

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; health IT fund; education finance; inflation index;
6 homestead declaration; property tax credit; estate tax; federal tax
7 credit for contributions to scholarship granting organizations; grand
8 lists; grand list assessment date; municipal tax collection; meals and
9 rooms tax; purchase and use tax; general fund; education fund;
10 transportation fund

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

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

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

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

17 Sec. 1. REPEAL

18 32 V.S.A. § 5916 (denial of tax credits for S corporations) is repealed.

19 * * * Property Transfer Tax * * *

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

1 § 9602. TAX ON TRANSFER OF TITLE TO PROPERTY

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

7 * * *

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

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

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

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

16 (5) If a transfer would have been subject to the tax rate under
17 subdivision (4) of this section but for the transferee's filing of a landlord
18 certificate of rent for which there is no bona fide landlord-tenant relationship
19 between the parties, the Commissioner shall assess tax at the rate under
20 subdivision (4) of this section on the transfer. To make this determination, the
21 Commissioner may consider whether the transferee and tenant are related

1 parties, whether the transferee charges the tenant fair market rent, whether the
2 transferee is an entity with a business purpose other than the avoidance of
3 property transfer tax, and any other factor the Commissioner deems relevant.

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

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

6 § 3757. LAND USE CHANGE TAX

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

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

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

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

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

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

12 * * *

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

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

20 * * * Municipal Grand List Stabilization Program * * *

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

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

10 * * * Communications Property; Inventories * * *

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

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

19 (3) The Division shall prescribe the form of the inventory required under
20 subdivision (2) of this subsection and the officer or officers who shall submit
21 the sworn inventory. If a communications service provider willfully omits to

1 make, swear to, and submit an inventory, or to answer any interrogatory
2 therein, or makes a false answer or statement therein, then the Division shall
3 ascertain the amount and fair market value of the provider’s communications
4 property using the best information available to the Division. In addition to the
5 fine under subdivision (2) of this subsection, the provider shall be barred from
6 any statutory appeal under this chapter or chapter 129 or 131 of this title of the
7 value set by the Division under this subdivision.

8 * * * Equalization Study * * *

9 Sec. 7. 32 V.S.A. § 5405(a) is amended to read:

10 (a) Annually, on or before April 1, the Commissioner shall determine the
11 equalized education property tax grand list and coefficient of dispersion for
12 each municipality in the State; provided, however, that for purposes of
13 equalizing grand lists pursuant to this section, the equalized education property
14 tax grand list of a municipality that establishes a tax increment financing
15 district or a housing development site under 24 V.S.A. chapter 53, subchapter
16 7 shall include the fair market value of the property in the district or site and
17 not the original taxable value of the property, and further provided that the
18 unified towns and gores of Essex County may be treated as one municipality
19 for the purpose of determining an equalized education property grand list and a
20 coefficient of dispersion, if the Director determines that all such entities have a
21 uniform appraisal schedule and uniform appraisal practices.

1 Acts and Resolves No. 78, Sec. E.306.2, and 2024 Acts and Resolves No. 144,
2 Sec. 12, is further amended to read:

3 Sec. 105. EFFECTIVE DATES

4 * * *

5 (b) Sec. 73 (further amending 32 V.S.A. § 10402) shall take effect on July
6 1, ~~2026~~ 2031.

7 * * * Inflation Index Updates * * *

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

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

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

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

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

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

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

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

20 (b) For each fiscal year, the base education amount shall be \$6,800.00,
21 increased by the most recent ~~New England Economic Project Cumulative Price~~

1 ~~index~~ National Income and Product Accounts (NIPA) implicit price deflator,
2 as of November 15, for state and local government ~~purchases of goods and~~
3 ~~services~~ consumption expenditures and gross investment published by the U.S.
4 Department of Commerce, Bureau of Economic Analysis, from fiscal year
5 2005 through the fiscal year for which the amount is being determined, plus an
6 additional one-tenth of one percent.

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

8 (B) In excess of 118 percent of the statewide average district per
9 pupil education spending increased by inflation, as determined by the Secretary
10 of Education on or before November 15 of each year based on the passed
11 budgets to date. As used in this subdivision, “increased by inflation” means
12 increasing the statewide average district per pupil education spending for fiscal
13 year 2025 by the most recent ~~New England Economic Project cumulative price~~
14 ~~index~~ National Income and Product Accounts (NIPA) implicit price deflator, as
15 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 2025 through the fiscal year for which the amount is being determined.

