

H.541 An act relating to changes that affect the revenue of the State
Side by Side
Peter Griffin, Legislative Counsel
5/7/19

Sec.	As Passed the House	Sec.	Senate Finance draft 1.5
1	<p>Capital Gains Exclusion</p> <ul style="list-style-type: none"> • Reduces percentage of the capital gains exclusion from 40% of certain assets to either 30%, or a total gain amount of \$450,000.00, whichever is less. • Effective July 1, 2019. 	1	Leaves the capital gains exclusion of 40% for certain assets but caps the total amount of gains that can be excluded at \$250,000.00.
		2	Provides a deduction from personal taxable income for medical expenses equal to the amount by which the taxpayer's federally allowed medical deduction exceeds the Vermont standard deduction and personal exemptions taken by the taxpayer.
		3	<p>Personal income tax rates</p> <ul style="list-style-type: none"> • Returns to a five bracket system as used in taxable year 2017 and earlier. • Rates for taxable year 2019 and after would be: 3.35, 6.60, 7.60, 8.75, and 8.9.
2	<p>Tax Credit for Affordable Housing/Down Payment Assistance Program</p> <ul style="list-style-type: none"> • Allows VHFA to pool and sell credits as one batch. • Increases the down payment assistance credits by \$125,000 and extends the program from FY22 to FY26. • Increases the homeownership creation and mobile home replacement program by \$125,000. • Separates out the rental housing credit from the homeownership credit, and credits three separate credits for clarity. 	4	No change except for three technical changes.
3	Downtown and Village Center Tax Credit	5	Adds language raising overall cap on credits from

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	<ul style="list-style-type: none"> • Amends the definition of “qualified applicant” to include religious organizations. • Amends the definition of “qualified building” as one that was built at least 30 years before the date of the application. • Increases total credit cap from \$2,400,000→\$2,600,000. • Requires credits be used within three years, instead of five. • Increases maximum credits for certain elevators and eliminates the credit for technology improvement projects. 		\$2,400,000 to \$2,700,000.
4-5	<p>Estate tax</p> <ul style="list-style-type: none"> • Increases the state exclusion from \$2,750,000 to \$5,000,000 by January 1, 2021. • Increases the exclusion in two steps: <ul style="list-style-type: none"> ○ to \$4,250,000 on January 1, 2020, and ○ then to \$5,000,000 on January 1, 2021. 		Removed.
6-7	<p>Rooms Tax</p> <ul style="list-style-type: none"> • Includes “booking agents” in definition of “operator” and “rent” so that whoever collects the rent for a sleeping accommodation must collect and remit the rooms tax on the entire amount or rent they collect. • The effect would be to bring online travel companies and short term rental platforms within the rooms tax. 	6-7	No change.
8-14	<p>Property Transfer Tax</p> <ul style="list-style-type: none"> • Changes the definitions to make it clear that the transfer of a controlling interest in a legal entity 	8-14	Makes several changes suggested by Tax Department, including changes to provide a separate return for controlling interest transfers due to the Commissioner of

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	<p>that holds real property triggers liability for the tax.</p> <ul style="list-style-type: none"> • A controlling interest is 50 percent or more of the controlling stock or interest in the entity. • The tax is applied to value of the property held by the entity, apportioned to reflect the percentage of ownership interest that was transferred. • If more than one person is acting in concert, their interests are aggregated for the purpose of determining a controlling interest and their liability for the tax. 		Taxes, rather than the town clerk.
15-16	<p>Land gains tax</p> <ul style="list-style-type: none"> • Changes definition of “land” so that the tax only applies to land that is purchased and subdivided in the six years prior to the sale or exchange. • If a sale or exchange of property is for land that falls outside of this definition, there is no obligation to file or withhold. • Effective January 1, 2020. 	15-16	Puts back in an exemption for land transferred with a primary residence on it.
17	<p>Fuel tax</p> <ul style="list-style-type: none"> • Clarifies who the tax applies to in light of 2016 changes. • Extends the sunset on the tax for five years to 2024. 	17	No change.
18	<p>Health Information Technology</p> <ul style="list-style-type: none"> • Extends the current Health Claims Tax revenue devoted to the Health Information Technology Fund for an additional year, until July 1, 2020. 	18-20	Extends sunset for two years, rather than one, to 7/1/21. Uses updated language to reflect changes in the budget adjustment act.
19	Extends the sunset on the home health agency provider tax by two years, until 7/1/21.	21	No change.
20	Effective dates.	22	Effective dates