

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19 32 V.S.A. § 5916 (denial of tax credits for S corporations) is repealed.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

1 the 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
8 a 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
19 this title, except that the owner shall have 30 days to appeal the determination
20 to 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
15 Acts and Resolves No. 73, Sec. 14, 2018 Acts and Resolves No. 187, Sec. 5,
16 2019 Acts and Resolves No. 71, Sec. 21, 2021 Acts and Resolves No. 73,
17 Sec. 14, 2023 Acts and Resolves No. 78, Sec. E.306.1, and 2024 Acts and
18 Resolves No. 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 Sec. 10. 2019 Acts and Resolves No. 6, Sec. 105, as amended by 2019 Acts
2 and Resolves No. 71, Sec. 19, 2022 Acts and Resolves No. 83, Sec. 75, 2023
3 Acts and Resolves No. 78, Sec. E.306.2, and 2024 Acts and Resolves No. 144,
4 Sec. 12, is further amended to read:

5 Sec. 105. EFFECTIVE DATES

6 * * *

7 (b) Sec. 73 (further amending 32 V.S.A. § 10402) shall take effect on July
8 1, ~~2026~~ 2031.

9 * * * Inflation Index Updates * * *

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

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

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

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

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

1 fiscal year 2025 through the fiscal year for which the amount is being
2 determined.

3 * * * Homestead Declaration and Property Tax Credit * * *

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

5 (c) When a homestead is owned by two or more persons as joint tenants,
6 tenants by the entirety, or tenants in common and one or more of these persons
7 are not members of the claimant's household, the property tax is the same
8 proportion of the property tax levied on that homestead as the proportion of
9 ownership of the homestead by the claimant and members of the claimant's
10 household; provided, however, that:

11 * * *

12 (3) the property tax of a claimant who is a joint tenant with a former
13 spouse and who has possession of the homestead pursuant to the joint owners'
14 final divorce decree is the property tax for which the claimant is responsible
15 under the joint owners' final divorce decree or any modifying orders; ~~and~~

16 (4) if the homestead is a portion of a duplex and all owners of the
17 duplex occupy some portion of the building as their principal residence, the
18 property tax of the claimant shall be that percentage of the total property tax
19 equal to the ratio of the claimant's principal residence value to the total duplex
20 building value; and

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

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

9 * * * Federal Tax Credit for SGO Contributions * * *

10 Sec. 18. FINDINGS

11 The General Assembly finds:

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

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

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

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

21 ~~§ 24. DESIGNATED ENTITY; PARTICIPATION IN FEDERAL TAX BENEFITS~~

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~~CREDIT PROGRAM~~
~~(a) In accordance with 26 U.S.C. § 25F(g)(1)(B), the General Assembly designates itself as the sole entity to make an election under 26 U.S.C. § 25F.~~
~~(b) Vermont shall not participate in the federal tax credit program for contributions to scholarship granting organizations under 26 U.S.C. § 25F.~~
~~(c) Any election to the contrary made by another State official or entity is void and shall have no effect.~~

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

§ 24. SCHOLARSHIP GRANTING ORGANIZATIONS

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

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

(c) Any election made under 26 U.S.C. § 25F by another State official or 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
6 rental payable under the lease, and as of ~~April~~ January 1 of each year the name
7 and address of the lessee. If for any reason the lease is exempt under
8 subsection (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
12 the 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 the tax identification numbers of all the owners. All information contained
2 within the management activity report shall be forwarded to the Department of
3 Forests, Parks and Recreation, except for any tax identification number
4 included in the report. If any owner satisfies the Department that ~~he or she~~ the
5 owner was prevented by accident, mistake, or misfortune from filing an initial
6 or revised management plan that is required to be filed on or before October 1,
7 or a management plan update that is required to be filed on or before ~~April~~
8 January 1 of the year in which the plan expires, or a management activity
9 report that is required to be filed on or before February 1 of the year following
10 the year 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.

