

1 H.933

2 An act relating to miscellaneous administrative and policy changes to the
3 tax laws

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

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

6 Sec. 1. REPEAL

7 32 V.S.A. § 5916 (denial of tax credits for S corporations) is repealed.

8 * * * Property Transfer Tax * * *

9 Sec. 2. 32 V.S.A. § 9602 is amended to read:

10 § 9602. TAX ON TRANSFER OF TITLE TO PROPERTY

11 A tax is hereby imposed upon the transfer by deed of title to property
12 located in this State, or a transfer or acquisition of a controlling interest in any
13 person with title to property in this State. The amount of the tax equals 1.25
14 percent of the value of the property transferred, or \$1.00, whichever is greater,
15 except as follows:

16 * * *

17 (4) Tax shall be imposed at the rate of 3.4 percent of the value of the
18 property transferred with respect to transfers of residential property:

19 (A) ~~residential property~~ that is fit for habitation on a year-round
20 basis;

1 (B) that will not be used as the principal residence of the transferee;

2 and

3 (C) for which the transferee will not be required to provide a landlord
4 certificate pursuant to section 6069 of this title.

5 (5) If a transfer would have been subject to the tax rate under
6 subdivision (4) of this section but for the transferee's filing of a landlord
7 certificate of rent for which there is no bona fide landlord-tenant relationship
8 between the parties, the Commissioner shall assess tax at the rate under
9 subdivision (4) of this section on the transfer. To make this determination, the
10 Commissioner may consider whether the transferee and tenant are related
11 parties, whether the transferee charges the tenant fair market rent, whether the
12 transferee is an entity with a business purpose other than the avoidance of
13 property transfer tax, and any other factor the Commissioner deems relevant.

14 * * * Current Use; Land Use Change Tax * * *

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

16 § 3757. LAND USE CHANGE TAX

17 (a) Land that has been classified as agricultural land or managed forestland
18 pursuant to this chapter shall be subject to a land use change tax upon the
19 development of that land, as defined in section 3752 of this chapter. The tax
20 shall be at the rate of 10 percent of the full fair market value of the changed
21 land determined without regard to the use value appraisal. If changed land is a

1 portion of a parcel, the fair market value of the changed land shall be the fair
2 market value of the changed land as a separate parcel, divided by the common
3 level of appraisal. Such fair market value shall be determined as of the date
4 the land is no longer eligible for use value appraisal. This tax shall be in
5 addition to the annual property tax imposed upon such property. Nothing in
6 this section shall be construed to require payment of an additional land use
7 change tax upon the subsequent development of the same land, nor shall it be
8 construed to require payment of a land use change tax merely because
9 previously eligible land becomes ineligible, provided no development of the
10 land has occurred.

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

20 (c) For the purposes of the land use change tax, the determination of the
21 fair market value of the land shall be made by the local assessing officials in

1 accordance with ~~the provisions of~~ subsection (b) of this section and divided by
2 the municipality's most recent common level of appraisal as determined by the
3 Director. The determination shall be made within 30 days after the Director
4 notifies the local assessing officials of the date that the owner has petitioned
5 for withdrawal from use value appraisal or that the Director or local assessing
6 official has determined that development has occurred. The local assessing
7 officials shall notify the Director and the owner of their determination, ~~and the~~
8 Failing a determination of the fair market value of the withdrawn portion of the
9 parcel by the local assessing officials within 30 days as required under this
10 subsection, the Director shall establish the fair market value of the changed
11 land and notify the local assessing officials and the owner of the Director's
12 determination within 30 days. The provisions for appeal relating to property
13 tax assessments in chapter 131 of this title shall apply, except that the owner
14 shall have 30 days to appeal the determination to the municipality or to the
15 Director as applicable under this subsection. If an owner erroneously appeals a
16 municipality's determination to the Director, the Director may forward the
17 appeal to the municipality and, provided the appeal to the Director is made
18 within 30 days as permitted under this subsection, the appeal shall be
19 considered timely filed to the municipality.

