

1 Introduced by Committee on Ways and Means

2 Date:

3 Subject: Personal income tax; meals and rooms tax; sales and use tax; property
4 valuation; use value appraisal; property transfer tax

5 Statement of purpose of bill as introduced: This bill proposes to make
6 numerous changes to Vermont’s tax laws, including to personal income tax,
7 meals and rooms tax, sales and use tax, use value appraisal, property valuation,
8 the homestead property tax credit, and property transfer tax.

9 An act relating to technical and administrative changes to Vermont’s tax
10 laws

11 It is hereby enacted by the General Assembly of the State of Vermont:

12 * * * Annual Link to Federal Statutes * * *

13 Sec. 1. 32 V.S.A. § 5824 is amended to read:

14 § 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

15 The statutes of the United States relating to the federal income tax, as in
16 effect on December 31, ~~2021~~ 2022, but without regard to federal income tax
17 rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the
18 tax liability under this chapter and shall continue in effect as adopted until
19 amended, repealed, or replaced by act of the General Assembly.

1 Sec. 2. 32 V.S.A. § 7402(8) is amended to read:

2 (8) “Laws of the United States” means the U.S. Internal Revenue Code
3 of 1986, as amended through December 31, ~~2024~~ 2022. As used in this
4 chapter, “Internal Revenue Code” has the same meaning as “laws of the United
5 States” as defined in this subdivision. The date through which amendments to
6 the U.S. Internal Revenue Code of 1986 are adopted under this subdivision
7 shall continue in effect until amended, repealed, or replaced by act of the
8 General Assembly.

9 * * * Taxation of Alcoholic Beverages * * *

10 Sec. 3. 32 V.S.A. § 9741 is amended to read:

11 § 9741. SALES NOT COVERED

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

15 * * *

16 (10) Sales of meals or alcoholic beverages taxed or exempted under
17 chapter 225 of this title, except alcoholic beverages under
18 subdivision 9202(10)(D)(v) or (11)(B)(i) of this title, or any alcoholic
19 beverages ~~provided~~ served for immediate consumption.

20 * * *

1 Sec. 4. 32 V.S.A. § 9202 is amended to read:

2 § 9202. DEFINITIONS

3 As used in this chapter ~~unless the context clearly indicates a different~~
4 ~~meaning:~~

5 * * *

6 (10) “Taxable meal” means:

7 * * *

8 (D) “Taxable meal” ~~shall~~ does not include:

9 * * *

10 (v) Alcoholic beverages produced or manufactured by the
11 restaurant or operator and sold in sealed containers for consumption off
12 premises, provided the restaurant or operator is licensed to sell alcohol by the
13 Department of Liquor and Lottery pursuant to 7 V.S.A. chapter 9.

14 (11)(A) “Alcoholic beverages” ~~means any malt beverages, vinous~~
15 ~~beverages, spirits, or fortified wines~~ has the same meaning as defined in 7
16 V.S.A. § 2 ~~and, when~~ when served for immediate consumption.

17 (B) “Alcoholic beverages” shall be exempt from the tax imposed
18 under section 9241 of this chapter when:

19 (i) produced or manufactured by a restaurant or operator and sold
20 in sealed containers for consumption off premises, provided the restaurant or

1 operator is licensed to sell alcohol by the Department of Liquor and Lottery
2 pursuant to 7 V.S.A. chapter 9; or

3 (ii) served under the circumstances enumerated in subdivision
4 (10)(D)(ii) of this section under which food or beverages or alcoholic
5 beverages are excepted from the definition of “taxable meal.”

6 * * *

7 * * * Refunds; Meals and Rooms Tax; Local Option Tax * * *

8 Sec. 5. 32 V.S.A. § 9245 is amended to read:

9 § 9245. OVERPAYMENT; REFUNDS

10 (a) Upon application by an operator, if the Commissioner determines that
11 any tax, interest, or penalty has been paid more than once, or has been
12 erroneously or illegally collected or computed, the same shall be credited by
13 the Commissioner on any taxes then due from the operator under this chapter,
14 and the balance shall be refunded to the operator or ~~his or her~~ the operator’s
15 successors, administrators, executors, or assigns, together with interest at the
16 rate per annum established from time to time by the Commissioner pursuant to
17 section 3108 of this title. That interest shall be computed from the latest of 45
18 days after the date the return was filed, 45 days after the date the return was
19 due, including any extensions of time thereto, with respect to which the excess
20 payment was made, or, if the taxpayer filed an amended return or otherwise
21 requested a refund, 45 days after the date such amended return or request was

1 filed. Provided, however, no such credit or refund shall be allowed after three
2 years from the date the return was due.

