

1 Introduced by Committee on Ways and Means

2 Date:

3 Subject: Taxation; income tax; property transfer tax; use value appraisal;

4 property tax; property valuation; municipal grand list stabilization;

5 equalization study

6 Statement of purpose of bill as introduced: This bill proposes to make multiple

7 administrative and policy changes to Vermont tax laws.

8 An act relating to miscellaneous administrative and policy changes to the
9 tax laws

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

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

12 Sec. 1. REPEAL

13 32 V.S.A. § 5916 (denial of tax credits for S corporations) is repealed.

14 * * * Property Transfer Tax * * *

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

16 § 9602. TAX ON TRANSFER OF TITLE TO PROPERTY

17 A tax is hereby imposed upon the transfer by deed of title to property

18 located in this State, or a transfer or acquisition of a controlling interest in any

19 person with title to property in this State. The amount of the tax equals 1.25

1 percent of the value of the property transferred, or \$1.00, whichever is greater,
2 except as follows:

3 * * *

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

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

8 (B) that will not be used as the principal residence of the transferee;
9 and

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

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

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

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

§ 3757. LAND USE CHANGE TAX

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

(b) Any owner of eligible land who wishes to withdraw land from use value appraisal shall notify the Director, who shall in turn notify the local assessing official. In the alternative, if the Director determines that

1 development has occurred, the Director shall notify the local assessing official
2 of ~~his or her~~ the Director's determination. Thereafter, land that has been
3 withdrawn or developed shall be appraised and listed at its full fair market
4 value in accordance with the provisions of chapter 121 of this title and
5 subsection 3756(d) of this title, according to the appraisal model and land
6 schedule of the municipality.

7 (c) For the purposes of the land use change tax, the determination of the
8 fair market value of the land shall be made by the local assessing officials in
9 accordance with ~~the provisions of~~ subsection (b) of this section and divided by
10 the municipality's most recent common level of appraisal as determined by the
11 Director. The determination shall be made within 30 days after the Director
12 notifies the local assessing officials of the date that the owner has petitioned
13 for withdrawal from use value appraisal or that the Director or local assessing
14 official has determined that development has occurred. The local assessing
15 officials shall notify the Director and the owner of their determination, ~~and the~~
16 Failing a determination of the fair market value of the withdrawn portion of the
17 parcel by the local assessing officials within 30 days as required under this
18 subsection, the Director shall establish the fair market value of the changed
19 land and notify the local assessing officials and the owner of the Director's
20 determination within 30 days. The provisions for appeal relating to property
21 tax assessments in chapter 131 of this title shall apply, except that the owner

1 shall have 30 days to appeal the determination to the municipality or to the
2 Director as applicable under this subsection. If an owner erroneously appeals a
3 municipality's determination to the Director, the Director may forward the
4 appeal to the municipality and, provided the appeal to the Director is made
5 within 30 days as permitted under this subsection, the appeal shall be
6 considered timely filed to the municipality.

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

1 withdrawal from use value appraisal. The owner shall fill out the form and
2 shall sign it under the penalty of perjury. After receipt of the completed and
3 signed form, the Commissioner shall furnish the owner with one copy, shall
4 retain one copy, and shall forward one copy to the local assessing officials, one
5 copy to the register of deeds of the municipality in which the land is located,
6 and one copy to the Secretary of Agriculture, Food and Markets if the land is
7 agricultural land and in all other cases to the Commissioner of Forests, Parks
8 and Recreation.

9 * * *

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

11 (b) Any owner who is aggrieved by the determination of the fair market
12 value of classified land for the purpose of computing the land use change tax
13 may appeal in the same manner as an appeal of a grand list valuation in chapter
14 131 of this title, except that the owner shall have 30 days to appeal the
15 determination to the municipality or to the Director as applicable under
16 subsection 3757(c) of this chapter.

17 * * * Current Use; Qualifying Income * * *

18 Sec. 5. 32 V.S.A. § 3752(1) is amended to read:

19 (1) “Agricultural land” means any land, exclusive of any housesite, in
20 active use to grow hay or cultivated crops, pasture livestock, cultivate trees
21 bearing edible fruit, or produce an annual maple product, and that is 25 acres

1 or more in size, except as provided in this subdivision (1). Agricultural land
2 shall include buffer zones as defined and required in the Agency of
3 Agriculture, Food and Markets' Required Agricultural Practices rule adopted
4 under 6 V.S.A. chapter 215. There shall be a presumption that the land is used
5 for agricultural purposes if:

6 (A) it is owned by a farmer and is part of the overall farm unit;

7 (B) it is used by a farmer as part of the farmer's operation under
8 written lease for at least three years; or

9 (C) it has produced an annual gross income from the sale of farm
10 crops or grazing rights on a per head basis in one of two, or three of the five,
11 calendar years preceding of at least:

12 (i) \$2,000.00 for parcels of up to 25 acres; and

13 (ii) \$75.00 per acre for each acre over 25, with the total income
14 required not to exceed \$5,000.00.

15 (iii) Exceptions to these income requirements may be made in
16 cases of orchard lands planted to fruit-producing trees, bushes, or vines that are
17 not yet of bearing age. As used in this section, the term "farm crops" also
18 includes animal fiber, cider, wine, and cheese, produced on the enrolled land or
19 on a housesite adjoining the enrolled land, from agricultural products grown on
20 the enrolled land.

