VERMONT LEGISLATIVE
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Fiscal Note

May 5, 2026

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H.933 – An act relating to miscellaneous administrative and policy changes to the tax laws

Senate Proposal of Amendment[1,i]

Commented [CR1]: Add link when language is available

Bill Summary

This bill proposes numerous changes to the State's various tax laws. In addition to many technical changes, the bill contains the annual income tax link-up, expands several tax credits, and modifies how Vermont conforms and decouples with various aspects of the federal income tax code. Additionally, the bill directs the Joint Fiscal Office (JFO) to perform the next decennial study of Vermont taxes and appropriates funds for that work. The bill also modifies how motor vehicle purchase and use tax and meals and rooms tax revenues are dedicated across the three major funds. These changes increase the portion of purchase and use tax revenue to the Transportation Fund from the Education Fund and offset the impact of that change on the Education Fund by increasing the portion of meals and rooms tax to the Education Fund. Fiscal impacts of this bill are summarized in the table below.

Table 1: **Summary of Fiscal Impacts of the Bill ($ millions)**

Section	Fund	Provision	FY 2026	FY 2027	FY 2028
17	General Fund	Increase Down Payment Assistance Program Tax Credits		(0.35)	(0.70)
54	General Fund	Vermont 10-Year Tax Study Appropriation		(0.10)	
55, 55a, 60, 61	General Fund	Linking and Decoupling to Federal Tax Provisions	(3.96)	15.33	16.61
58	General Fund	Increase Research and Development Tax Credit			(1.74)
59	General Fund	Expansion of Downtown and Village Center Tax Credit		(0.50)	(0.50)
62-63	Transportation Fund	P&U increase (from 66.7% to 73%)		9.90	10.10
	Education Fund	Net of P&U decrease (from 33.3% to 27%) and M&R increase (from 25% to 29%)		0.90	1.00
	General Fund	M&R decrease (from 69% to 65%)		(10.80)	(11.10)
<u>Net Fiscal Impacts of the Bill</u>					
	General Fund		**(3.96)**	**3.58**	**2.57**
	Education Fund			**0.90**	**1.00**
	Transportation Fund			**9.90**	**10.10**

Note: Across fiscal years 2026 and 2027, the net impact of the bill is -$380,000 to the General Fund.

[1] *The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this fiscal note is meant to provide information for legislative consideration, not to provide policy recommendations.*

(ID 404738)

Summary of Key Provisions

The following table provides a high-level summary of the bill's provisions:

Section	Description	FY 2027 Revenue/Budget Impact	Impacted Fund(s)
1	**Income Tax:** Removes the prohibition of an S-corporation to take a credit against taxes paid to other states. Effective retroactively on January 1, 2025, to apply to taxable years beginning on and after January 1, 2025.	See description.	
2	**Property Transfer Tax:** Closes loopholes that allowed property buyers to avoid the higher property transfer tax (PTT) rate on non-principal residences.	Unknown positive. See description.	
3-4	**Land Use Change Tax:** Provides that if local assessing officials do not determine the fair market value of a portion of a parcel that is withdrawn from current use within 30 days, then the Division of Property Valuation and Review (PVR) would establish the fair market value. If PVR establishes the fair market value, then the town would forfeit the portion of the tax it would otherwise have retained (the lesser of one-half of the tax paid or $2,000). The remainder of the tax (which is 10% of the full fair market value of the changed land) paid is deposited 25% to the General Fund and 75% to the Education Fund. Also increases the period for property owners to appeal a valuation determination from 14 days to 30 days. Effective October 1, 2026.	De minimis.	
4a	**Current Use:** Would change filing requirement so that an owner (and not all owners), or a forester working on behalf of an owner, is required to sign forest management reports that are submitted to PVR.	N/A	
4b	**Objections to Appeals:** Extends the time frame to file objections to appeals of Board of Civil Authority decisions that are made to the Director of PVR from 14 to 30 days.	N/A	
4c	**Grand List Contents:** Repeals Sec. 60 of Act 73 (2025), which would have modified the definition of "parcel" contingently effective on July 1, 2028. Section 20 proposes new language to replace what is proposed to be deleted in this section.	N/A	
5	**Municipal Grand List Stabilization Program:** Changes the statutory calculation so payments for acquired flood-damaged or flood-prone properties are calculated using the local tax rates in effect in the immediately preceding year (administratively consistent with how payments-in-lieu-of-taxes (PILOT) to municipalities are currently calculated).	De minimis.	

