

1 H.933

2 Introduced by Committee on Ways and Means

3 Date:

4 Subject: Taxation; income tax; property transfer tax; use value appraisal;  
5 property tax; property valuation; municipal grand list stabilization;  
6 equalization study; health IT fund; education finance; inflation index;  
7 homestead declaration; property tax credit; estate tax; federal tax  
8 credit for contributions to scholarship granting organizations; grand  
9 lists; grand list assessment date; municipal tax collection; meals and  
10 rooms tax; purchase and use tax; general fund; education fund;  
11 transportation fund

12 Statement of purpose of bill as introduced: This bill proposes to make multiple  
13 administrative and policy changes to Vermont tax laws.

14 An act relating to miscellaneous administrative and policy changes to the  
15 tax laws

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

17 \* \* \* Credit for Taxes Paid in Another State by an S Corporation \* \* \*

18 Sec. 1. REPEAL

19 32 V.S.A. § 5916 (denial of tax credits for S corporations) is repealed.



1 subdivision (4) of this section on the transfer. To make this determination, the  
2 Commissioner may consider whether the transferee and tenant are related  
3 parties, whether the transferee charges the tenant fair market rent, whether the  
4 transferee is an entity with a business purpose other than the avoidance of  
5 property transfer tax, and any other factor the Commissioner deems relevant.

6 \* \* \* Current Use; Land Use Change Tax \* \* \*

7 Sec. 3. 32 V.S.A. § 3757 is amended to read:

8 § 3757. LAND USE CHANGE TAX

9 (a) Land that has been classified as agricultural land or managed forestland  
10 pursuant to this chapter shall be subject to a land use change tax upon the  
11 development of that land, as defined in section 3752 of this chapter. The tax  
12 shall be at the rate of 10 percent of the full fair market value of the changed  
13 land determined without regard to the use value appraisal. If changed land is a  
14 portion of a parcel, the fair market value of the changed land shall be the fair  
15 market value of the changed land as a separate parcel, divided by the common  
16 level of appraisal. Such fair market value shall be determined as of the date  
17 the land is no longer eligible for use value appraisal. This tax shall be in  
18 addition to the annual property tax imposed upon such property. Nothing in  
19 this section shall be construed to require payment of an additional land use  
20 change tax upon the subsequent development of the same land, nor shall it be  
21 construed to require payment of a land use change tax merely because

1 previously eligible land becomes ineligible, provided no development of the  
2 land has occurred.

3 (b) Any owner of eligible land who wishes to withdraw land from use  
4 value appraisal shall notify the Director, who shall in turn notify the local  
5 assessing official. In the alternative, if the Director determines that  
6 development has occurred, the Director shall notify the local assessing official  
7 of ~~his or her~~ the Director's determination. Thereafter, land that has been  
8 withdrawn or developed shall be appraised and listed at its full fair market  
9 value in accordance with the provisions of chapter 121 of this title and  
10 subsection 3756(d) of this title, according to the appraisal model and land  
11 schedule of the municipality.

12 (c) For the purposes of the land use change tax, the determination of the  
13 fair market value of the land shall be made by the local assessing officials in  
14 accordance with ~~the provisions of~~ subsection (b) of this section and divided by  
15 the municipality's most recent common level of appraisal as determined by the  
16 Director. The determination shall be made within 30 days after the Director  
17 notifies the local assessing officials of the date that the owner has petitioned  
18 for withdrawal from use value appraisal or that the Director or local assessing  
19 official has determined that development has occurred. The local assessing  
20 officials shall notify the Director and the owner of their determination, ~~and the~~  
21 Failing a determination of the fair market value of the withdrawn portion of the

1 parcel by the local assessing officials within 30 days as required under this  
2 subsection, the Director shall establish the fair market value of the changed  
3 land and notify the local assessing officials and the owner of the Director's  
4 determination within 30 days. The provisions for appeal relating to property  
5 tax assessments in chapter 131 of this title shall apply, except that the owner  
6 shall have 30 days to appeal the determination to the municipality or to the  
7 Director as applicable under this subsection. If an owner erroneously appeals a  
8 municipality's determination to the Director, the Director may forward the  
9 appeal to the municipality and, provided the appeal to the Director is made  
10 within 30 days as permitted under this subsection, the appeal shall be  
11 considered timely filed to the municipality.

12 (d) The land use change tax shall be due and payable by the owner 30 days  
13 after the tax notice is mailed to the ~~taxpayer~~ owner. The tax shall be paid to  
14 the Commissioner, who, if the municipality's local assessing officials timely  
15 determine fair market value of the withdrawn portion of the parcel pursuant to  
16 subsection (c) of this section, shall remit to the municipality the lesser of one-  
17 half the tax paid or \$2,000.00. The Director and shall deposit three-quarters of  
18 the remainder of the tax paid in the Education Fund, and one-quarter of the  
19 remainder of the tax paid in the General Fund. If the municipality's local  
20 assessing officials fail to timely determine fair market value of the withdrawn  
21 portion of the parcel pursuant to subsection (c) of this section, the municipality

1 shall forfeit any tax paid and the Commissioner shall deposit three-quarters of  
2 the tax paid in the Education Fund, and one-quarter of the tax paid in the  
3 General Fund. The Commissioner shall issue a form to the assessing officials  
4 that shall provide for a description of the land developed, the amount of tax  
5 payable, and the fair market value of the land at the time of development or  
6 withdrawal from use value appraisal. The owner shall fill out the form and  
7 shall sign it under the penalty of perjury. After receipt of the completed and  
8 signed form, the Commissioner shall furnish the owner with one copy, shall  
9 retain one copy, and shall forward one copy to the local assessing officials, one  
10 copy to the register of deeds of the municipality in which the land is located,  
11 and one copy to the Secretary of Agriculture, Food and Markets if the land is  
12 agricultural land and in all other cases to the Commissioner of Forests, Parks  
13 and Recreation.

14 \* \* \*

15 Sec. 4. 32 V.S.A. § 3758(b) is amended to read:

16 (b) Any owner who is aggrieved by the determination of the fair market  
17 value of classified land for the purpose of computing the land use change tax  
18 may appeal in the same manner as an appeal of a grand list valuation under this  
19 title, except that the owner shall have 30 days to appeal the determination to  
20 the municipality or to the Director as applicable under subsection 3757(c) of  
21 this chapter.

1                   \* \* \* Municipal Grand List Stabilization Program \* \* \*

2           Sec. 5. 32 V.S.A. § 3710(c) is amended to read:

3           (c) Upon notification by the Commissioner of Public Safety, the  
4           Commissioner of Taxes shall certify the payment amounts and make an annual  
5           payment to each municipality for each eligible property to compensate for the  
6           loss of municipal property tax. The payment shall be calculated using the  
7           grand list value of the acquired property for the year during which the property  
8           was either damaged by flooding or identified as flood-prone by the  
9           Commissioner of Public Safety, multiplied by the municipal tax rate, including  
10          any submunicipal tax rates, in effect ~~each~~ in the immediately preceding year.  
11          This payment shall be made on or before January 1 of each year for five years.

12                   \* \* \* Communications Property; Inventories \* \* \*

13          Sec. 6. 32 V.S.A. § 3602b(d)(2) and (3) are amended to read:

14           (2) On or before March 31 of each year, each communications service  
15          provider shall submit to the Division a sworn inventory of all its taxable  
16          communications property in a form that identifies the valuation of its property  
17          in each municipality. If the communications service provider fails to submit  
18          the inventory on or before April 15 and in the form prescribed, the  
19          Commissioner may fine the provider not more than \$100.00 for each violation,  
20          unless the provider's failure is due to factors beyond the provider's control.



1 for the purpose of determining an equalized education property grand list and a  
2 coefficient of dispersion, if the Director determines that all such entities have a  
3 uniform appraisal schedule and uniform appraisal practices.

4 Sec. 8. 32 V.S.A. § 5406 is amended to read:

5 § 5406. NOTICE OF FAIR MARKET VALUE AND COEFFICIENT OF  
6 DISPERSION

7 \* \* \*

8 (c) If the Director of Property Valuation and Review certifies that a  
9 municipality has completed a townwide reappraisal, the common level of  
10 appraisal for that municipality shall be ~~equal to its new grand list value divided~~  
11 ~~by its most recent equalized grand list value~~ 100 percent, for purposes of  
12 determining education property tax rates.

