

Vermont Legislative Joint Fiscal Office

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REVISED FISCAL NOTE

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H.954 An act relating to miscellaneous tax provisions – As Passed by The House

Revised fiscal impact of changes in the safe harbor levels for the use tax (Sec. 8).

Sec. 6 of the bill relating to increasing the property tax hearing officer per diem would result in a negligible, but indeterminate, negative impact on State resources. Section 19 of the bill relating to the distributions of 529 plans for apprenticeship programs and upon death and disability is projected to have minimal fiscal impact (\$30,000 or less).

Sec. 8 The JFO estimate of the revenue loss in FY 2021 due to the changes in the safe harbor levels for the use tax is \$740,000. However, this change may improve prospects for stemming revenue declines in future years. The reduced safe harbor amounts may increase its usage or at least stem the decline in usage. Because this change affects the Sales and Use Tax, this decrease in revenues will only impact Education Fund.

The legislative proposal is to reduce the use tax table to the lesser of 0.05% of AGI, or \$150, beginning in tax year 2020. This reduction, in part is designed to reflect the increase sales tax collections from online vendors. The current schedule is .1% of AGI with a maximum payment of \$500. The new maximum payment changes and rate change correlates with out of state purchases of \$2,500 rather than \$8,333 under the current law.

The new revenue estimate is based on tax year 2019 revenues which are projected to be significantly less than tax year 2018 collections, see Table 1. Based on information received to date, and current filing trends, the Tax Department estimates that use tax revenues will decrease from \$3.36M in tax year 2018 to \$2.16M in tax year 2019. It is likely that the decrease in year over year use tax revenue is a result of behavioral changes in response to increased online collections.

In tax year 2019, use tax paid table-based filers is estimated to be \$1.64M. With the proposed use tax table reductions – table-based use tax revenue is estimated to decrease by 50% resulting in projected revenues of \$819,000. With some additional fall off likely, we further estimate that the potential revenue loss is \$740,000 (90% of projected 2019 table-based revenues).

The decrease in use tax revenue is generally offset by an increase in sales tax revenue generated from increased collection from online vendors. The increasing revenue is more significant than the use tax, as compliance occurs at the point of sale rather than the 9% to 12% compliance with use tax.

Table 1: Tax Year 2018 and Estimated Tax Year 2019 Use Tax Revenue

| | 2018 Returns | 2018 Revenue Collected | 2019 Revenue Estimates | 2019 Paid to Date | # of Returns to Date |
|-------------|---------------------|-------------------------------|-------------------------------|--------------------------|-----------------------------|
| Non table | 18,087 | \$1,223,360 | \$521,935 | \$415,218 | 7,383 |
| Table | 27,820 | \$2,138,479 | \$1,638,065 | \$1,303,140 | 18,921 |
| Zero | 337,374 | - | - | - | 278,722 |
| Grand Total | 383,281 | \$3,361,839 | \$2,160,000 | \$1,718,358 | 305,026 |
| Compliance | 12% | | 9% Estimated | | |

Information provided by the Vermont Dept of Taxes