

1 TO THE HONORABLE SENATE:

2 The Committee on Finance to which was referred House Bill No. 436  
3 entitled “An act relating to miscellaneous changes to Vermont’s tax laws”  
4 respectfully reports that it has considered the same and recommends that the  
5 Senate propose to the House that the bill be amended as follows:

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

8 \* \* \* Sales and Use Tax \* \* \*

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

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

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

17 Sec. 11a. 32 V.S.A. § 9741(56) is added to read:

18 (56) Feminine hygiene products. As used in this subdivision, “feminine  
19 hygiene products” means tampons, panty liners, menstrual cups, sanitary  
20 napkins, and other similar tangible personal property designed for feminine

1 hygiene in connection with the human menstrual cycle but does not include  
2 “grooming and hygiene products” as defined in this chapter.

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

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

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

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

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

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

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

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

18 § 4001. DEFINITIONS

19 As used in this chapter:

20 \* \* \*

1           (6) “Education spending” means the amount of the school district  
2 budget, any assessment for a joint contract school, career technical center  
3 payments made on behalf of the district under subsection 1561(b) of this title,  
4 and any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) that is  
5 paid for by the school district, but excluding any portion of the school budget  
6 paid for from any other sources such as endowments, parental fundraising,  
7 federal funds, nongovernmental grants, or other State funds such as special  
8 education funds paid under chapter 101 of this title.

9           (A) [Repealed.]

10           (B) For purposes of calculating excess spending pursuant to  
11 32 V.S.A. § 5401(12), “education spending” shall not include:

12           (i) Spending during the budget year for:

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

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

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

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

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

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

17 \* \* \*

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

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

20 § 4010. DETERMINATION OF WEIGHTED MEMBERSHIP

21 \* \* \*

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

5                               \* \* \*

6                               \* \* \* Small Schools Grants \* \* \*

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

8                               \* \* \*

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

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

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

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

6           Sec. 21. COMMERCIAL PROPERTY APPRAISAL PROPOSAL

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

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

20           On or before January 15, 2022, the Commissioner of Taxes, in consultation  
21           with the Vermont League of Cities and Towns and the Vermont Municipal

1 Clerks’ and Treasurers’ Association, shall submit a report to the House  
2 Committee on Ways and Means and the Senate Committee on Finance  
3 proposing options to collect and report data annually on the number and grand  
4 list value of secondary residences located within this State. The report  
5 required under this section shall include the following recommendations:

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

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

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

15 \* \* \* Annual Link to Federal Statutes \* \* \*

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

17 § 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

18 The statutes of the United States relating to the federal income tax, as in  
19 effect on ~~December 31, 2020~~ March 31, 2021, but without regard to federal  
20 income tax rates under 26 U.S.C. § 1, are hereby adopted for the purpose of

1 computing the tax liability under this chapter, and shall continue in effect as  
2 adopted until amended, repealed, or replaced by act of the General Assembly.

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

4 (8) “Laws of the United States” means the U.S. Internal Revenue Code  
5 of 1986, as amended through December 31, 2020, ~~which shall continue in~~  
6 ~~effect as adopted until amended, repealed, or replaced by act of the General~~  
7 ~~Assembly.~~ As used in this chapter, “Internal Revenue Code” has the same  
8 meaning as “laws of the United States” as defined in this subdivision. The date  
9 through which amendments to the U.S. Internal Revenue Code of 1986 are  
10 adopted under this subdivision shall continue in effect until amended, repealed,  
11 or replaced by act of the General Assembly.

12 Sec. 25. REPEAL; FORGIVEN PAYROLL PROTECTION PROGRAM

13 LOANS INCLUDED IN TAXABLE INCOME

14 2021 Acts and Resolves No. 9, Sec. 23c (forgiven PPP loans included in  
15 taxable income) is repealed.

16 \* \* \* Tax Increment Financing Districts \* \* \*

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

18 (1) The State Auditor of Accounts shall conduct performance audits of all  
19 tax increment financing districts according to a schedule, which will be arrived  
20 at in consultation with the Vermont Economic Progress Council. The cost of  
21 conducting each audit shall be considered a “related cost” as defined in 24



1 V.S.A. § 1891(6) and shall be billed back to the municipality. Audits  
2 conducted pursuant to this subsection shall include a review of a municipality's  
3 adherence to relevant statutes and rules adopted by the Vermont Economic  
4 Progress Council pursuant to subsection (j) of this section, an assessment of  
5 record keeping related to revenues and expenditures, and a validation of the  
6 portion of the tax increment retained by the municipality and used for debt  
7 repayment and the portion directed to the Education Fund.

8 (1)(A) For municipalities with a district created prior to January 1,  
9 2006 and a debt repayment schedule that anticipates retention of education  
10 increment beyond fiscal year 2016, an audit shall be conducted when  
11 approximately three-quarters of the period for retention of education increment  
12 has elapsed, and at the end of that same period, an audit shall be conducted for  
13 the final one-quarter period for retention of education increment, ~~except that~~  
14 ~~for the Milton-Catamount/Husky district and the Burlington Waterfront district~~  
15 ~~only a final audit shall be conducted to cover the period from the effective date~~  
16 ~~of the rules pursuant to subdivision (j)(1) of this section to the end of the~~  
17 ~~retention period.~~

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

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

3                    (ii) an audit shall be conducted not more than three years from the  
4                    date debt is incurred as allowed by 2020 Acts and Resolves No. 175, Sec. 29  
5                    (4);

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

8                    \* \* \*

9                    \* \* \* Effective Dates \* \* \*

10                  Sec. 27. EFFECTIVE DATES

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

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

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

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

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

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

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

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

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17          (Committee vote: \_\_\_\_\_)

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\_\_\_\_\_

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Senator \_\_\_\_\_

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FOR THE COMMITTEE