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

2 § 4004. RETURN OF INVENTORIES BY INDIVIDUALS

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

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

17 § 4041. EXAMINATION OF PROPERTY; APPRAISAL

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

21 When a board of listers is of the opinion that expert advice or assistance is

1 needed in making any appraisal required by law, it may, with approval of
2 ~~selectboard~~ the legislative body of the municipality or by vote of the ~~town~~
3 municipality, employ such assistance.

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

5 § 4044. APPRAISAL OF PERSONALTY ON ~~APRIL~~ JANUARY 1

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

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

10 § 4045. APPRAISAL ON OTHER THAN ~~APRIL~~ JANUARY 1

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

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

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

20 * * *

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

2 (7) “Homestead”:

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

9 * * *

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

15 * * *

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

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

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

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

19 § 5405. DETERMINATION OF EQUALIZED EDUCATION PROPERTY

20 TAX GRAND LIST AND COEFFICIENT OF DISPERSION

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

12 * * *

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

19 * * *

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

21 § 5410. DECLARATION OF HOMESTEAD

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

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

8 * * *

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

14 * * *

15 * * * Municipal Tax Collection; State Oversight * * *

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

17 Subchapter 9. Delinquent Taxes

18 § 5131. ~~SUPERVISION BY DIRECTOR~~

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

21 § 5132. ~~CONFERENCES; BULLETINS; FORMS~~

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

7 § 5133. MEETINGS OF TAX COLLECTORS

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

12 § 5134. FAILURE TO ATTEND MEETINGS; COMPENSATION

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

20 § 5135. RETURNS TO DIRECTOR

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

5 * * *

6 ~~Section 30. 32 V.S.A. § 3436(e), PILOT Special Fund~~

7 Sec. 30. 32 V.S.A. § 3436(e) is amended to read:

8 (e) A sum not to exceed \$100,000.00 each year shall be paid from the
9 ~~Education Fund~~ PILOT Special Fund to the Division of Property Valuation
10 and Review for the purpose of providing assessment education for municipal
11 listers and assessors. The Director is authorized to establish guidelines and
12 requirements for education programs to be provided using the funds described
13 in this section. Education programs provided using funds described in this
14 section shall be provided at no cost or minimal cost to the municipal listers and
15 assessors. In addition to providing the annual education programs described in
16 this section, up to 20 percent of the amount available for education programs
17 may be reserved as a scholarship fund to permit municipal listers and assessors
18 to attend national programs providing education opportunities on advanced
19 assessment topics. All applications for scholarships shall be submitted to and
20 ~~approved by the Director.~~

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

2 (a) There is hereby established a PILOT Special Fund consisting of local
3 option tax revenues paid to the State Treasurer pursuant to 24 V.S.A. § 138.
4 This Fund shall be managed by the Commissioner of Taxes pursuant to
5 chapter 7, subchapter 5 of this title. Notwithstanding subdivision 588(3) of
6 this title, all interest earned on the Fund shall be retained in the Fund for use in
7 meeting future obligations. The Fund shall be exclusively for payments
8 required under sections 3435, 4041a, and 5405 of this title, chapter 123,
9 subchapters 4 and 4C of this title, and for any additional State payments in lieu
10 of taxes for correctional facilities. The Commissioner of Finance and
11 Management may draw warrants for disbursements from this Fund in
12 anticipation of receipts.

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

14 § 4041a. REAPPRAISAL

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

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

20 § 5405. DETERMINATION OF EQUALIZED EDUCATION PROPERTY

21 ~~TAX GRAND LIST AND COEFFICIENT OF DISPERSION~~

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

Sec. 50. [Deleted.]

Sec. 51. [Deleted.]

Sec. 52. [Deleted.]

Sec. 53. [Deleted.]