3 (b) An operator must prove the following to be eligible for a refund under
4 this section:

5 (1) that the tax was erroneously or illegally collected or computed; and

6 (2) that any erroneously or illegally collected or computed tax is or will
7 be returned to the purchaser, unless the operator made the overpayment.

8 (c) A purchaser may seek a refund from the Department if the purchaser
9 establishes that the tax was erroneously or illegally collected or computed.

10 The Commissioner shall refund a purchaser in the same manner as under
11 subsection (a) of this section.

12 Sec. 6. 24 V.S.A. § 138(c) is amended to read:

13 (c)(1) Any tax imposed under the authority of this section shall be collected
14 and administered by the Department of Taxes, in accordance with State law
15 governing such State tax or taxes and subdivision (2) of this subsection;

16 provided, however, that a sales tax imposed under this section shall be
17 collected on each sale that is subject to the Vermont sales tax using a
18 destination basis for taxation. Except with respect to taxes collected on the
19 sale of aviation jet fuel, a per-return fee of \$5.96 shall be assessed to
20 compensate the Department for the costs of administration and collection, 70
21 percent of which shall be borne by the municipality, and 30 percent of which

1 shall be borne by the State to be paid from the PILOT Special Fund. The fee
2 shall be subject to the provisions of 32 V.S.A. § 605.

3 (2) Notwithstanding any other law or municipal charter to the contrary,
4 if the Commissioner determines that local option tax was collected on a
5 transaction in a municipality not authorized to impose local option tax under
6 this section, the Commissioner shall either refund the erroneously collected tax
7 pursuant to 32 V.S.A. chapter 233 or 225 or, if the purchaser cannot reasonably
8 be determined, deposit the erroneously collected tax as required for State sales
9 and use tax pursuant to 16 V.S.A. § 4025(a)(6) or State meals and rooms tax
10 pursuant to 10 V.S.A. § 1388(a)(4), 16 V.S.A. § 4025(a)(4), and
11 32 V.S.A. § 435(b)(7).

12 * * * Computer Assisted Property Tax Administration Program Fees * * *

13 Sec. 7. 32 V.S.A. § 3404 is amended to read:

14 § 3404. ~~CAPTAP FEES~~

15 ~~(a) The Director is authorized to charge fees for data processing and~~
16 ~~support services rendered to municipalities relative to the Computer Assisted~~
17 ~~Property Tax Administration Program (CAPTAP) as follows:~~

18 ~~(1) when the Department performs routine data processing for a~~
19 ~~municipality, \$1.75 per parcel;~~

20 ~~(2) when the Department performs data processing services in~~
21 ~~connection with a town reappraisal, \$2.00 per parcel; and~~

1 ~~(3) when the Department performs support, training, or consulting~~
2 ~~services for municipalities using CAPTAP at their own sites: \$350.00 per year~~
3 ~~for municipalities with fewer than 500 parcels; \$450.00 per year for~~
4 ~~municipalities with 500 to 1,000 parcels; \$550.00 per year for municipalities~~
5 ~~with 1,001 to 2,000 parcels; and \$650.00 per year for municipalities with more~~
6 ~~than 2,000 parcels.~~

7 ~~(b) Pursuant to subdivision 603(2) of this title, these fees may be adjusted.~~

8 ~~(c) The fees collected in subsection (a) of this section shall be credited to~~
9 ~~the CAPTAP fees special fund established and managed pursuant to chapter 7,~~
10 ~~subchapter 5 of this title, and shall be available to offset the costs of providing~~
11 ~~those services. [Repealed.]~~