19 * * * Homestead Declaration and Property Tax Credit * * *

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

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

7 * * *

8 (3) the property tax of a claimant who is a joint tenant with a former
9 spouse and who has possession of the homestead pursuant to the joint owners’
10 final divorce decree is the property tax for which the claimant is responsible
11 under the joint owners’ final divorce decree or any modifying orders; ~~and~~

12 (4) if the homestead is a portion of a duplex and all owners of the duplex
13 occupy some portion of the building as their principal residence, the property
14 tax of the claimant shall be that percentage of the total property tax equal to the
15 ratio of the claimant’s principal residence value to the total duplex building
16 value; and

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

21 * * * Estate Tax * * *

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

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

6 (1) a federal estate tax return is required to be filed under 26 U.S.C.
7 § 6018; or

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

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

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

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

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

1 (3) In fiscal year 2027 through fiscal year 2031, the allocating agency
2 may award up to \$350,000.00 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 * * * Federal Tax Credit for SGO Contributions * * *

6 Sec. 18. FINDINGS

7 The General Assembly finds:

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

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

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

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

17 § 24. DESIGNATED ENTITY; PARTICIPATION IN FEDERAL TAX

18 CREDIT PROGRAM

19 (a) In accordance with 26 U.S.C. § 25F(g)(1)(B), the General Assembly
20 designates itself as the sole entity to make an election under 26 U.S.C. § 25F.

1 ~~property, and the use of and tuition for the Green Mountain Conservation~~
2 ~~Camps, notwithstanding 32 V.S.A. § 603. Fees collected for the use of fish and~~
3 ~~wildlife lands and properties shall be deposited in the Fish and Wildlife Fund~~
4 (1) Notwithstanding 32 V.S.A. § 603 and with the approval of the Secretary,
5 the Commissioner may:

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

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

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

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

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

21 * * *

1 **Sec. 22. REPEAL; COMMISSIONER OF FISH AND WILDLIFE RULE ON**
2 **FEEES FOR THE USE OF FISH AND WILDLIFE DEPARTMENT**
3 **LANDS AND FACILITIES**

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

6 **Sec. 23. DEPARTMENT OF FISH AND WILDLIFE REPORT ON FEES**

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

14 * * * Grand List Assessment Date * * *

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

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

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

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

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

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

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

11 § 3482. PROPERTY LISTED AT ONE PERCENT

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

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

16 § 3485. RECORDS TO BE KEPT RELATING TO DEEDS AND
17 MORTGAGES

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

1 the listers, on or before the 15th day of each month, ~~town~~ municipal clerks
2 shall furnish the listers with copies of the property transfer tax returns to deeds
3 that were filed for record during the next preceding calendar month.

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

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

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

1 which the contractor agrees to pay taxes assessed under this section and section
2 4151 of this title.

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

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

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

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

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

16 § 3651. GENERAL RULE

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

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

21 § 3691. GENERAL RULE

1 Taxable tangible personal estate shall be set in the list to the last owner
2 thereof on ~~April~~ January 1 in each year, in the town, village, school, and fire
3 district where such property is situated, with the exception that such personal
4 estate situated within this State owned by persons residing outside the State or
5 by persons unknown to the listers shall be set in the list to the person having
6 the same in charge, in the town, village, school, and fire district where the
7 same is situated and shall be holden for all taxes assessed on such list.
8 However, tangible personal estate owned by nonresident persons or
9 corporation, and used in this State by the State or a department or institution
10 thereof, under lease, contract or other agreement, written or oral, may be set in
11 the list in the town where so used, to such nonresident owner.

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

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

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

20 § 3708. PAYMENTS IN LIEU OF TAXES FOR LANDS HELD BY THE
21 AGENCY OF NATURAL RESOURCES

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

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

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

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

* * *

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

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

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

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(D) Provides for continued conservation management, reserve forestland management, or forest crop production on the parcel for 10 years. An initial forest management plan or conservation management plan must be filed with the Department of Forests, Parks and Recreation on or before October 1 and shall be effective for a 10-year period beginning the following ~~April~~ January 1. Prior to expiration of a 10-year plan and on or before ~~April~~ January 1 of the year in which the plan expires, the owner shall file a new conservation or forest management plan for the next succeeding 10 years to remain in the program.

* * *

(2) A management report of whatever activity has occurred, signed by the owner, has been filed with the Department of Taxes' Director of Property Valuation and Review on or before February 1 of the year following the year when the management activity occurred.

(3) There has not been filed with the Director an adverse inspection report by the Department stating that the management of the tract is contrary to the forest management plan, conservation management plan, or contrary to the minimum acceptable standards for forest or conservation management. The management activity report shall be on a form prescribed by the Commissioner of Forests, Parks and Recreation in consultation with the Commissioner of

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

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

18 § 3802a. REQUIREMENT TO PROVIDE INSURANCE INFORMATION

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

1 assessing officials with information regarding the insurance replacement cost
2 of the exempt property or with a written explanation of why the property is not
3 insured.

