Vermont Legislative Joint Fiscal Office

One Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • Fax: (802) 828-2483

FISCAL NOTE

Date: March 21, 2019
Prepared by: Mark Perrault, Graham Campbell and Chloe Wexler

House Bill No.536: An Act Relating to Education Finance
As introduced by the Committee on House Ways and Means

Secs. 1-2. Changes the term "nonresidential" to "nonhomestead" in statute.

Secs. 3-4. Clarifies that sales by a third party platform are included in the sales tax collection obligation; raises an additional $9.2 million for the Education Fund.

Sec. 5. Sets the property and income yields at $10,705 and $13,164, respectively, and sets the uniform nonhomestead tax rate at $1.582; raises an additional $10.0 million in net homestead tax and $15.6 million in nonhomestead tax; and increases the average education tax bill by about 2.5% over FY2019.

Sec. 6. Effective dates.

	FY2019 Actual	FY2020 Proposed	Change
Education Tax Rates			
Average homestead property tax rate	$1.499	$1.501	$0.002
Uniform nonhomestead property tax rate	$1.580	$1.582	$0.002
Average tax rate on household income	2.48%	2.45%	-0.03%
Hypothetical Education Tax Bills			
Average bill on $200,000 homestead	$2,998	$3,002	
Uniform bill on $200,000 nonhomestead	$3,160	$3,164	
Average bill on $75,000 household income	$1,860	$1,838	
Equalized pupil count	88,359	87,773	
Growth in education spending	1.70%	3.87%	

Explanation/Methodology

Sections 3-4: Updating sales and use tax collections to include marketplace facilitators

The United States Supreme Court's decision to overturn the Quill decision allowed the State to collect on remote sales regardless of a vendor's physical presence. However, under current law, the State is not collecting sales tax on most remote sales completed on the platform of a marketplace facilitator because sales activity thresholds (greater than $100,000 in sales or 200 individual transactions) only applied to individual vendors on a marketplace facilitator platform and not to the marketplace facilitator itself. This bill changes that by defining marketplace facilitators as vendors.

In this bill, a marketplace facilitator is defined as a person who contracts with two or more sellers to facilitate the sale of seller's products through a physical or electronic marketplace, including offering payment processing, fulfillment, storage, or customer services. A marketplace facilitator is considered a vendor required to remit the sales tax if the marketplace facilitator has greater than $100,000 in sales or 200 individual transactions into the State.

For section 2 of the bill, JFO estimates that $9.2 million in additional sales tax revenue will be collected in FY 2020 and growing in future fiscal years. These additional revenues will be dedicated to the Education Fund.

There is a degree of uncertainty regarding these estimates, although risks are likely to be on the upside. Given the rapidly changing and growing environment of online marketplace, it is possible these estimates are conservative. These estimates are based upon the most recent available data and grown using industry growth rates and the 2019 Consensus Revenue Forecast. JFO will review these estimates as new data sources become available.

Sources:
- Government Accountability Office report on e-commerce sales and state revenue collections, November 2017.[1]
- Washington State estimates on HB2163. This bill required marketplace facilitators to either remit sales tax or report sales to the Department of Revenue.
- SEC filings of Amazon, Ebay and Etsy
- Revenue estimates from Pennsylvania's marketplace law, provided by the Pennsylvania Department of Revenue
- Revenue estimates from Rhode Island's marketplace law, provided by the Rhode Island Department of Revenue
- January 2019 Consensus Revenue Forecast

---

[1] "States Could Gain Revenue from Expanded Authority, but Businesses Are Likely to Experience Compliance Costs." Government Accountability Office. November 2017. https://www.gao.gov/assets/690/688437.pdf