

S.238

Introduced by Senators Clarkson, Hardy and Watson

Referred to Committee on

Date:

Subject: Housing; Housing Investments Special Fund; taxation; short-term
rental surcharge; rooms tax surcharge; sugar-sweetened beverage tax;
Education Fund

Statement of purpose of bill as introduced: This bill proposes to create the
Housing Investments Special Fund to help create, preserve, and improve
housing stock in Vermont. The bill proposes to use a new rooms tax surcharge
and the existing short-term rental surcharge to support the Fund. The bill
further proposes to create a sugar-sweetened beverage tax to generate revenue
for the Education Fund.

An act relating to revenue for education and housing development

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

Sec. 1. FINDINGS

The General Assembly finds that:

(1) Vermont's most recent Housing Needs Assessment estimates that the
pace of home building will need to increase to create between 24,000 and
36,000 additional year-round homes in 2025–2029 to meet demand, normalize

1 vacancy rates, house the homeless, and replace homes lost from the stock
2 through flooding and other causes.

3 (2) Of these homes, the shortage is most marked for Vermonters with
4 low income, or households that earn less than 120 percent of the Area Median
5 Income as defined by the U.S. Department of Housing and Urban
6 Development (HUD). Assuming a midpoint target of 30,000 homes and
7 apartments from the Housing Needs Assessment, half of them, or 15,000,
8 would need public subsidies to be affordable to households earning less than
9 80 percent HUD's Area Median Income.

10 (3) Subsidies are also often needed to construct housing for households
11 earning between 80 percent and 120 percent of HUD's Area Median Income.
12 Another 5,000 homes are needed to meet Vermonters' housing needs.

13 (4) To meet Vermont's stated goal of constructing new housing units,
14 two-thirds of the units will need targeted public subsidies to meet the housing
15 needs of Vermont, or an estimated 4,000 publicly subsidized housing units per
16 year out of 7,500 units per year that it is estimated that we need.

17 (5) Since 2020, the Vermont Housing and Conservation Board has
18 supported the creation and preservation of housing and shelter for over 5,000
19 households across Vermont.

1 (6) Continued financial support of the Vermont Housing Improvement
2 Program is needed. This program helps Vermont bring back housing that is
3 vacant, dilapidated, non-code compliant, or unweatherized.

4 (7) The need for service supported housing is growing and largely
5 unmet. Whether it's housing for persons with intellectual developmental
6 disabilities, those in transition, those with mental health needs, or persons with
7 physical disabilities, we need more supportive housing. The 2025 Acts and
8 Resolves No. 69 State Housing and Residential Services Planning Committee
9 has determined an urgent need of 600-plus service supported housing units for
10 persons with developmental disabilities alone.

11 (8) At current budget levels and with no new revenue, Vermont is
12 projected to create between 150 and 200 housing units affordable to
13 households earning less than 80 percent of HUD's Area Median Income per
14 year.

15 Sec. 2. 32 V.S.A. chapter 225, subchapter 5 is added to read:

16 Subchapter 5. Rooms Tax Housing Surcharge
17 § 9311. IMPOSITION; ROOMS TAX HOUSING SURCHARGE

18 (a) An operator shall collect a surcharge of two percent of the rent of each
19 occupancy subject to tax under subsection 9241(a) of this title.

20 (b) The surcharge shall be in addition to any tax assessed under section
21 9241 of this chapter. The surcharge assessed under this section shall be paid,

1 collected, remitted, and enforced under this chapter in the same manner as the
2 rooms tax assessed under section 9241 of this title.

3 (c) The surcharge shall be itemized on the invoice or bill and include a
4 statement that the surcharge is “for support of Vermont’s Housing Investments
5 Special Fund.”

6 Sec. 3. 32 V.S.A. chapter 227 is added to read:

7 CHAPTER 227. SUGAR-SWEETENED BEVERAGE TAX

8 § 9401. DEFINITIONS

9 As used in this chapter:

10 (1) “Beverage for medical use” means a beverage suitable for human
11 consumption and manufactured for use as an oral nutritional therapy for
12 persons who cannot absorb or metabolize dietary nutrients from food or
13 beverages or for use as an oral rehydration electrolyte solution for infants and
14 children formulated to prevent or treat dehydration due to illness. “Beverage
15 for medical use” also means a “medical food” as defined in subdivision
16 (5)(b)(3) of the Orphan Drug Act, 21 U.S.C. § 360ee. “Beverage for medical
17 use” does not include drinks commonly referred to as sports drinks or any
18 other common names that are derivations thereof.