12 Sec. 8. 32 V.S.A. § 3410 is amended to read:

13 § 3410. ~~MAINTENANCE OF DUPLICATE PROPERTY RECORDS~~

14 ~~(a) To supplement and ensure the safekeeping of town records, the Director~~
15 ~~shall establish and maintain a central file of municipal grand lists. These grand~~
16 ~~lists shall be maintained at the office of the Division for a period of two years.~~

17 ~~(b) The town clerks of each town and city shall provide the Director with~~
18 ~~one copy of the grand list at a reasonable charge.~~

19 ~~(c) At a reasonable charge to be established by the Director, the Director~~
20 ~~shall supply to any person or agency a copy of any document contained in the~~
21 ~~file established under this section. [Repealed.]~~

*** Current Use; Form of Notice ***

Sec. 9. 32 V.S.A. § 3756 is amended to read:

§ 3756. QUALIFICATION FOR USE VALUE APPRAISAL

(a) The owner of eligible agricultural land, farm buildings, or managed forestland shall be entitled to have eligible property appraised at its use value, provided the owner shall have applied to the Director on or before September 1 of the previous tax year, on a form provided by the Director. A farmer whose application has been accepted on or before December 31 by the Director of the Division of Property Valuation and Review of the Department of Taxes for enrollment for the use value program for the current tax year shall be entitled to have eligible property appraised at its use value if the farmer was prevented from applying on or before September 1 of the previous year due to the severe illness of the farmer.

(b) [Repealed.]

(c) The Director shall notify the applicant ~~no~~ not later than April 15 of ~~his~~ or her the Director's decision to classify or refusal to classify ~~his or her~~ the applicant's property as eligible for use value appraisal ~~by delivery of such notification to him or her in person or by mailing such notification to his or her last and usual place of abode~~. In the case of a refusal, the Director shall state the reasons therefor in the notification.

1 (f) Each year the Director shall determine whether previously classified
2 property is still eligible for use value appraisal and whether the amount of the
3 previous appraisal is still valid. If the Director determines that previously
4 classified property is no longer eligible, or that the property has undergone a
5 change in use such that the use change tax may be levied in accordance with
6 section 3757 of this chapter, or that the use value appraisal should be fixed at a
7 different amount than the previous year, ~~he or she~~ the Director shall thereafter
8 notify the property owner of that determination ~~by delivery of the notification~~
9 ~~to him or her in person or by mailing such notification to his or her last and~~
10 ~~usual place of abode.~~

11 * * *

12 (h) ~~By~~ On or before March 15, the Director shall ~~mail~~ provide to each
13 municipality a list of property in the municipality that is to be taxed based on
14 its use value appraisal. The list shall include the owners' names, a grand list
15 number or description of each parcel of land to be appraised at use value, the
16 acreage to be taxed on the basis of use value, the use values to be used for land,
17 and the number and type of farm buildings to be appraised by the assessing
18 officials at use value. The assessing officials shall determine the listed value
19 of the land to be taxed at use value and its estimated fair market value, and fill
20 in these values and the difference between them on the form. This form shall
21 be used by the Treasurer or the collector of current taxes to make up tax bills

1 such that the owner is billed only for taxes due on ~~his or her~~ the owner's
2 property not enrolled in the program, plus taxes due on the use value of
3 property enrolled in the program. The assessing officials shall submit the
4 completed form to the Director ~~by~~ on or before July 5.

5 * * *

6 (2)(A) The Director shall remove from use value appraisal an entire
7 parcel or parcels of agricultural land and farm buildings identified by the
8 Secretary of Agriculture, Food and Markets as being used by a person:

9 * * *

10 (B) The Director shall notify the owner that agricultural land or a
11 farm building has been removed from use value appraisal by ~~mailing~~ providing
12 notification of removal to the owner ~~or operator's last and usual place of~~
13 ~~abode~~. After removal of agricultural land or a farm building from use value
14 appraisal under this section, the Director shall not consider a new application
15 for use value appraisal for the agricultural land or farm building until the
16 Secretary of Agriculture, Food and Markets submits to the Director a
17 certification that the owner or operator of the agricultural land or farm building
18 is complying with the water quality requirements of 6 V.S.A. chapter 215 or an
19 order issued under 6 V.S.A. chapter 215. After submission of a certification by
20 the Secretary of Agriculture, Food and Markets, an owner or operator shall be

1 eligible to apply for enrollment of the agricultural land or farm building
2 according to the requirements of this section.

