

1 TO THE HONORABLE SENATE:

2 The Committee on Finance to which was referred House Bill No. 933
3 entitled “An act relating to miscellaneous administrative and policy changes to
4 the tax laws” respectfully reports that it has considered the same and
5 recommends that the Senate propose to the House that the bill be amended by
6 striking out all after the enacting clause and inserting in lieu thereof the
7 following:

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

9 Sec. 1. REPEAL

10 32 V.S.A. § 5916 (denial of tax credits for S corporations) is repealed.

11 * * * Property Transfer Tax * * *

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

13 § 9602. TAX ON TRANSFER OF TITLE TO PROPERTY

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

19 * * *

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

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

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

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

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

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

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

18 § 3757. LAND USE CHANGE TAX

19 (a) Land that has been classified as agricultural land or managed forestland
20 pursuant to this chapter shall be subject to a land use change tax upon the
21 development of that land, as defined in section 3752 of this chapter. The tax

1 shall be at the rate of 10 percent of the full fair market value of the changed
2 land determined without regard to the use value appraisal. If changed land is a
3 portion of a parcel, the fair market value of the changed land shall be the fair
4 market value of the changed land as a separate parcel, divided by the common
5 level of appraisal. Such fair market value shall be determined as of the date
6 the land is no longer eligible for use value appraisal. This tax shall be in
7 addition to the annual property tax imposed upon such property. Nothing in
8 this section shall be construed to require payment of an additional land use
9 change tax upon the subsequent development of the same land, nor shall it be
10 construed to require payment of a land use change tax merely because
11 previously eligible land becomes ineligible, provided no development of the
12 land has occurred.

13 (b) Any owner of eligible land who wishes to withdraw land from use
14 value appraisal shall notify the Director, who shall in turn notify the local
15 assessing official. In the alternative, if the Director determines that
16 development has occurred, the Director shall notify the local assessing official
17 of ~~his or her~~ the Director's determination. Thereafter, land that has been
18 withdrawn or developed shall be appraised and listed at its full fair market
19 value in accordance with the provisions of chapter 121 of this title and
20 subsection 3756(d) of this title, according to the appraisal model and land
21 schedule of the municipality.

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

1 (d) The land use change tax shall be due and payable by the owner 30 days
2 after the tax notice is mailed to the ~~taxpayer~~ owner. The tax shall be paid to
3 the Commissioner, who, if the municipality's local assessing officials timely
4 determine fair market value of the withdrawn portion of the parcel pursuant to
5 subsection (c) of this section, shall remit to the municipality the lesser of one-
6 half the tax paid or \$2,000.00. ~~The Director~~ and shall deposit three-quarters of
7 the remainder of the tax paid in the Education Fund, and one-quarter of the
8 remainder of the tax paid in the General Fund. If the municipality's local
9 assessing officials fail to timely determine fair market value of the withdrawn
10 portion of the parcel pursuant to subsection (c) of this section, the municipality
11 shall forfeit any tax paid and the Commissioner shall deposit three-quarters of
12 the tax paid in the Education Fund, and one-quarter of the tax paid in the
13 General Fund. The Commissioner shall issue a form to the assessing officials
14 that shall provide for a description of the land developed, the amount of tax
15 payable, and the fair market value of the land at the time of development or
16 withdrawal from use value appraisal. The owner shall fill out the form and
17 shall sign it under the penalty of perjury. After receipt of the completed and
18 signed form, the Commissioner shall furnish the owner with one copy, shall
19 retain one copy, and shall forward one copy to the local assessing officials, one
20 copy to the register of deeds of the municipality in which the land is located,
21 and one copy to the Secretary of Agriculture, Food and Markets if the land is

1 agricultural land and in all other cases to the Commissioner of Forests, Parks
2 and Recreation.

3 * * *

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

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

11 **Sec. 4a.** 32 V.S.A. § 3755(b)(2) is amended to read:

12 (2) A management report of whatever activity has occurred, signed by
13 ~~the~~ **an owner or forester working on behalf of an owner**, has been filed with the
14 Department of Taxes' Director of Property Valuation and Review on or before
15 February 1 of the year following the year when the management activity
16 occurred.

17 **Sec. 4b.** 32 V.S.A. § 4463 is amended to read:

18 § 4463. OBJECTIONS TO APPEAL

19 When a taxpayer, an agent designated by the legislative body of the town,
20 or selectboard claims that an appeal to the Director is in any manner defective
21 or was not lawfully taken, on or before ~~14~~ **30** days after mailing of the notice

1 of appeal by the clerk under Rule 74(b) of the Vermont Rules of Civil
2 Procedure receipt of the appeal by the Director, the taxpayer, town agent, or
3 selectboard shall file objections in writing with the Director, and furnish the
4 appellant or appellant's attorney with a copy of the objections. When the
5 taxpayer, agent, or selectboard so requests, the Director shall thereupon fix a
6 time and place for hearing the objections, and shall notify all parties thereof, by
7 mail or otherwise. Upon hearing or otherwise, the Director shall pass upon the
8 objections and make such order in relation thereto as is required by law. The
9 order shall be recorded or attached in the town clerk's office in the book
10 wherein the appeal is recorded.

11 **Sec. 4c.** REPEAL; GRAND LIST CONTENTS

12 2025 Acts and Resolves No. 73, Sec. 60 (grand list contents) is repealed.

13 * * * Municipal Grand List Stabilization Program * * *

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

15 (c) Upon notification by the Commissioner of Public Safety, the
16 Commissioner of Taxes shall certify the payment amounts and make an annual
17 payment to each municipality for each eligible property to compensate for the
18 loss of municipal property tax. The payment shall be calculated using the
19 grand list value of the acquired property for the year during which the property
20 was either damaged by flooding or identified as flood-prone by the
21 Commissioner of Public Safety, multiplied by the municipal tax rate, including

1 any submunicipal tax rates, in effect ~~each~~ in the immediately preceding year.

2 This payment shall be made on or before January 1 of each year for five years.

3 * * * Communications Property; Inventories * * *

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

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

12 (3) The Division shall prescribe the form of the inventory required under
13 subdivision (2) of this subsection and the officer or officers who shall submit
14 the sworn inventory. If a communications service provider willfully omits to
15 make, swear to, and submit an inventory, or to answer any interrogatory
16 therein, or makes a false answer or statement therein, then the Division shall
17 ascertain the amount and fair market value of the provider's communications
18 property using the best information available to the Division. In addition to the
19 fine under subdivision (2) of this subsection, the provider shall be barred from
20 any statutory appeal under this chapter or chapter 129 or 131 of this title of the
21 value set by the Division under this subdivision.

1 ~~by its most recent equalized grand list value~~ 100 percent, for purposes of
2 determining education property tax rates.

