Prepared by the Joint Fiscal Office
March 12, 2019

Brief list of Vermont business tax credits

- Investment Tax Credit: $1.5 million in FY2018
  - 24% of the Federal investment tax credit. For VT property investment for rehabilitation, energy, advanced coal products, gasification products.
- Research and Development Tax Credit: $1.651 million
  - 27% of the Federal R&D Credit
  - Can be taken against personal income, or corporate income tax (most credits taken by corporate payers)
  - List of claimants published each year by Tax Department
- Farm Income Averaging Credit: $76,000
  - 24% of the Federal farm income averaging credit
- Housing and Construction Tax Credits
  - Affordable Housing Credits: $2.25 million in FY2018
    - Used to construct affordable housing
    - Can be taken against personal income, bank franchise tax or corporate income tax (although almost all taken against BFT)
  - Downtown and Village Center Tax Credits: $1.02 million in FY2018
    - Used to rehabilitate buildings in downtown or village centers
    - Can be taken against personal income, bank franchise tax or corporate income tax (although almost all taken against BFT)
  - Charitable Housing Credit: $35,000
    - Used to construct affordable housing
    - Can be taken against personal income, bank franchise tax or corporate income tax (although almost all taken against BFT)
  - Others
    - Façade/Code Improvement Credits
    - Historic Rehabilitation Credit

- Vermont Employment Growth Incentive (VEGI): ~$5m per year
  - Not necessarily a credit, but is exclusively claimed by businesses
  - List of claimants available from ACCD

Other considerations

- Businesses have many deductions that would impact carbon emissions
  - Mileage, fuel costs (heating and transportation), other fuel inputs
  - Most of these are federally defined and not considered Vermont tax expenditures
- Other non-business tax expenditures contribute to Vermont's carbon footprint
  - Sales tax exemption for residential heating fuel purchases
  - Exemptions from the gasoline, diesel, and motor vehicle purchase and use

JFO Comments

- Evaluation would be difficult for the following reasons:
  - Data availability
    - JFO does not have access to individual taxpayers
    - Tax does have access, but Tax cannot necessarily discern whether a company who claims these credits is a carbon-intense industry, or whether the credits themselves are used for activities that would produce carbon emissions
  - Direct versus indirect carbon impact of credits/deductions
    - R&D credit may be used for developing a new product, which might necessitate higher transport costs (contributing to carbon emissions), although the product itself is not carbon-emitting.
  - Staff capacity
    - JFO does not have expertise in the areas of determining carbon impacts.
    - JFO and Tax's work on the Tax Expenditure Report is currently quite time intensive.

Prepared by the Joint Fiscal Office
March 12, 2019