13 \* \* \* Health IT Fund Sunset Extension \* \* \*

14 Sec. 9. 2013 Acts and Resolves No. 73, Sec. 60(10), as amended by 2017 Acts  
15 and Resolves No. 73, Sec. 14, 2018 Acts and Resolves No. 187, Sec. 5, 2019  
16 Acts and Resolves No. 71, Sec. 21, 2021 Acts and Resolves No. 73, Sec. 14,  
17 2023 Acts and Resolves No. 78, Sec. E.306.1, and 2024 Acts and Resolves No.  
18 144, Sec. 11, is further amended to read:

19 (10) Secs. 48–51 (health care claims tax) shall take effect on July 1,  
20 2013, and Sec. 52 (Health IT-Fund; sunset) shall take effect on July 1, ~~2026~~  
21 2031.



1           (C) the contract for the renewal period allows termination by the  
2 board following an annual review of performance.

3           Sec. 12. 16 V.S.A. § 2959a(d) is amended to read:

4           (d) If the amount of Medicaid reimbursement funds received for services  
5 provided in the prior State fiscal year exceeds \$25,000,000.00, in addition to  
6 the 50 percent of the funds paid to supervisory unions submitting Medicaid  
7 bills, 25 percent of the amounts in excess of the \$25,000,000.00 shall be paid  
8 into an incentive fund created in the Agency of Education. These funds shall  
9 be used for an incentive payment to supervisory unions with student  
10 participation rates of over 80 percent in accordance with a formula to be  
11 developed by the Agency, in consultation with the Vermont Superintendents  
12 Association. For any incentive payments made subsequent to fiscal year 2007,  
13 the \$25,000,000.00 threshold of this subsection shall be increased by the  
14 percentage increase of the most recent ~~New England Economic Project~~  
15 ~~Cumulative Price Index~~ National Income and Product Accounts (NIPA)  
16 implicit price deflator, as of November 15, for state and local government  
17 ~~purchases of goods and services~~ consumption expenditures and gross  
18 investment published by the U.S. Department of Commerce, Bureau of  
19 Economic Analysis, from fiscal year 2005 through the fiscal year for which the  
20 payment is being determined, plus an additional one-tenth of one percent.

1 Sec. 13. 16 V.S.A. § 4011(b) is amended to read:

2 (b) For each fiscal year, the base education amount shall be \$6,800.00,  
3 increased by the most recent ~~New England Economic Project Cumulative Price~~  
4 ~~Index~~ National Income and Product Accounts (NIPA) implicit price deflator,  
5 as of November 15, for state and local government ~~purchases of goods and~~  
6 ~~services~~ consumption expenditures and gross investment published by the U.S.  
7 Department of Commerce, Bureau of Economic Analysis, from fiscal year  
8 2005 through the fiscal year for which the amount is being determined, plus an  
9 additional one-tenth of one percent.

10 Sec. 14. 32 V.S.A. § 5401(12)(B) is amended to read:

11 (B) In excess of 118 percent of the statewide average district per  
12 pupil education spending increased by inflation, as determined by the Secretary  
13 of Education on or before November 15 of each year based on the passed  
14 budgets to date. As used in this subdivision, “increased by inflation” means  
15 increasing the statewide average district per pupil education spending for fiscal  
16 year 2025 by the most recent ~~New England Economic Project cumulative price~~  
17 ~~index~~ National Income and Product Accounts (NIPA) implicit price deflator, as  
18 of November 15, for state and local government ~~purchases of goods and~~  
19 ~~services~~ consumption expenditures and gross investment published by the U.S.  
20 Department of Commerce, Bureau of Economic Analysis, from fiscal year  
21 2025 through the fiscal year for which the amount is being determined.



1 to a divorce or separation proceeding in a court of law, shall be 100 percent of  
2 the property tax.

3 \* \* \* Estate Tax \* \* \*

4 Sec. 16. 32 V.S.A. § 7444(a) is amended to read:

5 (a) An executor shall submit a Vermont estate tax return to the  
6 Commissioner, on a form prescribed by the Commissioner, when a decedent  
7 has an interest in property with a situs in Vermont and one or both of the  
8 following apply:

9 (1) a federal estate tax return is required to be filed under 26 U.S.C.  
10 § 6018; or

11 (2) the sum of the federal gross estate and federal adjusted taxable gifts,  
12 as defined in 26 U.S.C. § 2001(b), made within two years of the date of the  
13 decedent's death exceeds ~~\$2,750,000.00~~ \$5,000,000.00.

14 Sec. 17. 32 V.S.A. § 5930u(h) is amended to read:

15 (h) Credit allocation; Down Payment Assistance Program.

16 (1) In fiscal year 2016 through fiscal year 2019, the allocating agency  
17 may award up to \$125,000.00 in total first-year credit allocations for loans  
18 through the Down Payment Assistance Program created in subdivision (b)(2)  
19 of this section.

20 (2) In fiscal year 2020 through fiscal year 2026, the allocating agency  
21 may award up to \$250,000.00 in total first-year credit allocations for loans

1 through the Down Payment Assistance Program created in subdivision (b)(3)  
2 of this section.

3 (3) In fiscal year 2027 through fiscal year 2031, the allocating agency  
4 may award up to \$350,000.00 in total first-year credit allocations for loans  
5 through the Down Payment Assistance Program created in subdivision (b)(3)  
6 of this section.

7 \* \* \* Federal Tax Credit for SGO Contributions \* \* \*

8 Sec. 18. FINDINGS

9 The General Assembly finds:

10 (1) Section 25F of the Internal Revenue Code creates a new federal  
11 program to subsidize scholarships for expenses at public and private schools.

12 (2) Under the terms of the statute, states may voluntarily elect to  
13 participate in the program, or they may decline to participate.

14 (3) The decision concerning whether or not to participate in the program  
15 is to be made by “the Governor of the State or by such other individual,  
16 agency, or entity as is designated under State law to make such elections on  
17 behalf of the State with respect to Federal tax benefits.”

18 Sec. 19. 2 V.S.A. § 24 is added to read:

19 § 24. DESIGNATED ENTITY; PARTICIPATION IN FEDERAL TAX

20 CREDIT PROGRAM



1           (e)(1) ~~The Commissioner, subject to the direction and approval of the~~  
2           ~~Secretary, shall adopt and publish rules in the name of the Agency for~~  
3           ~~reasonable fees or charges for the use of the lands, roads, buildings, other~~  
4           ~~property, and the use of and tuition for the Green Mountain Conservation~~  
5           ~~Camps, notwithstanding 32 V.S.A. § 603. Fees collected for the use of fish and~~  
6           ~~wildlife lands and properties shall be deposited in the Fish and Wildlife Fund~~  
7           Notwithstanding 32 V.S.A. § 603 and with the approval of the Secretary, the  
8           Commissioner may:

9                     (A) issue licenses for the long-term use of Department of Fish and  
10                    Wildlife lands for research, academic study, commercial use, or use by  
11                    regulated utilities; and

12                    (B) set the tuition for the Green Mountain Conservation Camps.

13           (2) The Commissioner shall adopt by rule the fees to be charged for  
14           licenses and tuition authorized under this subsection. The Commissioner is  
15           prohibited from adopting by rule a requirement that an individual possess a  
16           license or permit in order to access lands owned or controlled by the  
17           Department of Fish and Wildlife.

18           (3) Fees collected for the use of fish and wildlife lands and properties  
19           under this subsection shall be deposited in the Fish and Wildlife Fund.

20           (4) As used in this subsection, “license” means a written instrument  
21           issued by the Commissioner that authorizes research, academic study,

1 commercial use, or use by regulated utilities on Department lands but does not  
2 vest the licensee with any property rights.

3 \* \* \*

4 Sec. 22. REPEAL; COMMISSIONER OF FISH AND WILDLIFE RULE ON  
5 FEES FOR THE USE OF FISH AND WILDLIFE DEPARTMENT  
6 LANDS AND FACILITIES

7 Commissioner of Fish and Wildlife Rule 2008-01, CVR 12-010-075, Fees  
8 for the Use of Fish and Wildlife Department Lands and Facilities, is repealed.