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

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

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

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

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

21 § 4004. RETURN OF INVENTORIES BY INDIVIDUALS

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

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

15 § 4041. EXAMINATION OF PROPERTY; APPRAISAL

16 On ~~April~~ January 1, the listers and assessors shall proceed to take up such
17 inventories and make such personal examination of the property that they are
18 required to appraise as will enable them to appraise it at its fair market value.
19 When a board of listers is of the opinion that expert advice or assistance is
20 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 * * * PVR Expenses; PILOT Special Fund * * *

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

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

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

20 (a) There is hereby established a PILOT Special Fund consisting of local
21 option tax revenues paid to the State Treasurer pursuant to 24 V.S.A. § 138.

1 This Fund shall be managed by the Commissioner of Taxes pursuant to chapter
2 7, subchapter 5 of this title. Notwithstanding subdivision 588(3) of this title,
3 all interest earned on the Fund shall be retained in the Fund for use in meeting
4 future obligations. The Fund shall be exclusively for payments required under
5 sections 3436, 4041a, and 5405 of this title, chapter 123, subchapters 4 and 4C
6 of this title, and for any additional State payments in lieu of taxes for
7 correctional facilities. The Commissioner of Finance and Management may
8 draw warrants for disbursements from this Fund in anticipation of receipts.

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

10 § 4041a. REAPPRAISAL

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

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

16 § 5405. DETERMINATION OF EQUALIZED EDUCATION PROPERTY
17 TAX GRAND LIST AND COEFFICIENT OF DISPERSION

18 * * *

19 (f) Within the limits of the resources available for that purpose, the
20 Commissioner may employ such individuals, whether on a permanent,
21 temporary, or contractual basis, as shall be necessary, in the judgment of the

1 Commissioner, to aid in the performance of duties under this section. The
2 Commissioner shall pay from the PILOT Special Fund to each municipality the
3 sum of \$1.00 per grand list parcel in the municipality for services provided to
4 the Commissioner in connection with the performance of duties under this
5 section. Each municipality shall deposit payments received under this
6 subsection into a special fund that shall be used to support the preparation of
7 the education property tax grand list.

8 * * *

9 * * * 10-Year Tax Study * * *

10 **Sec. 54. VERMONT 10-YEAR TAX STUDY**

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

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

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

19 (2) Analyze Vermont’s taxation levels and tax responsibilities per
20 capita, per income level, and by incidence on typical Vermont families of
21 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 section 54 of this act is contingent upon an appropriation of
19 funds in fiscal year 2027 from the General Fund to the Joint Fiscal Office for
20 the 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 taxpayer's
11 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), but excluding any gain specifically included in taxable
15 income under subdivision (A)(v) of this subdivision (21), reduced by the total
16 amount of any qualified dividend income: either the first \$5,000.00 of such
17 adjusted net capital gain income or 40 percent of adjusted net capital gain
18 income from the sale of assets held by the taxpayer for more than three years,
19 except not adjusted net capital gain income from:

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

1 (II) the sale of depreciable personal property other than farm
2 property and standing timber; or stocks or bonds publicly traded or traded on
3 an exchange, or any other financial instruments; regardless of whether sold by
4 an individual or business; and provided that the total amount of decrease under
5 this subdivision (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 taxpayer's
20 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), but excluding any gain specifically included in taxable
4 income as described in subdivision (A)(vi) of this subdivision (28), reduced by
5 the total amount of any qualified dividend income: either the first \$5,000.00 of
6 such adjusted net capital gain income or 40 percent of adjusted net capital gain
7 income from the sale of assets held by the taxpayer for more than three years,
8 except not adjusted net capital gain income from:

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

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

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

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

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

15 (v) for a taxpayer that does not qualify as an eligible taxpayer for
16 the taxable year, as defined under subdivision (A)(v) of this subdivision (28),
17 for the taxable year in which a deduction is taken on the taxpayer's federal
18 income tax return under 26 U.S.C. § 174A and for each applicable taxable year
19 thereafter, an amount equal to the deduction that would be allowed under 26
20 U.S.C. § 174 applied as those provisions were in effect on December 31, 2024.
21 The aggregate amount deducted under this subdivision in all taxable years may

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

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

11 * * *

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

13 § 5822. TAX ON INCOME OF INDIVIDUALS, TRUSTS, AND ESTATES

14 * * *

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

1 taxpayer’s adjusted gross income, no tax shall be due under this section. For
2 the purposes of this subsection, adjusted gross income means federal adjusted
3 gross income modified by the additions and subtractions provided for in
4 subdivisions 5811(21)(A) and (B) of this chapter for an individual, and federal
5 adjusted gross income modified by the additions and subtractions provided for
6 in subdivisions 5811(28)(A) and (B) of this chapter for an estate or a trust.

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

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

10 * * *

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

19 * * *

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

21 § 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 \$5,000,000.00;

18 * * *

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

20 § 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

1 (5) Secs. 24–48 (grand list assessment date) shall take effect on July 1,
2 2031, and shall apply to grand lists lodged after that date.

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