19 (2) “Caloric sweetener” means any caloric substance suitable for human
20 consumption that humans perceive as sweet and includes, without limitation,
21 sucrose, fructose, glucose, fruit juice concentrate, or other sugars. “Caloric

1 sweetener” excludes noncaloric sweeteners. As used in this definition,
2 “caloric” means a substance that adds calories to the diet of a person who
3 consumes that substance.

4 (3) “Commissioner” means the Commissioner of Taxes and the
5 Commissioner’s authorized agents and employees.

6 (4) “Consumer” means a person who purchases or otherwise obtains a
7 sugar-sweetened beverage for consumption and not for sale to another.

8 (5) “Department” means the Vermont Department of Taxes.

9 (6) “Distribution” or “Distribute” means the transfer of title or
10 possession from one person to another for consideration or within a business
11 entity or between or among business entities subject to the same ownership or
12 control, such as by a wholesale or warehousing unit to a retail outlet or
13 between two or more employees or contractors. “Distribution” or “Distribute”
14 does not mean the retail sale to a consumer.

15 (7) “Distributor” means any person, including a manufacturer and a
16 wholesale dealer, that receives, stores, manufactures, bottles, or distributes
17 syrup, powder, or sugar-sweetened beverages for sale to retailers, whether or
18 not that person also sells such products to consumers. “Distributor” also
19 means any person importing or causing to be imported syrup, powder, or
20 sugar-sweetened beverages into the State from outside the State for sale to a
21 retailer or consumer.

1 (8) “Place of business” means any place where syrup, powder, or
2 sugar-sweetened beverages are manufactured or received for sale in the State.

3 (9) “Powder” means any solid mixture of ingredients used in making,
4 mixing, or compounding sugar-sweetened beverages by mixing the powder
5 with any one or more other ingredients, including water, ice, syrup, simple
6 syrup, fruits, vegetables, fruit juice, vegetable juice, or carbonation or
7 other gas.

8 (10) “Retailer” means any person that sells syrup, powder, or
9 sugar-sweetened beverages to consumers in the State.

10 (11) “Sale” means the transfer of title or possession for valuable
11 consideration regardless of the manner by which the transfer is completed.

12 (12) “Sugar-sweetened beverage” means any nonalcoholic beverage,
13 carbonated or noncarbonated, that is intended for human consumption as a
14 beverage and contains any added sweetener. As used in this definition,
15 “nonalcoholic beverage” means any beverage that contains less than one-half
16 of one percent alcohol per volume.

17 (13) “Sweetener” means any caloric substance suitable for human
18 consumption that humans perceive as sweet and includes sucrose, fructose,
19 glucose, other sugars, or fruit juice concentrates but does not include any
20 substance that adds fewer than five calories per reference amount customarily
21 consumed or per labeled serving.

1 (14) “Syrup” means a liquid mixture of ingredients used in making,
2 mixing, or compounding sugar-sweetened beverages using one or more other
3 ingredients, such as water, ice, powder, simple syrup, fruits, vegetables, fruit
4 juice, vegetable juice, or carbonation or other gas.

5 § 9402. TAX IMPOSED

6 (a) There is imposed an excise tax on every distributor of \$0.01 per ounce
7 of sugar-sweetened beverages sold in the State.

8 (b) There is imposed an excise tax on every distributor of \$0.01 per ounce
9 of syrup and powder sold in the State. For purposes of calculating the tax
10 under this subsection, the taxable volume of syrup or powder shall be equal to
11 the largest volume of sugar-sweetened beverage resulting from use of the syrup
12 or powder according to the manufacturer’s instructions.

