VERMONT LEGISLATIVE
Joint Fiscal Office
1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • https://ljfo.vermont.gov
Fiscal Note
April 2, 2024
Chris Rupe, Associate Fiscal Officer

H.546 – An act relating to administrative and policy changes to tax laws

As passed by the House of Representatives

Bill Summary

This bill proposes numerous technical changes to Vermont's various tax laws. This bill also would link Vermont's income tax codes to the federal income tax and estate tax statutes as written as of December 31, 2023. The bill also proposes to create a Local Government Revenue Working Group and Wealth Tax Commission.

Fiscal Impact

As introduced, section 14 contained a $125,000 General Fund appropriation in fiscal year 2025 to the General Assembly to support a Wealth Tax Commission. The House Committee on Appropriations recommends amending section 14 to clarify that this authorized expenditure is contingent upon the availability of funds.

The Joint Fiscal Office (JFO) estimates the remainder of the bill would have no significant fiscal impact to State government, as most proposed changes are technical and/or administrative.

Summary of Key Provisions

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

Sections	Description	Revenue/Budget Impact	Impacted Fund(s)
1	Per Parcel Fee for Property Reappraisal – Technical correction to clarify statute to align with existing practice of appropriating funding municipal grand list reappraisal and maintenance costs from the General Fund.	No impact.	n/a
2	Reduction of Grand List Value – Grants the discretion for the Division of Property Valuation and Review (PVR) to allow towns to have education grand list value recalculated in response to judicial decisions or appeals without waiting for the town to fully exhaust its judicial appeals.	No impact. See description.	n/a
3-4	Annual Link-up to Federal Income Tax Laws – Links Vermont's income tax code to the federal income tax and estate tax laws in effect as of December 31, 2023.	No impact.	n/a

5	Expansion of Renter Credit	See description.	General Fund
6-7	Repeal of Property Tax Credit Late Fee – Removes the $15 reduction of property tax credit on claims filed after April 15 and the related reimbursement to municipalities for the administrative cost of issuing adjusted property tax bills.	Approximately $88,000 statewide	Municipalities
8	Utility Property Valuation – Clarifies that the Director of PVR may require towns to use the valuations developed by PVR for public utility properties in their grand lists, and would require towns to use the valuations developed by PVR for property used for the transmission and distribution of electricity. This would not change the requirement that these properties be assessed on a fair market value basis. Would apply to grand lists filed on or after April 1, 2025.	No impact.	n/a
9	County property tax exemption - Provides county-owned property a property tax exemption similar to the exemption available for municipal property. Expressly retains a county's ability to use the public, pious, and charitable exemption for property that qualifies. Since many counties were already utilizing those exemptions for their properties, this change is not expected to have a material revenue impact.	No impact.	n/a
10	Fuel Tax Sunset Extension to June 30, 2029.	See description.	Home Weatherization Assistance Fund
11-12	Extends Sunset for Health IT Fund and Health Care Claims Tax to June 30, 2026	See description.	Health IT Fund
13	Local Government Revenue Working Group	See description.	n/a
14	Wealth Tax Commission	See description.	General Fund
15	Fee Waiver for Certified Copies of Vital Event Certificates	De minimis impact. See description	n/a

Additional Descriptions of Specific Provisions

Section 2: Reduction of Grand List Value and Recalculation of Education Tax Liability

When a town loses grand list value due to an appeal or court action, the town is responsible for reimbursing the taxpayer and the Education Fund for any overpayments based on the old value. In these situations, towns may submit a request to PVR to recalculate their education property tax liability, but current law requires towns to first exhaust their appeals before seeking that recalculation. This language would allow the Director of PVR to use some discretion in order to avoid requiring towns to appeal cases all the way through the court system when it may not otherwise make sense to do so (e.g. the time and expense of pursuing further appeals may not be justified by the specifics of the situation) if the court decision/appeal is consistent with fair market value. No fiscal impact is expected from this section.

Section 5: Expansion of Renter Credit

Section 5 would expand the eligibility for the renter credit by increasing the income limit from 50% of Area

Median Income (AMI) to 65% of AMI.[1] Doing so would enhance the value of the renter credit for the 4,000 existing recipients, and make the credit accessible to up to 3,000 more applicants.

In recent years, the full $9.5 million General Fund appropriation for the renter credit has been under-utilized, with actual expenditures of $6.9 million in FY 2022 and $6.3 million in FY 2023. When controlling for the impacts of pandemic-era housing subsidies, the Tax Department estimates that the current eligibility rules would cost approximately $7.4 million per year. Expanding the renter credit eligibility as proposed is expected to more fully utilize the $9.5 million appropriation without increasing the cost beyond the budgeted $9.5 million level. This provision would apply to claim years 2025 and after.

Sections 6-7: Eliminate $15 Late Penalty for Property Tax Credit Applications

Under current law, a $15 reduction is applied to any property tax credit claims filed after April 15. This penalty is paid to the respective town to compensate it "for the cost of issuing an adjusted homestead property tax bill." However, due to administrative improvements, most late-filed property tax credit claims are included with the timely-filed claims in the first data file that towns receive from the State. This occurs prior to any town issuing a property tax bill, so most towns do not have to re-issue bills to reflect late claims.