Section	Description	FY 2027 Revenue/Budget Impact	Impacted Fund(s)
6	**Communications Properties:** Gives PVR similar compliance tools for collecting property inventories that municipalities have. Sets a penalty of up to $100 per violation if communications service providers fail to submit inventories of communications properties to PVR on or before April 15. Provides that if a communications service provider willfully omits to make, swear to, and submit an inventory, then PVR shall ascertain the amount and fair market value of the provider's communications property. Clarifies that "communications property" does not include property used solely for one-way, broadcast radio or television transmission. Effective January 1, 2027 and applies to Grand Lists lodged beginning on April 1, 2027.	N/A	
7	**Equalization Study:** Clarifies that Community and Housing Infrastructure Program (CHIP) projects are treated the same was as Tax Increment Financing (TIF) districts for purposes of the equalization study.	N/A	
8	**Common Level of Appraisal (CLA):** Provides that if a municipality has completed a townwide reappraisal, the CLA shall be 100% in the year of the reappraisal for purposes of determining education property tax rates. This avoids the "snapback" that occurs under the current formula and minimizes significant distortions in the CLA in the year when reappraisals occur.	De minimis.	
9-10	**Health-IT Fund:** Extends the sunset on the repeal of the health care claims tax and Health-IT Fund by five years, to July 1, 2031.	See description.	Health IT Fund
11-14	**Inflation Index Updates:** Amends Title 16 to update references to the New England Economic Project Cumulative Price Index (which is no longer published) to the National Income and Product Accounts (NIPA) implicit price deflator.	N/A	
15	**Homestead Declaration and Property Tax Credit:** Provides that the property tax of a claimant who is a joint tenant or tenant by the entirety with a spouse who is not a member of the household, and who is party to a divorce or separation proceeding in a court of law, shall be 100% of the property tax. Avoids a situation where a claimant who is party to a divorce or separation proceeding does not see the value of their property tax credit reduced at a time when their household income is also being reduced.	De minimis.	
16	**Estate Tax:** Aligns the filing requirement for Vermont estate tax returns to the same level where tax liability begins ($5 million). Currently, estates valued at more than $2.75 million must file a Vermont estate tax return even though liability for the tax does not apply unless the estate is valued at more than $5 million.	N/A	

Section	Description	FY 2027 Revenue/Budget Impact	Impacted Fund(s)
17	**Down Payment Assistance Program:** Extends the tax credits that finance the Down Payment Assistance Program at the Vermont Housing Finance Agency (VHFA) from fiscal year 2027 through 2031 and sets the total amount of first-year credit allocations for loans through the Program at $350,000.	$350,000 in forgone revenue in fiscal year 2027; impact phases up, then down over time. See description.	General Fund
18-19	**Federal Tax Credit for Contributions to Scholarship Granting Organizations (SGOs):** Sets forth specific criteria regarding the procedure and reporting requirements should the Governor elect that Vermont participate in the federal tax credit program for contributions to SGOs under 26 U.S.C. § 25F.	N/A	
20	**Per-Parcel Payments to Towns:** Clarifies that in the context of the mapping and per-parcel payments paid to municipalities by the Department of Taxes under 32 V.S.A. § 4041a(a) and § 5405(f), the term "parcel" shall mean a separate and sellable lot or piece of real estate. Effective April 1, 2028, to apply to Grand Lists lodged on and after that date.	N/A	
21	**Fish and Wildlife Fee Setting:** Amends the Commissioner's authority to set fees by rule, prohibits adopting by rule a requirement that an individual possess a license or permit to access lands owned or controlled by the Department.	See description.	
22	**Fish and Wildlife Fee Setting:** Repeals Rule 2008-01, CVR 12-010-075, "Fees for the Use of Fish and Wildlife Department Lands and Facilities," effective July 1, 2027.		
23	**Fish and Wildlife Rules on Fees:** Requires the Commissioner of Fish and Wildlife to submit a report by January 15, 2027 with recommended fees to be charged for the use of lands, roads, buildings, or other property so that the General Assembly, consistent with 32 V.S.A. § 603, shall establish the fees by statute.		
24-48	**Grand List Deadlines:** Amends various statutes related to PVR, Grand List, assessments, appraisals, current use, and PILOT payments to shift respective deadlines from April to January. All sections would be effective July 1, 2031, and apply to Grand Lists lodged after that date.	No impact. See description.	
49	**Repeals State Oversight of Municipal Tax Collection:** Repeals an obsolete provision that requires the Director of PVR to oversee municipal tax collectors (a duty the Director does not currently exercise).	N/A	
50	**Local Option Tax (LOT) Revenue:** Would permit municipalities to retain 80% of LOT revenue in years in which the PILOT Special Fund ends the previous fiscal year with a balance in excess of $18 million.	To be determined.	PILOT Special Fund
51-53	**Deleted**	N/A	

