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H.546

Introduced by Representative Canfield of Fair Haven

Referred to Committee on

Date:

Subject: Property valuation; income tax; renter credit

Statement of purpose of bill as introduced: This bill proposes to make several administrative and policy changes to tax laws.

An act relating to administrative and policy changes to tax laws

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

* * * Per Parcel Fee for Property Reappraisal * * *

Sec. 1. 32 V.S.A. § 4041a is amended to read:

§ 4041a. REAPPRAISAL

(a) A municipality shall be paid \$8.50 per grand list parcel per year from the ~~Education~~ General Fund to be used only for reappraisal and costs related to reappraisal of its grand list properties and for maintenance of the grand list.

* * *

Sec. 2. 32 V.S.A. § 5412 is amended to read:

§ 5412. REDUCTION OF LISTED VALUE AND RECALCULATION OF
EDUCATION TAX LIABILITY

1 (a)(1) If a listed value is reduced as the result of an appeal or court action
2 made pursuant to section 4461 of this title, a municipality may submit a
3 request for the Director of Property Valuation and Review to recalculate its
4 education property tax liability for the education grand list value lost due to a
5 determination, declaratory judgment, or settlement. The Director shall
6 recalculate the municipality's education property tax liability for each year at
7 issue, in accord with the reduced valuation, provided that:

8 (A) The reduction in valuation is the result of an appeal under chapter
9 131 of this title to the Director of Property Valuation and Review or to a court,
10 with no further appeal available with regard to that valuation, or any judicial
11 decision with no further right of appeal, or a settlement of either an appeal or
12 court action if the Director determines that the settlement value is the fair
13 market value of the parcel. The Director may waive the requirement of
14 continuing an appeal or court action until there is no further right of appeal if
15 the Director concludes that the value determined by an adjudicated decision is
16 a reasonable representation of the fair market value of the parcel.

17 (B) The municipality submits the request on or before January 15 for
18 a request involving an appeal or court action resolved within the previous
19 calendar year.

20 (C) [Repealed.]

1 (D) The Director determines that the municipality’s actions were
2 consistent with best practices published by the Property Valuation and Review
3 in consultation with the Vermont Assessors and Listers Association. The
4 municipality shall have the burden of showing that its actions were consistent
5 with the Director’s best practices.

6 * * *

7 * * * Annual Link to Federal Income Tax Law * * *

8 Sec. 3. 32 V.S.A. § 5824 is amended to read:

9 § 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

10 The statutes of the United States relating to the federal income tax, as in
11 effect on December 31, ~~2022~~ 2023, but without regard to federal income tax
12 rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the
13 tax liability under this chapter and shall continue in effect as adopted until
14 amended, repealed, or replaced by act of the General Assembly.

15 Sec. 4. 32 V.S.A. § 7402 is amended to read:

16 § 7402. DEFINITIONS

17 As used in this chapter unless the context requires otherwise:

18 * * *

19 (8) “Laws of the United States” means the U.S. Internal Revenue Code
20 of 1986, as amended through December 31, ~~2022~~ 2023. As used in this
21 chapter, “Internal Revenue Code” has the same meaning as “laws of the United

1 States” as defined in this subdivision. The date through which amendments to
2 the U.S. Internal Revenue Code of 1986 are adopted under this subdivision
3 shall continue in effect until amended, repealed, or replaced by act of the
4 General Assembly.

5 * * *

6 * * * Expansion of Renter Credit * * *

7 Sec. 5. 32 V.S.A. § 6061 is amended to read:

8 § 6061. DEFINITIONS

9 As used in this chapter unless the context requires otherwise:

10 * * *

11 (20) “Very low-income limit” means an amount of income 1.3 times the
12 amount of the income limit for very low-income families as determined by the
13 U.S. Department of Housing and Urban Development pursuant to 42 U.S.C.
14 § 1437a as of June 30 of the taxable year, provided that for claimants who
15 reside in Franklin or Grand Isle ~~county~~ County, “very low-income limit”
16 means 1.3 times the average of the very low-income limits for the State as
17 determined by the U.S. Department of Housing and Urban Development.

1 * * * Repeal of Property Tax Credit Late Fee * * *

2 Sec. 6. 32 V.S.A. § 6066a is amended as follows:

3 § 6066a. DETERMINATION OF PROPERTY TAX CREDIT

4 (a) Annually, the Commissioner shall determine the property tax credit
5 amount under section 6066 of this title, related to a homestead owned by the
6 claimant, based on the prior taxable year's income and crediting property taxes
7 paid in the prior year. The Commissioner shall notify the municipality in
8 which the housesite is located of the amount of the property tax credit for the
9 claimant for homestead property tax liabilities on a monthly basis. The tax
10 credit of a claimant who was assessed property tax by a town that revised the
11 dates of its fiscal year, however, is the excess of the property tax that was
12 assessed in the last 12 months of the revised fiscal year, over the adjusted
13 property tax of the claimant for the revised fiscal year, as determined under
14 section 6066 of this title, related to a homestead owned by the claimant.

15 * * *

16 (d) ~~For late claims filed after April 15, the property tax credit amount shall~~
17 ~~be reduced by \$15.00~~ [Repealed.]