Repealing the $15 penalty is unlikely to modify behavior. Most applicants claim the property tax credit on time through their homestead declaration (due April 15). Applicants can also avoid the $15 fee by filing the credit claim with a placeholder income before April 15, then amending the claim afterward with a more accurate income number.

Repealing this $15 late penalty will have no State-level fiscal impact. Beginning with claims for 2024, towns may see a very small loss of revenue. In tax year 2022, the $15 penalty generated approximately $88,000 across all towns statewide. The average impact per town is approximately $348, and the median impact is $225. This provision would apply to claim years 2024 and after.

Section 10: Fuel Tax Extension

Section 10 would extend the sunset on the Fuel Tax by five years, from June 30, 2024 to June 30, 2029. The Fuel Tax funds the Home Weatherization Assistance Fund pursuant to 33 V.S.A. § 2503 and has traditionally been extended in multi-year increments. The Fuel Tax is a gross receipts tax on the retail sale of heating oil, propane, kerosene, and dyed diesel fuel ($0.02/gallon); natural gas and coal (0.75%); and electricity (0.5%). Section 10 proposes no changes to these rates, which generated $11.5 million in fiscal year 2023.

Sections 11-12: Extends Sunset for Health IT Fund and Health Care Claims Tax[2]

Section 13 would extend the sunset for the Health IT Fund by one year, from July 1, 2025 to July 1, 2026. Section 14 would similarly extend the 0.199% Health Care Claims Tax, which is the revenue source for the Fund, to July 1, 2026. Per 32 V.S.A. § 10301, the Health IT Fund supports information technology adoption and utilization across Vermont's health care system. These sections propose no change to the Health Care Claims Tax rate, which generates approximately $5 million annually to the Health IT Fund.

Section 13: Local Government Revenue Working Group

Section 13 would create a six-member Local Government Revenue Working Group to evaluate and make recommendations for authorizing additional revenue generation capacity for municipalities, including how to create a revenue sharing program that shares a portion of existing or future state revenues with municipalities based on their population, income, and capacity. The Working Group would be convened by the Agency of Commerce and Community Development and consist of the State Treasurer, Commissioner of Housing and

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[1] Area Median Income varies by household size and county. For 2022 Vermont data on 50% of AMI: https://erap.vsha.org/income-limits/

[2] Health Care Claims Tax Summary (JFO): https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Ways%20and%20Means/FY2025%20Budget/W~Nolan%20Langweil~Health%20Care%20Claims%20Tax%20Summary~3-12-2024.pdf

Community Development, Commissioner of Taxes, Secretary of Administration, and two representatives of local government appointed by the Vermont League of Cities and Towns. The Working Group would be required to provide written recommendations to relevant legislative committees by December 15, 2024, and would cease to exist on July 1, 2025.

Section 13 does not authorize per diems or expense reimbursements for the two municipal members of the Working Group; therefore, no fiscal impact is expected.

Section 14: Wealth Tax Commission

Section 14 would create a Wealth Tax Commission to study the taxation of wealth and investment gains that currently escape income taxation. The four-member Commission, comprised of two legislators and the Commissioners of Tax and Financial Regulation, would be tasked with studying the policy considerations surrounding the taxation of wealth and investment gains that currently escape taxation, implementation issues, and coordinating with other states to uniformly tax forms of wealth and investment gains. The Commission would be required to submit a written report to relevant legislative committees with its findings and recommendations by November 1, 2025 and would cease to exist on July 1, 2026.

Section 14 would require the Joint Fiscal Office to contract with a facilitator who has knowledge of wealth taxes to coordinate the work of the Commission. As introduced, section 14 contained a $125,000 General Fund appropriation in fiscal year 2025 to the General Assembly to pay for the contracted facilitator and for other resources related to the work of the Commission. The House Committee on Appropriations recommended amending section 14 to clarify that this authorized expenditure is contingent upon the availability of funds.

Section 15: Fee Waiver for Certified Copies of Vital Event Certificates

Section 15 would direct the State Registrar to waive the $10 fee for certified copies of "vital event certificates" for:[3]

- Individuals who attest to a lack of fixed, regular, and adequate nighttime residence; and
- Individuals between 18 and 24 years of age who resided in a foster home or residential child care facility between 16 and 18 years of age pursuant to placement by a child-placing agency.

In FY 2023, total revenues from vital records generated $133,640 into the Health Department Special Fund. According to the Vermont Housing Finance Agency, there were approximately 3,300 individuals experiencing homelessness, including 2,641 adults.[4] It is not currently known precisely how many young adults between 18 and 24 years of age resided in a foster home or residential child care facility between 16 and 18 years of age, or how many individuals in either cohort would need to obtain new vital event certificates in any given year. However, given the approximate sizes of these populations and the likelihood that only a subset would require certified copies of vital event certificates in any given year, the annual revenue loss from this provision is expected to be de minimis.

[3] Per 18 V.S.A. § 4999 (9), "vital event certificates" include birth, death, marriage, or civil union certificates or a report of divorce, annulment, or dissolution. "Vital event certificates" do not include any confidential portions of a report of birth or of death or of a marriage or civil union license or application.

[4] https://www.housingdata.org/profile/population-household/homelessness