

H.436

An act relating to miscellaneous changes to Vermont's tax laws

The Senate proposes to the House to amend the bill as follows:

First: By striking out Sec. 11, 32 V.S.A. § 9706(nn), and its reader assistance heading in their entireties and inserting in lieu thereof the following:

* * * Sales and Use Tax * * *

Sec. 11. 32 V.S.A. § 9706(nn) and (oo) are added to read:

(nn) The statutory purpose of the exemption for sales of recyclable paper carryout bags in subdivision 9741(54) of this title is to lessen the cost of recyclable paper carryout bags incidental to other retail purchases made by customers in Vermont.

(oo) The statutory purpose of the exemption for feminine hygiene products in subdivision 9741(56) of this title is to limit the cost of goods that are necessary for the health and welfare of Vermonters.

Sec. 11a. 32 V.S.A. § 9741 is amended to read:

§ 9741. SALES NOT COVERED

Retail sales and use of the following shall be exempt from the tax on retail sales imposed under section 9771 of this title and the use tax imposed under section 9773 of this title:

* * *

(26) Sales of electricity, oil, gas, and other fuels used in a residence for all domestic use, including heating, but not including fuel sold at retail in free-standing containers, or sold as part of a transaction where a free-standing container is exchanged without a separate charge. Wood pellets sold to an individual on the vendor's premises or delivered to an individual's residence shall be presumed to be purchased for residential use and shall be exempt sales under this subdivision unless the vendor knew or ought reasonably to have known that the wood pellets were not purchased for residential use. A certificate of exemption shall not be required for exempt retail sales of wood pellets to an individual. The Commissioner shall by rule determine that portion of the sales attributable to domestic use where fuels are used for purposes in addition to domestic use.

* * *

(56) Feminine hygiene products. As used in this subdivision, “feminine hygiene products” means tampons, panty liners, menstrual cups, sanitary napkins, and other similar tangible personal property designed for feminine hygiene in connection with the human menstrual cycle but does not include “grooming and hygiene products” as defined in this chapter.

Second: By striking out Sec. 17, effective dates, and its reader assistance heading in their entireties and inserting in lieu thereof the following:

* * * Education Property Tax; Yields; Nonhomestead Rate * * *

Sec. 17. PROPERTY DOLLAR EQUIVALENT YIELD, INCOME DOLLAR
EQUIVALENT YIELD, AND NONHOMESTEAD RATE FOR
FISCAL YEAR 2022

(a) Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2022 only, the
property dollar equivalent yield shall be \$11,202.00.

(b) Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2022 only, the income
dollar equivalent yield shall be \$13,770.00.

(c) Notwithstanding 32 V.S.A. § 5402(a)(1) and any other provision of law
to the contrary, the tax rate for nonhomestead property for fiscal year 2022
shall be \$1.628 per \$100.00 of equalized education property value.

* * * Exclusion from Excess Spending Penalty; Capital Project Costs * * *

Sec. 18. 16 V.S.A. § 4001 is amended to read:

§ 4001. DEFINITIONS

As used in this chapter:

* * *

(6) “Education spending” means the amount of the school district budget, any assessment for a joint contract school, career technical center payments made on behalf of the district under subsection 1561(b) of this title, and any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) that is paid for by the school district, but excluding any portion of the school budget

paid for from any other sources such as endowments, parental fundraising, federal funds, nongovernmental grants, or other State funds such as special education funds paid under chapter 101 of this title.

(A) [Repealed.]

(B) For purposes of calculating excess spending pursuant to 32 V.S.A. § 5401(12), “education spending” shall not include:

(i) Spending during the budget year for:

(I) approved school capital construction for a project that received preliminary approval under section 3448 of this title, including interest paid on the debt, provided the district shall not be reimbursed or otherwise receive State construction aid for the approved school capital construction; or

(II) spending on eligible school capital project costs pursuant to the State Board of Education’s Rule 6134 for a project that received preliminary approval under section 3448 of this title.