18 * * *

1 Sec. 7. 32 V.S.A. § 6068 is amended to read:

2 § 6068. APPLICATION AND TIME FOR FILING

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

12 (b) ~~If the claimant fails to file a timely claim, the amount of the property~~
13 ~~tax credit under this chapter shall be reduced by \$15.00, but not below \$0.00,~~
14 ~~which shall be paid to the municipality for the cost of issuing an adjusted~~
15 ~~homestead property tax bill.~~ If the claimant files a claim after October 15 but
16 on or before March 15 of the following calendar year, the property tax credit
17 under this chapter:

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

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

20 (3) shall not require the municipality where the claimant's property is
21 located to issue an adjusted homestead property tax bill.

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

5 * * * Tax Exemption for Military Retirement and Survivor Benefits * * *

6 Sec. 8. 32 V.S.A. § 5811 is amended to read:

7 § 5811. DEFINITIONS

8 As used in this chapter unless the context requires otherwise:

9 * * *

10 (21) “Taxable income” means, in the case of an individual, federal
11 adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

12 * * *

13 (B) decreased by the following items of income (to the extent such
14 income is included in federal adjusted gross income):

15 (i) income from U.S. government obligations;

16 (ii) with respect to adjusted net capital gain income as defined in
17 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend
18 income: either the first \$5,000.00 of such adjusted net capital gain income or
19 40 percent of adjusted net capital gain income from the sale of assets held by
20 the taxpayer for more than three years, except not adjusted net capital gain
21 income from:

1 (I) the sale of any real estate or portion of real estate used by
2 the taxpayer as a primary or nonprimary residence; or

3 (II) the sale of depreciable personal property other than farm
4 property and standing timber; or stocks or bonds publicly traded or traded on
5 an exchange, or any other financial instruments; regardless of whether sold by
6 an individual or business; and provided that the total amount of decrease under
7 this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable
8 income or \$350,000.00, whichever is less;

9 (iii) recapture of State and local income tax deductions not taken
10 against Vermont income tax;

11 (iv) the portion of certain retirement income and federally taxable
12 benefits received under the federal Social Security Act that is required to be
13 excluded under section 5830e of this chapter;

14 (v) the amount of any federal deduction or credit that the taxpayer
15 would have been allowed for the cultivation, testing, processing, or sale of
16 cannabis or cannabis products as authorized under 7 V.S.A. chapter 33 or 37,
17 but for 26 U.S.C. § 280E; ~~and~~

18 (vi) the amount of interest paid by a qualified resident taxpayer
19 during the taxable year on a qualified education loan for the costs of attendance
20 at an eligible educational institution; and

1 (vii) U.S. military retirement income and U.S. military survivor
2 benefit income received by the surviving spouse or dependent of a deceased
3 service member; and

4 * * *

5 Sec. 9. 32 V.S.A. § 5830e is amended to read:

6 § 5830e. RETIREMENT INCOME; SOCIAL SECURITY INCOME

7 * * *

8 (c) Other contributory retirement systems; earnings not covered by Social
9 Security. Other retirement income, ~~except U.S. military retirement income~~
10 ~~pursuant to subsection (d) of this section~~, received by a taxpayer of this State
11 shall be excluded pursuant to subsection (b) of this section as though the
12 income were received from the Civil Service Retirement System and shall be
13 subject to the limitations under subsection (e) of this section, provided that:

14 (1) the income is received from a contributory annuity, pension,
15 endowment, or retirement system of:

16 (A) the U.S. government or a political subdivision or instrumentality
17 of the U.S. government;

18 (B) this State or a political subdivision or instrumentality of this
19 State; or

20 (C) another state or a political subdivision or instrumentality of
21 another state; and

1 (2) the contributory system from which the income is received was
2 based on earnings that were not covered by the Social Security Act.

3 (d) ~~U.S. military retirement income. U.S. military retirement income~~
4 ~~received by a taxpayer of this State shall be excluded pursuant to~~
5 ~~subsection (b) of this section as though the income were received from the~~
6 ~~Civil Service Retirement System and shall be subject to the limitations~~
7 ~~under subsection (e) of this section. [Repealed.]~~

8 (e) Requirement to elect one exclusion. A taxpayer of this State who is
9 eligible during the taxable year for the Social Security income exclusion under
10 subsection (a) of this section and ~~any~~ one or both of the exclusions under
11 subsections (b)~~–(d)~~ and (c) of this section shall elect either one of the
12 exclusions for which the taxpayer is eligible under subsections (b)~~–(d)~~ and (c)
13 of this section or the Social Security income exclusion under subsection (a) of
14 this section, but not both, for the taxable year. A taxpayer of this State who is
15 eligible during the taxable year for ~~more than one of the~~ both exclusions under
16 subsections (b)~~–(d)~~ and (c) of this section shall elect only one of the exclusions
17 for which the taxpayer is eligible for the taxable year.

18 * * * Effective Dates * * *

19 Sec. 10. EFFECTIVE DATES

20 (a) This section, Sec. 1 (reappraisals), and Sec. 2 (property valuation and
21 review waiver) shall take effect on passage.

1 (b) Notwithstanding 1 V.S.A. § 214, Secs. 3–4 (link to federal income tax
2 laws) shall take effect retroactively on January 1, 2024 and apply to taxable
3 years beginning on and after January 1, 2023.

4 (c) Sec. 5 (renter credit expansion) shall take effect on passage and apply to
5 claim years 2025 and after.

6 (d) Secs. 6–7 (repeal of property tax credit late fee) shall take effect on
7 passage and apply to claim years 2024 and after.

8 (e) Notwithstanding 1 V.S.A. § 214, Secs. 8–9 (exemption of military
9 retirement and survivor benefit income) shall take effect retroactively on
10 January 1, 2024 and apply to taxable years on and after January 1, 2024.