Section	Description	FY 2027 Revenue/Budget Impact	Impacted Fund(s)
54	**10-Year Tax Study:** Would task JFO with performing the decennial 10-Year Tax Study, which would be due in January 2027. Contains a $100,000 appropriation to JFO for consultant support and expenses related to the study.	$100,000 (one-time) See description.	General Fund
55 – 55a	**Link-Up and Decoupling from Federal Tax Laws:** Would decouple Vermont income tax from federal treatment for bonus depreciation on qualified production property, federal deductions for domestic research and experimental procedures expenses for taxpayers that do not qualify as a small business, federal deductions for foreign-sourced income, and income excluded from the sale of qualified small business stock. Effective retroactively on January 1, 2026 and applies to tax years beginning on and after January 1, 2025.	See description for Sec. 60-61 below.	
56-57	**Income Tax Apportionment:** Clarifies that Vermont apportionment uses the same modifiers when taxpayers owe taxes in multiple states and when a taxpayer only owes tax to Vermont. Effective retroactively on January 1, 2026 and applies to tax years beginning on and after January 1, 2025.	De minimis.	
58	**Research and Development Tax Credit:** Increases Vermont's Research and Development Tax Credit from 27% to 75% of the amount of the federal credit allowed in the taxable year for eligible research and development expenditures. Effective on January 1, 2027 and applies to tax years beginning on and after January 1, 2027.	See description.	General Fund
59	**Downtown and Village Center Tax Credit:** Increases the annual maximum amount of tax credits awarded annually from $3 million to $3.5 million.	($500,000)	General Fund
60-61	**Annual Link-Up:** Updates the link-up date by one year, conforming Vermont's income tax code to the federal income tax code in effect on January 1, 2026 (unless otherwise decoupled elsewhere in Section 55 of this bill). Effective retroactively on January 1, 2026 and applies to taxable years beginning on and after January 1, 2025.	$15,330,000	General Fund
62-63	**Revenue from Meals and Rooms and Purchase and Use Taxes:** Shifts 4% of the meals and rooms tax revenue from the General Fund to the Education Fund. Changes the allocation of motor vehicle purchase and use tax revenue from 66.7% Transportation Fund/33.3% Education Fund to 73% Transportation Fund/27% Education Fund, beginning in fiscal year 2027.	See description. ($10,800,000) $900,000 $9,900,000	 General Fund Education Fund Transportation Fund

Section	Description	FY 2027 Revenue/Budget Impact	Impacted Fund(s)
63a - 63b	**Burlington Waterfront TIF District:** Clarifies that the increment retention percentages for the Burlington Waterfront TIF are 75% of the education property tax increment and 100% of the municipal tax increment. Requires the City of Burlington to submit an updated financing plan to the Vermont Economic Progress Council (VEPC) on November 15, 2029.	No impact.	Education Fund

Additional Descriptions of Specific Provisions

Section 1: Credit for Taxes Paid in Another State by S-Corporations

Section 1 would repeal the denial of the ability for S-corporations to receive a tax credit for taxes paid to other states. Other types of pass-through business entities (e.g., partnerships, LLCs) can receive this credit, but S-corporations cannot. This is not expected to impact State revenues.