* * * Municipal Grand List Stabilization Program * * *

Sec. 6. 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.

* * * Communications Property; Inventories * * *

Sec. 7. 32 V.S.A. § 3602b(d)(2) and (3) are amended to read:

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

* * * Health IT Fund Sunset Extension * * *

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

(10) Secs. 48–51 (health care claims tax) shall take effect on July 1, 2013 and Sec. 52 (Health IT-Fund; sunset) shall take effect on July 1, ~~2026~~ 2028.

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

Sec. 105. EFFECTIVE DATES

* * *

(b) Sec. 73 (further amending 32 V.S.A. § 10402) shall take effect on July 1, ~~2026~~ 2028.

* * * Vermont Higher Education Investment Plan * * *

Sec. 11. 32 V.S.A. § 5825a is amended to read:

§ 5825a. CREDIT FOR VERMONT HIGHER EDUCATION INVESTMENT
PLAN CONTRIBUTIONS

1 (a) A taxpayer of this State, including each spouse filing a joint return,
2 shall be eligible for a nonrefundable credit against the tax imposed under
3 section 5822 of this title of 10 percent of the first \$2,500.00 per beneficiary,
4 contributed by the taxpayer during the taxable year to a Vermont Higher
5 Education Investment Plan account under 16 V.S.A. chapter 87, subchapter 7,
6 provided the account is provided directly by the Vermont Student Assistance
7 Corporation to the participant.

8 (b) A taxpayer who has received a credit under subsection (a) of this
9 section shall repay to the Commissioner 10 percent of any distribution from a
10 higher education investment plan account, up to a maximum of the total credits
11 received by the taxpayer under subsection (a) of this section minus any amount
12 of repayment of such credits in prior tax years except when the distribution:

13 (1) is used exclusively for costs of attendance at an approved
14 postsecondary education institution as defined in 16 V.S.A. § 2822(6);

15 (2) is used for a qualifying expense associated with a registered
16 apprenticeship program pursuant to 26 U.S.C. § 529(c)(8);

17 (3) is made after the death of the beneficiary or after the beneficiary
18 becomes disabled pursuant to subdivisions (q)(2)(C) and (m)(7) of 26 U.S.C.
19 § 72; or

20 (4) is used for qualified higher education expense loan repayment
21 pursuant to 26 U.S.C. § 529(c)(9), provided the loan being repaid was used

1 exclusively for costs of attendance at an approved postsecondary education
2 institution as defined in 16 V.S.A. § 2822(6).

3 (c) Repayments under subsection (b) of this section shall be subject to
4 assessment, notice, penalty and interest, collection, and other administration in
5 the same manner as an income tax under this chapter.

6 (d) A distribution, or portion of a distribution, shall be exempt from
7 repayment under subsection (b) of this section if it qualifies as an allowable
8 special rollover to a Roth IRA under 26 U.S.C. § 529(c)(3)(E), provided the
9 distribution is from a higher education investment plan account that has been
10 maintained for not less than 20 years before the distribution was made.

11 * * * Statewide Adjustment Correction * * *

12 Sec. 12. 32 V.S.A. § 6066(a)(2) is amended to read:

13 (2) “Income percentage” in this section means two percent, multiplied
14 by the education income tax spending adjustment under subdivision
15 5401(13)(B) of this title for the property tax year that begins in the claim year
16 for the municipality in which the homestead residence is located and divided
17 by the statewide adjustment under subdivision 5401(17) of this title.

18 * * * Inflation Index Updates * * *

19 Sec. 13. 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. 14. 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. 15. 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. 16. 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. 17. 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 (3) the property tax of a claimant who is a joint tenant with a former
2 spouse and who has possession of the homestead pursuant to the joint owners’
3 final divorce decree is the property tax for which the claimant is responsible
4 under the joint owners’ final divorce decree or any modifying orders; ~~and~~

5 (4) if the homestead is a portion of a duplex and all owners of the duplex
6 occupy some portion of the building as their principal residence, the property
7 tax of the claimant shall be that percentage of the total property tax equal to the
8 ratio of the claimant’s principal residence value to the total duplex building
9 value; and

10 (5) the property tax of a claimant who is a joint tenant or tenant by the
11 entirety with a spouse who is not a member of the household, and who is party
12 to a divorce or separation proceeding in a court of law, shall be 100 percent of
13 the property tax.

14 * * * Estate Tax * * *

15 Sec. 18. 32 V.S.A. § 7444(a) is amended to read:

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

20 (1) a federal estate tax return is required to be filed under 26 U.S.C. §
21 6018; or

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. 19. 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~~ 2031, the allocating
11 agency may award up to ~~\$250,000.00~~ \$350,000.00 in total first-year credit
12 allocations for loans through the Down Payment Assistance Program created in
13 subdivision (b)(3) of this section.

14 * * * Effective Dates * * *

15 Sec. 20. EFFECTIVE DATES

16 This act shall take effect on passage except:

17 (1) notwithstanding 1 V.S.A. § 214, Sec. 1 (credit for taxes paid in
18 another state by an S corporation) shall take effect retroactively on January 1,
19 2025, and shall apply to taxable years beginning on and after January 1, 2025;

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

- 1 (3) Sec. 5 (current use; qualifying income) shall take effect on
- 2 September 2, 2026, and shall apply to grand lists lodged on and after April 1,
- 3 2028.