20 (d) The land use change tax shall be due and payable by the owner 30 days
21 after the tax notice is mailed to the ~~taxpayer~~ owner. The tax shall be paid to

1 the Commissioner, who, if the municipality's local assessing officials timely
2 determine fair market value of the withdrawn portion of the parcel pursuant to
3 subsection (c) of this section, shall remit to the municipality the lesser of one-
4 half the tax paid or \$2,000.00. ~~The Director~~ and shall deposit three-quarters of
5 the remainder of the tax paid in the Education Fund, and one-quarter of the
6 remainder of the tax paid in the General Fund. If the municipality's local
7 assessing officials fail to timely determine fair market value of the withdrawn
8 portion of the parcel pursuant to subsection (c) of this section, the municipality
9 shall forfeit any tax paid and the Commissioner shall deposit three-quarters of
10 the tax paid in the Education Fund, and one-quarter of the tax paid in the
11 General Fund. The Commissioner shall issue a form to the assessing officials
12 that shall provide for a description of the land developed, the amount of tax
13 payable, and the fair market value of the land at the time of development or
14 withdrawal from use value appraisal. The owner shall fill out the form and
15 shall sign it under the penalty of perjury. After receipt of the completed and
16 signed form, the Commissioner shall furnish the owner with one copy, shall
17 retain one copy, and shall forward one copy to the local assessing officials, one
18 copy to the register of deeds of the municipality in which the land is located,
19 and one copy to the Secretary of Agriculture, Food and Markets if the land is
20 agricultural land and in all other cases to the Commissioner of Forests, Parks
21 and Recreation.

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

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

* * * Municipal Grand List Stabilization Program * * *

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

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

1 * * * Communications Property; Inventories * * *

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

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

10 (3) The Division shall prescribe the form of the inventory required under
11 subdivision (2) of this subsection and the officer or officers who shall submit
12 the sworn inventory. If a communications service provider willfully omits to
13 make, swear to, and submit an inventory, or to answer any interrogatory
14 therein, or makes a false answer or statement therein, then the Division shall
15 ascertain the amount and fair market value of the provider's communications
16 property using the best information available to the Division. In addition to the
17 fine under subdivision (2) of this subsection, the provider shall be barred from
18 any statutory appeal under this chapter or chapter 129 or 131 of this title of the
19 value set by the Division under this subdivision.

1 by its most recent equalized grand list value 100 percent, for purposes of
2 determining education property tax rates.

3 * * * Health IT Fund Sunset Extension * * *

4 Sec. 9. 2013 Acts and Resolves No. 73, Sec. 60(10), as amended by 2017 Acts
5 and Resolves No. 73, Sec. 14, 2018 Acts and Resolves No. 187, Sec. 5, 2019
6 Acts and Resolves No. 71, Sec. 21, 2021 Acts and Resolves No. 73, Sec. 14,
7 2023 Acts and Resolves No. 78, Sec. E.306.1, and 2024 Acts and Resolves No.
8 144, Sec. 11, is further amended to read:

9 (10) Secs. 48–51 (health care claims tax) shall take effect on July 1,
10 2013, and Sec. 52 (Health IT-Fund; sunset) shall take effect on July 1, ~~2026~~
11 2031.

12 Sec. 10. 2019 Acts and Resolves No. 6, Sec. 105, as amended by 2019 Acts
13 and Resolves No. 71, Sec. 19, 2022 Acts and Resolves No. 83, Sec. 75, 2023
14 Acts and Resolves No. 78, Sec. E.306.2, and 2024 Acts and Resolves No. 144,
15 Sec. 12, is further amended to read:

16 Sec. 105. EFFECTIVE DATES

17 * * *

18 (b) Sec. 73 (further amending 32 V.S.A. § 10402) shall take effect on July
19 1, ~~2026~~ 2031.

20 * * * Inflation Index Updates * * *

21 Sec. 11. 16 V.S.A. § 559(e)(7) is amended to read:

1 (7) Nothing in this section shall require a school board or supervisory
2 union board to invite or advertise for bids if it is renewing a contract entered
3 into pursuant to subsection (a) of this section, provided that:

4 (A) annual costs will not increase more than the most recent ~~New~~
5 ~~England Economic Project Cumulative Price Index~~ National Income and
6 Product Accounts (NIPA) implicit price deflator, as of November 15, for ~~State~~
7 state and local government purchases of goods and services, consumption
8 expenditures and gross investment published by the U.S. Department of
9 Commerce, Bureau of Economic Analysis;

10 (B) the total amount of the contract does not exceed an increase of 30
11 percent more than the total amount of the original contract; and

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

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

15 (d) If the amount of Medicaid reimbursement funds received for services
16 provided in the prior State fiscal year exceeds \$25,000,000.00, in addition to
17 the 50 percent of the funds paid to supervisory unions submitting Medicaid
18 bills, 25 percent of the amounts in excess of the \$25,000,000.00 shall be paid
19 into an incentive fund created in the Agency of Education. These funds shall
20 be used for an incentive payment to supervisory unions with student
21 participation rates of over 80 percent in accordance with a formula to be