3 * * * Health IT Fund Sunset Extension * * *

4 Sec. 9. 2013 Acts and Resolves No. 73, Sec. 60(10), as amended by 2017 Acts
5 and Resolves No. 73, Sec. 14, 2018 Acts and Resolves No. 187, Sec. 5, 2019
6 Acts and Resolves No. 71, Sec. 21, 2021 Acts and Resolves No. 73, Sec. 14,
7 2023 Acts and Resolves No. 78, Sec. E.306.1, and 2024 Acts and Resolves No.
8 144, Sec. 11, is further amended to read:

9 (10) Secs. 48–51 (health care claims tax) shall take effect on July 1,
10 2013, and Sec. 52 (Health IT-Fund; sunset) shall take effect on July 1, ~~2026~~
11 2031.

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

16 Sec. 105. EFFECTIVE DATES

17 * * *

18 (b) Sec. 73 (further amending 32 V.S.A. § 10402) shall take effect on July
19 1, ~~2026~~ 2031.

* * * Inflation Index Updates * * *

1
2 Sec. 11. 16 V.S.A. § 559(e)(7) is amended to read:

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

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

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

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

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

17 (d) If the amount of Medicaid reimbursement funds received for services
18 provided in the prior State fiscal year exceeds \$25,000,000.00, in addition to
19 the 50 percent of the funds paid to supervisory unions submitting Medicaid
20 bills, 25 percent of the amounts in excess of the \$25,000,000.00 shall be paid
21 into an incentive fund created in the Agency of Education. These funds shall

1 be used for an incentive payment to supervisory unions with student
2 participation rates of over 80 percent in accordance with a formula to be
3 developed by the Agency, in consultation with the Vermont Superintendents
4 Association. For any incentive payments made subsequent to fiscal year 2007,
5 the \$25,000,000.00 threshold of this subsection shall be increased by the
6 percentage increase of the most recent ~~New England Economic Project~~
7 ~~Cumulative Price Index~~ National Income and Product Accounts (NIPA)
8 implicit price deflator, as of November 15, for state and local government
9 ~~purchases of goods and services~~ consumption expenditures and gross
10 investment published by the U.S. Department of Commerce, Bureau of
11 Economic Analysis, from fiscal year 2005 through the fiscal year for which the
12 payment is being determined, plus an additional one-tenth of one percent.

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

14 (b) For each fiscal year, the base education amount shall be \$6,800.00,
15 increased by the most recent ~~New England Economic Project Cumulative Price~~
16 ~~Index~~ National Income and Product Accounts (NIPA) implicit price deflator,
17 as of November 15, for state and local government ~~purchases of goods and~~
18 ~~services~~ consumption expenditures and gross investment published by the U.S.
19 Department of Commerce, Bureau of Economic Analysis, from fiscal year
20 2005 through the fiscal year for which the amount is being determined, plus an
21 additional one-tenth of one percent.

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

2 (B) In excess of 118 percent of the statewide average district per
3 pupil education spending increased by inflation, as determined by the Secretary
4 of Education on or before November 15 of each year based on the passed
5 budgets to date. As used in this subdivision, “increased by inflation” means
6 increasing the statewide average district per pupil education spending for fiscal
7 year 2025 by the most recent ~~New England Economic Project cumulative price~~
8 ~~index~~ National Income and Product Accounts (NIPA) implicit price deflator, as
9 of November 15, for state and local government ~~purchases of goods and~~
10 ~~services~~ consumption expenditures and gross investment published by the U.S.
11 Department of Commerce, Bureau of Economic Analysis, from fiscal year
12 2025 through the fiscal year for which the amount is being determined.

13 * * * Homestead Declaration and Property Tax Credit * * *

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

15 (c) When a homestead is owned by two or more persons as joint tenants,
16 tenants by the entirety, or tenants in common and one or more of these persons
17 are not members of the claimant’s household, the property tax is the same
18 proportion of the property tax levied on that homestead as the proportion of
19 ownership of the homestead by the claimant and members of the claimant’s
20 household; provided, however, that:

21 * * *

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

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

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

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

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

14 (3) In fiscal year 2027 through fiscal year 2031, the allocating agency
15 may award up to \$350,000.00 in total first-year credit allocations for loans
16 through the Down Payment Assistance Program created in subdivision (b)(3)
17 of this section.

18 * * * Federal Tax Credit for SGO Contributions * * *

19 Sec. 18. FINDINGS

20 The General Assembly finds:

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

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

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

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

10 § 24. SCHOLARSHIP GRANTING ORGANIZATIONS

11 (a) Annually, the General Assembly may elect to participate in the federal
12 tax credit program under 26 U.S.C. § 25F in the following year by enactment
13 of an act.

14 (b) A legislative enactment made under this section shall identify all
15 qualifying scholarship granting organizations to be listed pursuant to 26 U.S.C.
16 § 25F for the following year. The enactment made pursuant to this section
17 shall specify the individual or entity responsible for providing the list of
18 organizations to the U.S. Secretary of Treasury pursuant to 26 U.S.C. § 25F(g).

19 (c) Any election made under 26 U.S.C. § 25F by another State official or
20 entity is void and shall have no effect.

1 Notwithstanding 32 V.S.A. § 603 and with the approval of the Secretary, the

2 Commissioner may:

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

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

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

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

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

18 * * *

19 Sec. 22. REPEAL; COMMISSIONER OF FISH AND WILDLIFE RULE ON
20 FEES FOR THE USE OF FISH AND WILDLIFE DEPARTMENT
21 LANDS AND FACILITIES

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

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

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

7 § 3482. PROPERTY LISTED AT ONE PERCENT

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

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

12 § 3485. RECORDS TO BE KEPT RELATING TO DEEDS AND
13 MORTGAGES

14 (a) Annually on ~~April~~ January 1, ~~town~~ municipal clerks shall furnish the
15 listers with copies of the property tax returns filed by the clerk under section
16 9610 of this title relating to deeds that were filed for record during the year
17 ending on the first day of such month. However, upon request in writing by
18 the listers, on or before the 15th day of each month, ~~town~~ municipal clerks
19 shall furnish the listers with copies of the property transfer tax returns to deeds
20 that were filed for record during the next preceding calendar month.

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

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

7 (a) Construction equipment and other personal estate used in the
8 construction or repair of highways, dams, reservoirs, public utilities, or
9 buildings shall be listed and taxed on the same basis as other personal estate in
10 the town in which it is located on ~~April~~ January 1. Such equipment brought
11 into the State after ~~April~~ January 1 and prior to December 15 of any year shall
12 be taxed as other personal estate for that year in the town in which it is first
13 used for a normal full work shift. The owner or person in charge of any
14 equipment enumerated in this section shall, upon request of the Treasurer or
15 tax collector of any municipality, present evidence that it has been listed for
16 tax purposes in a municipality in this State. The Transportation Board and
17 other State agencies shall insert in all contracts for construction a term by
18 which the contractor agrees to pay taxes assessed under this section and section
19 4151 of this title.

