

1 Subject: Taxation; corporate income tax; apportionment; water's edge returns;
2 financial institutions franchise tax

3 Statement of purpose of bill as introduced: This bill proposes to amend the
4 apportionment of a taxable corporation's Vermont net income by tripling the
5 sales factor. This bill requires the income of all U.S. corporations that are part
6 of an affiliated group engaged in a unitary business to be included in combined
7 returns. The franchise tax on financial institutions is also repealed.

8 An act relating to corporate income tax

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

10 * * * Corporate Income Tax

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

12 § 5833. ALLOCATION AND APPORTIONMENT OF INCOME

13 (a) If the income of a taxable corporation is derived from any trade,
14 business, or activity conducted entirely within this State, the Vermont net
15 income of the corporation shall be allocated to this State in full. If the income
16 of a taxable corporation is derived from any trade, business, or activity
17 conducted both within and outside this State, the amount of the corporation's
18 Vermont net income that shall be apportioned to this State, so as to allocate to
19 this State a fair and equitable portion of that income, shall be determined by

1 multiplying that Vermont net income by the arithmetic average of the
2 following factors, with the sales factor described in subdivision (3) of this
3 subsection ~~double~~ triple-weighted:

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

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

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

17 * * *

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

19 (d) A taxable corporation which is part of an affiliated group engaged in a
20 unitary business shall file a group return containing the combined net income
21 of the affiliated group and such other informational returns as the

1 Commissioner shall require by rule. A return filed under a water's-edge
2 election must include the income and apportionment factors of any corporation
3 incorporated in the United States in a unitary relationship with the taxpayer.

4 * * * Bank Franchise Tax * * *

5 Sec. 3. REPEAL

6 32 V.S.A. § 5836 (franchise tax on financial institutions) is repealed.

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

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

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

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

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

13 (e) In lieu of using a tax credit to reduce its own tax liability, an applicant
14 may request the credit in the form of a bank credit certificate that a bank may
15 accept in return for cash, or may accept for adjusting the rate or term of the
16 applicant's mortgage or loan related to an ownership or leasehold interest in
17 the qualified building. The amount of the bank credit certificate shall equal the
18 unused portion of the credit allocated under this subchapter, and an applicant
19 requesting a bank credit certificate shall provide to the State Board a copy of
20 any returns on which any portion of the allocated credit under this section was
21 claimed. A bank that purchases a bank credit certificate may use it to reduce

1 its ~~franchise~~ corporate income tax liability under section ~~5836~~ 5832 of this title
2 in the first tax year in which the qualified building is placed back in service
3 after completion of the qualified project or in the subsequent nine years.

4 * * * Effective Date * * *

5 Sec. X. EFFECTIVE DATE

6 This act shall take effect on passage.