3 * * *

4 * * * Property Transfer Tax; Controlling Interests; Nonprofits * * *

5 Sec. 10. 32 V.S.A. § 9603 is amended to read:

6 § 9603. EXEMPTIONS

7 The following transfers are exempt from the tax imposed by this chapter:

8 * * *

9 (14)(A) Transfers to organizations qualifying under 26 U.S.C.
10 § 501(c)(3), as amended, and that prior to the transfer have been determined to
11 meet the “public support” test of 26 U.S.C. § 509(a)(2), as amended, provided
12 one of the stated purposes of the organization is to acquire property or rights
13 and less than fee interest in property in order to preserve farmland or open-
14 space land, and provided that the property transferred, or rights and interests in
15 the property, will be held by the organization for this purpose. As used in this
16 section, “farmland” means real estate that will be actively operated or leased as
17 part of a farm enterprise, including dwellings and agricultural structures, and
18 “open-space land” ~~shall mean~~ means land without structures thereon.

19 * * *

20 (C)(i) Transfers from one organization qualifying under 26 U.S.C.
21 § 501(c)(3), as amended, to another organization qualifying under 26 U.S.C.

1 § 501(c)(3), provided the organizations are related organizations and the
2 Commissioner does not determine that a primary purpose of the transaction is
3 to avoid the tax imposed under this chapter. As used in this subdivision (C),
4 “related organizations” means one organization holds 50 percent or more of the
5 membership interest of the other organization or one organization appoints or
6 elects, including the power to remove and replace, 50 percent or more of the
7 members of the other organization’s governing body.

8 (ii) Notwithstanding subdivision (i) of this subdivision (C), if the
9 transferee organization receives property in a transaction exempt under
10 subdivision (i) of this subdivision (C) and subsequently transfers any portion
11 of the property not more than five years after the date of the first transfer, the
12 transferee organization shall pay the tax imposed under this chapter on the
13 value of the property transferred at the time of the first transfer. The tax
14 imposed under this subdivision (ii) shall be due not later than 30 days after the
15 second transfer and shall apply in addition to any tax due under this chapter on
16 the second transfer.

17 * * *

18 * * * Child and Dependent Care Credit * * *

19 Sec. 11. 32 V.S.A. § 5828c is amended to read:

20 § 5828c. CHILD AND DEPENDENT CARE CREDIT

1 A resident or part-year resident of this State shall be eligible for a
2 refundable credit against the tax imposed under section 5822 of this title. The
3 credit shall be equal to 72 percent of the federal child and dependent care
4 credit allowed to the taxpayer for the taxable year for child or dependent care
5 services provided in this State. The amount of the credit for a part-year
6 resident shall be multiplied by the percentage that the individual’s income that
7 is earned or received during the period of the individual’s residency in this
8 State bears to the individual’s total income.

9 * * * Property Tax Valuation; Qualified Rental Units; VHFA Certificate * * *
10 Sec. 12. 32 V.S.A. § 5404a(a) is amended to read:

11 (a) A tax agreement or exemption shall affect the education property tax
12 grand list of the municipality in which the property subject to the agreement is
13 located if the agreement or exemption is:

14 * * *

15 (6) An exemption of a portion of the value of a qualified rental unit
16 parcel. An owner of a qualified rental unit parcel shall be entitled to an
17 exemption on the education property tax grand list of 10 percent of the grand
18 list value of the parcel, multiplied by the ratio of square footage of
19 improvements used for or related to residential rental purposes to total square
20 footage of all improvements, multiplied by the ratio of qualified rental units to
21 total residential rental units on the parcel. “Qualified rental units” means