Section 2: Property Transfer Tax

Section 2 would close a loophole that allows homebuyers to avoid the higher PTT rate for non-principal residences (3.4%, plus a 0.22% clean water surcharge). Currently, the higher tax rate could be avoided if the purchaser files a landlord certificate and rents the property to themselves or to a close relative for 30 days or more at a nominal cost without a bona fide landlord-tenant relationship between the parties. Section 2 would stipulate that the Commissioner of Taxes may assess the higher PTT rate if there is no bona fide landlord-tenant relationship between the parties. To make this determination, the Commissioner may consider whether the transferee and tenant are related parties, whether fair market rent is charged, whether the transferee is an entity with a business purpose other than the avoidance of PTT, and any other factor the Commissioner deems relevant. The fiscal impact of this provision is not known but tightening provisions that would otherwise allow taxpayers to reduce their tax liability would be expected to strengthen revenues to some degree.

Section 8: Common Level of Appraisal

Section 8 would amend the CLA to 100% in the year of reappraisal. Assuming this section would have no impact on voter or school district behavior, this section would have on aggregate a net neutral impact on the Education Fund. Because this bill would only impact the CLA in recently appraised communities, it would impact the share of local homestead property taxes raised from each community, but would not impact the total amount of homestead property taxes raised.

Sections 9-10: Extension of the Sunset on the Health-IT Fund and Health Care Claims Tax

Section 9 extends the sunset on the Health-IT Fund by five years, to July 1, 2031. Section 10 similarly extends the sunset on the portion of Health Care Claims Tax that funds the Health-IT Fund (0.199% of health insurance claims paid by insurers for their Vermont members for the previous fiscal year). These provisions would maintain status quo – generating approximately $6 million of annual revenue to the Health-IT Fund.[2]

Section 17: Down Payment Assistance

Section 17 would authorize up to $350,000 in total first-year credit allocations for loans through the Vermont Housing Finance Agency (VHFA) Down Payment Assistance Program from fiscal year 2027 through fiscal year 2031. Under current law, up to $250,000 of total first-year credit allocations were authorized each year from fiscal year 2020 through fiscal year 2026. These tax credits are available to the taxpayer in the amount of the first-year allocation plus the succeeding four years' deemed allocations. VHFA uses the proceeds from the sale of these tax credits to provide down payment assistance to qualified homebuyers.

The fiscal impact of this provision will vary by year as tax credits are awarded and claimed across a five-year period. The impact will be $350,000 of forgone General Fund revenue in fiscal year 2027, and increase by $350,000 per year until peaking at $1.75 million in fiscal year 2031, it will then phase down by $350,000 per year through fiscal year 2035.

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[2] For more information about the Health Care Claims Tax:
https://legislature.vermont.gov/Documents/2026/Workgroups/House%20Ways%20and%20Means/Health%20Care/W~Nolan%20Langweil~Health%20Care%20Claims%20Tax~1-22-2026.pdf

Fiscal Impact of Increase in Down Payment Assistance Tax Credits
(Source: Vermont Housing Finance Agency)

Cash Flow for Increase in Down Payment Assistance Tax Credits (FY27 to FY35)

Current Commitments | Proposed Additional Credits

Fiscal Year	Status	FY26	FY27	FY28	FY 29	FY 30	FY31	FY32	FY33	FY34	FY35
2021	Sold										
2022	Sold	$250,000									
2023	Sold	$250,000	$250,000								
2024	Sold	$250,000	$250,000	$250,000							
2025	Sold	$250,000	$250,000	$250,000	$250,000						
2026	In process	$250,000	$250,000	$250,000	$250,000	$250,000					
2027			$350,000	$350,000	$350,000	$350,000	$350,000				
2028				$350,000	$350,000	$350,000	$350,000	$350,000			
2029					$350,000	$350,000	$350,000	$350,000	$350,000		
2030						$350,000	$350,000	$350,000	$350,000	$350,000	
2031							$350,000	$350,000	$350,000	$350,000	$350,000
Annual claims of credits already approved		$1,250,000	$1,000,000	$750,000	$500,000	$250,000	$0	$0	$0	$0	$0
Increased cost to VT of proposal		$0	$350,000	$700,000	$1,050,000	$1,400,000	$1,750,000	$1,400,000	$1,050,000	$700,000	$350,000

Sections 21-23: Repeals Authority for Department of Fish and Wildlife to Set Fees Through Rulemaking to Access Land

Sections 21 through 23 deal with the Department of Fish and Wildlife's authority to set certain fees through rulemaking. Section 21 would limit the Commissioner's fee setting authority to licenses and tuition for certain uses, and prohibits a license for public access to use land owned or controlled by the Department.

