



VERMONT LEGISLATIVE Joint Fiscal Office

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Fiscal Note

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S.46 – An act relating to the taxation of vehicles used for forestry operations

As recommended by the Senate Committee on Transportation, Draft 1.1¹

Bill Summary

This bill proposes to provide a tax break for a variety of vehicles from the motor vehicle purchase and use tax if the vehicle is used in specific forestry related operations. The bill would have an effective date of July 1, 2025.

Fiscal Impact

This bill will reduce motor vehicle purchase and use tax revenue by approximately \$500,000 annually. This will have a negative fiscal impact on revenues to the Transportation Fund and the Education Fund.

Sections with Fiscal Impacts

Section 1: Motor Vehicle Purchase & Use Tax Reduction

This section proposes to expand the purchases and use tax exemption granted to vehicles used in specific forestry related operations to include a 50% tax break for “semi-trailers, tractors, truck cranes, truck tractors, trailers, and motor trucks and motor vehicles with a gross vehicle weight of 10,000 pounds or more.” Currently, there are only 12 specific forestry machines that are exempt from the purchase and use tax. The vehicles listed above are currently subject to a 6% purchase and use tax on the value of the vehicle, paid at the time of purchase or initial registration. Trucks weighing over 10,100 pounds have a maximum tax levied of \$2,486. As proposed, a vehicle would be eligible for this reduction if it is used in specific forestry operations as specified in the bill. Additionally, the Department of Motor Vehicles (DMV) may require a purchaser to certify that a motor vehicle or other equipment is exempt under this section. DMV is also required to publish guidance relating to the application of this exemption.

This section is estimated to reduce purchase and use tax revenues by approximately \$500,000 annually. This will reduce revenue to both the Transportation Fund and Education Fund, as revenue from the purchase and use tax is allocated 2/3 to the Transportation Fund and 1/3 to the Education Fund. Revenues into the Transportation Fund will be reduced by roughly \$333,000 and revenues into the Education Fund will be reduced by roughly \$167,000.

The variety of eligible vehicles, scope of eligible activities, general lack of data on vehicles engaged in forestry operations, and the requirement that an individual makes a personal determination as to whether their vehicle or equipment is applicable to receive this exemption, limit the ability to calculate a precise cost estimate. The estimate provided here uses a proxy variable to determine the potential quantity of vehicles that might make use of the proposed exemption. While this proxy provides a reasonable estimation, it is possible that actual utilization numbers will deviate from those used in this section.

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