9 Sec. 23. DEPARTMENT OF FISH AND WILDLIFE REPORT ON FEES

10 On or before January 15, 2027, the Commissioner of Fish and Wildlife shall  
11 submit to the House Committee on Ways and Means and the Senate  
12 Committee on Finance recommended fees to be charged for the use of the  
13 lands, roads, buildings, or other property owned or controlled by the  
14 Department of Fish and Wildlife so that the General Assembly, consistent with  
15 the requirements of 32 V.S.A. § 603, shall establish the fees by statute for the  
16 service or product provided or regulatory function performed.

17 \* \* \* Grand List Assessment Date \* \* \*

18 Sec. 24. 24 V.S.A. § 1892(b) is amended to read:

19 (b) When adopted by the act of the legislative body of that municipality,  
20 the plan shall be recorded with the municipal clerk and lister or assessor, and

1 the creation of the district shall occur at 12:01 a.m. on ~~April~~ January 1 of the  
2 calendar year so voted by the municipal legislative body.

3 Sec. 25. 24 V.S.A. § 1904(b)(2) is amended to read:

4 (2) When adopted by the act of the legislative body of that municipality,  
5 the plan shall be recorded with the municipal clerk and lister or assessor, and  
6 the creation of the district shall occur at 12:01 a.m. on ~~April~~ January 1 of the  
7 calendar year so voted by the municipal legislative body.

8 Sec. 26. 32 V.S.A. § 3481(1)(B)(iv) is amended to read:

9 (iv) a capitalization rate that is typical for the geographic area  
10 determined and published annually prior to ~~April~~ January 1 by the Division of  
11 Property Valuation and Review after consultation with the Vermont Housing  
12 Finance Agency.

13 Sec. 27. 32 V.S.A. § 3482 is amended to read:

14 § 3482. PROPERTY LISTED AT ONE PERCENT

15 Except as otherwise provided, all real and personal estate shall be set in the  
16 list at one percent of its listed value on ~~April~~ January 1, of the year of its  
17 appraisal.

18 Sec. 28. 32 V.S.A. § 3485 is amended to read:

19 § 3485. RECORDS TO BE KEPT RELATING TO DEEDS AND

20 MORTGAGES

1           (a) Annually on ~~April~~ January 1, ~~town~~ municipal clerks shall furnish the  
2 listers with copies of the property tax returns filed by the clerk under section  
3 9610 of this title relating to deeds that were filed for record during the year  
4 ending on the first day of such month. However, upon request in writing by  
5 the listers, on or before the 15th day of each month, ~~town~~ municipal clerks  
6 shall furnish the listers with copies of the property transfer tax returns to deeds  
7 that were filed for record during the next preceding calendar month.

8           (b) Failure on the part of the ~~town~~ municipal clerk to furnish the copies  
9 required under subsection (a) of this section shall not render the town liable in  
10 damages to any person. A ~~town~~ municipal clerk who willfully fails to furnish  
11 the copies required under subsection (a) of this section shall be fined \$10.00  
12 for each offense.

13       Sec. 29. 32 V.S.A. § 3603(a) is amended to read:

14           (a) Construction equipment and other personal estate used in the  
15 construction or repair of highways, dams, reservoirs, public utilities, or  
16 buildings shall be listed and taxed on the same basis as other personal estate in  
17 the town in which it is located on ~~April~~ January 1. Such equipment brought  
18 into the State after ~~April~~ January 1 and prior to December 15 of any year shall  
19 be taxed as other personal estate for that year in the town in which it is first  
20 used for a normal full work shift. The owner or person in charge of any  
21 equipment enumerated in this section shall, upon request of the Treasurer or

1 tax collector of any municipality, present evidence that it has been listed for  
2 tax purposes in a municipality in this State. The Transportation Board and  
3 other State agencies shall insert in all contracts for construction a term by  
4 which the contractor agrees to pay taxes assessed under this section and section  
5 4151 of this title.

6 Sec. 30. 32 V.S.A. § 3610(b) is amended to read:

7 (b) The listers of each town and the appraisers of each unorganized town  
8 and gore shall list every perpetual lease in a separate record in which shall be  
9 shown as to each lease a brief description of the leased land, the fair market  
10 value of the land as appraised by them, the name of the lessor, the annual rental  
11 payable under the lease, and as of ~~April~~ January 1 of each year the name and  
12 address of the lessee. If for any reason the lease is exempt under subsection  
13 (d) of this section, the reason for the exemption shall be noted.

14 Sec. 31. 32 V.S.A. § 3618(c)(2) is amended to read:

15 (2) "Net book value" of property means the cost less depreciation of the  
16 property as shown on the federal income tax return required to be filed with the  
17 federal authorities on or nearest in advance of ~~April~~ January 1 in any year.

18 Sec. 32. 32 V.S.A. § 3651 is amended to read:

19 § 3651. GENERAL RULE

1 Taxable real estate shall be set in the list to the last owner or possessor  
2 thereof on ~~April~~ January 1 in each year in the town, village, school, and fire  
3 district where it is situated.

4 Sec. 33. 32 V.S.A. § 3691 is amended to read:

5 § 3691. GENERAL RULE

6 Taxable tangible personal estate shall be set in the list to the last owner  
7 thereof on ~~April~~ January 1 in each year, in the town, village, school, and fire  
8 district where such property is situated, with the exception that such personal  
9 estate situated within this State owned by persons residing outside the State or  
10 by persons unknown to the listers shall be set in the list to the person having  
11 the same in charge, in the town, village, school, and fire district where the  
12 same is situated and shall be holden for all taxes assessed on such list.

13 However, tangible personal estate owned by nonresident persons or  
14 corporation, and used in this State by the State or a department or institution  
15 thereof, under lease, contract or other agreement, written or oral, may be set in  
16 the list in the town where so used, to such nonresident owner.

17 Sec. 34. 32 V.S.A. § 3692(b) is amended to read:

18 (b) A trailer coach shall be taxed as real property by the town in which it is  
19 located notwithstanding subsection (a) of this section if it is situated in the  
20 town on the same trailer site or camp site for more than 180 days during the  
21 365 days prior to ~~April~~ January 1. A trailer coach shall not be taxed as real

1 property if it is stored on property on which the owner resides in another  
2 dwelling as a permanent residence.

3 Sec. 35. 32 V.S.A. § 3708 is amended to read:

4 § 3708. PAYMENTS IN LIEU OF TAXES FOR LANDS HELD BY THE  
5 AGENCY OF NATURAL RESOURCES

6 \* \* \*

7 (b) The State shall annually pay on or before October 31 to each  
8 municipality a payment in lieu of taxes (PILOT) that shall be the base payment  
9 as set forth under this section, for all ANR land, excluding buildings or other  
10 improvements thereon, as of ~~April~~ January 1 of the current year.

11 (c) The State shall establish the base payment for all ANR land, excluding  
12 buildings or other improvements thereon, as follows:

13 (1) ~~On~~ on parcels acquired before April 1, 2016, 0.60 percent of the fair  
14 market value as appraised by the Director of Property Valuation and Review as  
15 of April 1 of fiscal year 2015;

16 (2) ~~On~~ on parcels acquired on or after April 1, 2016, the municipal tax  
17 rate of the fair market value as assessed on ~~April~~ January 1 in the year of  
18 acquisition by the municipality in which it is located.

19 \* \* \*



1 Valuation and Review on or before February 1 of the year following the year  
2 when the management activity occurred.

3 (3) There has not been filed with the Director an adverse inspection  
4 report by the Department stating that the management of the tract is contrary to  
5 the forest management plan, conservation management plan, or contrary to the  
6 minimum acceptable standards for forest or conservation management. The  
7 management activity report shall be on a form prescribed by the Commissioner  
8 of Forests, Parks and Recreation in consultation with the Commissioner of  
9 Taxes and shall be signed by all the owners and shall contain the tax  
10 identification numbers of all the owners. All information contained within the  
11 management activity report shall be forwarded to the Department of Forests,  
12 Parks and Recreation, except for any tax identification number included in the  
13 report. If any owner satisfies the Department that ~~he or she~~ the owner was  
14 prevented by accident, mistake, or misfortune from filing an initial or revised  
15 management plan that is required to be filed on or before October 1, or a  
16 management plan update that is required to be filed on or before ~~April~~ January  
17 1 of the year in which the plan expires, or a management activity report that is  
18 required to be filed on or before February 1 of the year following the year  
19 when the management activity occurred, the owner may submit that  
20 management plan or management activity report at a later date; provided,  
21 however, no initial or revised management plan shall be received later than

1 December 31, and no management plan update shall be received later than one  
2 year after ~~April~~ January 1 of the year the plan expires, and no management  
3 activity report shall be received later than March 1.