Section 22 repeals Rule 2008-01, CVR 12-010-075, "Fees for the Use of Fish and Wildlife Department Lands and Facilities," effective July 1, 2027. Section 23 requires the Commissioner to submit a report by January 15, 2027, to the House Committee on Ways and Means and the Senate Committee on Finance with recommended fees to be charged for the use of lands, roads, buildings, or other property so that the General Assembly shall establish the fees by statute in accordance with 32 V.S.A. § 603.

No land access fee or licensing requirement has been implemented yet. The Department indicated in budget testimony that it expects such a requirement could generate approximately $50,000 in fiscal year 2027 and up to $290,000 by fiscal year 2029 to the Fish and Wildlife Fund.[3]

Sections 24-48: Grand List Deadlines

These sections amend various statutes related to PVR, Grand List, assessments, appraisals, current use, and PILOT payments to shift respective deadlines from April to January. These changes, which would be part of broader reforms related to assessments, would shift the Grand List submission date to January 1 and provide additional time for appeals and other work. These changes, which would not take effect until July 1, 2031, would apply to Grand Lists lodged after that date.

[3] https://legislature.vermont.gov/Documents/2026/Workgroups/House%20Environment/Governor's%20Proposed%20FY2027%20Budget/W~Jason%20Batchelder~FY27%20Budget%20Presentation~2-5-2026.pdf

Section 50: Local Option Tax (LOT) Revenue

Currently, municipalities with local option taxes (LOT) on sales, meals and alcohol, and/or rooms are remitted 75% of the revenues generated. The remaining 25% is deposited in the PILOT Special Fund. Section 50 would permit municipalities to receive an additional 5% of the revenue they generate (for a total of 80%) in fiscal years in which the PILOT Special Fund ends the immediately preceding fiscal year with a balance in excess of $18 million. The revenue share would remain 75%/25% if the PILOT Special Fund ends the prior fiscal year with a balance of $18 million or less. This provision would not change the cost apportionment of the $5.96 per-return fee, or the apportionment of local option sales tax revenue on jet fuel.

It is not known when this provision would be implemented, as it would depend on several factors including the growth rates in LOT revenues, adoption rates of LOTs in towns in future years, and future appropriation decisions by the General Assembly. The PILOT Special Fund ended fiscal year 2025 with a balance of $15 million (an all-time high), and is expected to end fiscal year 2026 with a balance in excess of $13 million. Using preliminary fiscal year 2028 revenue projections for a sense of scale, a 5% shift in revenues to municipalities would translate to a revenue reduction to the PILOT Special Fund of approximately $3.3 million. However, the actual impact would depend on what LOT revenues are at the point in time that the PILOT Special Fund year-end balance would trigger this provision.

Section 54: Vermont 10-Year Tax Study

Section 54 directs JFO to perform the next decennial study of Vermont State taxes. Every ten years, JFO performs an analysis of Vermont's tax system with a focus on particular issues. The most recently completed study, released in January 2017, focused on the years 2005 through 2015.[4] The upcoming study, which would be due by January 15, 2027, would focus on the years 2015 through 2025. This section appropriates $100,000 from the General Fund to JFO in fiscal year 2027 for consultant assistance, data analysis, and other expenses related to the study. The duty to implement the required study would be contingent upon an appropriation of funds in fiscal year 2027 for the specific purpose of completing the study.

Sections 55, 55a, 60 and 61: Federal Link Up and Decoupling

These sections would make several changes to Vermont tax law. These include typical annual conforming language for personal and corporate income tax provisions that are currently linked to federal law, and language that decouples Vermont from several provisions of federal tax law.

Sections 60-61 include conforming language that would link Vermont to federal treatment for the Child and Dependent Care Credit, the limitation on business interest deduction, expensing of depreciable assets for small businesses, pro-rata share rules, the research and experimental procedures expense deductions for small businesses, and other miscellaneous business and corporate provisions. These provisions changed at the federal level effective for tax year 2025 and are expected to flow through to Vermont and affect State revenues.