(ii) For a project that received final approval for State construction aid under chapter 123 of this title:

(I) spending for approved school capital construction during the budget year that represents the district’s share of the project, including interest paid on the debt; ~~and~~ or

(II) payment during the budget year of interest on funds borrowed under subdivision 563(21) of this title in anticipation of receiving State aid for the project.

(iii) Spending that is approved school capital construction spending or deposited into a reserve fund under 24 V.S.A. § 2804 to pay future approved school capital construction costs, including that portion of tuition paid to an independent school designated as the public high school of the school district pursuant to section 827 of this title for capital construction costs by the independent school that has received approval from the State Board of Education, using the processes for preliminary approval of public school construction costs pursuant to subdivision 3448(a)(2) of this title.

* * *

* * * Declining Enrollment; 3.5 Percent Hold Harmless * * *

Sec. 19. 16 V.S.A. § 4010 is amended to read:

§ 4010. DETERMINATION OF WEIGHTED MEMBERSHIP

* * *

(f) For purposes of determining weighted membership under this section, a district's equalized pupils shall in no case be less than 96 and one-half percent of the actual number of equalized pupils in the district in the previous year, prior to making any adjustment under this section.

* * *

* * * Small Schools Grants * * *

Sec. 20. 16 V.S.A. § 4015 is amended to read

* * *

(f)(1) Notwithstanding anything to the contrary in this section, a school district that received a small schools grant in fiscal year 2020 shall continue to receive an annual small schools grant.

(2) Payment of the grant under this subsection shall continue annually unless explicitly repealed by the General Assembly; provided, however, that the Secretary shall discontinue payment of the grant in the fiscal year following the cessation of operations of the school that made the district eligible for the small schools grant, and further provided that if the building that houses the school that made the district eligible for the small schools grant is consolidated with another school into a renovated or new school building, then the Secretary shall continue to pay the grant during the repayment term of any bonded indebtedness incurred in connection with the consolidation-related renovation or construction.

(3) A school district that is eligible to receive an annual small schools grant under this subsection shall not also be eligible to receive a small school grant or its equivalent under subsection (b) of this section or under any other provision of law.

* * * Department of Taxes; Property Data Reports * * *

Sec. 21. COMMERCIAL PROPERTY APPRAISAL PROPOSAL

On or before January 15, 2022, the Commissioner of Taxes, in consultation with the Vermont League of Cities and Towns, shall submit a proposal, including proposed legislation, to the House Committees on Government Operations and on Ways and Means and the Senate Committees on Finance and on Government Operations that recommends ways to assist towns with appraising high-value or unique commercial properties, including property owned by utilities. In making the proposal required under this section, the Commissioner shall consider the recommendations contained in the Final Report of the Vermont Tax Structure Commission dated February 8, 2021 relating to appraisals, including the possibility of creating a State appraisal and litigation assistance program.

Sec. 22. REPORT; DEPARTMENT OF TAXES; SECONDARY
RESIDENCES

On or before January 15, 2022, the Commissioner of Taxes, in consultation with the Vermont League of Cities and Towns and the Vermont Municipal Clerks' and Treasurers' Association, shall submit a report to the House Committee on Ways and Means and the Senate Committee on Finance proposing options to collect and report data annually on the number and grand list value of secondary residences located within this State. The report

required under this section shall include the following recommendations:

(1) a definition for “secondary residences” to determine the new grand list classification of properties that would be subject to data collection and reporting;

(2) a structure and an implementation plan for collecting and reporting data on secondary residences as part of the grand list, including the State entity or State and municipal entities that would conduct the data collection and reporting; and

(3) initial and on-going education and guidance for municipalities and listers.

* * * Annual Link to Federal Statutes * * *

Sec. 23. 32 V.S.A. § 5824 is amended to read:

§ 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

The statutes of the United States relating to the federal income tax, as in effect on ~~December 31, 2020~~ March 31, 2021, but without regard to federal income tax rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the tax liability under this chapter, and shall continue in effect as adopted until amended, repealed, or replaced by act of the General Assembly.

