

# SIDE-BY-SIDE SUMMARY OF DRAFT COMMITTEE MISCELLANEOUS TAX BILL

DEPARTMENT OF TAXES JANUARY 22, 2026

Sec.	Subject
1	<p><b>Credit for Taxes Paid in Another State by an S Corporation</b></p> <ul style="list-style-type: none"> <li>• Repeal denial of other state tax credit (OSCR) for S Corporations to restore equity with treatment of other types of passthroughs like partnerships and LLCs.</li> <li>• Background from the 90s: Vermont Supreme Court affirmed Superior Court order in April 1999 that passthroughs are eligible for OSCR. <i>Tarrant v. Vermont Tax Dept</i>, 169 Vt. 189 (April 1999). Meanwhile, during the 1996 legislative session, the Department proposed a change to codify its position in law and Legislature enacted 32 V.S.A. § 5916, which specifically limited and denied the credit if tax was paid by an S Corp on behalf of its owners. Effective TY1997.</li> </ul>
2	<p><b>Property Transfer Tax; Higher Rate</b></p> <ul style="list-style-type: none"> <li>• Allow Commissioner of Taxes to impose the higher tax rate for non-principal residences if the buyer files a landlord certificate to avoid the tax but does not have a bona fide landlord-tenant relationship. Relevant factors for the Commissioner to consider include if the buyer and tenant are related, if the buyer charges the tenant fair market rent, if the buyer is an entity with a business purpose other than the avoidance of property transfer tax, and any other relevant factor.</li> <li>• These transactions are handled by real estate attorneys who will be made aware of this loophole closure.</li> <li>• Increasing rental period doesn't make gaming less likely, but Dept. is not opposed to modifications in addition to this language.</li> </ul>
3-4	<p><b>Current Use; Land Use Change Tax for Withdrawn Portions of Land</b></p> <ul style="list-style-type: none"> <li>• Require the Dept. to take on valuation responsibilities if a town is unable to meet the 30-day deadline for determining fair market value of the withdrawn land. If the Department does the valuation, the town will forfeit compensation from any LUCT paid by the property owner.</li> <li>• Increase the period for a property owner to appeal the value of withdrawn land to the town from 14 days to 30 days. Deem an appeal of value to the Dept. as timely filed and authorize the Dept. to forward it to the relevant town. This will help property owners navigate a complex appeal process without losing their appeal rights.</li> </ul>
5	<p><b>Current Use; Qualifying Income from Grazing Livestock</b></p> <ul style="list-style-type: none"> <li>• Add grazing livestock on a "per head" basis to the types of farm crop sales that qualify as agricultural uses of land.</li> </ul>

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	<ul style="list-style-type: none"> <li>Proposal is to create equity with haying as a qualifying farming activity.</li> <li>September 2 effective date treats all applicants equitably by applying change to the next full year.</li> </ul>
6	<b>Municipal Grand List Stabilization Program</b> <ul style="list-style-type: none"> <li>Change the statutory calculation so the grand list stabilization payment uses the prior year's municipal rate (forgone revenue = flooding year property value x prior year's municipal rate).</li> <li>Change will align with methodology used for PILOT payments to municipalities.</li> <li>Using current year requires special vetting and municipal-Department back and forth before needed for tax purposes.</li> </ul>
7	<b>Communications Property; Inventories</b> <ul style="list-style-type: none"> <li>Provide PVR the same compliance tools for collecting property inventories that municipalities have.</li> <li>Penalize each inventory that is not timely filed by imposing a \$100 fine and removing the right to appeal the valuation. Authorize PVR to value properties based on the best information available.</li> </ul>
8	<b>100% Reappraisal CLA</b>
9-10	<b>Extends the Health IT Fund Sunset from 2026 to 2028</b> <ul style="list-style-type: none"> <li>Note a 1-year sunset extension is also being proposed in the Governor's recommended budget as extension</li> </ul>
11	<b>529 VHEIP Plans – Roth IRA Rollover</b>
12	<b>Statewide adjustment and Property Tax Credit Clean-up</b>
13-16	<b>Title 16 Inflation Updates</b> <ul style="list-style-type: none"> <li>Replace outdated New England Economic Project (NEEP) with National income and Product Accounts (NIPA)</li> </ul>

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17	<p><b>Effective Dates</b></p> <ul style="list-style-type: none"><li>• Default: on passage<ul style="list-style-type: none"><li>○ Including 100% CLA</li></ul></li><li>• Exceptions:<ul style="list-style-type: none"><li>○ Secs. 1 and 2 (annual conformity to federal tax laws) take effect retroactively 1/1/26 and apply to TYs on and after 1/1/25</li><li>○ Sec. 3 (credit for taxes paid in another state by an S Corporation) takes effect retroactively 1/1/26 and applies to TYs on and after 1/1/26</li><li>○ Secs. 6 and 7 (Current Use; Land Use Change Tax) take effect 10/1/26</li></ul></li></ul> <p>Sec. 8 (Current Use; qualifying income) takes effect on 9/2/26 and applies to grand lists lodged on and after 4/1/28.</p>
<b>Additional Department Proposals</b>	
TBD	<p><b>Estate Tax Filing Threshold</b></p> <ul style="list-style-type: none"><li>• Make the dollar thresholds for filing and paying Vermont Estate Tax the same \$5 million.</li></ul>
TBD	<p><b>CHIP and Equalization Study</b></p> <ul style="list-style-type: none"><li>• Clarify that CHIP projects are treated the same way as other TIF districts for purposes of the equalization study.</li></ul>
TBD	<p><b>Repeal Obsolete Statutes</b></p> <ul style="list-style-type: none"><li>• Repeal requirements for PVR Director to oversee municipal tax collectors.</li></ul>