Section 55 includes language that decouples Vermont from the federal treatment of research and experimental expense deduction for businesses that are not defined as small but allows those taxpayers to continue amortizing those expenses over five years. It also decouples Vermont from federal treatment of bonus depreciation for qualified production property as the State does for other types of bonus depreciation. It disallows the exclusion of capital gains from sales of Qualified Small Business Stock, but allows the Vermont Capital Gains Exclusion to apply, and decouples from the IRC Section 250 deductions for international income. Treatment of these provisions changed at the federal level effective for tax year 2025 and this bill opts to decouple from federal treatment rather than link up. These changes all have an effect on State revenue collections.

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[4] 2017 Vermont Tax Study (summary): https://ljfo.vermont.gov/assets/docs/reports/7988191a80/2017-VT-Tax-Study-Summary-1-17-2017.pdf; Full report: https://ljfo.vermont.gov/assets/docs/reports/6ca6f1666c/2017-10-Year-Tax-Study-Full-Report-Compressed.pdf

All of these changes, with the exception of the Qualified Small Business Stock provision, are made retroactively to apply to all tax years starting on and after January 1, 2025. Per Section 55a, the Qualified Small Business Stock provision would apply to all tax years starting on and after January 1, 2026. Due to the retroactive effective dates for these provisions, there is a revenue impact starting in fiscal year 2026 and into the future. The cumulative impact of these changes is -$3.96 million in General Fund revenue starting in fiscal year 2026. By fiscal year 2028, though, these changes would result in an estimated $16.61 million in annual revenue. Under normal conformity, meaning if all provisions were linked up to, JFO in conjunction with the Department of Taxes estimates that General Fund revenue would be $21.3 million below forecast in fiscal year 2026 and result in a $33.7 million reduction in revenue in fiscal year 2027.

Section 58: Research and Development Tax Credit Expansion

Section 58 would expand the existing Vermont Research and Development Tax Credit from its current 27% of the federal credit allowed for eligible research and development expenses to 75%. Eligible expenses for the State credit have to occur within Vermont. The credit is nonrefundable, but any unused portion can be carried forward up to ten years. The federal credit does require increasing research and development expenses over time in order to continuously claim. The federal credit allows businesses and corporations to claim 20% of their incremental research and development expenses in a given year equal to the amount over the average of research and development spending in the previous four years. The credit increase is made effective for tax year 2027 (estimated to represent -$1.74 million of forgone General Fund revenue in fiscal year 2028).

Section 59: Downtown and Village Center Tax Credit Expansion

Section 59 increases the maximum amount of Downtown and Village Center Tax Credits that can be issued each year. These credits, which are currently capped at $3 million annually, can be used to reduce income tax liability or sold to banks or insurance companies to obtain cash, debt reduction, or favorable loan terms. Credits are available for rehabilitating historic properties, façade improvements, code compliance, and flood mitigation for projects within designated downtown or village centers. This section increases the amount of credits that can be issued each year to $3.5 million ($500,000 of forgone revenue beyond current law to the General Fund beginning in fiscal year 2027 and recurring in future years). This figure does not consider other revenues generated from the private investment leveraged through the development process.

Table 2: **Summary of Tax Policy Provisions Impacting General Fund Revenue**
(Secs. 17, 55, 55a, 58, 59, 60, 61)
($ millions)

Sec.	Provision	FY 2026	FY 2027	FY 2028
17	Increase in Down Payment Assistance Tax Credits	-	-0.35	-0.70
55, 55a, 60-61	Link up to Child and Dependent Care Tax Credit Expansion	-	-1.00	-1.02
	Link up to Amended Limitation on Business Interest Deduction	-3.11	-3.65	-3.27
	Link up to More Generous Expensing of Depreciable Assets	-0.86	-1.95	-1.98
	Link up to Pro-Rata Share Rules		0.33	0.80
	Link up to Charitable Deductions for Corporations		0.48	0.89
	Link up to other Miscellaneous Business and Corporate Provisions	0.69	0.82	-0.69
	Link up to H.R1 Domestic R&E for Small Businesses Only	-1.29	-1.30	-0.80
	Decouple from Special Depreciation for Qualified Production Property	-	-	-
	Decouple from Qualified Small Business Stock Gain Exclusion	-	2.38	2.45
	Decouple from Section 250 Deduction	0.61	19.22	20.23
58	Increase Research & Development Tax Credit	-	-	-1.74
59	Increase Downtown and Village Center Tax Credit	-	-0.50	-0.50
	Total	**-3.96**	**14.48**	**13.67**

