



VERMONT LEGISLATIVE  
**Joint Fiscal Office**

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## Fiscal Note

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### **H.880 – An act relating to increasing access to the judicial system**

As passed by the House of Representatives

#### **Bill Summary**

The bill would clarify the allocation of Judicial Bureau surcharge revenue to the Victims Compensation Special Fund, Domestic and Sexual Violence Special Fund, and the General Fund. It would increase the revenue shares to the two special funds for offenses or violations committed after June 30, 2023. H.880 would also make two changes to corporate income taxes, adjust three securities registration fees, and make numerous appropriations and create new positions throughout the justice system. It is the intent of the General Assembly to appropriate any excess revenue generated in this bill to also support appropriations made in H.721, “an act related to expanding Medicaid and Dr. Dynasaur.”

#### **Fiscal Impact**

Section 2 of the bill proposes to modify the allocation of the \$47 Judicial Bureau surcharge for offenses or violations committed after June 30, 2023. This would increase annual revenue to the Center for Crime Victims Services by between approximately \$255,000 – \$493,000, beginning in fiscal year 2024. It would reduce General Fund revenue proportionally. This change would have no fiscal impact compared to current law since the passage of Act 78 (2023).

Sections 3 and 4 propose two changes to corporate income taxation. Section 3 would add back a federal deduction on Subpart F income into the definition of Vermont net income, and Section 4 would increase the top marginal corporate tax rate to 10%. The Joint Fiscal Office (JFO) estimates these changes would generate approximately \$2.0 million in additional revenue in fiscal year 2025 and \$33.0 million in fiscal year 2026.

Section 5 would adjust three securities registrations fees. These fee adjustments are estimated to generate \$6.2 million in annual General Fund revenue, beginning in fiscal year 2025.

Section 6 creates numerous positions in several agencies and \$7.51 million of General Fund appropriations in fiscal year 2025. Section 6 specifies legislative intent to annualize most of these expenses in future years, with the exception of two one-time appropriations totaling \$450,000 to address special fund shortfalls.

## Background and Details

### **Section 2: Judicial Bureau Surcharge**

Per 13 V.S.A. § 7282, a \$47 surcharge is assessed in addition to any penalty or fine imposed by the court for a criminal or civil offense. Prior to the passage of Act 78, the \$47 surcharge was allocated as such:

- \$29.75 to the Victims Compensation Special Fund
- \$10.00 to the Domestic and Sexual Violence Special Fund
- \$7.25 to the General Fund

Act 78 modified the revenue allocation to eliminate the General Fund share and increase the Victims Compensation Special Fund and the Domestic and Sexual Violence Special Fund shares by \$3.75 and \$3.50 respectively. However, Act 78 inadvertently adjusted these revenue allocations retroactively to offenses or violations committed from June 30, 2009, to the effective date of the act, which proved to be administratively unworkable.

Section 2 proposes to rectify these issues by restoring the pre-Act 78 allocations for older offenses or violations and adjusting the allocations for offenses or violations committed after June 30, 2023 as envisioned in Act 78. H.880 would not increase the \$47 penalty amount nor change the prospective allocation from what was previously enacted in Act 78.

In recent years, the number of criminal and civil offenses assessed the \$47 penalty ranged from approximately 35,253 (fiscal year 2022) to 67,991 (fiscal year 2019) – see *Table 1*. Assuming similar levels of judgments in future years, H.880 would increase revenues to the Victims Compensation Special Fund by between \$132,000 and \$255,000 and the Domestic and Sexual Violence Special Fund by between \$123,000 and \$238,000 beginning in fiscal year 2024. The General Fund would see a proportionate reduction between \$255,000 and \$493,000. While historical data can be useful for illustrating a range of magnitude of likely impacts, it is difficult to predict exactly how many criminal and civil penalties will be imposed in future years.

**Table 1: Recent Numbers of Criminal and Civil Judgments Assessed the Judicial Bureau Surcharge**

	Number of Criminal and Civil Judgments
FY 2019	67,991
FY 2020	59,460
FY 2021	40,807
FY 2022	35,253

### **Sections 3-4: Corporate Income Tax:**

#### **Section 3 – Corporate Income Taxation of Subpart F Income**

Vermont currently uses the federal definition of corporate net income for its taxable base. The federal definition allows two deductions related to foreign income that exempts them in part from taxation at the federal level which in turn exempts them in part from taxation by Vermont. 26 U.S.C. § 250 allows corporations to deduct 50% of global intangible low tax income (GILTI) and 37.5% of their foreign derived intangible income (FDII).

GILTI is income earned from intangible assets such as copyrights, patents, licenses, trademarks, and other intellectual property held in foreign affiliates. FDII, on the other hand, refers to earnings that come from sales of products related to intellectual property. If a U.S. corporation holds intellectual property in the U.S. and has sales to foreign customers based on that intellectual property, the profits from those sales face a lower tax rate.

Effective January 1, 2025, this bill would add back the amount of GILTI and FDII deducted at the federal level and increase reported net income to Vermont for those corporations with those types of income. JFO estimates that adding back this federally deductible income will increase corporate tax revenue by approximately \$15.3 million in fiscal year 2026. This estimate incorporates the rate change proposed in Section 4.

**Section 4 – Corporate Income Adjusted Top Marginal Tax Rate**

Vermont currently taxes corporate net income attributable to Vermont at 8.5% at \$25,001 and above. Effective January 1, 2025, this bill would increase that rate to 10%. JFO estimates that this tax rate increase will generate \$2.0 million in fiscal year 2025 and \$17.7 million in fiscal year 2026 and subsequent years. The fiscal year 2025 revenue increase relates to an anticipated adjustment to quarterly estimated tax payments from corporations. Corporations are expected to increase their estimated payments in response to expected increase tax liability.

