



VERMONT LEGISLATIVE  
**Joint Fiscal Office**

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## Fiscal Note

May 9, 2022

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### **H.738 – An act relating to technical and administrative changes to Vermont’s tax laws**

**As passed by the House and further recommended by the Senate Committee Finance**

<https://legislature.vermont.gov/Documents/2022/WorkGroups/Senate%20Finance/Bills/H.738/Drafts,%20Amendments%20and%20Legal%20Documents/H.738~Abby%20Shepard~As%20Recommended%20by%20the%20Senate%20Committee%20on%20Finance~5-6-2022.pdf>

#### **Bill Summary**

**T**his bill makes numerous technical changes to Vermont’s tax laws, including but not limited to:

- Making hunting and fishing licenses free of charge to any Native American group.
- Creating a reimbursement system for legislative mileage so that these payments can be treated as nontaxable for State and federal income tax withholding purposes.
- Allowing money from Vermont’s 529 plan to be used for student loan payments up to \$10,000 and preventing any Vermont Higher Education Investment Plan (VHEIP) tax credit from being recaptured if a plan holder used their funds for that purpose.
- Requiring communications union districts to notify the Vermont Community Broadband Board if they are at risk of defaulting on a loan for a broadband project.
- Resetting the original taxable value of the Montpelier TIF district to values as of April 1, 2023.
- Broadening the sales tax exemption for manufacturing inputs to include inputs used as part of an integrated production process.
- Clarifying the property transfer tax to include enhanced life estates.
- Aligning Vermont’s reporting requirements for partnerships with the Federal standard.

#### **Fiscal Impact**

**JFO estimates the bill will reduce overall State revenues by \$900,000 in FY2023.** This impact is due to the sales tax exemption for manufacturing inputs in section 27 of the bill. This impact will be to the Education Fund.

Section 15 of the bill will have a very minimal effect on General Fund revenues due to decreases in hunting and fishing license revenues not collected from Native American groups. This is expected to amount to less than \$5,000 in FY2023. Section 18 (VHEIP tax credit) could have a small downward impact on revenues, but no data exists on the amount of tax credits recaptured because of unauthorized withdrawals from 529 plans. Based upon discussions with the Vermont Department of Taxes, the change in Section 18 is expected to have minimal impact on personal income tax revenues.