subject to a rate of 6.80 percent shall be taxed at the rate of 6.60 percent
9 instead;

10 (3) taxable income that without the passage of this act would have been
11 subject to a rate of 7.80 percent shall be taxed at the rate of 7.60 percent
12 instead;

13 (4) taxable income that without the passage of this act would have been
14 subject to a rate of 8.80 percent or 8.95 percent shall be taxed at the rate of
15 8.75 percent instead; the tax brackets for taxable income taxed at 8.80 percent
16 and 8.95 percent in taxable year 2017 shall be combined to be taxed at a rate of
17 8.75 percent for taxable year 2018 ~~and after~~.

18 (c) For taxable year 2019 and after, income tax rates under 32 V.S.A.
19 § 5822(a)(1)–(5), after taking into consideration any inflation adjustments to
20 taxable income as required by 32 V.S.A. § 5822(b)(2), shall be as follows:

1 (1) taxable income that was subject to a rate of 3.35 percent in taxable
2 year 2018 shall be taxed at the rate of 3.45 percent instead;

3 (2) taxable income that was subject to a rate of 6.60 percent in taxable
4 year 2018 shall be taxed at the rate of 6.70 percent instead;

5 (3) taxable income that was subject to a rate of 7.60 percent in taxable
6 year 2018 shall be taxed at the rate of 7.70 percent instead; and

7 (4) taxable income that was subject to a rate of 8.75 percent in taxable
8 year 2018 shall be taxed at the rate of 8.85 percent instead.

9 (d) When preparing the Vermont Statutes Annotated for publication,
10 the Office of Legislative Council shall revise the tables in 32 V.S.A.
11 § 5822(a)(1)–(5) to reflect the changes to the tax rates and tax brackets made in
12 this section.

13 Sec. 6. 32 V.S.A. chapter 233, subchapter 5 is added to read:

14 Subchapter 5. Barbering and Cosmetology Services

15 § 9851. IMPOSITION OF TAX; BARBERING AND COSMETOLOGY

16 SERVICES

17 (a) Definitions. As used in this subchapter:

18 (1) “Barbering” has the same meaning as in 26 V.S.A. § 271.

19 (2) “Cosmetology” has the same meaning as in 26 V.S.A. § 271.

1 (b) Imposition. There is imposed a tax on the value of barbering or
2 cosmetology services at the time they are rendered. The tax shall be paid at the
3 rate of six percent of the retail sale of the service.

4 (c) Collection; enforcement. The tax on barbering and cosmetology
5 services shall be paid, collected, and enforced in the same manner as the sales
6 tax on retail sales under this chapter.

7 (d) Deposit. The revenue generated from the sales tax on barbering and
8 cosmetology services shall be deposited into the Clean Water Fund under
9 10 V.S.A. § 1388 for the purposes of that Fund.

10 Sec. 7. 32 V.S.A. § 435 is amended to read:

11 § 435. GENERAL FUND

12 (a) There is established the General Fund which shall be the basic operating
13 fund of the State. The General Fund shall be used to finance all expenditures
14 for which no special revenues have otherwise been provided by law.

15 (b) The General Fund shall be composed of revenues from the following
16 sources:

17 (1) ~~Alcoholic~~ alcoholic beverage tax levied pursuant to 7 V.S.A.

18 chapter 15;

19 (2) [Repealed.]

20 (3) ~~Electrical~~ electrical energy tax levied pursuant to chapter 213 of

21 this title;

1 (4) ~~Corporate~~ corporate income and franchise taxes levied pursuant to
2 chapter 151 of this title;

3 (5) ~~Individual~~ individual income taxes levied pursuant to chapter 151 of
4 this title, after the deposit of the first \$16 million in revenue collected into the
5 Clean Water Fund under 10 V.S.A. § 1388;

6 (6) ~~All~~ all corporation taxes levied pursuant to chapter 211 of this title;

7 (7) 75 percent of the meals and rooms taxes levied pursuant to
8 chapter 225 of this title;

9 (8) [Repealed.]

10 (9) ~~Revenues~~ revenues from the Racing Special Fund consistent with
11 31 V.S.A. § 630;

12 (10) 33 percent of the revenue from the property transfer taxes levied
13 pursuant to chapter 231 of this title and the revenue from the gains taxes levied
14 each year pursuant to chapter 236 of this title;

15 (11) [Repealed.]

16 (12) ~~All~~ all other revenues accruing to the State not otherwise required
17 by law to be deposited in any other designated fund or used for any other
18 designated purpose.

1 Sec. 8. 10 V.S.A. § 1388 is amended to read:

2 § 1388. CLEAN WATER FUND

3 (a) There is created a special fund to be known as the Clean Water Fund to
4 be administered by the Secretary of Administration. The Fund shall consist of:

5 (1) revenues from the Property Transfer Tax surcharge established under
6 32 V.S.A. § 9602a;

7 (2) revenues from the excise tax on bottled water established under
8 32 V.S.A. chapter 242;

9 (3) 33 percent of the revenues from the excise tax on sugar-sweetened
10 beverages established under 32 V.S.A. chapter 227;

11 (4) the first \$16 million in revenue from the individual income taxes
12 levied pursuant to chapter 151 of this title;

13 (5) seven percent of the individual income taxes levied pursuant to
14 chapter 151 of this title;

15 (6) revenues from the sales tax on barbering and cosmetology services
16 established under 32 V.S.A. chapter 233, subchapter 5;

17 (7) other gifts, donations, and impact fees received from any source,
18 public or private, dedicated for deposit into the Fund and approved by the
19 Secretary of Administration;

20 ~~(3)~~(8) the unclaimed beverage container deposits (escheats) remitted to
21 the State under chapter 53 of this title; and

1 ~~(4)~~(9) other revenues dedicated for deposit into the Fund by the General
2 Assembly.

3 (b) Notwithstanding any contrary provisions of 32 V.S.A. chapter 7,
4 subchapter 5, unexpended balances and any earnings shall remain in the Fund
5 from year to year.

6 Sec. 9. EFFECTIVE DATES

7 This act shall take effect on July 1, 2019, except that, notwithstanding
8 1 V.S.A. § 214, Sec. 5 (income tax rates) shall take effect retroactively on
9 January 1, 2019 and apply to taxable year 2019 and after.