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

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

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

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

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

14 § 3651. GENERAL RULE

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

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

19 § 3691. GENERAL RULE

20 Taxable tangible personal estate shall be set in the list to the last owner
21 thereof on ~~April~~ January 1 in each year, in the town, village, school, and fire

1 district where such property is situated, with the exception that such personal
2 estate situated within this State owned by persons residing outside the State or
3 by persons unknown to the listers shall be set in the list to the person having
4 the same in charge, in the town, village, school, and fire district where the
5 same is situated and shall be holden for all taxes assessed on such list.

6 However, tangible personal estate owned by nonresident persons or
7 corporation, and used in this State by the State or a department or institution
8 thereof, under lease, contract or other agreement, written or oral, may be set in
9 the list in the town where so used, to such nonresident owner.

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

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

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

18 § 3708. PAYMENTS IN LIEU OF TAXES FOR LANDS HELD BY THE
19 AGENCY OF NATURAL RESOURCES

20 * * *

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

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

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

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

13 * * *

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

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

17 (1) The land is subject to a forest management plan, subject to a
18 conservation management plan in the case of lands certified under 10 V.S.A.
19 § 6306(b), that is filed in the manner and form required by the Department of
20 Forests, Parks and Recreation and that:

21 * * *

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

10 * * *

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

Commented [KK1]: Note for editors- this preserves a change made earlier in time. That is why it has no underline.

16 (3) There has not been filed with the Director an adverse inspection
17 report by the Department stating that the management of the tract is contrary to
18 the forest management plan, conservation management plan, or contrary to the
19 minimum acceptable standards for forest or conservation management. The
20 management activity report shall be on a form prescribed by the Commissioner
21 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 goes 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.

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

2 § 4004. RETURN OF INVENTORIES BY INDIVIDUALS

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

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

17 § 4041. EXAMINATION OF PROPERTY; APPRAISAL

18 On ~~April~~ January 1, the listers and assessors shall proceed to take up such
19 inventories and make such personal examination of the property that they are
20 required to appraise as will enable them to appraise it at its fair market value.

21 When a board of listers is of the opinion that expert advice or assistance is

1 needed in making any appraisal required by law, it may, with approval of
2 ~~selectboard~~ the legislative body of the municipality or by vote of the ~~town~~
3 municipality, employ such assistance.

4 Sec. 42. 32 V.S.A. § 4044 is amended to read:

5 § 4044. APPRAISAL OF PERSONALTY ON ~~APRIL~~ JANUARY 1

6 Unless otherwise provided, the taxable personal estate contained in the
7 inventory shall be appraised by the listers at its fair market value on ~~April~~
8 January 1.

9 Sec. 43. 32 V.S.A. § 4045 is amended to read:

10 § 4045. APPRAISAL ON OTHER THAN ~~APRIL~~ JANUARY 1

11 If any business is normally operated for a period less than 12 consecutive
12 months and is not in operation on ~~April~~ January 1, an inventory shall be filed
13 with the listers at least 15 days prior to the anticipated annual suspension of
14 such business and the stock in trade shall be appraised for the period of
15 operation so as to represent an average of values of such property during that
16 period in which the business has been carried on.

17 Sec. 44. 32 V.S.A. § 4605 is amended to read:

18 § 4605. ASSESSMENT WHEN APPRAISAL ON OTHER THAN ~~APRIL~~
19 JANUARY 1

20 * * *

1 Sec. 45. 32 V.S.A. § 5401(7) is amended to read:

2 (7) “Homestead”:

3 (A) “Homestead” means the principal dwelling and parcel of land
4 surrounding the dwelling, owned and occupied by a resident individual as the
5 individual’s domicile or owned and fully leased on ~~April~~ January 1, provided
6 the property is not leased for more than 182 days out of the calendar year or,
7 for purposes of the renter credit under subsection 6066(b) of this title, is rented
8 and occupied by a resident individual as the individual’s domicile.

9 * * *

10 (G) For purposes of homestead declaration and application of the
11 homestead property tax rate, “homestead” also means a residence that was the
12 homestead of the decedent at the date of death and, from the date of death
13 through the next ~~April~~ January 1, is held by the estate of the decedent and not
14 rented.

15 * * *

16 Sec. 46. 32 V.S.A. § 5404a(a)(6) is amended to read:

17 (6) An exemption of a portion of the value of a qualified rental unit
18 parcel. An owner of a qualified rental unit parcel shall be entitled to an
19 exemption on the education property tax grand list of 10 percent of the grand
20 list value of the parcel, multiplied by the ratio of square footage of
21 improvements used for or related to residential rental purposes to total square

1 footage of all improvements, multiplied by the ratio of qualified rental units to
2 total residential rental units on the parcel. “Qualified rental units” means
3 residential rental units that are subject to rent restriction under provisions of
4 State or federal law but excluding units subject to rent restrictions under only
5 one of the following programs: Section 8 moderate rehabilitation, Section 8
6 housing choice vouchers, or Section 236 or Section 515 rural development
7 rental housing. A municipality shall allow the percentage exemption under
8 this subsection upon presentation by the taxpayer to the municipality, by ~~April~~
9 January 1, of a certificate of education grand list value exemption obtained
10 from the Vermont Housing Finance Agency (VHFA). VHFA shall issue a
11 certificate of exemption upon presentation by the taxpayer of information that
12 VHFA and the Commissioner shall require. A certificate of exemption issued
13 by VHFA under this subsection shall expire upon transfer of the building, upon
14 expiration of the rent restriction, or after 10 years, whichever first occurs;
15 provided, however, that the certificate of exemption may be renewed after 10
16 years and every 10 years thereafter if VHFA finds that the property continues
17 to meet the requirements of this subsection.

18 Sec. 47. 32 V.S.A. § 5405 is amended to read:

19 § 5405. DETERMINATION OF EQUALIZED EDUCATION PROPERTY

20 TAX GRAND LIST AND COEFFICIENT OF DISPERSION

1 (a) Annually, on or before April 1, the Commissioner shall determine the
2 equalized education property tax grand list and coefficient of dispersion for
3 each municipality in the State; provided, however, that for purposes of
4 equalizing grand lists pursuant to this section, the equalized education property
5 tax grand list of a municipality that establishes a tax increment financing
6 district shall include the fair market value of the property in the district and not
7 the original taxable value of the property, and further provided that the unified
8 towns and gores of Essex County may be treated as one municipality for the
9 purpose of determining an equalized education property grand list and a
10 coefficient of dispersion, if the Director determines that all such entities have a
11 uniform appraisal schedule and uniform appraisal practices.