**Section 5: Securities Registration Fees**

Section 5 would increase securities registration fees. For filings referenced in 9 V.S.A 5302(e) the fee would increase from \$600 to \$740. This fee has not been increased since 2008 and the increase to the fee partially accounts for inflation that has occurred since that time.

Investment companies subject to 15 U.S.C. § 80a-1 et seq., which includes mutual funds and unit investment trusts, currently pay an initial notice fee of \$2,000 and a renewal fee of \$1,650. H.880, as recommended, would increase those fees by \$250, to \$2,250 and \$1,900, respectively. These fees were last changed in Act 138 (2022). Together, these changes would raise an estimated \$6.2 million in annual General Fund revenue starting in fiscal year 2025.

**Table 2: H.880 Proposed Securities Registration Fee Adjustments**

	Number of Filings	Year Last Changed	Current Fee	New Fee Amount	Total FY 2023 Revenue (millions)	Estimated FY 2025 Revenue with Fee Adjustment (millions)	Estimated Additional Revenue (millions)
9 V.S.A. 5302(e) Notification and Renewal	1,172	2008	\$600	\$740	\$0.70	\$0.87	\$0.16
9 V.S.A. 5302(f) Notification	2,418	2022	\$2,000	\$2,250	\$4.84	\$5.44	\$0.60
9 V.S.A. 5302(f) Renewal	21,799	2022	\$1,650	\$1,900	\$35.97	\$41.42	\$5.45
<b>Total</b>					<b>\$41.51</b>	<b>\$47.73</b>	<b>\$6.22</b>

**Table 3: Summary of Additional Revenue in H.880 (millions):**

Section	Revenue Source	FY 2025	FY 2026
3	Taxation of Subpart F Income	\$0.00	\$15.30
4	Increase in Corporate Tax Rate	\$2.00	\$17.70
5	Securities Registration Fees	\$6.20	\$6.20
<b>Total</b>		<b>\$8.20</b>	<b>\$39.20</b>

## Section 6: Access to Justice; Positions; Appropriations

Section 6 proposes to create additional positions and appropriate General Fund dollars, as illustrated in Table 4. It also expresses legislative intent to appropriate annualized amounts beginning in fiscal year 2026 to support these expenditures.

**Table 4: Summary of FY 2025 Appropriations for Access to Justice**

		FY 2025 Appropriation (Millions)
<b>Recurring Expenditures</b>		
Judiciary	<ul style="list-style-type: none"> <li>• 27 classified limited service positions:               <ul style="list-style-type: none"> <li>o 10 Judicial Assistants</li> <li>o 2 IT Help Desk Analysts</li> <li>o 2 Centralized Service Analysts</li> <li>o 1 Database Administrator</li> <li>o 11 Judicial Officers II</li> <li>o 1 Security Supervisor</li> </ul> </li> <li>• Language access services</li> <li>• Contracts for Sheriff's Deputies</li> <li>• Court Technology Fund</li> </ul>	\$2.26
State's Attorneys and Sheriffs	<ul style="list-style-type: none"> <li>• 11 exempt limited service positions:               <ul style="list-style-type: none"> <li>o 10 Deputy State's Attorneys</li> <li>o 1 Deputy State's Attorney – Pre-Charge Diversion</li> </ul> </li> <li>• 20 classified limited service positions:               <ul style="list-style-type: none"> <li>o 10 Victim Advocates</li> <li>o 10 Administrative Staff</li> </ul> </li> </ul>	\$1.70
Office of the Defender General	<ul style="list-style-type: none"> <li>• 1 exempt limited service position – Bennington County Juvenile Attorney</li> <li>• Contract for services for Orleans County</li> <li>• Additional assigned counsel contracts</li> <li>• Additional serious felony units</li> <li>• Fund the approved Data Manager position</li> <li>• In-person training for office staff and contractors</li> <li>• Case management system</li> </ul>	\$1.34
Department of Corrections	<ul style="list-style-type: none"> <li>• 6 classified limited service positions to assist with remote hearings</li> <li>• Grants to community justice centers for Justice Reinvestment II</li> </ul>	\$0.30 \$0.75
Office of the Attorney General/ Court Diversion	<ul style="list-style-type: none"> <li>• 1 exempt limited service position – Pre-Charge Diversion</li> <li>• Grants to community justice centers to expand workforce by 3.5 FTE to help address caseload pressures</li> <li>• Additional resources to Court Diversion Program</li> </ul>	\$0.40
Center for Crime Victim Services	<ul style="list-style-type: none"> <li>• 1 classified Grants Administrator position</li> </ul>	\$0.04
VT Access to Justice Coalition	<ul style="list-style-type: none"> <li>• Legal services for low income Vermonters</li> </ul>	\$0.26
<b>Total FY 2025 General Fund Base Appropriations</b>		<b>\$7.06</b>
<b>One-Time Expenditures</b>		
Office of the Defender General	<ul style="list-style-type: none"> <li>• Restore funding for the Public Defense Special Fund</li> </ul>	\$0.15
Center for Crime Victim Services	<ul style="list-style-type: none"> <li>• Cover deficit in Domestic and Sexual Violence Special Fund</li> </ul>	\$0.30
<b>Total One-Time Expenditures</b>		<b>\$0.45</b>
<b>Total FY 2025 General Fund Appropriations</b>		<b>\$7.51</b>