(ID 404738)

Sections 62-63: Allocation of Meals and Rooms and Purchase and Use Tax Revenues

These sections shift the allocations of these revenue sources across the General, Education, and Transportation funds. These sections make no changes to the respective taxes other than changing the percentage of revenue that flows to the funds.

- Section 62 increases the share of meals and rooms tax revenue to the Education Fund by 4%, from 25% to 29%, and correspondingly reduces the share of revenue to the General Fund from 69% to 65%.[5] This represents a shift of $10.8 million of revenue from the General Fund to the Education Fund in fiscal year 2027, according to the January 2026 consensus revenue forecast.
- Section 63 reduces the share of motor vehicle purchase and use tax revenue to the Education Fund, from 33.3% to 27%, and correspondingly increases the share of revenue to the Transportation Fund from 66.7% to 73%. This represents a shift of $9.9 million of revenue from the Education Fund to the Transportation Fund in fiscal year 2027, according to the January 2026 consensus revenue forecast.

These shifts are expected to have a net impact to the Education Fund of $900,000 in fiscal year 2027. The General Fund would see reduced revenues of -$10.8 million, and the Transportation Fund would see increased revenues of $9.9 million.

Table 3: **Net Impact of Changing Allocations of Meals and Rooms and Purchase and Use Taxes**
($ millions)

Fund	Revenue Source	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Transportation Fund	P&U (from 66.7% to 73%)	9.9	10.1	10.5	10.8	11.1
Education Fund	P&U (from 33.3% to 27%)	(9.9)	(10.1)	(10.5)	(10.8)	(11.1)
Education Fund	M&R (from 25% to 29%)	10.8	11.1	11.5	12.0	12.4
General Fund	M&R (from 69% to 65%)	(10.8)	(11.1)	(11.5)	(12.0)	(12.4)
	Net Education Fund Impact	**0.9**	**1.0**	**1.0**	**1.2**	**1.3**

Sections 63a and 63b: Burlington Waterfront TIF Clarifications

The Burlington Waterfront TIF started in 1996, before the creation of statewide education property taxes. Act 60 (1997) authorized the City of Burlington to retain 100% of the education and municipal property tax increment. Over the life of the district, there have been a range of changes to its size, debt incursion period, and increment retention percentages and periods.

Act 45 (2011) specified the calculation for parcels in the Waterfront TIF district (outside of two parcels no longer a part of the district) should use the 2010 Grand List value as the original taxable value and 75% of the education property tax increment should be retained.

Act 134 (2016) extended the increment retention period for three parcels in the TIF district to fiscal year 2035, extending the life of the district from 2025 to that date. Statute was not explicit about the increment retention percentages for those three parcels. Section 63a clarifies that the retention percentage for those three parcels to be 75% for education property tax increment and 100% for municipal property tax increment.

This section does not have a fiscal impact. It is intended to clarify the retention percentages of the TIF district.

Section 63b would require the City of Burlington to submit an updated financing plan for the Waterfront TIF district to the Vermont Economic Progress Council (VEPC). The plan would contain information that would allow VEPC to determine whether the current education and municipal retention percentages could be adjusted downward and provide enough tax increment to the service remaining debt.

This section could have a future fiscal impact if VEPC reviews the updated financing plan and adjusts the education retention percentages in the Burlington Waterfront TIF district. A downward adjustment would return more incremental tax revenue to the Education Fund, rather than allowing the City to retain that increment, starting in fiscal year 2030. Under current law, any surplus tax increment that is not used to service

[5] The remaining 6% of meals and rooms tax revenue goes to the Clean Water Fund – which is unchanged by this bill.

debt would stay in the City's TIF Fund and would not be distributed to the Education Fund until the TIF district ends.

[i] *The full fiscal note history is available on the fiscal tab of the bill page on the General Assembly website and can be pulled up through a bill number search on the JFO page.*