13 * * * 10-Year Tax Study * * *

14 Sec. 54. VERMONT 10-YEAR TAX STUDY

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

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

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

6 **(2) Analyze Vermont’s taxation levels and tax responsibilities per capita,**
7 **per income level, and by incidence on typical Vermont families of varying**
8 **incomes, and on typical Vermont business enterprises of varying sizes and**
9 **types, and analyze trends in the taxpayer revenue bases for various tax types.**

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

12 **(4) Recommend areas for further research and analysis, including ways**
13 **to further research the topics of wealth and income in Vermont’s aging**
14 **demographic.**

15 **(c) Based upon the information resulting from the study in subsection (b)**
16 **of this section, the Joint Fiscal Office shall, as part of the study or separately,**
17 **review income eligibility criteria for various tax provisions and benefit**
18 **programs to assess where potential gaps in eligibility or benefits cliffs may**
19 **exist under Vermont’s existing tax laws.**

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

1 (I) the amount of any deduction for State and local taxes on or
2 measured by income, franchise taxes measured by net income, franchise taxes
3 for the privilege of doing business and capital stock taxes; and

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

10 (III) the amount of any deduction for a federal net operating
11 loss; and

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

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

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

4 (ii) decreased by:

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

8 (II) the amount of income that results from the required
9 reduction in salaries and wages expense for corporations claiming the Targeted
10 Job or WIN credits; and

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

15 (IV) for the taxable year in which the bonus depreciation
16 deduction is taken on the taxpayer’s federal income tax return under Section
17 168(k) or (n) of the Internal Revenue Code and for each applicable taxable
18 year thereafter, an amount equal to the depreciation deduction that would be
19 allowed on that property if the taxpayer had made the election under Section
20 168(k)(7) or (n)(6) of the Internal Revenue Code to not claim depreciation on
21 that property. In the taxable year that property is sold or otherwise disposed

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

1 taken on the taxpayer's Vermont income tax return under subdivision (i)(V) of
2 this subdivision (18)(A);

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

17 (VII) for a taxpayer that qualifies as an eligible taxpayer for the
18 taxable year as defined under subdivision (i)(V) of this subdivision (18)(A)
19 and has made an addition modification under subdivision (i)(V) in a prior tax
20 year, an amount equal to the subtraction modification that would have been
21 allowed in this taxable year under subdivision (A)(ii)(V) of this subdivision

1 as part of a net operating loss from a prior taxable year that is deducted in the
2 current taxable year;

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

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

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

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

19 (ii) with respect to adjusted net capital gain income as defined in
20 26 U.S.C. § 1(h), ~~but excluding any gain specifically included in taxable~~
21 ~~income under subdivision (A)(v) of this subdivision (21),~~ reduced by the total

1 amount of any qualified dividend income: either the first \$5,000.00 of such
2 adjusted net capital gain income or 40 percent of adjusted net capital gain
3 income from the sale of assets held by the taxpayer for more than three years,
4 except not adjusted net capital gain income from:

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

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

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

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

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

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

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

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

13 (ix) 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 domestic research or experimental expenditures, as defined in 26 U.S.C.
16 § 174A, as added by subsection 174A(a), which are paid or incurred in taxable
17 years beginning after December 31, 2021, and before January 1, 2025, and
18 which was charged to capital account pursuant to 26 U.S.C. § 174 as those
19 provisions were in effect on December 31, 2024, for the tax year beginning on
20 or after January 1, 2025, and for each applicable taxable year thereafter, an
21 amount equal to the deduction that would be allowed on those amounts under

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

19 * * *

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

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

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

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

5 (iii) the amount of State and local income taxes deducted from
6 federal gross income for the taxable year; and

7 (iv) an amount equal to the bonus depreciation deduction taken on
8 the taxpayer's federal income tax return for the taxable year under Section
9 168(k) or (n) of the Internal Revenue Code, including any amount of bonus
10 depreciation deduction carried over on the taxpayer's federal income tax return
11 as part of a net operating loss from a prior tax year that is deducted in the
12 current taxable year;

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

1 that meets the gross receipts test of 26 U.S.C. § 448(c) for the taxable year;