4 Sec. 37. 32 V.S.A. § 3802a is amended to read:

5 § 3802a. REQUIREMENT TO PROVIDE INSURANCE INFORMATION

6 Before ~~April~~ January 1 of each year, owners of property exempt from  
7 taxation under subdivisions 3802(4), (6), (9), (12), and (15) and under  
8 subdivisions 5401(10)(D), (F), (G), and (J) of this title shall provide their local  
9 assessing officials with information regarding the insurance replacement cost  
10 of the exempt property or with a written explanation of why the property is not  
11 insured.

12 Sec. 38. 32 V.S.A. § 3850(d) is amended to read:

13 (d) If a dwelling unit is certified as blighted under subsection (b) of this  
14 section, the exemption shall take effect on the ~~April~~ January 1 following the  
15 certification of the dwelling unit.

16 Sec. 39. 32 V.S.A. § 4001(a) is amended to read:

17 (a) Annually on ~~April~~ January 1, at the expense of the State, the Director  
18 shall furnish to the several ~~town~~ municipal clerks and boards of appraisers for  
19 unorganized towns and gores inventory forms sufficient in number to meet the  
20 requirements of this chapter. Such forms shall be formulated by the Director  
21 and, among other things, shall contain suitable interrogatories requiring each

1 taxpayer to furnish therein a brief statement of all of each taxpayer's taxable  
2 property, real and personal, and such other information, including income and  
3 expense information with respect to any income-producing properties, as will  
4 enable the listers or appraisers to appraise such part thereof as is required by  
5 law to be by them appraised, and to make up the abstract of individual lists and  
6 grand list in the manner prescribed by law.

7 Sec. 40. 32 V.S.A. § 4004 is amended to read:

8 § 4004. RETURN OF INVENTORIES BY INDIVIDUALS

9 On or before ~~April~~ January 20, unless otherwise required, every taxable  
10 person shall procure such inventory form, make full answers to all  
11 interrogatories therein, subscribe the same, make oath thereto, and deliver or  
12 forward the same to one of the listers in the town wherein such person owns or  
13 possesses property required by law to be set to ~~him or her~~ the person in the  
14 grand list. When notice in writing to file, deliver, or forward such inventory on  
15 or before a given date is delivered by one of the listers to a person, or mailed  
16 postage prepaid to ~~him or her~~ the person at ~~his or her~~ the person's last known  
17 post office address, such person, within the time therein specified, shall  
18 properly fill out such inventory and deliver or forward the same to one of the  
19 listers, notwithstanding ~~he or she~~ the person may not own or possess property  
20 subject to taxation. Persons taxable only for real estate shall not be required to  
21 file such inventory unless notified so to do as herein provided.

1 Sec. 41. 32 V.S.A. § 4041 is amended to read:

2 § 4041. EXAMINATION OF PROPERTY; APPRAISAL

3 On ~~April~~ January 1, the listers and assessors shall proceed to take up such  
4 inventories and make such personal examination of the property that they are  
5 required to appraise as will enable them to appraise it at its fair market value.

6 When a board of listers is of the opinion that expert advice or assistance is  
7 needed in making any appraisal required by law, it may, with approval of  
8 ~~selectboard~~ the legislative body of the municipality or by vote of the ~~town~~  
9 municipality, employ such assistance.

10 Sec. 42. 32 V.S.A. § 4044 is amended to read:

11 § 4044. APPRAISAL OF PERSONALTY ON ~~APRIL~~ JANUARY 1

12 Unless otherwise provided, the taxable personal estate contained in the  
13 inventory shall be appraised by the listers at its fair market value on ~~April~~  
14 January 1.

15 Sec. 43. 32 V.S.A. § 4045 is amended to read:

16 § 4045. APPRAISAL ON OTHER THAN ~~APRIL~~ JANUARY 1

17 If any business is normally operated for a period less than 12 consecutive  
18 months and is not in operation on ~~April~~ January 1, an inventory shall be filed  
19 with the listers at least 15 days prior to the anticipated annual suspension of  
20 such business and the stock in trade shall be appraised for the period of

1 operation so as to represent an average of values of such property during that  
2 period in which the business has been carried on.

3 Sec. 44. 32 V.S.A. § 4605 is amended to read:

4 § 4605. ASSESSMENT WHEN APPRAISAL ON OTHER THAN ~~APRIL~~  
5 JANUARY 1

6 \* \* \*

7 Sec. 45. 32 V.S.A. § 5401(7) is amended to read:

8 (7) “Homestead”:

9 (A) “Homestead” means the principal dwelling and parcel of land  
10 surrounding the dwelling, owned and occupied by a resident individual as the  
11 individual’s domicile or owned and fully leased on ~~April~~ January 1, provided  
12 the property is not leased for more than 182 days out of the calendar year or,  
13 for purposes of the renter credit under subsection 6066(b) of this title, is rented  
14 and occupied by a resident individual as the individual’s domicile.

15 \* \* \*

16 (G) For purposes of homestead declaration and application of the  
17 homestead property tax rate, “homestead” also means a residence that was the  
18 homestead of the decedent at the date of death and, from the date of death  
19 through the next ~~April~~ January 1, is held by the estate of the decedent and not  
20 rented.

21 \* \* \*

1 Sec. 46. 32 V.S.A. § 5404a(a)(6) is amended to read:

2 (6) An exemption of a portion of the value of a qualified rental unit  
3 parcel. An owner of a qualified rental unit parcel shall be entitled to an  
4 exemption on the education property tax grand list of 10 percent of the grand  
5 list value of the parcel, multiplied by the ratio of square footage of  
6 improvements used for or related to residential rental purposes to total square  
7 footage of all improvements, multiplied by the ratio of qualified rental units to  
8 total residential rental units on the parcel. “Qualified rental units” means  
9 residential rental units that are subject to rent restriction under provisions of  
10 State or federal law but excluding units subject to rent restrictions under only  
11 one of the following programs: Section 8 moderate rehabilitation, Section 8  
12 housing choice vouchers, or Section 236 or Section 515 rural development  
13 rental housing. A municipality shall allow the percentage exemption under  
14 this subsection upon presentation by the taxpayer to the municipality, by ~~April~~  
15 January 1, of a certificate of education grand list value exemption obtained  
16 from the Vermont Housing Finance Agency (VHFA). VHFA shall issue a  
17 certificate of exemption upon presentation by the taxpayer of information that  
18 VHFA and the Commissioner shall require. A certificate of exemption issued  
19 by VHFA under this subsection shall expire upon transfer of the building, upon  
20 expiration of the rent restriction, or after 10 years, whichever first occurs;  
21 provided, however, that the certificate of exemption may be renewed after 10

1 years and every 10 years thereafter if VHFA finds that the property continues  
2 to meet the requirements of this subsection.

3 Sec. 47. 32 V.S.A. § 5405 is amended to read:

4 § 5405. DETERMINATION OF EQUALIZED EDUCATION PROPERTY  
5 TAX GRAND LIST AND COEFFICIENT OF DISPERSION

6 (a) Annually, on or before April 1, the Commissioner shall determine the  
7 equalized education property tax grand list and coefficient of dispersion for  
8 each municipality in the State; provided, however, that for purposes of  
9 equalizing grand lists pursuant to this section, the equalized education property  
10 tax grand list of a municipality that establishes a tax increment financing  
11 district shall include the fair market value of the property in the district and not  
12 the original taxable value of the property, and further provided that the unified  
13 towns and gores of Essex County may be treated as one municipality for the  
14 purpose of determining an equalized education property grand list and a  
15 coefficient of dispersion, if the Director determines that all such entities have a  
16 uniform appraisal schedule and uniform appraisal practices.