1 developed by the Agency, in consultation with the Vermont Superintendents
2 Association. For any incentive payments made subsequent to fiscal year 2007,
3 the \$25,000,000.00 threshold of this subsection shall be increased by the
4 percentage increase of the most recent ~~New England Economic Project~~
5 ~~Cumulative Price Index~~ National Income and Product Accounts (NIPA)
6 implicit price deflator, as of November 15, for state and local government
7 ~~purchases of goods and services~~ consumption expenditures and gross
8 investment published by the U.S. Department of Commerce, Bureau of
9 Economic Analysis, from fiscal year 2005 through the fiscal year for which the
10 payment is being determined, plus an additional one-tenth of one percent.

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

12 (b) For each fiscal year, the base education amount shall be \$6,800.00,
13 increased by the most recent ~~New England Economic Project Cumulative Price~~
14 ~~Index~~ National Income and Product Accounts (NIPA) implicit price deflator,
15 as of November 15, for state and local government ~~purchases of goods and~~
16 ~~services~~ consumption expenditures and gross investment published by the U.S.
17 Department of Commerce, Bureau of Economic Analysis, from fiscal year
18 2005 through the fiscal year for which the amount is being determined, plus an
19 additional one-tenth of one percent.

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

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

13 * * * Homestead Declaration and Property Tax Credit * * *

14 Sec. 15. 32 V.S.A. § 6062(c) is amended to read:

15 (c) When a homestead is owned by two or more persons as joint tenants,
16 tenants by the entirety, or tenants in common and one or more of these persons
17 are not members of the claimant’s household, the property tax is the same
18 proportion of the property tax levied on that homestead as the proportion of
19 ownership of the homestead by the claimant and members of the claimant’s
20 household; provided, however, that:

21 * * *

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

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

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

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

10 (2) In fiscal year 2020 through fiscal year 2026, the allocating agency
11 may award up to \$250,000.00 in total first-year credit allocations for loans
12 through the Down Payment Assistance Program created in subdivision (b)(3)
13 of this section.

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

18 * * * Federal Tax Credit for SGO Contributions * * *

19 Sec. 18. FINDINGS

20 The General Assembly finds:

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

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

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

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

10 § 24. SCHOLARSHIP GRANTING ORGANIZATIONS

11 (a) Annually, the General Assembly may elect to participate in the federal
12 tax credit program under 26 U.S.C. § 25F in the following year by enactment
13 of an act.

14 (b) A legislative enactment made under this section shall identify all
15 qualifying scholarship granting organizations to be listed pursuant to 26 U.S.C.
16 § 25F for the following year. The enactment made pursuant to this section
17 shall specify the individual or entity responsible for providing the list of
18 organizations to the U.S. Secretary of Treasury pursuant to 26 U.S.C. § 25F(g).

19 (c) Any election made under 26 U.S.C. § 25F by another State official or
20 entity is void and shall have no effect.

1 Notwithstanding 32 V.S.A. § 603 and with the approval of the Secretary, the

2 Commissioner may:

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

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

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

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

14 (4) As used in this subsection, “license” means a written instrument
15 issued by the Commissioner that authorizes research, academic study,
16 commercial use, or use by regulated utilities on Department lands but does not
17 vest the licensee with any property rights.

18 * * *

19 Sec. 22. REPEAL; COMMISSIONER OF FISH AND WILDLIFE RULE ON
20 FEES FOR THE USE OF FISH AND WILDLIFE DEPARTMENT
21 LANDS AND FACILITIES

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

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

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

7 § 3482. PROPERTY LISTED AT ONE PERCENT

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

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

12 § 3485. RECORDS TO BE KEPT RELATING TO DEEDS AND
13 MORTGAGES

14 (a) Annually on ~~April~~ January 1, ~~town~~ municipal clerks shall furnish the
15 listers with copies of the property tax returns filed by the clerk under section
16 9610 of this title relating to deeds that were filed for record during the year
17 ending on the first day of such month. However, upon request in writing by
18 the listers, on or before the 15th day of each month, ~~town~~ municipal clerks
19 shall furnish the listers with copies of the property transfer tax returns to deeds
20 that were filed for record during the next preceding calendar month.

