

# MISCELLANEOUS TAX BILL

Section by section -- Draft 4.1

Peter Griffin, Legislative Counsel

2/28/19

Sec.	Description	Notes
	<b>Miscellaneous provisions</b>	
<b>1</b>	<b>Confidentiality exemption.</b> Creates a new exemption for disclosure of tax information is necessary for tobacco settlement agreement.	
<b>2</b>	<b>Interest Calculation.</b> Eliminates the calculation of a monthly interest rate for the over/under payment of taxes.	
<b>3</b>	<b>PVR fee waiver.</b> <ul style="list-style-type: none"><li>• Gives the director of Property Valuation and Review authority to waive property tax appeal fees in cases of hardship or to join appeals regarding the same parcel.</li><li>• Passed both House and Senate as Sec. 15 of H.922.</li></ul>	
<b>4</b>	<b>Solar tax credit</b> <ul style="list-style-type: none"><li>• Cleans up language to reflect previous phase-out of 100% solar energy investment income tax credit. Vermont currently allows a credit of 24% of the federal credit for solar energy investment. Previously, the credit was increased to 100% of the federal credit (an addition of 76%). To accommodate that change, an additional 76% recapture was added to the recapture language in 5822(d). However, the additional 76% credit has been phased out in session law (and is removed from statute in this bill, Sec. 30). As such, the additional 76% recapture language serves no purpose and is deleted here.</li><li>• Passed both House and Senate as Secs. 12 and 30 of H.922.</li></ul>	
<b>5-6</b>	<b>Annual link to federal statutes.</b> Updates Vermont's statutory links to federal law for the income and estate taxes.	
<b>7</b>	<b>Minimum Corporate Income tax</b> <ul style="list-style-type: none"><li>• Clarify that CIT applies to "Vermont" gross receipts, which means "gross receipts for the corporation that are attributable to Vermont," rather than total receipts.</li><li>• Passed House and Senate as Sec. 13 of H.922</li></ul>	
<b>8-9</b>	<b>Publicly Traded Partnerships</b> <ul style="list-style-type: none"><li>• Extends the already established income tax withholding exemption for publicly</li></ul>	

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	<p>traded partnerships to lower-tier pass-through affiliates of the partnerships.</p> <ul style="list-style-type: none"><li>○ Requires both the publicly traded partnership and lower-tier pass-through entities to give the Tax Department information about the income and location of persons owing tax in Vermont, among other information.</li><li>○ The exemption for lower-tier pass-through entities must be renewed every three years.</li></ul> <ul style="list-style-type: none"><li>● Allows the Tax Department to disclose tax return information to such entities for purposes of reviewing exemption requests.</li></ul>	
<b>10</b>	<p><b>Meals for resale</b></p> <ul style="list-style-type: none"><li>● Amend definition of taxable meal exemptions to:<ul style="list-style-type: none"><li>○ permit fire departments to qualify for the nonprofit exclusion from “taxable meals” even when they serve meals <u>off</u> their premises at up to two events per year.</li><li>○ exclude meals for resale, to ensure tax is charged and collected at time of final sale to person consuming the meal.</li></ul></li></ul>	
<b>11-12</b>	<p><b>Security in tax appeals</b></p> <ul style="list-style-type: none"><li>● Removes requirement that appellants in certain tax appeals to the Superior Court provide security to guarantee the tax in dispute will be paid if they lose.</li><li>● Passed by both House and Senate as Secs. 28-29 of H.922.</li></ul>	
	<b>529 Plans</b>	
<b>13-17</b>	<p><b>529 Plans</b></p> <p>Changes Vermont’s law on 529 plans to adjust to federal changes.</p> <ul style="list-style-type: none"><li>● Shifts “postsecondary education” definitions to reference Vermont law rather than federal law and makes other conforming changes.</li><li>● Requires repayment of tax credit when participant uses 529 funds for purposes other than postsecondary education.</li><li>● Requires VSAC to report the amount of 529 funds withdrawn for purposes other than postsecondary education each year.</li></ul>	