17 \* \* \*

18 (c) In determining the fair market value of property that is required to be  
19 listed at fair market value, the Commissioner shall take into consideration  
20 those factors required by section 3481 of this title. The Commissioner shall  
21 value property as of ~~April~~ January 1 preceding the determination and shall take

1 account of all homestead declaration information available before October 1  
2 each year.

3 \* \* \*

4 Sec. 48. 32 V.S.A. § 5410 is amended to read:

5 § 5410. DECLARATION OF HOMESTEAD

6 (a) A homestead owner shall declare ownership of a homestead for  
7 purposes of education property tax.

8 (b) Annually, on or before the due date for filing the Vermont income tax  
9 return, without extension, each homestead owner shall, on a form prescribed  
10 by the Commissioner, which shall be verified under the pains and penalties of  
11 perjury, declare the owner's homestead, if any, as of, or expected to be as of,  
12 ~~April~~ January 1 of the year in which the declaration is made.

13 \* \* \*

14 (d) The Commissioner shall provide a list of homesteads in each town to  
15 the ~~town~~ municipal listers and assessors by May 15. The listers and assessors  
16 shall notify the Commissioner by June 1 of any residences on the  
17 Commissioner's list that do not qualify as homesteads. The listers and  
18 assessors shall separately identify homesteads in the grand list.

19 \* \* \*

1                   \* \* \* Municipal Tax Collection; State Oversight \* \* \*

2           Sec. 49. 32 V.S.A. chapter 133, subchapter 9 is amended to read:

3                                   Subchapter 9. Delinquent Taxes

4           § 5131. ~~SUPERVISION BY DIRECTOR~~

5           ~~The Director shall supervise the collection of delinquent taxes by officials~~  
6           ~~of towns and other municipal corporations. [Repealed.]~~

7           § 5132. ~~CONFERENCES; BULLETINS; FORMS~~

8           ~~The Director may examine a tax list in the hands of a collector; shall confer~~  
9           ~~from time to time with collectors, advise them concerning their official duties,~~  
10           ~~and furnish them printed instructions and directions relating thereto; shall issue~~  
11           ~~such bulletins as in the Director's judgment will aid in enforcing the law; and~~  
12           ~~shall formulate and furnish the necessary forms for the use of officials required~~  
13           ~~to make returns to the Director. [Repealed.]~~

14           § 5133. ~~MEETINGS OF TAX COLLECTORS~~

15           ~~The Director shall call meetings of collectors of taxes to be held at such~~  
16           ~~places and at such times as he or she shall designate for the purpose of~~  
17           ~~instruction as to the law governing their official duties and concerning the~~  
18           ~~collection of delinquent taxes. [Repealed.]~~

19           § 5134. ~~FAILURE TO ATTEND MEETINGS; COMPENSATION~~

20           ~~Collectors shall attend all meetings for instruction to which they are~~  
21           ~~summoned in writing by the Director. When a collector is unable to attend, he~~

1 ~~or she shall notify forthwith the Director stating the cause of such inability and,~~  
2 ~~in his or her discretion, the Director may summon such collector to attend such~~  
3 ~~other meeting as he or she may designate. Collectors attending such meetings~~  
4 ~~shall receive therefor from the treasury of their municipality not less than~~  
5 ~~\$10.00 per day and their necessary expenses. [Repealed.]~~

6 § 5135. ~~RETURNS TO DIRECTOR~~

7 ~~Collectors and other officials named in this chapter shall render such~~  
8 ~~assistance, furnish such information, and make such returns to the Director in~~  
9 ~~relation to the subject of delinquent taxes and the administration of the law in~~  
10 ~~reference thereto as he or she may require. [Repealed.]~~

11 \* \* \*

12 \* \* \* PVR Expenses; PILOT Special Fund \* \* \*

13 Sec. 50. 32 V.S.A. § 3436(e) is amended to read:

14 (e) A sum not to exceed \$100,000.00 each year shall be paid from the  
15 ~~Education Fund~~ PILOT Special Fund to the Division of Property Valuation  
16 and Review for the purpose of providing assessment education for municipal  
17 listers and assessors. The Director is authorized to establish guidelines and  
18 requirements for education programs to be provided using the funds described  
19 in this section. Education programs provided using funds described in this  
20 section shall be provided at no cost or minimal cost to the municipal listers and  
21 assessors. In addition to providing the annual education programs described in

1 this section, up to 20 percent of the amount available for education programs  
2 may be reserved as a scholarship fund to permit municipal listers and assessors  
3 to attend national programs providing education opportunities on advanced  
4 assessment topics. All applications for scholarships shall be submitted to and  
5 approved by the Director.

6 Sec. 51. 32 V.S.A. § 3709(a) is amended to read:

7 (a) There is hereby established a PILOT Special Fund consisting of local  
8 option tax revenues paid to the State Treasurer pursuant to 24 V.S.A. § 138.  
9 This Fund shall be managed by the Commissioner of Taxes pursuant to  
10 chapter 7, subchapter 5 of this title. Notwithstanding subdivision 588(3) of  
11 this title, all interest earned on the Fund shall be retained in the Fund for use in  
12 meeting future obligations. The Fund shall be exclusively for payments  
13 required under sections 3436, 4041a, and 5405 of this title, chapter 123,  
14 subchapters 4 and 4C of this title, and for any additional State payments in lieu  
15 of taxes for correctional facilities. The Commissioner of Finance and  
16 Management may draw warrants for disbursements from this Fund in  
17 anticipation of receipts.

18 Sec. 52. 32 V.S.A. § 4041a is amended to read:

19 § 4041a. REAPPRAISAL

20 (a) A municipality shall be paid \$8.50 per grand list parcel per year from  
21 the ~~General~~ PILOT Special Fund to be used only for reappraisal and costs

1 related to reappraisal of its grand list properties and for maintenance of the  
2 grand list.

3 Sec. 53. 32 V.S.A. § 5405 is amended to read:

4 § 5405. DETERMINATION OF EQUALIZED EDUCATION PROPERTY  
5 TAX GRAND LIST AND COEFFICIENT OF DISPERSION

6 \* \* \*

7 (f) Within the limits of the resources available for that purpose, the  
8 Commissioner may employ such individuals, whether on a permanent,  
9 temporary, or contractual basis, as shall be necessary, in the judgment of the  
10 Commissioner, to aid in the performance of duties under this section. The  
11 Commissioner shall pay from the PILOT Special Fund to each municipality the  
12 sum of \$1.00 per grand list parcel in the municipality for services provided to  
13 the Commissioner in connection with the performance of duties under this  
14 section. Each municipality shall deposit payments received under this  
15 subsection into a special fund that shall be used to support the preparation of  
16 the education property tax grand list.

17 \* \* \*

18 \* \* \* 10-Year Tax Study \* \* \*

19 Sec. 54. VERMONT 10-YEAR TAX STUDY

1       (a) The Joint Fiscal Office, with assistance from the Office of Legislative  
2       Counsel, and under the direction of the Joint Fiscal Committee, shall conduct a  
3       decennial study of Vermont State taxes.

4       (b) In conducting the study, the Joint Fiscal Office shall:

5           (1) Starting with 2015, analyze historical trends comparing Vermont  
6           taxes to the tax systems of other states, including a comparison of the  
7           percentage of Vermont revenue from each State-level source to the percentage  
8           of revenue from each state-level source in other states.

9           (2) Analyze Vermont's taxation levels and tax responsibilities per  
10          capita, per income level, and by incidence on typical Vermont families of  
11          varying incomes, and on typical Vermont business enterprises of varying sizes  
12          and types, and analyze trends in the taxpayer revenue bases for various tax  
13          types.

14          (3) Analyze and identify any issues or trends relating to tax flight, tax  
15          avoidance, and gaps in enforcement.

16          (4) Recommend areas for further research and analysis, including ways  
17          to further research the topics of wealth and income in Vermont's aging  
18          demographic.

19          (c) Based upon the information resulting from the study in subsection (b) of  
20          this section, the Joint Fiscal Office shall, as part of the study or separately,  
21          review income eligibility criteria for various tax provisions and benefit

1 programs to assess where potential gaps in eligibility or benefits cliffs may  
2 exist under Vermont's existing tax laws.

3 (d) For purposes of the study conducted under this section, the Department  
4 of Taxes shall provide assistance as requested by the Joint Fiscal Office.