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

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

7 (a) Construction equipment and other personal estate used in the
8 construction or repair of highways, dams, reservoirs, public utilities, or
9 buildings shall be listed and taxed on the same basis as other personal estate in
10 the town in which it is located on ~~April~~ January 1. Such equipment brought
11 into the State after ~~April~~ January 1 and prior to December 15 of any year shall
12 be taxed as other personal estate for that year in the town in which it is first
13 used for a normal full work shift. The owner or person in charge of any
14 equipment enumerated in this section shall, upon request of the Treasurer or
15 tax collector of any municipality, present evidence that it has been listed for
16 tax purposes in a municipality in this State. The Transportation Board and
17 other State agencies shall insert in all contracts for construction a term by
18 which the contractor agrees to pay taxes assessed under this section and section
19 4151 of this title.

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

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

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

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

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

14 § 3651. GENERAL RULE

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

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

19 § 3691. GENERAL RULE

20 Taxable tangible personal estate shall be set in the list to the last owner
21 thereof on ~~April~~ January 1 in each year, in the town, village, school, and fire

1 district where such property is situated, with the exception that such personal
2 estate situated within this State owned by persons residing outside the State or
3 by persons unknown to the listers shall be set in the list to the person having
4 the same in charge, in the town, village, school, and fire district where the
5 same is situated and shall be holden for all taxes assessed on such list.

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

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

11 (b) A trailer coach shall be taxed as real property by the town in which it is
12 located notwithstanding subsection (a) of this section if it is situated in the
13 town on the same trailer site or camp site for more than 180 days during the
14 365 days prior to ~~April~~ January 1. A trailer coach shall not be taxed as real
15 property if it is stored on property on which the owner resides in another
16 dwelling as a permanent residence.

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

18 § 3708. PAYMENTS IN LIEU OF TAXES FOR LANDS HELD BY THE
19 AGENCY OF NATURAL RESOURCES

20 * * *

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

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

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

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

13 * * *

14 Sec. 36. 32 V.S.A. § 3755(b) is amended to read:

15 (b) Managed forestland shall be eligible for use value appraisal under this
16 chapter only if:

17 (1) The land is subject to a forest management plan, subject to a
18 conservation management plan in the case of lands certified under 10 V.S.A.
19 § 6306(b), that is filed in the manner and form required by the Department of
20 Forests, Parks and Recreation and that:

21 * * *

1 identification numbers of all the owners. All information contained within the
2 management activity report shall be forwarded to the Department of Forests,
3 Parks and Recreation, except for any tax identification number included in the
4 report. If any owner satisfies the Department that ~~he or she~~ the owner was
5 prevented by accident, mistake, or misfortune from filing an initial or revised
6 management plan that is required to be filed on or before October 1, or a
7 management plan update that is required to be filed on or before ~~April~~ January
8 1 of the year in which the plan expires, or a management activity report that is
9 required to be filed on or before February 1 of the year following the year
10 when the management activity occurred, the owner may submit that
11 management plan or management activity report at a later date; provided,
12 however, no initial or revised management plan shall be received later than
13 December 31, and no management plan update shall be received later than one
14 year after ~~April~~ January 1 of the year the plan expires, and no management
15 activity report shall be received later than March 1.

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

17 § 3802a. REQUIREMENT TO PROVIDE INSURANCE INFORMATION

18 Before ~~April~~ January 1 of each year, owners of property exempt from
19 taxation under subdivisions 3802(4), (6), (9), (12), and (15) and under
20 subdivisions 5401(10)(D), (F), (G), and (J) of this title shall provide their local
21 assessing officials with information regarding the insurance replacement cost

1 of the exempt property or with a written explanation of why the property is not
2 insured.

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

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

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

8 (a) Annually on ~~April~~ January 1, at the expense of the State, the Director
9 shall furnish to the several ~~town~~ municipal clerks and boards of appraisers for
10 unorganized towns and goes inventory forms sufficient in number to meet the
11 requirements of this chapter. Such forms shall be formulated by the Director
12 and, among other things, shall contain suitable interrogatories requiring each
13 taxpayer to furnish therein a brief statement of all of each taxpayer's taxable
14 property, real and personal, and such other information, including income and
15 expense information with respect to any income-producing properties, as will
16 enable the listers or appraisers to appraise such part thereof as is required by
17 law to be by them appraised, and to make up the abstract of individual lists and
18 grand list in the manner prescribed by law.