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	<ul style="list-style-type: none"><li>• Passed House and Senate as Secs. 3-7 of H.922, although the Senate added one minor language change in the reporting requirement, which is not included here.</li></ul>	
	<b>Education Property Tax</b>	
<b>18</b>	<b>Homestead definitions.:</b> <ul style="list-style-type: none"><li>• Amends education property tax definition of “homestead” to include the principal dwelling of a widower or widow when the dwelling is owned by the estate of the person’s deceased spouse and it appears reasonably likely that the dwelling will pass to the widower or widow by law or valid will when the estate is settled.</li><li>• Passed House and Senate as Sec. 17 of H.922</li></ul>	
<b>19</b>	<b>[Deleted.]</b>	
<b>20</b>	<b>Household income definitions.</b> <ul style="list-style-type: none"><li>• For property tax income sensitivity adjustment: “household income” does <u>not</u> include income of spouse or former spouse of claimant if legally separated or divorced in the taxable year; or income of spouse against whom claimant has protection order.</li><li>• This provision passed the House and Senate as Sec. 18 of H.922</li><li>• Adds new language excluding cancellation of debt income from the calculation of household income.</li></ul>	
<b>21</b>	<b>Reappraisals.</b> Allows Tax to order reappraisals in towns where the CLA is lower than 85 or exceeds 115.	
<b>22-24</b>	<b>Common Level of Appraisal Districts</b> <ul style="list-style-type: none"><li>• Authorizes municipalities within a unified union school district to merge assessment districts, so long as they agree to standardized assessment procedures. The merged municipalities must maintain separate grand lists and other administrative processes unless granted permission to consolidate all property valuation administrative functions. Municipalities may un-merge after 5 years unless they consolidated all property valuation administrative functions.<ul style="list-style-type: none"><li>○ This section passed both the House and Senate as Sec. 20 of H.922.</li></ul></li></ul>	

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	<ul style="list-style-type: none"> <li>○ The Senate removed two sections from the House passed version of H.922 requiring Tax to provide addition information on property tax bills.</li> </ul>	
<b>25</b>	<p><b>Notice of property tax adjustments.</b></p> <ul style="list-style-type: none"> <li>• Increases frequency with which the tax department notifies and pays municipalities for homestead property tax adjustments from yearly to monthly.</li> <li>• This section passed both the House and Senate as Sec. 22 of H.922.</li> </ul>	
<b>26-30</b>	<p><b>Property tax adjustments to credits.</b></p> <ul style="list-style-type: none"> <li>• Changes the term “property tax adjustment” in chapter 154 to “property tax credit” in several key sections.</li> <li>• Includes revision authority for Legislative Council to make necessary conforming changes.</li> </ul>	
<b>Use Value Appraisals</b>		
<b>31</b>	<p><b>Definitions.</b></p> <ul style="list-style-type: none"> <li>• Allow exemption for transfer of property in current use to immediate relative to include ex-spouse in a divorce settlement agreement.</li> <li>• Changes perpetual lease language from “exceeds 999 years” to “for a minimum of 999 years” in the definition of “owner”.</li> </ul>	
<b>32</b>	<p><b>Land use change tax and contingent lien.</b></p> <ul style="list-style-type: none"> <li>• Clarifies that when land is taken out of current use, and later a portion of a parcel is developed, the land use change tax on the portion originally withdrawn is due.</li> <li>• Replaces the requirement a lien be placed on all property enrolled in the current use program and instead requires that a notice of contingent lien be filed, with a lien to be filed when land is developed.</li> <li>• Converts existing liens on current use property to contingent liens.</li> <li>• This change was passed by the House and Senate as Sec. 14 of H.922.</li> <li>• Paired with a repeal of lien subordination and fee on July 1, 2020.</li> </ul>	
<b>Insurance taxes</b>		
<b>33-36</b>	<ul style="list-style-type: none"> <li>• Shifts certain insurance tax collection duties from DFR to the Tax Department and</li> </ul>	

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	<p>clarifies Tax Department may use administrative tools to enforce the taxes.</p> <ul style="list-style-type: none"><li>• Deletes reference to surplus lines companies from those insurance companies which must contribute to the Fire Safety Special Fund to reflect current practice.</li><li>• Passed both the House and Senate as Secs. 23-26 of H.922.</li></ul>	
<b>36a</b>	<b>Sales tax -- Automotive Parts</b> <ul style="list-style-type: none"><li>• Clarifies that automotive parts used to recondition a used motor vehicle are exempt from the sales tax.</li></ul>	
<b>37</b>	<b>Repeals.</b> Repeals section on land use change tax lien subordination, solar tax credit, and the electrical generating tax.	
	<b>Effective dates</b>	
<b>38</b>	Effective dates.	