5 (e) In fiscal year 2027, \$100,000.00 is appropriated from the General Fund  
6 to the Joint Fiscal Office for consultant assistance, data analysis, and other  
7 expenses related to the study conducted under this section. The duty to  
8 implement this Sec. 54 of this act is contingent upon an appropriation of funds  
9 in fiscal year 2027 from the General Fund to the Joint Fiscal Office for the  
10 specific purposes described in this section.

11 (f) The Joint Fiscal Office shall submit the Vermont 10-year tax study to  
12 the House Committee on Ways and Means and the Senate Committee on  
13 Finance on or before January 15, 2027.

14 \* \* \* Link-Up and Decoupling from Federal Income Tax Laws \* \* \*

15 Sec. 55. 32 V.S.A. § 5811 is amended to read:

16 § 5811. DEFINITIONS

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

18 \* \* \*

19 (18) "Vermont net income" means, for any taxable year and for any  
20 corporate taxpayer:

1           (A) the taxable income of the taxpayer for that taxable year under the  
2 laws of the United States, ~~without regard to 26 U.S.C. § 168(k), and~~ excluding  
3 income that under the laws of the United States is exempt from taxation by the  
4 states:

5                   (i) increased by:

6                           (I) the amount of any deduction for State and local taxes on or  
7 measured by income, franchise taxes measured by net income, franchise taxes  
8 for the privilege of doing business and capital stock taxes; ~~and~~

9                           (II) to the extent such income is exempted from taxation under  
10 the laws of the United States ~~by~~, the amount received by the taxpayer on and  
11 after January 1, 1986, as interest income from state and local obligations, other  
12 than obligations of Vermont and its political subdivisions, and any dividends  
13 or other distributions from any fund to the extent such dividend or distribution  
14 is attributable to such Vermont State or local obligations;

15                           (III) the amount of any deduction for a federal net operating  
16 loss; ~~and~~

17                           (IV) an amount equal to the bonus depreciation deduction taken  
18 on the taxpayer's federal income tax return for the taxable year under Section  
19 168(k) or (n) of the Internal Revenue Code;

20                           (V) for any taxpayer that does not qualify as an eligible  
21 taxpayer, an amount equal to any deduction taken on the taxpayer's federal

1 income tax return for the taxable year under 26 U.S.C. § 174A. For purposes  
2 of this subdivision (V), the term “eligible taxpayer” means any taxpayer (other  
3 than a tax shelter prohibited from using the cash receipts and disbursements  
4 method of accounting under 26 U.S.C. § 448(a)(3)) that meets the gross  
5 receipts test of 26 U.S.C. § 448(c) for the taxable year; and

6 (VI) an amount equal to the amount of income deducted under  
7 Section 250 of the Internal Revenue Code for the taxable year to the extent  
8 deducted from net income; and

9 (ii) decreased by:

10 (I) the “gross-up of dividends” required by the federal Internal  
11 Revenue Code to be taken into taxable income in connection with the  
12 taxpayer’s election of the foreign tax credit;

13 (II) the amount of income that results from the required  
14 reduction in salaries and wages expense for corporations claiming the Targeted  
15 Job or WIN credits; ~~and~~

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

20 (IV) for the taxable year in which the bonus depreciation  
21 deduction is taken on the taxpayer’s federal income tax return under Section

1 168(k) or (n) of the Internal Revenue Code and for each applicable taxable  
2 year thereafter, an amount equal to the depreciation deduction that would be  
3 allowed on that property if the taxpayer had made the election under Section  
4 168(k)(7) or (n)(6) of the Internal Revenue Code to not claim depreciation on  
5 that property. In the taxable year that property is sold or otherwise disposed  
6 of, an additional deduction shall be allowed to the extent the amount of  
7 depreciation claimed under Section 168(k) or (n) of the Internal Revenue Code  
8 on that property has not been recovered through the additional deductions  
9 provided under this subdivision (18). The aggregate amount deducted under  
10 this subdivision (18)(A)(ii)(IV) in all taxable years for any one piece of  
11 property shall not exceed the amount of the bonus depreciation deduction taken  
12 on that property on the taxpayer's federal income tax return under Section  
13 168(k) or (n) of the Internal Revenue Code, or exceed the amount of the  
14 additional modifications taken for that property on the taxpayer's Vermont  
15 income tax return under subdivision (i)(IV) of this subdivision (18)(A);  
16 (V) for a taxpayer that does not qualify as an eligible taxpayer  
17 for the taxable year, as defined under subdivision (i)(V) of this subdivision  
18 (18)(A), for the taxable year in which a deduction is taken on the taxpayer's  
19 federal income tax return under 26 U.S.C. § 174A and for each applicable  
20 taxable year thereafter, an amount equal to the deduction that would be  
21 allowed under 26 U.S.C. § 174 applied as those provisions were in effect on

1 December 31, 2024. The aggregate amount deducted under this subdivision  
2 (18)(A)(ii)(V) in all taxable years may not exceed the amount of the deduction  
3 taken on that expenditure on the taxpayer's federal income tax return under the  
4 Internal Revenue Code, or exceed the amount of the addition modifications  
5 taken on the taxpayer's Vermont income tax return under subdivision (i)(V) of  
6 this subdivision (18)(A);

7 (VI) for a taxpayer that qualifies as an eligible taxpayer for the  
8 taxable year as defined under subdivision (i)(V) of this subdivision (18)(A) and  
9 has domestic research or experimental expenditures, as defined in 26 U.S.C.  
10 § 174A, as added by subsection 174A(a), which are paid or incurred in taxable  
11 years beginning after December 31, 2021, and before January 1, 2025, and  
12 which was charged to capital account pursuant to 26 U.S.C. § 174 as those  
13 provisions were in effect on December 31, 2024, for the tax year beginning on  
14 or after January 1, 2025, and for each applicable taxable year thereafter, an  
15 amount equal to the deduction that would be allowed on those amounts under  
16 26 U.S.C. § 174 applied as those provisions were in effect on December 31,  
17 2024. The aggregate amount deducted under this subdivision (A)(ii)(VI) in all  
18 taxable years for any domestic research or experimental expenditure may not  
19 exceed the amount of the deduction taken for that expenditure on the taxpayer's  
20 federal income tax return under the Internal Revenue Code; and



1                   (ii) dividends or other distributions from any fund to the extent  
2 they are attributable to non-Vermont state or local obligations; ~~and~~

3                   (iii) an amount equal to the bonus depreciation deduction taken on  
4 the taxpayer's federal income tax return for the taxable year under Section  
5 168(k) or (n) of the Internal Revenue Code, including any amount of bonus  
6 depreciation deduction carried over on the taxpayer's federal income tax return  
7 as part of a net operating loss from a prior taxable year that is deducted in the  
8 current taxable year;

9                   (iv) for any taxpayer that does not qualify as an eligible taxpayer,  
10 an amount equal to any deduction taken on the taxpayer's federal income tax  
11 return for the taxable year under 26 U.S.C. § 174A, including any amount of  
12 these deductions carried over on the taxpayer's federal income tax return as  
13 part of a net operating loss from a prior tax year that is deducted in the current  
14 taxable year. For purposes of this subdivision (iv), the term "eligible taxpayer"  
15 means any taxpayer (other than a tax shelter prohibited from using the cash  
16 receipts and disbursements method of accounting under 26 U.S.C. § 448(a)(3))  
17 that meets the gross receipts test of 26 U.S.C. § 448(c) for the taxable year; and

18                   (v) an amount equal to any income or gain from the sale or  
19 exchange of qualified small business stock excluded from federal gross income  
20 for the taxable year under Section 1202(a) of the Internal Revenue Code; and

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

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

4           (ii) with respect to adjusted net capital gain income as defined in  
5 26 U.S.C. § 1(h), but excluding any gain specifically included in taxable  
6 income under subdivision (A)(v) of this subdivision (21), reduced by the total  
7 amount of any qualified dividend income: either the first \$5,000.00 of such  
8 adjusted net capital gain income or 40 percent of adjusted net capital gain  
9 income from the sale of assets held by the taxpayer for more than three years,  
10 except not adjusted net capital gain income from:

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

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

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

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

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

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

11           (vii) for the taxable year in which the bonus depreciation  
12 deduction is taken on the taxpayer's federal income tax return under Section  
13 168(k) or (n) of the Internal Revenue Code and for each applicable taxable  
14 year thereafter, an amount equal to the depreciation deduction that would be  
15 allowed on that property if the taxpayer had made the election under Section  
16 168(k)(7) or (n)(6) of the Internal Revenue Code to not claim bonus  
17 depreciation on that property. In the taxable year that property is sold or  
18 otherwise disposed of, an additional deduction shall be allowed to the extent  
19 the amount of depreciation claimed under Section 168(k) or (n) of the Internal  
20 Revenue Code on that property has not been recovered through the additional  
21 deductions provided under this subdivision (21). The aggregate amount

1 deducted under this subdivision (21)(B)(vii) in all taxable years for any one  
2 piece of property shall not exceed the amount of the bonus depreciation  
3 deduction taken on that property on the taxpayer's federal income tax return  
4 under Section 168(k) or (n) of the Internal Revenue Code, or exceed the  
5 amount of the addition modifications taken for that property on the taxpayer's  
6 Vermont income tax return under subdivision (A)(iii) of this subdivision (21);  
7 and

8 (viii) for a taxpayer that does not qualify as an eligible taxpayer  
9 for the taxable year, as defined under subdivision (A)(iv) of this subdivision  
10 (21), for the taxable year in which a deduction is taken on the taxpayer's  
11 federal income tax return under 26 U.S.C. § 174A and for each applicable  
12 taxable year thereafter, an amount equal to the deduction that would be  
13 allowed under 26 U.S.C. § 174 applied as those provisions were in effect on  
14 December 31, 2024. The aggregate amount deducted under this subdivision  
15 (21)(B)(viii) in all taxable years may not exceed the amount of the deduction  
16 taken on that expenditure on the taxpayer's federal income tax return under the  
17 Internal Revenue Code, or exceed the amount of the addition modifications  
18 taken on the taxpayer's Vermont income tax return under subdivision (A)(iv)  
19 of this subdivision (21);

20 (ix) for a taxpayer that qualifies as an eligible taxpayer for the  
21 taxable year as defined under subdivision (A)(iv) of this subdivision (21) and

1 has domestic research or experimental expenditures, as defined in 26 U.S.C.  
2 § 174A, as added by subsection 174A(a), which are paid or incurred in taxable  
3 years beginning after December 31, 2021, and before January 1, 2025, and  
4 which was charged to capital account pursuant to 26 U.S.C. § 174 as those  
5 provisions were in effect on December 31, 2024, for the tax year beginning on  
6 or after January 1, 2025, and for each applicable taxable year thereafter, an  
7 amount equal to the deduction that would be allowed on those amounts under  
8 26 U.S.C. § 174 applied as those provisions were in effect on December 31,  
9 2024. The aggregate amount deducted under this subdivision (21)(B)(ix) in all  
10 taxable years for any domestic research or experimental expenditure may not  
11 exceed the amount of the deduction taken for that expenditure on the taxpayer's  
12 federal income tax return under the Internal Revenue Code; and  
13 (x) for a taxpayer that qualifies as an eligible taxpayer for the  
14 taxable year as defined under subdivision (A)(iv) of this subdivision (21) and  
15 has made an addition modification under subdivision (A)(iv) of this  
16 subdivision (21) in a prior tax year, an amount equal to the subtraction  
17 modification that would have been allowed in this taxable year under  
18 subdivision (vii) of this subdivision (21)(B) but for the taxpayer's current  
19 status as an eligible taxpayer. The aggregate amount deducted under this  
20 subdivision (21)(B)(x) in all taxable years for any expenditure may not exceed  
21 the amount of the deduction taken for that expenditure on the taxpayer's federal

1 income tax return under the Internal Revenue Code, or exceed the amount of  
2 the addition modifications taken for that expenditure on the taxpayer's  
3 Vermont income tax return under subdivision (A)(iv) of this subdivision (21)  
4 for expenditures paid or incurred on or after January 1, 2025.

5 \* \* \*

6 (28) "Taxable income" means, in the case of an estate or a trust, federal  
7 taxable income ~~determined without regard to 26 U.S.C. § 168(k)~~ and:

8 (A) increased by the following items of income:

9 (i) interest income from non-Vermont state and local obligations;

10 (ii) dividends or other distributions from any fund to the extent  
11 they are attributable to non-Vermont state or local obligations; and

12 (iii) the amount of State and local income taxes deducted from  
13 federal gross income for the taxable year; ~~and~~

14 (iv) an amount equal to the bonus depreciation deduction taken on  
15 the taxpayer's federal income tax return for the taxable year under Section  
16 168(k) or (n) of the Internal Revenue Code, including any amount of bonus  
17 depreciation deduction carried over on the taxpayer's federal income tax return  
18 as part of a net operating loss from a prior tax year that is deducted in the  
19 current taxable year;

20 (v) for any taxpayer that does not qualify as an eligible taxpayer,  
21 an amount equal to any deduction taken on the taxpayer's federal income tax

1 return for the taxable year under 26 U.S.C. § 174A, including any amount of  
2 these deductions carried over on the taxpayer's federal income tax return as  
3 part of a net operating loss from a prior tax year that is deducted in the current  
4 taxable year. For purposes of this subdivision (v), the term "eligible taxpayer"  
5 means any taxpayer (other than a tax shelter prohibited from using the cash  
6 receipts and disbursements method of accounting under 26 U.S.C. § 448(a)(3))  
7 that meets the gross receipts test of 26 U.S.C. § 448(c) for the taxable year; and  
8 (vi) an amount equal to any income or gain from the sale or  
9 exchange of qualified small business stock excluded from federal gross income  
10 for the taxable year under Section 1202(a) of the Internal Revenue Code; and

11 (B) decreased by the following items of income:

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

13 (ii) with respect to adjusted net capital gain income as defined in  
14 26 U.S.C. § 1(h), but excluding any gain specifically included in taxable  
15 income as described in subdivision (A)(vi) of this subdivision (28), reduced by  
16 the total amount of any qualified dividend income: either the first \$5,000.00 of  
17 such adjusted net capital gain income or 40 percent of adjusted net capital gain  
18 income from the sale of assets held by the taxpayer for more than three years,  
19 except not adjusted net capital gain income from:

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

1 (II) the sale of depreciable personal property other than farm  
2 property and standing timber; or stocks or bonds publicly traded or traded on  
3 an exchange, or any other financial instruments; regardless of whether sold by  
4 an individual or business; and provided that the total amount of decrease under  
5 this subdivision (28)(B)(ii) shall not exceed 40 percent of federal taxable  
6 income or \$350,000.00, whichever is less; and

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

9 (iv) for the taxable year in which the bonus depreciation deduction  
10 is taken on the taxpayer's federal income tax return under Section 168(k) or (n)  
11 of the Internal Revenue Code and for each applicable taxable year thereafter,  
12 an amount equal to the depreciation deduction that would be allowed on that  
13 property if the taxpayer had made the election under Section 168(k)(7) or  
14 (n)(6) of the Internal Revenue Code to not claim bonus depreciation on that  
15 property. In the taxable year that property is sold or otherwise disposed of, an  
16 additional deduction shall be allowed to the extent the amount of depreciation  
17 claimed under Section 168(k) or (n) of the Internal Revenue Code on that  
18 property has not been recovered through the additional deductions provided  
19 under this subdivision (28). The aggregate amount deducted under this  
20 subdivision (28)(B)(iv) in all taxable years for any one piece of property shall  
21 not exceed the amount of the bonus depreciation deduction taken on that

1 property on the taxpayer's federal income tax return under Section 168(k) or  
2 (n) of the Internal Revenue Code, or exceed the amount of the addition  
3 modifications taken on that property on the taxpayer's Vermont income tax  
4 return under subdivision (A)(iv) of this subdivision (28);

5 (v) for a taxpayer that does not qualify as an eligible taxpayer for  
6 the taxable year, as defined under subdivision (A)(v) of this subdivision (28),  
7 for the taxable year in which a deduction is taken on the taxpayer's federal  
8 income tax return under 26 U.S.C. § 174A and for each applicable taxable year  
9 thereafter, an amount equal to the deduction that would be allowed under 26  
10 U.S.C. § 174 applied as those provisions were in effect on December 31, 2024.