2 and

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

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

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

8 (ii) with respect to adjusted net capital gain income as defined in
9 26 U.S.C. § 1(h), ~~but excluding any gain specifically included in taxable~~
10 ~~income as described in subdivision (A)(i) of this subdivision (28),~~ reduced by
11 the total amount of any qualified dividend income: either the first \$5,000.00 of
12 such adjusted net capital gain income or 40 percent of adjusted net capital gain
13 income from the sale of assets held by the taxpayer for more than three years,
14 except not adjusted net capital gain income from:

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

17 (II) the sale of depreciable personal property other than farm
18 property and standing timber; or stocks or bonds publicly traded or traded on
19 an exchange, or any other financial instruments; regardless of whether sold by
20 an individual or business; and provided that the total amount of decrease under

1 this subdivision (28)(B)(ii) shall not exceed 40 percent of federal taxable
2 income or \$350,000.00, whichever is less; and

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

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

1 (v) for a taxpayer that does not qualify as an eligible taxpayer for
2 the taxable year, as defined under subdivision (A)(v) of this subdivision (28),
3 for the taxable year in which a deduction is taken on the taxpayer's federal
4 income tax return under 26 U.S.C. § 174A and for each applicable taxable year
5 thereafter, an amount equal to the deduction that would be allowed under 26
6 U.S.C. § 174 applied as those provisions were in effect on December 31, 2024.
7 The aggregate amount deducted under this subdivision in all taxable years may
8 not exceed the amount of the deduction taken on that expenditure on the
9 taxpayer's federal income tax return under the Internal Revenue Code, or
10 exceed the amount of the addition modifications taken on the taxpayer's
11 Vermont income tax return under subdivision (A)(v) of this subdivision (28);

12 (vi) for a taxpayer that qualifies as an eligible taxpayer for the
13 taxable year as defined under subdivision (A)(v) of this subdivision (28) and
14 has domestic research or experimental expenditures, as defined in 26 U.S.C.
15 § 174A, as added by subsection 174A(a), which are paid or incurred in taxable
16 years beginning after December 31, 2021, and before January 1, 2025, and
17 which was charged to capital account pursuant to 26 U.S.C. § 174 as those
18 provisions were in effect on December 31, 2024, for the tax year beginning on
19 or after January 1, 2025 and for each applicable taxable year thereafter, an
20 amount equal to the deduction that would be allowed on those amounts under
21 26 U.S.C. § 174 applied as those provisions were in effect on December 31,

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

18 * * *

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

20 § 5822. TAX ON INCOME OF INDIVIDUALS, TRUSTS, AND ESTATES

21 * * *

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

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

15 § 5823. VERMONT INCOME OF INDIVIDUALS, ESTATES, AND
16 TRUSTS

17 * * *

18 (b) For any taxable year, the Vermont income of a nonresident individual,
19 estate, or trust is the sum of the following items of income to the extent they
20 are required to be included in the federal adjusted gross income of the
21 individual after the value of those items are modified by the additions and

1 subtractions provided for in subdivisions 5811(21)(A) and (B) of this chapter
2 or the gross federal adjusted gross income of an estate or trust after the value
3 of those items are modified by the additions and subtractions provided for in
4 subdivisions (28)(A) and (B) of this chapter for that taxable year:

5 * * *

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

7 § 5930ii. RESEARCH AND DEVELOPMENT TAX CREDIT

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

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

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

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

19 § 5930ee. LIMITATIONS

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

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

3 ~~(3) Sec. 20 (grand list definition of parcel) shall take effect on April 1,~~
4 ~~2027, and shall apply to grand lists lodged on and after that date.~~

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

7 ~~(5) Secs. 24–48 (grand list assessment date) shall take effect on July 1,~~
8 ~~2031, and shall apply to grand lists lodged after that date.~~

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

Sec. 64. EFFECTIVE DATES

This act shall take effect on passage except:

(1) Notwithstanding 1 V.S.A. § 214, Sec. 1 (credit for taxes paid in another state by an S corporation) shall take effect retroactively on January 1, 2025, and shall apply to taxable years beginning on and after January 1, 2025.

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

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

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

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

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

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