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

1 § 4004. RETURN OF INVENTORIES BY INDIVIDUALS

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

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

16 § 4041. EXAMINATION OF PROPERTY; APPRAISAL

17 On ~~April~~ January 1, the listers and assessors shall proceed to take up such
18 inventories and make such personal examination of the property that they are
19 required to appraise as will enable them to appraise it at its fair market value.
20 When a board of listers is of the opinion that expert advice or assistance is
21 needed in making any appraisal required by law, it may, with approval of

1 ~~selectboard~~ the legislative body of the municipality or by vote of the ~~town~~
2 municipality, employ such assistance.

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

4 § 4044. APPRAISAL OF PERSONALTY ON ~~APRIL~~ JANUARY 1

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

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

9 § 4045. APPRAISAL ON OTHER THAN ~~APRIL~~ JANUARY 1

10 If any business is normally operated for a period less than 12 consecutive
11 months and is not in operation on ~~April~~ January 1, an inventory shall be filed
12 with the listers at least 15 days prior to the anticipated annual suspension of
13 such business and the stock in trade shall be appraised for the period of
14 operation so as to represent an average of values of such property during that
15 period in which the business has been carried on.

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

17 § 4605. ASSESSMENT WHEN APPRAISAL ON OTHER THAN ~~APRIL~~
18 JANUARY 1

19 * * *

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

21 (7) "Homestead":

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 January 1, of a certificate of education grand list value exemption obtained
8 from the Vermont Housing Finance Agency (VHFA). VHFA shall issue a
9 certificate of exemption upon presentation by the taxpayer of information that
10 VHFA and the Commissioner shall require. A certificate of exemption issued
11 by VHFA under this subsection shall expire upon transfer of the building, upon
12 expiration of the rent restriction, or after 10 years, whichever first occurs;
13 provided, however, that the certificate of exemption may be renewed after 10
14 years and every 10 years thereafter if VHFA finds that the property continues
15 to meet the requirements of this subsection.

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

17 § 5405. DETERMINATION OF EQUALIZED EDUCATION PROPERTY

18 TAX GRAND LIST AND COEFFICIENT OF DISPERSION

19 (a) Annually, on or before April 1, the Commissioner shall determine the
20 equalized education property tax grand list and coefficient of dispersion for
21 each municipality in the State; provided, however, that for purposes of

1 equalizing grand lists pursuant to this section, the equalized education property
2 tax grand list of a municipality that establishes a tax increment financing
3 district shall include the fair market value of the property in the district and not
4 the original taxable value of the property, and further provided that the unified
5 towns and gores of Essex County may be treated as one municipality for the
6 purpose of determining an equalized education property grand list and a
7 coefficient of dispersion, if the Director determines that all such entities have a
8 uniform appraisal schedule and uniform appraisal practices.

9 * * *

10 (c) In determining the fair market value of property that is required to be
11 listed at fair market value, the Commissioner shall take into consideration
12 those factors required by section 3481 of this title. The Commissioner shall
13 value property as of ~~April~~ January 1 preceding the determination and shall take
14 account of all homestead declaration information available before October 1
15 each year.

16 * * *

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

18 § 5410. DECLARATION OF HOMESTEAD

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

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

6 * * *

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

12 * * *

13 * * * Municipal Tax Collection; State Oversight * * *

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

15 Subchapter 9. Delinquent Taxes

16 § 5131. ~~SUPERVISION BY DIRECTOR~~

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

19 § 5132. ~~CONFERENCES; BULLETINS; FORMS~~

20 ~~The Director may examine a tax list in the hands of a collector; shall confer~~
21 ~~from time to time with collectors, advise them concerning their official duties,~~

1 ~~and furnish them printed instructions and directions relating thereto; shall issue~~
2 ~~such bulletins as in the Director's judgment will aid in enforcing the law; and~~
3 ~~shall formulate and furnish the necessary forms for the use of officials required~~
4 ~~to make returns to the Director. [Repealed.]~~

5 ~~§ 5133. MEETINGS OF TAX COLLECTORS~~

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

10 ~~§ 5134. FAILURE TO ATTEND MEETINGS; COMPENSATION~~

11 ~~Collectors shall attend all meetings for instruction to which they are~~
12 ~~summoned in writing by the Director. When a collector is unable to attend, he~~
13 ~~or she shall notify forthwith the Director stating the cause of such inability and,~~
14 ~~in his or her discretion, the Director may summon such collector to attend such~~
15 ~~other meeting as he or she may designate. Collectors attending such meetings~~
16 ~~shall receive therefor from the treasury of their municipality not less than~~
17 ~~\$10.00 per day and their necessary expenses. [Repealed.]~~

18 ~~§ 5135. RETURNS TO DIRECTOR~~

19 ~~Collectors and other officials named in this chapter shall render such~~
20 ~~assistance, furnish such information, and make such returns to the Director in~~

1 ~~relation to the subject of delinquent taxes and the administration of the law in~~
2 ~~reference thereto as he or she may require.~~ [Repealed.]