13 § 9403. RETURNS AND REMITTANCES

14 (a) Any distributor liable for the tax imposed by this chapter shall, on or
15 before the 15th day of every month, return to the Commissioner, under oath of
16 a person with legal authority to bind the distributor, a statement containing its
17 name and place of business, the quantity of syrup, powder, and
18 sugar-sweetened beverages subject to the excise tax imposed by this chapter
19 sold in the preceding month, and any other information required by the
20 Commissioner, along with the tax due.

1 (b) The Commissioner shall deposit revenue from the tax imposed by this
2 chapter into the Education Fund pursuant to 16 V.S.A. § 4025(a)(11).

3 § 9404. RECORDS

4 Every distributor shall maintain, for not less than three years, accurate
5 records showing all transactions subject to tax liability under this chapter.
6 Distributors must identify the amount of tax collected as a separate invoice
7 entry on sales to retailers. These records are subject to inspection by the
8 Commissioner at all reasonable times during normal business hours.

9 § 9405. EXEMPTIONS

10 The following shall be exempt from the tax imposed by section 9402 of this
11 chapter:

12 (1) Syrup, powder, or sugar-sweetened beverages sold to the
13 U.S. government, its subdivisions, or under any other circumstances in which
14 the State is without power to impose the tax.

15 (2) Syrup, powder, or sugar-sweetened beverages sold by a distributor
16 for resale or consumption outside the State.

17 (3) Syrup, powder, or sugar-sweetened beverages sold by a distributor to
18 another distributor and not intended for resale to a consumer if the purchasing
19 distributor holds a license issued under section 9407 of this chapter and if the
20 sales invoice clearly indicates that the sale is exempt.

1 (4) Beverages sweetened solely with noncaloric sweeteners.

2 (5) Beverages in which milk, or soy, rice, or similar milk substitute, is
3 the primary ingredient or the first listed ingredient on the label of the beverage.

4 (6) Coffee or tea without added caloric sweetener.

5 (7) Infant formula.

6 (8) Beverages for medical use.

7 (9) Water without any caloric sweeteners.

8 (10) Beverages consisting of 100 percent natural fruit or vegetable juice
9 with no added sweetener. As used in this subdivision, “natural fruit juice” and
10 “natural vegetable juice” mean the original liquid resulting from the pressing
11 of fruits or vegetables or the liquid resulting from the dilution of dehydrated
12 natural fruit juice or natural vegetable juice.

13 § 9406. LICENSE REQUIRED

14 Each distributor shall secure a license from the Commissioner before
15 engaging in the business of selling sugar-sweetened beverages in the State.

16 § 9407. APPLICATION FOR AND ISSUANCE OF LICENSE

17 (a) A separate application and license is required for each wholesale outlet
18 when a distributor owns or controls more than one such outlet.

19 (b) Licenses shall be issued by the Commissioner on application, without
20 charge, on forms prescribed by the Commissioner, stating the name and
21 address of the applicant, the address of the place of business, the type of

1 business, and any other information the Commissioner may require for the
2 proper administration of this chapter.

3 § 9408. TERM OF LICENSES

4 Each license issued under the provisions of this chapter shall be valid,
5 provided the licensee continues to do business at the place named, unless the
6 license is revoked or suspended by the Commissioner as provided in section
7 9409 of this chapter. If the business is sold or transferred or if the licensee
8 ceases to do business at the place named, the license shall immediately be
9 returned to the Commissioner for cancellation.

10 § 9409. REVOCATION AND SUSPENSION OF LICENSES

11 The Commissioner may revoke or suspend the license of any licensee for
12 failure to comply with any provision of this chapter or for failure to comply
13 with the provisions of 11 V.S.A. chapter 15.

14 § 9410. PENALTIES

15 (a) Any person subject to the provisions of this chapter that fails to pay the
16 tax imposed by this chapter on or before the date that payment is due or fails to
17 submit a return as required by this chapter is subject to the interest and
18 penalties provisions of section 3202 of this title.

19 (b) Any person subject to the provisions of this chapter that sells or offers
20 for sale any syrup, powder, or sugar-sweetened beverages in the State without

1 holding a license as required by this chapter is liable for a penalty of up to
2 \$100.00 for each day such sales are made or offered.