12 * * *

13 (c) In determining the fair market value of property that is required to be
14 listed at fair market value, the Commissioner shall take into consideration
15 those factors required by section 3481 of this title. The Commissioner shall
16 value property as of ~~April~~ January 1 preceding the determination and shall take
17 account of all homestead declaration information available before October 1
18 each year.

19 * * *

20 Sec. 48. 32 V.S.A. § 5410 is amended to read:

21 § 5410. DECLARATION OF HOMESTEAD

1 (a) A homestead owner shall declare ownership of a homestead for
2 purposes of education property tax.

3 (b) Annually, on or before the due date for filing the Vermont income tax
4 return, without extension, each homestead owner shall, on a form prescribed
5 by the Commissioner, which shall be verified under the pains and penalties of
6 perjury, declare the owner's homestead, if any, as of, or expected to be as of,
7 ~~April~~ January 1 of the year in which the declaration is made.

8 * * *

9 (d) The Commissioner shall provide a list of homesteads in each town to
10 the ~~town~~ municipal listers and assessors by May 15. The listers and assessors
11 shall notify the Commissioner by June 1 of any residences on the
12 Commissioner's list that do not qualify as homesteads. The listers and
13 assessors shall separately identify homesteads in the grand list.

14 * * *

15 * * * Municipal Tax Collection; State Oversight * * *

16 Sec. 49. 32 V.S.A. chapter 133, subchapter 9 is amended to read:

17 Subchapter 9. Delinquent Taxes

18 § 5131. ~~SUPERVISION BY DIRECTOR~~

19 ~~The Director shall supervise the collection of delinquent taxes by officials~~
20 ~~of towns and other municipal corporations.~~ [Repealed.]

1 § 5132. ~~CONFERENCES; BULLETINS; FORMS~~

2 ~~The Director may examine a tax list in the hands of a collector; shall confer~~
3 ~~from time to time with collectors, advise them concerning their official duties,~~
4 ~~and furnish them printed instructions and directions relating thereto; shall issue~~
5 ~~such bulletins as in the Director's judgment will aid in enforcing the law; and~~
6 ~~shall formulate and furnish the necessary forms for the use of officials required~~
7 ~~to make returns to the Director. [Repealed.]~~

8 § 5133. ~~MEETINGS OF TAX COLLECTORS~~

9 ~~The Director shall call meetings of collectors of taxes to be held at such~~
10 ~~places and at such times as he or she shall designate for the purpose of~~
11 ~~instruction as to the law governing their official duties and concerning the~~
12 ~~collection of delinquent taxes. [Repealed.]~~

13 § 5134. ~~FAILURE TO ATTEND MEETINGS; COMPENSATION~~

14 ~~Collectors shall attend all meetings for instruction to which they are~~
15 ~~summoned in writing by the Director. When a collector is unable to attend, he~~
16 ~~or she shall notify forthwith the Director stating the cause of such inability and,~~
17 ~~in his or her discretion, the Director may summon such collector to attend such~~
18 ~~other meeting as he or she may designate. Collectors attending such meetings~~
19 ~~shall receive therefor from the treasury of their municipality not less than~~
20 ~~\$10.00 per day and their necessary expenses. [Repealed.]~~

1 § 5135. ~~RETURNS TO DIRECTOR~~

2 ~~Collectors and other officials named in this chapter shall render such~~
3 ~~assistance, furnish such information, and make such returns to the Director in~~
4 ~~relation to the subject of delinquent taxes and the administration of the law in~~
5 ~~reference thereto as he or she may require. [Repealed.]~~

6 * * *

7 Sec. 50. [Deleted.]

8 Sec. 51. [Deleted.]

9 Sec. 52. [Deleted.]

10 Sec. 53. [Deleted.]

11 * * * 10-Year Tax Study * * *

12 Sec. 54. VERMONT 10-YEAR TAX STUDY

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

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

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

1 (2) Analyze Vermont’s taxation levels and tax responsibilities per
2 capita, per income level, and by incidence on typical Vermont families of
3 varying incomes, and on typical Vermont business enterprises of varying sizes
4 and types, and analyze trends in the taxpayer revenue bases for various tax
5 types.

6 (3) Analyze and identify any issues or trends relating to tax flight, tax
7 avoidance, and gaps in enforcement.

8 (4) Recommend areas for further research and analysis, including ways
9 to further research the topics of wealth and income in Vermont’s aging
10 demographic.

11 (c) Based upon the information resulting from the study in subsection (b) of
12 this section, the Joint Fiscal Office shall, as part of the study or separately,
13 review income eligibility criteria for various tax provisions and benefit
14 programs to assess where potential gaps in eligibility or benefits cliffs may
15 exist under Vermont’s existing tax laws.

16 (d) For purposes of the study conducted under this section, the Department
17 of Taxes shall provide assistance as requested by the Joint Fiscal Office.

18 (e) In fiscal year 2027, \$100,000.00 is appropriated from the General Fund
19 to the Joint Fiscal Office for consultant assistance, data analysis, and other
20 expenses related to the study conducted under this section. The duty to
21 implement this Sec. 54 of this act is contingent upon an appropriation of funds

1 in fiscal year 2027 from the General Fund to the Joint Fiscal Office for the
2 specific purposes described in this section.

3 (f) The Joint Fiscal Office shall submit the Vermont 10-year tax study to
4 the House Committee on Ways and Means and the Senate Committee on
5 Finance on or before January 15, 2027.

6 * * * Link-Up and Decoupling from Federal Income Tax Laws * * *

7 Sec. 55. 32 V.S.A. § 5811 is amended to read:

8 § 5811. DEFINITIONS

9 As used in this chapter ~~unless the context requires otherwise:~~

10 * * *

11 (18) “Vermont net income” means, for any taxable year and for any
12 corporate taxpayer:

13 (A) the taxable income of the taxpayer for that taxable year under the
14 laws of the United States, ~~without regard to 26 U.S.C. § 168(k), and~~ and excluding
15 income that under the laws of the United States is exempt from taxation by the
16 states:

17 (i) increased by:

18 (I) the amount of any deduction for State and local taxes on or
19 measured by income, franchise taxes measured by net income, franchise taxes
20 for the privilege of doing business and capital stock taxes; ~~and~~

1 (II) to the extent such income is exempted from taxation under
2 the laws of the United States ~~by~~ the amount received by the taxpayer on and
3 after January 1, 1986, as interest income from state and local obligations, other
4 than obligations of Vermont and its political subdivisions, and any dividends
5 or other distributions from any fund to the extent such dividend or distribution
6 is attributable to such Vermont State or local obligations;

7 (III) the amount of any deduction for a federal net operating
8 loss; ~~and~~

9 (IV) an amount equal to the bonus depreciation deduction taken
10 on the taxpayer's federal income tax return for the taxable year under Section
11 168(k) or (n) of the Internal Revenue Code;