11 The aggregate amount deducted under this subdivision in all taxable years may  
12 not exceed the amount of the deduction taken on that expenditure on the  
13 taxpayer's federal income tax return under the Internal Revenue Code, or  
14 exceed the amount of the addition modifications taken on the taxpayer's  
15 Vermont income tax return under subdivision (A)(v) of this subdivision (28);

16 (vi) for a taxpayer that qualifies as an eligible taxpayer for the  
17 taxable year as defined under subdivision (A)(v) of this subdivision (28) and  
18 has domestic research or experimental expenditures, as defined in 26 U.S.C.  
19 § 174A, as added by subsection 174A(a), which are paid or incurred in taxable  
20 years beginning after December 31, 2021, and before January 1, 2025, and  
21 which was charged to capital account pursuant to 26 U.S.C. § 174 as those

1 provisions were in effect on December 31, 2024, for the tax year beginning on  
2 or after January 1, 2025 and for each applicable taxable year thereafter, an  
3 amount equal to the deduction that would be allowed on those amounts under  
4 26 U.S.C. § 174 applied as those provisions were in effect on December 31,  
5 2024. The aggregate amount deducted under this subdivision (28)(B)(vi) in all  
6 taxable years for any domestic research or experimental expenditure may not  
7 exceed the amount of the deduction taken for that expenditure on the taxpayer's  
8 federal income tax return under the Internal Revenue Code; and  
9 (vii) for a taxpayer that qualifies as an eligible taxpayer for the  
10 taxable year as defined under subdivision (A)(v) of this subdivision (28) and  
11 has made an addition modification under subdivision (A)(v) of this subdivision  
12 (28) in a prior tax year, an amount equal to the subtraction modification that  
13 would have been allowed in this taxable year under subdivision (v) of this  
14 subdivision (28)(B) but for the taxpayer's current status as an eligible  
15 taxpayer. The aggregate amount deducted under this subdivision in all taxable  
16 years for any expenditure may not exceed the amount of the deduction taken  
17 for that expenditure on the taxpayer's federal income tax return under the  
18 Internal Revenue Code, or exceed the amount of the addition modifications  
19 taken for that expenditure on the taxpayer's Vermont income tax return under  
20 subdivision (A)(v) of this subdivision (28) for expenditures paid or incurred on  
21 or after January 1, 2025.

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\* \* \*

Sec. 56. 32 V.S.A. § 5822 is amended to read:

§ 5822. TAX ON INCOME OF INDIVIDUALS, TRUSTS, AND ESTATES

\* \* \*

(e) The tax determined under subsections (a) through (d) of this section shall be reduced by a percentage equal to the portion of adjusted gross income that is not Vermont income; provided, however, that if a taxpayer's Vermont income exceeds the taxpayer's adjusted gross income, no reduction shall be made and provided, further, that if a taxpayer has zero or negative Vermont income and the taxpayer's Vermont income computed without regard to the reductions in subsection 5823(a) of this chapter does not equal or exceed the taxpayer's adjusted gross income, no tax shall be due under this section. For the purposes of this subsection, adjusted gross income means federal adjusted gross income modified by the additions and subtractions provided for in subdivisions 5811(21)(A) and (B) of this chapter for an individual, and federal adjusted gross income modified by the additions and subtractions provided for in subdivisions 5811(28)(A) and (B) of this chapter for an estate or a trust.

Sec. 57. 32 V.S.A. § 5823 is amended to read:

§ 5823. VERMONT INCOME OF INDIVIDUALS, ESTATES, AND  
TRUSTS

\* \* \*

1 (b) For any taxable year, the Vermont income of a nonresident individual,  
2 estate, or trust is the sum of the following items of income to the extent they  
3 are required to be included in the federal adjusted gross income of the  
4 individual after the value of those items are modified by the additions and  
5 subtractions provided for in subdivisions 5811(21)(A) and (B) of this chapter  
6 or the ~~gross~~ federal adjusted gross income of an estate or trust after the value of  
7 those items are modified by the additions and subtractions provided for in  
8 subdivisions (28)(A) and (B) of this chapter for that taxable year:

9 \* \* \*

10 Sec. 58. 32 V.S.A. § 5930ii is amended to read:

11 § 5930ii. RESEARCH AND DEVELOPMENT TAX CREDIT

12 (a) A taxpayer of this State shall be eligible for a credit against the tax  
13 imposed under this chapter in an amount equal to ~~27~~ 75 percent of the amount  
14 of the federal tax credit allowed in the taxable year for eligible research and  
15 development expenditures under 26 U.S.C. § 41(a) that are made within this  
16 State.

17 (b) Any unused credit available under subsection (a) of this section may be  
18 carried forward for up to 10 years.

19 (c) Each year, on or before January 15, the Department of Taxes shall  
20 publish a list containing the names of the taxpayers who have claimed a credit  
21 under this section during the most recent completed calendar year.

1 Sec. 59. 32 V.S.A. § 5930ee is amended to read:

2 § 5930ee. LIMITATIONS

3 Beginning in fiscal year 2010 and thereafter, the State Board may award tax  
4 credits to all qualified applicants under this subchapter, provided that:

5 (1) the total amount of tax credits awarded annually, together with sales  
6 tax reallocated under section 9819 of this title, does not exceed ~~\$3,000,000.00~~  
7 \$4,000,000.00;

8 \* \* \*

9 Sec. 60. 32 V.S.A. § 5824 is amended to read:

10 § 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

11 The statutes of the United States relating to the federal income tax, as in  
12 effect on December 31, ~~2024~~ 2025, but without regard to federal income tax  
13 rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the  
14 tax liability under this chapter and shall continue in effect as adopted until  
15 amended, repealed, or replaced by act of the General Assembly.

16 Sec. 61. 32 V.S.A. § 7402(8) is amended to read:

17 (8) “Laws of the United States” means the U.S. Internal Revenue Code  
18 of 1986, as amended through December 31, ~~2024~~ 2025. As used in this  
19 chapter, “Internal Revenue Code” has the same meaning as “laws of the United  
20 States” as defined in this subdivision. The date through which amendments to  
21 the U.S. Internal Revenue Code of 1986 are adopted under this subdivision

1 shall continue in effect until amended, repealed, or replaced by act of the  
2 General Assembly.

3 \* \* \* Revenue Deposits; Purchase and Use and Meals and Rooms Taxes \* \* \*

4 Sec. 62. 16 V.S.A. § 4025 is amended to read:

5 § 4025. EDUCATION FUND

6 (a) The Education Fund is established to comprise the following:

7 \* \* \*

8 (4) ~~25~~ 29 percent of the revenues from the meals and rooms taxes  
9 imposed under 32 V.S.A. chapter 225;

10 (5) ~~one-third~~ 27 percent of the revenues raised from the purchase and  
11 use tax imposed by 32 V.S.A. chapter 219, notwithstanding 19 V.S.A. § 11(1);

12 \* \* \*

13 Sec. 63. 32 V.S.A. § 435(b)(7) is amended to read:

14 (7) ~~69~~ 65 percent of the meals and rooms taxes levied pursuant to  
15 chapter 225 of this title;

16 \* \* \* Effective Dates \* \* \*

17 Sec. 64. EFFECTIVE DATES

18 This act shall take effect on passage except:

19 (1) Notwithstanding 1 V.S.A. § 214, Sec. 1 (credit for taxes paid in  
20 another state by an S corporation), Secs. 55–57 (decoupling from select  
21 provisions of IRC), and Secs. 60–61 (annual link-up) shall take effect

1 retroactively on January 1, 2025, and shall apply to taxable years beginning on  
2 and after January 1, 2025.

3 (2) Secs. 3 and 4 (current use; land use change tax) shall take effect on  
4 October 1, 2026.

5 (3) Sec. 20 (grand list definition of parcel) shall take effect on April 1,  
6 2027, and shall apply to grand lists lodged on and after that date.

7 (4) Sec. 22 (Department of Fish and Wildlife rule on fees) shall take  
8 effect on July 1, 2027.

9 (5) Secs. 24–48 (grand list assessment date) shall take effect on July 1,  
10 2031, and shall apply to grand lists lodged after that date.

11 (6) Sec. 56 (Vermont research and development tax credit) shall take  
12 effect on January 1, 2027, and shall apply to taxable years beginning on and  
13 after January 1, 2027.