

1 Subject: Taxation; corporate income tax; apportionment; combined reporting;
2 water's–edge; overseas business organizations; financial institutions
3 franchise tax

4 Statement of purpose of bill as introduced: This bill proposes to amend the
5 apportionment of a taxable corporation's Vermont net income by tripling the
6 sales factor. This bill requires the income and apportionment factors of all
7 taxable corporations incorporated in the U.S., including overseas business
8 organizations, that are part of a unitary group to be reported on a combined
9 return. The franchise tax on financial institutions is also repealed.

10 An act relating to corporate income tax

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

12 * * * Corporate Income Tax

13 Sec. 1. 32 V.S.A. § 5833 is amended to read:

14 § 5833. ALLOCATION AND APPORTIONMENT OF INCOME

15 (a) If the income of a taxable corporation is derived from any trade,
16 business, or activity conducted entirely within this State, the Vermont net
17 income of the corporation shall be allocated to this State in full. If the income
18 of a taxable corporation is derived from any trade, business, or activity
19 conducted both within and outside this State, the amount of the corporation's

1 Vermont net income that shall be apportioned to this State, so as to allocate to
2 this State a fair and equitable portion of that income, shall be determined by
3 multiplying that Vermont net income by the arithmetic average of the
4 following factors, with the sales factor described in subdivision (3) of this
5 subsection ~~double~~ triple-weighted:

6 (1) The average of the value of all the real and tangible property within
7 this State (A) at the beginning of the taxable year and (B) at the end of the
8 taxable year (but the Commissioner may require the use of the average of such
9 value on the 15th or other day of each month, in cases where he or she
10 determines that such computation is necessary to more accurately reflect the
11 average value of property within Vermont during the taxable year), expressed
12 as a percentage of all such property both within and outside this State;

13 (2) The total wages, salaries, and other personal service compensation
14 paid during the taxable year to employees within this State, expressed as a
15 percentage of all such compensation paid whether within or outside this State;

16 (3) The gross sales, or charges for services performed, within this State,
17 expressed as a percentage of such sales or charges whether within or outside
18 this State.

19 * * *

20 Sec. 2. 32 V.S.A. § 5862(d) is amended to read:

1 (d) A taxable corporation which is part of an affiliated group engaged in a
2 unitary business shall file a group return containing the combined net income
3 of the affiliated group and such other informational returns as the
4 Commissioner shall require by rule. A return filed under a water's-edge
5 election shall include the income and apportionment factors of any taxable
6 corporation incorporated in the United States or formed under the laws of any
7 state, the District of Columbia, or any territory or possession of the United
8 States and in a unitary relationship with the taxpayer.

9 * * * Bank Franchise Tax * * *

10 Sec. 3. REPEAL

11 32 V.S.A. § 5836 (franchise tax on financial institutions) is repealed.

12 Sec. 4. 32 V.S.A. § 5830b(a) is amended to read:

13 (a) The initial capitalization of the Entrepreneurs' Seed Capital Fund, as
14 established in 10 V.S.A. § 291, up to \$7,150,000.00 raised from Vermont
15 taxpayers on or before January 1, 2020, shall entitle those taxpayers to a credit
16 against the tax imposed by section 5822, 5832, ~~5836~~, or 8551 of this title and
17 by 8 V.S.A. § 6014. The credit may be claimed for the taxable year in which a
18 contribution is made and each of the four succeeding taxable years. The
19 amount of the credit for each year shall be the lesser of four percent of the
20 taxpayer's contribution or 50 percent of the taxpayer's tax liability for that
21 taxable year prior to the allowance of this credit; provided, however, that in no

1 event shall the aggregate credit allowable under this section for all taxable
2 years exceed 20 percent of the taxpayer's contribution to the initial
3 \$7,150,000.00 capitalization of the Fund. The credit shall be nontransferable
4 except as provided in subsection (b) of this section.

5 Sec. 5. 32 V.S.A. § 5830c(a) is amended to read:

6 (a) Credit authorized. A charitable investment approved by the
7 Commissioner of Housing and Community Affairs in an eligible housing
8 charity shall entitle a Vermont taxpayer to a credit against the tax imposed by
9 sections 5822 (individual income), 5832 (corporate income), ~~5836 (banks and~~
10 ~~financial institutions)~~, or 8551 (insurance companies) of this title. The credit
11 may be claimed for any year in which a charitable investment is made and for
12 each year thereafter until the principal is repaid, or the investment is
13 transferred, or the taxpayer is notified or agrees or the Commissioner of
14 Housing and Community Affairs determines that the principal is not likely to
15 be repaid, or until the end of the year in which the housing charity ceases to be
16 eligible, whichever is earlier.

17 Sec. 6. 32 V.S.A. § 5930dd(e) is amended to read:

18 (e) In lieu of using a tax credit to reduce its own tax liability, an applicant
19 may request the credit in the form of a bank credit certificate that a bank may
20 accept in return for cash, or may accept for adjusting the rate or term of the
21 applicant's mortgage or loan related to an ownership or leasehold interest in

1 the qualified building. The amount of the bank credit certificate shall equal the
2 unused portion of the credit allocated under this subchapter, and an applicant
3 requesting a bank credit certificate shall provide to the State Board a copy of
4 any returns on which any portion of the allocated credit under this section was
5 claimed. A bank that purchases a bank credit certificate may use it to reduce
6 its ~~franchise~~ corporate income tax liability under section ~~5836~~ 5832 of this title
7 in the first tax year in which the qualified building is placed back in service
8 after completion of the qualified project or in the subsequent nine years.

9 * * * Effective Date * * *

10 Sec. 7. EFFECTIVE DATE

11 This act shall take effect on passage.