12 (V) for any taxpayer that does not qualify as an eligible
13 taxpayer, an amount equal to any deduction taken on the taxpayer's federal
14 income tax return for the taxable year under 26 U.S.C. § 174A and Pub. L. No.
15 119-21, 139 Stat. 72 (2025) § 70302(f)(2). For purposes of this subdivision
16 (V), the term "eligible taxpayer" means any taxpayer (other than a tax shelter
17 prohibited from using the cash receipts and disbursements method of
18 accounting under 26 U.S.C. § 448(a)(3)) that meets the gross receipts test of 26
19 U.S.C. § 448(c) for the taxable year; and

1 (VI) an amount equal to the amount of income deducted under
2 Section 250 of the Internal Revenue Code for the taxable year to the extent
3 deducted from net income; and

4 (ii) decreased by:

5 (I) the “gross-up of dividends” required by the federal Internal
6 Revenue Code to be taken into taxable income in connection with the
7 taxpayer’s election of the foreign tax credit;

8 (II) the amount of income that results from the required
9 reduction in salaries and wages expense for corporations claiming the Targeted
10 Job or WIN credits; ~~and~~

11 (III) any federal deduction or credit that the taxpayer would
12 have been allowed for the cultivation, testing, processing, or sale of cannabis
13 or cannabis products as authorized under 7 V.S.A. chapter 33 or 37, but for 26
14 U.S.C. § 280E;

15 (IV) for the taxable year in which the bonus depreciation
16 deduction is taken on the taxpayer’s federal income tax return under Section
17 168(k) or (n) of the Internal Revenue Code and for each applicable taxable
18 year thereafter, an amount equal to the depreciation deduction that would be
19 allowed on that property if the taxpayer had made the election under Section
20 168(k)(7) or (n)(6) of the Internal Revenue Code to not claim depreciation on
21 that property. In the taxable year that property is sold or otherwise disposed

1 of, an additional deduction shall be allowed to the extent the amount of
2 depreciation claimed under Section 168(k) or (n) of the Internal Revenue Code
3 on that property has not been recovered through the additional deductions
4 provided under this subdivision (18). The aggregate amount deducted under
5 this subdivision (18)(A)(ii)(IV) in all taxable years for any one piece of
6 property shall not exceed the amount of the bonus depreciation deduction taken
7 on that property on the taxpayer's federal income tax return under Section
8 168(k) or (n) of the Internal Revenue Code, or exceed the amount of the
9 additional modifications taken for that property on the taxpayer's Vermont
10 income tax return under subdivision (i)(IV) of this subdivision (18)(A);

11 (V) for a taxpayer that does not qualify as an eligible taxpayer
12 for the taxable year, as defined under subdivision (i)(V) of this subdivision
13 (18)(A), for the taxable year in which a deduction is taken on the taxpayer's
14 federal income tax return under 26 U.S.C. § 174A, or Pub. L. No. 119-21, 139
15 Stat. 72 (2025) § 70302(f)(2), or both, and for each applicable taxable year
16 thereafter, an amount equal to the deduction that would be allowed under 26
17 U.S.C. § 174 applied as those provisions were in effect on December 31, 2024.

18 The aggregate amount deducted under this subdivision (18)(A)(ii)(V) in all
19 taxable years may not exceed the amount of the deduction taken on 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 on

1 the taxpayer’s Vermont income tax return under subdivision (i)(V) of this
2 subdivision (18)(A);

3 (VI) for a taxpayer that qualifies as an eligible taxpayer for the
4 taxable year as defined under subdivision (i)(V) of this subdivision (18)(A) and
5 has domestic research or experimental expenditures, as defined in 26 U.S.C.
6 § 174A, as added by subsection 174A(a), which are paid or incurred in taxable
7 years beginning after December 31, 2021, and before January 1, 2025, and
8 which was charged to capital account pursuant to 26 U.S.C. § 174 as those
9 provisions were in effect on December 31, 2024, and further elected under
10 Pub. L. No. 119-21, 139 Stat. 72 (2025) § 70302(f)(1) to substitute “December
11 31, 2021” for “December 31, 2024” as the applicable effective date for certain
12 provisions in 26 U.S.C. § 174A and accordingly filed an amended federal
13 return for each taxable year affected by such election, for the tax year
14 beginning on or after January 1, 2025, and for each applicable taxable year
15 thereafter, a taxpayer may elect to deduct any remaining unamortized amount
16 with respect to such expenditures in the first taxable year beginning after
17 December 31, 2024, or to deduct such remaining unamortized amount with
18 respect to such expenditures ratably over the two-taxable year period
19 beginning with the first taxable year beginning after December 31, 2024. The
20 aggregate amount deducted under this subdivision (A)(ii)(VI) when combined
21 with any other deduction for the domestic research or experimental

1 expenditure allowed pursuant to Vermont’s adoption of the statutes of the
2 United States relating to the federal income tax under section 5824 of this
3 chapter in all taxable years may not exceed the amount of the deduction taken
4 for that expenditure on the taxpayer’s federal income tax return under the
5 Internal Revenue Code; and

6 (VII) for a taxpayer that qualifies as an eligible taxpayer for the
7 taxable year as defined under subdivision (i)(V) of this subdivision (18)(A) and
8 has made an addition modification under subdivision (i)(V) in a prior tax year,
9 an amount equal to the subtraction modification that would have been allowed
10 in this taxable year under subdivision (A)(ii)(V) of this subdivision (18) but for
11 the taxpayer’s current status as an eligible taxpayer. The aggregate amount
12 deducted under this subdivision (18)(A)(ii)(VII) in all taxable years for any
13 expenditure may not exceed the amount of the deduction taken for that
14 expenditure on the taxpayer’s federal income tax return under the Internal
15 Revenue Code, or exceed the amount of the addition modifications taken for
16 that expenditure on the taxpayer’s Vermont income tax return under
17 subdivision (i)(V) of this subdivision (18)(A) for expenditures paid or incurred
18 in taxable years on or after January 1, 2025.