1 residential rental units that are subject to rent restriction under provisions of
2 State or federal law, but excluding units subject to rent restrictions under only
3 one of the following programs: Section 8 moderate rehabilitation, Section 8
4 housing choice vouchers, or Section 236 or Section 515 rural development
5 rental housing. A municipality shall allow the percentage exemption under
6 this subsection upon presentation by the taxpayer to the municipality, by April
7 1, of a certificate of education grand list value exemption obtained from the
8 Vermont Housing Finance Agency (VHFA). VHFA shall issue a certificate of
9 exemption upon presentation by the taxpayer of information that VHFA and
10 the Commissioner shall require. A certificate of exemption issued by VHFA
11 under this subsection shall expire upon transfer of the building, upon
12 expiration of the rent restriction, or after 10 years, whichever first occurs.—~~The;~~
13 provided, however, that the certificate of exemption may be renewed once after
14 10 years and every 10 years thereafter if VHFA finds that the property
15 continues to meet the requirements of this subsection.

16 * * * Property Tax Credit; Filing Deadlines and Notice to Taxpayers* * *

17 Sec. 13. 32 V.S.A. § 6068 is amended to read:

18 § 6068. APPLICATION AND TIME FOR FILING

19 (a) A property tax credit claim or request for allocation of an income tax
20 refund to homestead property tax payment shall be filed with the
21 Commissioner on or before the due date for filing the Vermont income tax

1 return, without extension, and shall describe the school district in which the
2 homestead property is located and shall particularly describe the homestead
3 property for which the credit or allocation is sought, including the school
4 parcel account number prescribed in subsection 5404(b) of this title. A renter
5 credit claim shall be filed with the Commissioner on or before the due date for
6 filing the Vermont income tax return, without extension.

7 (b) If the claimant fails to file a timely claim, the amount of the property
8 tax credit under this chapter shall be reduced by \$15.00, but not below \$0.00,
9 which shall be paid to the municipality for the cost of issuing an adjusted
10 homestead property tax bill. ~~No benefit shall be allowed in the calendar year~~
11 ~~unless the claim is filed with the Commissioner on or before October 15.~~ If the
12 claimant files a claim after October 15 but on or before March 15 of the
13 following calendar year, the property tax credit under this chapter:

14 (1) shall be reduced in amount by \$150.00, but not below \$0.00;

15 (2) shall be issued directly to the claimant; and

16 (3) shall not alter the grand list of the municipality where the claimant's
17 property is located.

18 (c) No request for allocation of an income tax refund or for a renter
19 credit claim may be made after October 15. No property tax credit claim may
20 be made after March 15 of the calendar year following the due date under
21 subsection (a) of this section.

1 Sec. 14. 32 V.S.A. § 6065 is amended to read:

2 § 6065. FORMS; TABLES; NOTICES

3 (a) In administering this chapter, the Commissioner shall provide suitable
4 claim forms with tables of allowable claims, instructions, and worksheets for
5 claiming a homestead property tax credit.

6 (b) Prior to June 1, the Commissioner shall also prepare and supply to each
7 town in the State notices in plain language describing the homestead property
8 tax credit, including the eligibility requirements and deadlines, for inclusion in
9 property tax bills. A town shall include ~~such~~ the Commissioner's notice in
10 each tax bill and notice of delinquent taxes that it mails to taxpayers who own
11 in that town a homestead as defined in subdivision 5401(7) of this title. In
12 addition to including the Commissioner's notice in mailings as prescribed in
13 this subsection, towns may distribute the Commissioner's notice in an
14 alternative manner to ensure the widest distribution of the Commissioner's
15 notice to as many homestead taxpayers in the town as possible.

16 (c) ~~Notwithstanding the provisions of subsection (b) of this section, towns~~
17 ~~that use envelopes or mailers not able to accommodate notices describing the~~
18 ~~homestead tax credit may distribute such notices in an alternative manner.~~

19 [Repealed.]

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* * * Effective Dates * * *

Sec. 15. EFFECTIVE DATES

This act shall take effect on passage, except, notwithstanding 1 V.S.A. § 214:

(1) Secs. 1–2 (annual link to federal statutes) shall take effect retroactively on January 1, 2023 and shall apply to taxable years beginning on and after January 1, 2022.

(2) Sec. 1 (child and dependent care credit) shall take effect retroactively on January 1, 2023 and shall apply to taxable years beginning on and after January 1, 2023.