3 * * *

4 Sec. 50. [Deleted.]

5 Sec. 51. [Deleted.]

6 Sec. 52. [Deleted.]

7 Sec. 53. [Deleted.]

8 * * * 10-Year Tax Study * * *

9 Sec. 54. VERMONT 10-YEAR TAX STUDY

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

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

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

18 (2) Analyze Vermont's taxation levels and tax responsibilities per
19 capita, per income level, and by incidence on typical Vermont families of
20 varying incomes, and on typical Vermont business enterprises of varying sizes

1 and types, and analyze trends in the taxpayer revenue bases for various tax
2 types.

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

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

8 (c) Based upon the information resulting from the study in subsection (b) of
9 this section, the Joint Fiscal Office shall, as part of the study or separately,
10 review income eligibility criteria for various tax provisions and benefit
11 programs to assess where potential gaps in eligibility or benefits cliffs may
12 exist under Vermont's existing tax laws.

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

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

1 than obligations of Vermont and its political subdivisions, and any dividends
2 or other distributions from any fund to the extent such dividend or distribution
3 is attributable to such Vermont State or local obligations;

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

6 (IV) an amount equal to the bonus depreciation deduction taken
7 on the taxpayer's federal income tax return for the taxable year under Section
8 168(k) or (n) of the Internal Revenue Code;

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

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

19 (ii) decreased by:

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

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

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

11 (IV) 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 depreciation on
17 that property. In the taxable year that property is sold or otherwise disposed
18 of, an additional deduction shall be allowed to the extent the amount of
19 depreciation claimed under Section 168(k) or (n) of the Internal Revenue Code
20 on that property has not been recovered through the additional deductions
21 provided under this subdivision (18). The aggregate amount deducted under

1 this subdivision (18)(A)(ii)(IV) in all taxable years for any one piece of
2 property shall not exceed the amount of the bonus depreciation deduction taken
3 on that property on the taxpayer's federal income tax return under Section
4 168(k) or (n) of the Internal Revenue Code, or exceed the amount of the
5 additional modifications taken for that property on the taxpayer's Vermont
6 income tax return under subdivision (i)(IV) of this subdivision (18)(A);

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

19 (VI) for a taxpayer that qualifies as an eligible taxpayer for the
20 taxable year as defined under subdivision (i)(V) of this subdivision (18)(A) and
21 has domestic research or experimental expenditures, as defined in 26 U.S.C.

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

1 that expenditure on the taxpayer's Vermont income tax return under
2 subdivision (i)(V) of this subdivision (18)(A) for expenditures paid or incurred
3 on or after January 1, 2025.

4 * * *

5 (21) "Taxable income" means, in the case of an individual, federal
6 adjusted gross income ~~determined without regard to 26 U.S.C. § 168(k)~~ and:

7 (A) increased by the following items of income (to the extent such
8 income is excluded from federal adjusted gross income):

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

10 ~~and~~

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

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

19 (iv) for any taxpayer that does not qualify as an eligible taxpayer,
20 an amount equal to any deduction taken on the taxpayer's federal income tax
21 return for the taxable year under 26 U.S.C. § 174A, including any amount of

1 these deductions carried over on the taxpayer's federal income tax return as
2 part of a net operating loss from a prior tax year that is deducted in the current
3 taxable year. For purposes of this subdivision (iv), the term "eligible taxpayer"
4 means any taxpayer (other than a tax shelter prohibited from using the cash
5 receipts and disbursements method of accounting under 26 U.S.C. § 448(a)(3))
6 that meets the gross receipts test of 26 U.S.C. § 448(c) for the taxable year; and

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

10 (B) decreased by the following items of income (to the extent such
11 income is included in federal adjusted gross 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) reduced by the total amount of any qualified dividend
15 income: either the first \$5,000.00 of such adjusted net capital gain income or
16 40 percent of adjusted net capital gain income from the sale of assets held by
17 the taxpayer for more than three years, except not adjusted net capital gain
18 income from:

19 (I) the sale of any real estate or portion of real estate used by
20 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 (21)(B)(ii) shall not exceed 40 percent of federal taxable
6 income or \$350,000.00, whichever is less;

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

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

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

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

19 (vii) for the taxable year in which the bonus depreciation
20 deduction is taken on the taxpayer's federal income tax return under Section
21 168(k) or (n) of the Internal Revenue Code and for each applicable taxable

1 year thereafter, an amount equal to the depreciation deduction that would be
2 allowed on that property if the taxpayer had made the election under Section
3 168(k)(7) or (n)(6) of the Internal Revenue Code to not claim bonus
4 depreciation on that property. In the taxable year that property is sold or
5 otherwise disposed of, an additional deduction shall be allowed to the extent
6 the amount of depreciation claimed under Section 168(k) or (n) of the Internal
7 Revenue Code on that property has not been recovered through the additional
8 deductions provided under this subdivision (21). The aggregate amount
9 deducted under this subdivision (21)(B)(vii) in all taxable years for any one
10 piece of property shall not exceed the amount of the bonus depreciation
11 deduction taken on that property on the taxpayer's federal income tax return
12 under Section 168(k) or (n) of the Internal Revenue Code, or exceed the
13 amount of the addition modifications taken for that property on the taxpayer's
14 Vermont income tax return under subdivision (A)(iii) of this subdivision (21);
15 and
16 (viii) for a taxpayer that does not qualify as an eligible taxpayer
17 for the taxable year, as defined under subdivision (A)(iv) of this subdivision
18 (21), 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 (21)(B)(viii) 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 (A)(iv)
6 of this subdivision (21);

7 (ix) for a taxpayer that qualifies as an eligible taxpayer for the
8 taxable year as defined under subdivision (A)(iv) of this subdivision (21) 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 (21)(B)(ix) 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
20 taxpayer's federal income tax return under the Internal Revenue Code; and

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

3 (iv) 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 tax year that is deducted in the
8 current taxable year;

9 (v) 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 (v), 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 (vi) 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

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

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

2 (ii) with respect to adjusted net capital gain income as defined in
3 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend
4 income: either the first \$5,000.00 of such adjusted net capital gain income or
5 40 percent of adjusted net capital gain income from the sale of assets held by
6 the taxpayer for more than three years, except not adjusted net capital gain
7 income from:

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

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

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

18 (iv) for the taxable year in which the bonus depreciation deduction
19 is taken on the taxpayer's federal income tax return under Section 168(k) or (n)
20 of the Internal Revenue Code and for each applicable taxable year thereafter,
21 an amount equal to the depreciation deduction that would be allowed on that

1 property if the taxpayer had made the election under Section 168(k)(7) or
2 (n)(6) of the Internal Revenue Code to not claim bonus depreciation on that
3 property. In the taxable year that property is sold or otherwise disposed of, an
4 additional deduction shall be allowed to the extent the amount of depreciation
5 claimed under Section 168(k) or (n) of the Internal Revenue Code on that
6 property has not been recovered through the additional deductions provided
7 under this subdivision (28). The aggregate amount deducted under this
8 subdivision (28)(B)(iv) in all taxable years for any one piece of property shall
9 not exceed the amount of the bonus depreciation deduction taken on that
10 property on the taxpayer's federal income tax return under Section 168(k) or
11 (n) of the Internal Revenue Code, or exceed the amount of the addition
12 modifications taken on that property on the taxpayer's Vermont income tax
13 return under subdivision (A)(iv) of this subdivision (28);
14 (v) for a taxpayer that does not qualify as an eligible taxpayer for
15 the taxable year, as defined under subdivision (A)(v) of this subdivision (28),
16 for the taxable year in which a deduction is taken on the taxpayer's federal
17 income tax return under 26 U.S.C. § 174A and for each applicable taxable year
18 thereafter, an amount equal to the deduction that would be allowed under 26
19 U.S.C. § 174 applied as those provisions were in effect on December 31, 2024.
20 The aggregate amount deducted under this subdivision in all taxable years may
21 not exceed the amount of the deduction taken on that expenditure on the