19 * * *

20 (21) “Taxable income” means, in the case of an individual, federal
21 adjusted gross income ~~determined without regard to 26 U.S.C. § 168(k)~~ and:

1 (A) increased by the following items of income (to the extent such
2 income is excluded from federal adjusted gross income):

3 (i) interest income from non-Vermont state and local obligations;

4 ~~and~~

5 (ii) dividends or other distributions from any fund to the extent
6 they are attributable to non-Vermont state or local obligations; ~~and~~

7 (iii) an amount equal to the bonus depreciation deduction taken on
8 the taxpayer's federal income tax return for the taxable year under Section
9 168(k) or (n) of the Internal Revenue Code, including any amount of bonus
10 depreciation deduction carried over on the taxpayer's federal income tax return
11 as part of a net operating loss from a prior taxable year that is deducted in the
12 current taxable year;

13 (iv) for any taxpayer that does not qualify as an eligible taxpayer,
14 an amount equal to any deduction taken on the taxpayer's federal income tax
15 return for the taxable year under 26 U.S.C. § 174A, or Pub. L. No. 119-21, 139
16 Stat. 72 (2025) § 70302(f)(2), or both, and any amount of these deductions
17 carried over on the taxpayer's federal income tax return as part of a net
18 operating loss from a prior tax year that is deducted in the current taxable year.
19 For purposes of this subdivision (iv), the term "eligible taxpayer" means any
20 taxpayer (other than a tax shelter prohibited from using the cash receipts and

1 disbursements method of accounting under 26 U.S.C. § 448(a)(3)) that meets
2 the gross receipts test of 26 U.S.C. § 448(c) for the taxable year; and
3 (v) an amount equal to any income or gain from the sale or
4 exchange of qualified small business stock excluded from federal gross income
5 for the taxable year under Section 1202(a) of the Internal Revenue Code; and

6 (B) decreased by the following items of income (to the extent such
7 income is included in federal adjusted gross income):

8 (i) income from U.S. government obligations;

9 (ii)(D) with respect to adjusted net capital gain income as defined
10 in 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend
11 income: either the first \$5,000.00 of such adjusted net capital gain income or
12 40 percent of adjusted net capital gain income from the sale of assets held by
13 the taxpayer for more than three years, except not adjusted net capital gain
14 income from:

15 ~~(H)(aa)~~ the sale of any real estate or portion of real estate used
16 by the taxpayer as a primary or nonprimary residence; or

17 ~~(H)(bb)~~ the sale of depreciable personal property other than
18 farm property and standing timber; or stocks or bonds publicly traded or traded
19 on an exchange, or any other financial instruments; regardless of whether sold
20 by an individual or business; and provided that the total amount of decrease

1 under this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable
2 income or \$350,000.00, whichever is less;

3 (II) notwithstanding the limitation under subdivision (I)(bb) of
4 this subdivision (ii) relating to “stocks or bonds publicly traded or traded on an
5 exchange, or any other financial instruments,” gains from the sale or exchange
6 of qualified small business stock added to taxable income under subdivision
7 (A)(v) of this subdivision (21) may be decreased using subdivision (I)(bb) of
8 this subdivision (ii); accordingly, for the purposes of this subdivision (ii),
9 adjusted net capital gain income, federal adjusted gross income, and federal
10 taxable income shall include any amounts added to a taxpayer’s taxable
11 income pursuant to subdivision (A)(v) of this subdivision (21); and

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

14 (iv) the portion of certain retirement income and federally taxable
15 benefits received under the federal Social Security Act that is required to be
16 excluded under section 5830e of this chapter;

17 (v) the amount of any federal deduction or credit that the taxpayer
18 would have been allowed for the cultivation, testing, processing, or sale of
19 cannabis or cannabis products as authorized under 7 V.S.A. chapter 33 or 37,
20 but for 26 U.S.C. § 280E; ~~and~~

1 (vi) the amount of interest paid by a qualified resident taxpayer
2 during the taxable year on a qualified education loan for the costs of attendance
3 at an eligible educational institution;

4 (vii) for the taxable year in which the bonus depreciation
5 deduction is taken on the taxpayer's federal income tax return under Section
6 168(k) or (n) of the Internal Revenue Code and for each applicable taxable
7 year thereafter, an amount equal to the depreciation deduction that would be
8 allowed on that property if the taxpayer had made the election under Section
9 168(k)(7) or (n)(6) of the Internal Revenue Code to not claim bonus
10 depreciation on that property. In the taxable year that property is sold or
11 otherwise disposed of, an additional deduction shall be allowed to the extent
12 the amount of depreciation claimed under Section 168(k) or (n) of the Internal
13 Revenue Code on that property has not been recovered through the additional
14 deductions provided under this subdivision (21). The aggregate amount
15 deducted under this subdivision (21)(B)(vii) in all taxable years for any one
16 piece of property shall not exceed the amount of the bonus depreciation
17 deduction taken on that property on the taxpayer's federal income tax return
18 under Section 168(k) or (n) of the Internal Revenue Code, or exceed the
19 amount of the addition modifications taken for that property on the taxpayer's
20 Vermont income tax return under subdivision (A)(iii) of this subdivision (21);
21 and

1 (viii) for a taxpayer that does not qualify as an eligible taxpayer
2 for the taxable year, as defined under subdivision (A)(iv) of this subdivision
3 (21), for the taxable year in which a deduction is taken on the taxpayer’s
4 federal income tax return under 26 U.S.C. § 174A, or Pub. L. No. 119-21, 139
5 Stat. 72 (2025) § 70302(f)(2), or both, and for each applicable taxable year
6 thereafter, an amount equal to the deduction that would be allowed under 26
7 U.S.C. § 174 applied as those provisions were in effect on December 31, 2024.
8 The aggregate amount deducted under this subdivision (21)(B)(viii) in all
9 taxable years may not exceed the amount of the deduction taken on that
10 expenditure on the taxpayer’s federal income tax return under the Internal
11 Revenue Code, or exceed the amount of the addition modifications taken on
12 the taxpayer’s Vermont income tax return under subdivision (A)(iv) of this
13 subdivision (21);

14 (ix) for a taxpayer that qualifies as an eligible taxpayer for the
15 taxable year as defined under subdivision (A)(iv) of this subdivision (21) and
16 has domestic research or experimental expenditures, as defined in 26 U.S.C.
17 § 174A, as added by subsection 174A(a), which are paid or incurred in taxable
18 years beginning after December 31, 2021, and before January 1, 2025, and
19 which was charged to capital account pursuant to 26 U.S.C. § 174 as those
20 provisions were in effect on December 31, 2024, and elected under Pub. L. No.
21 119-21, 139 Stat. 72 (2025) § 70302(f)(1) to substitute “December 31, 2021”

1 for “December 31, 2024” as the applicable effective date for certain provisions
2 in 26 U.S.C. § 174A and accordingly filed an amended federal return for each
3 taxable year affected by such election, for the tax year beginning on or after
4 January 1, 2025, and for each applicable taxable year thereafter, a taxpayer
5 may elect to deduct any remaining unamortized amount with respect to such
6 expenditures in the first taxable year beginning after December 31, 2024, or to
7 deduct such remaining unamortized amount with respect to such expenditures
8 ratably over the two-taxable year period beginning with the first taxable year
9 beginning after December 31, 2024. The aggregate amount deducted under
10 this subdivision (21)(B)(ix) when combined with any other deduction for the
11 domestic research or experimental expenditure allowed pursuant to Vermont’s
12 adoption of the statutes of the United States relating to the federal income tax
13 under section 5824 of this chapter in all taxable years may not exceed the
14 amount of the deduction taken for that expenditure on the taxpayer’s federal
15 income tax return under the Internal Revenue Code; and