3 § 9411. APPEALS

4 Any person aggrieved by an action taken by the Commissioner under this
5 chapter may appeal in writing to the Commissioner for a review. The
6 Commissioner shall then grant a hearing under 3 V.S.A. chapter 25 and notify
7 the aggrieved person in writing of the Commissioner's determination. The
8 Commissioner's determination may be appealed within 30 days to the Superior
9 Court of the county of this State in which the taxpayer resides or has a place of
10 business or to the Superior Court of Washington County.

11 § 9412. BONDING

12 When the Commissioner, in the Commissioner's discretion, considers it
13 necessary to protect the revenues raised under this chapter, the Commissioner
14 may require any licensee to file with the Commissioner a bond under the terms
15 of section 3114 of this title.

16 § 9413. RULES

17 The Commissioner is authorized to adopt rules and procedures to
18 accomplish the purposes of this chapter.

19 Sec. 4. 16 V.S.A. § 4025 is amended to read:

20 § 4025. EDUCATION FUND

1 (a) The Education Fund is established to comprise the following:

2 * * *

3 (11) revenues from the ~~short-term rental surcharge~~ sugar-sweetened
4 beverage tax under 32 V.S.A. § ~~9301~~ 9402.

5 * * *

6 Sec. 5. 10 V.S.A. chapter 3 is added to read:

7 CHAPTER 3. HOUSING INVESTMENTS SPECIAL FUND

8 § 22. HOUSING INVESTMENTS SPECIAL FUND

9 (a) Creation. There is established the Housing Investments Special Fund to
10 be administered by the Vermont Housing Conservation Board. Monies in the
11 Fund shall be used to help create, preserve, or improve housing stock. Projects
12 supported by the Fund may include affordable housing units, permanently
13 affordable housing units, service-supported housing units, or transitional
14 housing.

15 (b) Funds. The Fund shall consist of:

16 (1) revenue from the short-term rental surcharge under 32 V.S.A.
17 § 9301;

18 (2) revenue from the rooms tax surcharge under 32 V.S.A. § 9311;

19 (3) any amounts transferred to it by the General Assembly; and

20 (4) any interest earned by the Fund.

1 (c) Fund balance. Any balance remaining at the end of the fiscal year shall
2 remain in the Fund.

3 (d) Receipts. The Commissioner of Finance and Management may
4 anticipate receipts to this Fund and issue warrants based thereon.

5 (e) Appropriations required. Expenditures shall only be made from the
6 Fund through appropriation by the General Assembly.

7 (f) Intended use of Fund. It is the intent of the General Assembly to
8 appropriate not less than \$5,000,000.00 from the Fund annually to the
9 Department of Housing and Community Development for the Vermont
10 Housing Improvement Program and to appropriate the remaining balance of
11 revenue anticipated to be deposited into the Fund each year to the Vermont
12 Housing and Conservation Board to support housing development projects,
13 including the development of affordable housing units, permanently affordable
14 housing units, service-supported housing units, and transitional housing.

15 (g) Reporting. Prior to January 31 of each year, the Vermont Housing and
16 Conservation Board shall submit a report on the investments made from the
17 Housing Investments Special Fund to the Governor and to the House
18 Committees on General and Housing, on Ways and Means, and on
19 Appropriations and the Senate Committees on Appropriations, on Finance, and
20 on Economic Development, Housing and General Affairs. The report shall
21 include a list and description of projects funded by the Fund during the

1 preceding fiscal year. For each project, the report shall list the amount
2 awarded, the geographic location, the number of homes created or preserved,
3 and the term and level of affordability of those homes.

4 Sec. 6. HOUSING INVESTMENTS SPECIAL FUND; APPROPRIATION

5 (a) In fiscal year 2027, \$5,000,000.00 is appropriated from the Housing
6 Investments Special Fund to the Department of Housing and Community
7 Development to be expended on the Vermont Housing Improvement Program.

8 (b) In fiscal year 2027, \$14,500,000.00 is appropriated from the Housing
9 Investments Special Fund to the Vermont Housing and Conservation Board to
10 support housing development projects in accordance with 10 V.S.A. § 22(a).

11 Sec. 7. EFFECTIVE DATE

12 This act shall take effect on August 1, 2026.