1 taxpayer's federal income tax return under the Internal Revenue Code, or
2 exceed the amount of the addition modifications taken on the taxpayer's
3 Vermont income tax return under subdivision (A)(v) of this subdivision (28);
4 (vi) for a taxpayer that qualifies as an eligible taxpayer for the
5 taxable year as defined under subdivision (A)(v) of this subdivision (28) and
6 has domestic research or experimental expenditures, as defined in 26 U.S.C.
7 § 174A, as added by subsection 174A(a), which are paid or incurred in taxable
8 years beginning after December 31, 2021, and before January 1, 2025, and
9 which was charged to capital account pursuant to 26 U.S.C. § 174 as those
10 provisions were in effect on December 31, 2024, for the tax year beginning on
11 or after January 1, 2025 and for each applicable taxable year thereafter, an
12 amount equal to the deduction that would be allowed on those amounts under
13 26 U.S.C. § 174 applied as those provisions were in effect on December 31,
14 2024. The aggregate amount deducted under this subdivision (28)(B)(vi) in all
15 taxable years for any domestic research or experimental expenditure may not
16 exceed the amount of the deduction taken for that expenditure on the
17 taxpayer's federal income tax return under the Internal Revenue Code; and
18 (vii) for a taxpayer that qualifies as an eligible taxpayer for the
19 taxable year as defined under subdivision (A)(v) of this subdivision (28) and
20 has made an addition modification under subdivision (A)(v) of this subdivision
21 (28) in a prior tax year, an amount equal to the subtraction modification that

1 would have been allowed in this taxable year under subdivision (v) of this
2 subdivision (28)(B) but for the taxpayer's current status as an eligible
3 taxpayer. The aggregate amount deducted under this subdivision in all taxable
4 years for any expenditure may not exceed the amount of the deduction taken
5 for that expenditure on the taxpayer's federal income tax return under the
6 Internal Revenue Code, or exceed the amount of the addition modifications
7 taken for that expenditure on the taxpayer's Vermont income tax return under
8 subdivision (A)(v) of this subdivision (28) for expenditures paid or incurred on
9 or after January 1, 2025.

10 * * *

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

12 § 5822. TAX ON INCOME OF INDIVIDUALS, TRUSTS, AND ESTATES

13 * * *

14 (e) The tax determined under subsections (a) through (d) of this section
15 shall be reduced by a percentage equal to the portion of adjusted gross income
16 that is not Vermont income; provided, however, that if a taxpayer's Vermont
17 income exceeds the taxpayer's adjusted gross income, no reduction shall be
18 made and provided, further, that if a taxpayer has zero or negative Vermont
19 income and the taxpayer's Vermont income computed without regard to the
20 reductions in subsection 5823(a) of this chapter does not equal or exceed the
21 taxpayer's adjusted gross income, no tax shall be due under this section. For

1 the purposes of this subsection, adjusted gross income means federal adjusted
2 gross income modified by the additions and subtractions provided for in
3 subdivisions 5811(21)(A) and (B) of this chapter for an individual, and federal
4 adjusted gross income modified by the additions and subtractions provided for
5 in subdivisions 5811(28)(A) and (B) of this chapter for an estate or a trust.

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

7 § 5823. VERMONT INCOME OF INDIVIDUALS, ESTATES, AND
8 TRUSTS

9 * * *

10 (b) For any taxable year, the Vermont income of a nonresident individual,
11 estate, or trust is the sum of the following items of income to the extent they
12 are required to be included in the federal adjusted gross income of the
13 individual after the value of those items are modified by the additions and
14 subtractions provided for in subdivisions 5811(21)(A) and (B) of this chapter
15 or the ~~gross~~ federal adjusted gross income of an estate or trust after the value of
16 those items are modified by the additions and subtractions provided for in
17 subdivisions (28)(A) and (B) of this chapter for that taxable year:

18 * * *

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

20 § 5930ii. RESEARCH AND DEVELOPMENT TAX CREDIT

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

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

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

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

12 § 5930ee. LIMITATIONS

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

15 (1) the total amount of tax credits awarded annually, together with sales
16 tax reallocated under section 9819 of this title, does not exceed ~~\$3,000,000.00~~
17 \$4,000,000.00;

18 * * *

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

20 § 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

1 (6) Sec. 58 (Vermont research and development tax credit) shall take
2 effect on January 1, 2027, and shall apply to taxable years beginning on and
3 after January 1, 2027.

4 (7) Notwithstanding 1 V.S.A. § 214, Secs. 55–57 (decoupling from
5 select provisions of IRC) and Secs. 60 and 61 (annual link-up) shall take effect
6 retroactively on January 1, 2026, and shall apply to taxable years beginning on
7 and after January 1, 2025.