16 (x) for a taxpayer that qualifies as an eligible taxpayer for the
17 taxable year as defined under subdivision (A)(iv) of this subdivision (21) and
18 has made an addition modification under subdivision (A)(iv) of this
19 subdivision (21) in a prior tax year, an amount equal to the subtraction
20 modification that would have been allowed in this taxable year under
21 subdivision (viii) of this subdivision (21)(B) but for the taxpayer’s current

1 status as an eligible taxpayer. The aggregate amount deducted under this
2 subdivision (21)(B)(x) in all taxable years for any expenditure may not exceed
3 the amount of the deduction taken for that expenditure on the taxpayer’s
4 federal income tax return under the Internal Revenue Code, or exceed the
5 amount of the addition modifications taken for that expenditure on the
6 taxpayer’s Vermont income tax return under subdivision (A)(iv) of this
7 subdivision (21) for expenditures paid or incurred **in taxable years** on or after
8 January 1, 2025.

9 * * *

10 (28) “Taxable income” means, in the case of an estate or a trust, federal
11 taxable income ~~determined without regard to 26 U.S.C. § 168(k)~~ and:

12 (A) increased by the following items of income:

13 (i) interest income from non-Vermont state and local obligations;

14 (ii) dividends or other distributions from any fund to the extent
15 they are attributable to non-Vermont state or local obligations; and

16 (iii) the amount of State and local income taxes deducted from
17 federal gross income for the taxable year; ~~and~~

18 (iv) an amount equal to the bonus depreciation deduction taken on
19 the taxpayer’s federal income tax return for the taxable year under Section
20 168(k) or (n) of the Internal Revenue Code, including any amount of bonus
21 depreciation deduction carried over on the taxpayer’s federal income tax return

1 as part of a net operating loss from a prior tax year that is deducted in the
2 current taxable year;

3 (v) for any taxpayer that does not qualify as an eligible taxpayer,
4 an amount equal to any deduction taken on the taxpayer’s federal income tax
5 return for the taxable year under 26 U.S.C. § 174A or Pub. L. No. 119-21, 139
6 Stat. 72 (2025) § 70302(f)(2), or both, and any amount of these deductions
7 carried over on the taxpayer’s federal income tax return as part of a net
8 operating loss from a prior tax year that is deducted in the current taxable year.

9 For purposes of this subdivision (v), the term “eligible taxpayer” means any
10 taxpayer (other than a tax shelter prohibited from using the cash receipts and
11 disbursements method of accounting under 26 U.S.C. § 448(a)(3)) that meets
12 the gross receipts test of 26 U.S.C. § 448(c) for the taxable year; and

13 (vi) an amount equal to any income or gain from the sale or
14 exchange of qualified small business stock excluded from federal gross income
15 for the taxable year under Section 1202(a) of the Internal Revenue Code; and

16 (B) decreased by the following items of income:

17 (i) income from U.S. government obligations;

18 (ii)(D) with respect to adjusted net capital gain income as defined
19 in 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend
20 income: either the first \$5,000.00 of such adjusted net capital gain income or
21 40 percent of adjusted net capital gain income from the sale of assets held by

1 the taxpayer for more than three years, except not adjusted net capital gain
2 income from:

3 ~~(I)~~(aa) the sale of any real estate or portion of real estate used
4 by the taxpayer as a primary or nonprimary residence; or

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

11 (II) notwithstanding the limitation under subdivision (I)(bb) of
12 this subdivision (ii) relating to “stocks or bonds publicly traded or traded on an
13 exchange, or any other financial instruments,” gains from the sale or exchange
14 of qualified small business stock added to taxable income under subdivision
15 (A)(vi) of this subdivision (28) may be decreased using subdivision (I)(bb) of
16 this subdivision (ii); accordingly, for the purposes of this subdivision (ii),
17 adjusted net capital gain income, federal adjusted gross income, and federal
18 taxable income shall include any amounts added to a taxpayer’s taxable
19 income pursuant to subdivision (A)(vi) of this subdivision (28); and

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

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

18 (v) for a taxpayer that does not qualify as an eligible taxpayer for
19 the taxable year, as defined under subdivision (A)(v) of this subdivision (28),
20 for the taxable year in which a deduction is taken on the taxpayer’s federal
21 income tax return under 26 U.S.C. § 174A, or Pub. L. No. 119-21, 139 Stat. 72

1 (2025) § 70302(f)(2), or both, and for each applicable taxable year thereafter,
2 an amount equal to the deduction that would be allowed under 26 U.S.C. § 174
3 applied as those provisions were in effect on December 31, 2024. The
4 aggregate amount deducted under this subdivision in all taxable years may not
5 exceed the amount of the deduction taken on that expenditure on the taxpayer’s
6 federal income tax return under the Internal Revenue Code, or exceed the
7 amount of the addition modifications taken on the taxpayer’s Vermont income
8 tax return under subdivision (A)(v) of this subdivision (28);

9 (vi) for a taxpayer that qualifies as an eligible taxpayer for the
10 taxable year as defined under subdivision (A)(v) of this subdivision (28) and
11 has domestic research or experimental expenditures, as defined in 26 U.S.C.
12 § 174A, as added by subsection 174A(a), which are paid or incurred in taxable
13 years beginning after December 31, 2021, and before January 1, 2025, and
14 which was charged to capital account pursuant to 26 U.S.C. § 174 as those
15 provisions were in effect on December 31, 2024, and elected under Pub. L. No.
16 119-21, 139 Stat. 72 (2025) § 70302(f)(1) to substitute “December 31, 2021”
17 for “December 31, 2024” as the applicable effective date for certain provisions
18 in 26 U.S.C. § 174A and accordingly filed an amended federal return for each
19 taxable year affected by such election, for the tax year beginning on or after
20 January 1, 2025, and for each applicable taxable year thereafter, a taxpayer
21 may elect to deduct any remaining unamortized amount with respect to such

1 expenditures in the first taxable year beginning after December 31, 2024, or to
2 deduct such remaining unamortized amount with respect to such expenditures
3 ratably over the two-taxable year period beginning with the first taxable year
4 beginning after December 31, 2024 . The aggregate amount deducted under
5 this subdivision (28)(B)(vi) when combined with any other deduction for the
6 domestic research or experimental expenditure allowed pursuant to Vermont's
7 adoption of the statutes of the United States relating to the federal income tax
8 under section 5824 of this chapter in all taxable years may not exceed the
9 amount of the deduction taken for that expenditure on the taxpayer's federal
10 income tax return under the Internal Revenue Code; and

11 (vii) for a taxpayer that qualifies as an eligible taxpayer for the
12 taxable year as defined under subdivision (A)(v) of this subdivision (28) and
13 has made an addition modification under subdivision (A)(v) of this subdivision
14 (28) in a prior tax year, an amount equal to the subtraction modification that
15 would have been allowed in this taxable year under subdivision (v) of this
16 subdivision (28)(B) but for the taxpayer's current status as an eligible
17 taxpayer. The aggregate amount deducted under this subdivision in all taxable
18 years for any expenditure may not exceed the amount of the deduction taken
19 for that expenditure on the taxpayer's federal income tax return under the
20 Internal Revenue Code, or exceed the amount of the addition modifications
21 taken for that expenditure on the taxpayer's Vermont income tax return under

1 subdivision (A)(v) of this subdivision (28) for expenditures paid or incurred in
2 taxable years on or after January 1, 2025.