Sec. 24. 32 V.S.A. § 7402(8) is amended to read:

(8) “Laws of the United States” means the U.S. Internal Revenue Code of 1986, as amended through December 31, 2020, ~~which shall continue in~~

~~effect as adopted until amended, repealed, or replaced by act of the General Assembly.~~ As used in this chapter, “Internal Revenue Code” has the same meaning as “laws of the United States” as defined in this subdivision. The date through which amendments to the U.S. Internal Revenue Code of 1986 are adopted under this subdivision shall continue in effect until amended, repealed, or replaced by act of the General Assembly.

Sec. 25. REPEAL; FORGIVEN PAYROLL PROTECTION PROGRAM
LOANS INCLUDED IN TAXABLE INCOME

2021 Acts and Resolves No. 9, Sec. 23c (forgiven PPP loans included in taxable income) is repealed.

* * * Tax Increment Financing Districts * * *

Sec. 26. 32 V.S.A. § 5404a(1) is amended to read:

(1) The State Auditor of Accounts shall conduct performance audits of all tax increment financing districts according to a schedule, which will be arrived at in consultation with the Vermont Economic Progress Council. The cost of conducting each audit shall be considered a “related cost” as defined in 24 V.S.A. § 1891(6) and shall be billed back to the municipality. Audits conducted pursuant to this subsection shall include a review of a municipality’s adherence to relevant statutes and rules adopted by the Vermont Economic Progress Council pursuant to subsection (j) of this section, an assessment of record keeping related to revenues and expenditures, and a validation of the

portion of the tax increment retained by the municipality and used for debt repayment and the portion directed to the Education Fund.

(1)(A) For municipalities with a district created prior to January 1, 2006 and a debt repayment schedule that anticipates retention of education increment beyond fiscal year 2016, an audit shall be conducted when approximately three-quarters of the period for retention of education increment has elapsed, and at the end of that same period, an audit shall be conducted for the final one-quarter period for retention of education increment, ~~except that for the Milton Catamount/Husky district and the Burlington Waterfront district only a final audit shall be conducted to cover the period from the effective date of the rules pursuant to subdivision (j)(1) of this section to the end of the retention period.~~

(B) Notwithstanding subdivision (1)(A) of this subsection, the audit schedule for the Burlington Waterfront Tax Increment Financing District shall be as follows:

(i) an audit shall be conducted not less than 5 years after the effective date of the rules adopted pursuant subdivision (j)(1) of this section;

(ii) an audit shall be conducted not more than three years from the date debt is incurred as allowed by 2020 Acts and Resolves No. 175, Sec. 29

(4);

(iii) a final audit shall be conducted at the end of the retention period for the District.

* * *

* * * Effective Dates * * *

Sec. 27. EFFECTIVE DATES

This act shall take effect on July 1, 2021, except:

(1) Sec. 1 (taxable meal facilitators) shall take effect on August 1, 2021.

(2) Notwithstanding 1 V.S.A. § 214, Sec. 2 (alcoholic beverages) shall take effect retroactively on April 1, 2021 and apply to sales made on and after April 1, 2021.

(3) Notwithstanding 1 V.S.A. § 214, Secs. 9–10 (current use contingent lien and subordination fee) and 11 (tax expenditure; statutory purpose) shall take effect retroactively on July 1, 2020. Secs. 9–10 shall take effect retroactively to correct an erroneous technical revision to 2019 Acts and Resolves, No. 20, Sec. 109(a).

(4) Secs. 19–20 (3.5 percent hold harmless; small schools grant) shall take effect on passage.

(5) Notwithstanding 1 V.S.A. § 214, Sec. 23 (tax year 2021 link to federal income tax statutes) shall take effect retroactively on March 31, 2021 and shall apply to taxable years beginning on and after January 1, 2021.

(6) Notwithstanding 1 V.S.A. § 214, Sec. 24 (tax year 2020 link to federal estate tax statutes) shall take effect retroactively on January 1, 2021 and shall apply to taxable years beginning on and after January 1, 2020.

(7) Notwithstanding 1 V.S.A. § 214, Sec. 25 (repeal; forgiven PPP loans included in taxable income) shall take effect retroactively on January 1, 2021.