

1 H.676

2 Introduced by Representative Sibia of Dover

3 Referred to Committee on

4 Date:

5 Subject: Income tax; clean grid optimization; pilot

6 Statement of purpose of bill as introduced: This bill proposes to create an
7 income tax deduction and to expand the research and development income tax
8 credit available to clean grid optimization companies with qualified research
9 expenses. The bill would also create a pilot program led by the Agency of
10 Commerce and Community Development in cooperation with the Department
11 of Public Service to provide grant funding to one or more clean grid
12 optimization companies in order to establish the economic viability of controls
13 to electricity using appliances that maximize the utility of Vermont's
14 electricity grid.

15 An act relating to clean grid optimization

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

2 * * * Income Tax Incentives for Clean Grid Optimization * * *

3 Sec. 1. 32 V.S.A. § 5811 is amended to read:

4 § 5811. DEFINITIONS

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

7 * * *

8 (18) “Vermont net income” means, for any taxable year and for any
9 corporate taxpayer:

10 (A) the taxable income of the taxpayer for that taxable year under the
11 laws of the United States, without regard to 26 U.S.C. § 168(k) of the Internal
12 Revenue Code, and excluding income which under the laws of the United
13 States is exempt from taxation by the states:

14 * * *

15 (ii) decreased by:

16 (I) the “gross-up of dividends” required by the federal Internal
17 Revenue Code to be taken into taxable income in connection with the
18 taxpayer’s election of the foreign tax credit; ~~and~~

19 (II) the amount of income which results from the required
20 reduction in salaries and wages expense for corporations claiming the Targeted
21 Job or WIN credits; and

1 (III) federally taxable income received by a clean grid
2 optimization company as defined in subdivision (29) of this section.

3 * * *

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

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

8 * * *

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

11 * * *

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

14 (iv) the portion of federally taxable benefits received under the
15 federal Social Security Act that is required to be excluded under section 5830e
16 of this chapter; and

17 (v) federally taxable income received by a clean grid optimization
18 company as defined in subdivision (29) of this section; and

19 (C) ~~Decreased~~ decreased by the following exemptions and
20 deductions:

21 * * *

1 (I) the “gross-up of dividends” required by the federal Internal
2 Revenue Code to be taken into taxable income in connection with the
3 taxpayer’s election of the foreign tax credit; and

4 (II) the amount of income which results from the required
5 reduction in salaries and wages expense for corporations claiming the Targeted
6 Job or WIN credits; ~~and~~

7 ~~(III) federally taxable income received by a clean grid
8 optimization company as defined in subdivision (29) of this section.~~

9 * * *

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

12 * * *

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

15 (iv) the portion of federally taxable benefits received under the
16 federal Social Security Act that is required to be excluded under section 5830e
17 of this chapter; ~~and~~

18 ~~(v) federally taxable income received by a clean grid optimization
19 company as defined in subdivision (29) of this section; and~~

20 * * *

1 ~~(29) “Clean grid optimization company” means a Vermont business~~
2 ~~entity that sells a product or service to a utility or a customer that allows the~~
3 ~~utility or customer to change the use of electricity, including the storage and~~
4 ~~discharge of electricity, based on a signal from the grid representing the~~
5 ~~occurrence of low cost and high cost conditions. The Secretary of Commerce~~
6 ~~shall certify whether a business qualifies as a clean grid optimization company~~
7 ~~as defined under this subdivision. [Repealed.]~~

8 Sec. 3. 32 V.S.A. § 5930ii is amended to read:

9 § 5930ii. RESEARCH AND DEVELOPMENT TAX CREDIT

10 (a)(1) A taxpayer of this State shall be eligible for a credit against the tax
11 imposed under this chapter in an amount equal to 27 percent of the amount of
12 the federal tax credit allowed in the taxable year for eligible research and
13 development expenditures under 26 U.S.C. § 41(a) and which are made within
14 this State.

15 (2) A clean grid optimization company as defined in
16 subdivision 5811(29) of this title shall be eligible for a refundable credit
17 against the tax imposed under this chapter in an amount equal to 50 percent of
18 the amount of the federal tax credit allowed in the taxable year for eligible
19 research and development expenditures under 26 U.S.C. § 41(a) and that are
20 made within this State.

1 (b) Any unused credit available under subsection (a) of this section may be
2 carried forward for up to 10 years.

3 (c) Each year, on or before January 15, the Department of Taxes shall
4 publish a list containing the names of the taxpayers who have claimed a credit
5 under this section during the most recent completed calendar year.

6 * * * Property Tax; Valuation of Electric Storage Property * * *

7 Sec. 4. 32 V.S.A. § 5401(10) is amended to read:

8 (10) “Nonhomestead property” means all property except:

9 * * *

10 (L) Personal property, machinery, inventory, and equipment used for
11 electric storage by a clean grid optimization company as defined in
12 subdivision 5811(29) of this title.

13 * * * Pilot Program; Clean Grid Optimization; Special Fund * * *

14 Sec. 5. PILOT PROGRAM; CLEAN GRID OPTIMIZATION

15 (a) The Agency of Commerce and Community Development, in
16 cooperation with the Department of Public Service, shall provide grant funding
17 to one or more clean grid optimization companies as defined in 32 V.S.A.
18 § 5811(29) for the purpose of establishing a pilot program that controls
19 electricity using appliances. These controls shall allow an electric distribution
20 utility, either directly or through a clean grid optimization company as a
21 customer intermediary, to control the use of electricity in a way that provides a

1 customer the valued use of the electricity using appliances and that provides
2 the electric distribution utility to have optimal impact on the electric grid.

3 (b) The goals of the pilot are to establish the economic viability of controls
4 to electricity using appliances that maximize the utility of Vermont's
5 electricity grid and result in a decrease in the use of fossil fuels that might
6 otherwise be used to provide the service of the electricity using appliances.

7 Sec. 6. FISCAL YEAR 2021 ONE-TIME GENERAL FUND

8 APPROPRIATIONS

9 Notwithstanding any other provision of law, for fiscal year 2021, the
10 following shall be transferred from the General Fund:

11 (1) \$250,000.00 to the Agency of Commerce and Community
12 Development to be used for the implementation of the pilot program
13 established under Sec. 5 of this act; and

14 (2) \$2,000,000.00 to the Innovative Capital Special Fund created in
15 3 V.S.A. § 2551 to be used for the purposes established in that section.

16 Sec. 7. 3 V.S.A. chapter 47, subchapter 7 is added to read:

17 Subchapter 7. Innovative Capital Special Fund

18 § 2551. INNOVATIVE CAPITAL SPECIAL FUND

19 There is established the Innovative Capital Special Fund consisting of
20 receipts as authorized by the General Assembly. The Fund shall be managed
21 by the Agency of Commerce and Community Development in accordance with

1 32 V.S.A. chapter 7, subchapter 5. The Fund shall act as an entrepreneur seed
2 capital fund for the development of clean grid optimization programs and
3 initiatives.

4 * * * Effective Dates * * *

5 Sec. 8. EFFECTIVE DATES

6 (a) This act shall take effect on passage except, notwithstanding 1 V.S.A.
7 § 214, Secs. 1 (income tax deduction), 3 (refundable income tax credit) and
8 4 (property tax valuation) shall take effect on January 1, 2020 and apply to
9 taxable years beginning on January 1, 2020 and after.

10 (b) Sec. 2 (repeal of income tax deduction) shall take effect on January 1,
11 2030 and apply to taxable years beginning on January 1, 2030 and after.