3 * * *

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

5 § 5822. TAX ON INCOME OF INDIVIDUALS, TRUSTS, AND ESTATES

6 * * *

7 (e) The tax determined under subsections (a) through (d) of this section
8 shall be reduced by a percentage equal to the portion of adjusted gross income
9 that is not Vermont income; provided, however, that if a taxpayer's Vermont
10 income exceeds the taxpayer's adjusted gross income, no reduction shall be
11 made and provided, further, that if a taxpayer has zero or negative Vermont
12 income and the taxpayer's Vermont income computed without regard to the
13 reductions in subsection 5823(a) of this chapter does not equal or exceed the
14 taxpayer's adjusted gross income, no tax shall be due under this section. For
15 the purposes of this subsection, adjusted gross income means federal adjusted
16 gross income modified by the additions and subtractions provided for in
17 subdivisions 5811(21)(A) and (B) of this chapter for an individual, and federal
18 adjusted gross income modified by the additions and subtractions provided for
19 in subdivisions 5811(28)(A) and (B) of this chapter for an estate or a trust.

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

21 § 5823. VERMONT INCOME OF INDIVIDUALS, ESTATES, AND

1 TRUSTS

2 * * *

3 (b) For any taxable year, the Vermont income of a nonresident individual,
4 estate, or trust is the sum of the following items of income to the extent they
5 are required to be included in the federal adjusted gross income of the
6 individual after the value of those items are modified by the additions and
7 subtractions provided for in subdivisions 5811(21)(A) and (B) of this chapter
8 or the ~~gross~~ federal adjusted gross income of an estate or trust after the value of
9 those items are modified by the additions and subtractions provided for in
10 subdivisions (28)(A) and (B) of this chapter for that taxable year:

11 * * *

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

13 § 5930ii. RESEARCH AND DEVELOPMENT TAX CREDIT

14 (a) A taxpayer of this State shall be eligible for a credit against the tax
15 imposed under this chapter in an amount equal to ~~27~~ 75 percent of the amount
16 of the federal tax credit allowed in the taxable year for eligible research and
17 development expenditures under 26 U.S.C. § 41(a) that are made within this
18 State.

19 (b) Any unused credit available under subsection (a) of this section may be
20 carried forward for up to 10 years.

1 (c) Each year, on or before January 15, the Department of Taxes shall
2 publish a list containing the names of the taxpayers who have claimed a credit
3 under this section during the most recent completed calendar year.

4 Sec. 59. 32 V.S.A. § 5930ee is amended to read:

5 § 5930ee. LIMITATIONS

6 Beginning in fiscal year 2010 and thereafter, the State Board may award tax
7 credits to all qualified applicants under this subchapter, provided that:

8 (1) the total amount of tax credits awarded annually, together with sales
9 tax reallocated under section 9819 of this title, does not exceed ~~\$3,000,000.00~~
10 \$4,000,000.00;

11 * * *

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

13 § 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

14 The statutes of the United States relating to the federal income tax, as in
15 effect on December 31, ~~2024~~ 2025, but without regard to federal income tax
16 rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the
17 tax liability under this chapter and shall continue in effect as adopted until
18 amended, repealed, or replaced by act of the General Assembly.

19 Sec. 61. 32 V.S.A. § 7402(8) is amended to read:

20 (8) “Laws of the United States” means the U.S. Internal Revenue Code
21 of 1986, as amended through December 31, ~~2024~~ 2025. As used in this

1 chapter, “Internal Revenue Code” has the same meaning as “laws of the United
2 States” as defined in this subdivision. The date through which amendments to
3 the U.S. Internal Revenue Code of 1986 are adopted under this subdivision
4 shall continue in effect until amended, repealed, or replaced by act of the
5 General Assembly.

6 * * * Revenue Deposits; Purchase and Use and Meals and Rooms Taxes * * *

7 Sec. 62. 16 V.S.A. § 4025 is amended to read:

8 § 4025. EDUCATION FUND

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

10 * * *

11 (4) ~~25~~ 29 percent of the revenues from the meals and rooms taxes
12 imposed under 32 V.S.A. chapter 225;

13 (5) ~~one-third~~ 27 percent of the revenues raised from the purchase and
14 use tax imposed by 32 V.S.A. chapter 219, notwithstanding 19 V.S.A. § 11(1);

15 * * *

16 Sec. 63. 32 V.S.A. § 435(b)(7) is amended to read:

17 (7) ~~69~~ 65 percent of the meals and rooms taxes levied pursuant to
18 chapter 225 of this title;

19 * * * Effective Dates * * *

20 Sec. 64. EFFECTIVE DATES

21 This act shall take effect on passage except:

1 (1) Notwithstanding 1 V.S.A. § 214, Sec. 1 (credit for taxes paid in
2 another state by an S corporation) shall take effect retroactively on January 1,
3 2025, and shall apply to taxable years beginning on and after January 1, 2025.

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

6 (3) Sec. 6 (communications property inventories) shall take effect on
7 January 1, 2027, and apply to grand lists lodged beginning on April 1, 2027.

8 (4) Sec. 20 (grand list definition of parcel) shall take effect on April 1,
9 2028, and shall apply to grand lists lodged on and after that date.

10 (5) Sec. 22 (Department of Fish and Wildlife rule on fees) shall take
11 effect on July 1, 2027.

12 (6) Secs. 24–48 (grand list assessment date) shall take effect on July 1,
13 2031, and shall apply to grand lists lodged after that date.

14 (7) Sec. 58 (Vermont research and development tax credit) shall take
15 effect on January 1, 2027, and shall apply to taxable years beginning on and
16 after January 1, 2027.

17 (8) Notwithstanding 1 V.S.A. § 214, Secs. 55–57 (decoupling from
18 select provisions of IRC) and Secs. 60 and 61 (annual link-up) shall take effect
19 retroactively on January 1, 2026, and shall apply to taxable years beginning on
20 and after January 1, 2025.

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(Committee vote: _____)

Senator _____

FOR THE COMMITTEE