VERMONT LEGISLATIVE
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Fiscal Note
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H.546 – An act relating to administrative and policy changes to tax laws

As recommended by the Senate Committee on Finance – Draft 2.1

Bill Summary

This bill proposes numerous technical changes to the State's various tax laws and would link Vermont's income tax code to the federal income tax and estate tax statutes, as written as of December 31, 2023. As recommended by the Senate Committee on Finance, H.546 would also increase several financial regulation fees, extend the Sales and Use Tax to casual sales of all-terrain vehicles (ATVs), and permit all municipalities to enact a Local Option Tax (LOT) without charter amendments that require General Assembly approval.

Fiscal Impact

As recommended by the Senate Committee on Finance, beginning in fiscal year 2025, H.546 would increase General Fund revenues by $18.8 million through increases to financial regulation fees. It would also increase Education Fund revenues by approximately $200,000.

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 for 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, as written 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 Property Valuation and Review (PVR) may require towns to use the valuations developed by PVR for public utility properties 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 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 revenue impact.	De minimis	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
13-14	Sales and Use Tax Extended to Casual Sales of ATVs	$200,000	Education Fund
15	Fee Waiver for Certified Copies of Vital Event Certificates	De minimis impact. See description	n/a
16-19	Financial Regulation Fees	$18,840,000	General Fund
20	Local Option Tax (S.60)	See description.	

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 the Division of Property Valuation and Review (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 underutilized, with actual expenditures of $6.9 million in fiscal year 2022 and $6.3 million in fiscal year 2023. When controlling for the impacts of pandemic-era housing subsidies, the Department of Taxes 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 that level. This provision would apply to tax 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 reissue 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 statewide. The average impact per town is approximately $348 and the median impact is $225. This provision would apply to tax 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 is expected to generate $4.66 million for the Health IT Fund in fiscal year 2024.

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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

Sections 13-14: Sales Tax Extended to Casual Sales of ATVs

Section 13 would apply the 6% Sales and Use Tax to casual sales of ATVs.[3] Under current law, Sales and Use Tax is applied to retail sales (such as those made through a dealer) and "casual sales" are exempt. 32 V.S.A. § 9701(12)(A) defines a "casual sale" as "an isolated or occasional sale of an item of tangible personal property by a person who is not regularly engaged in the business of making sales of that general type of property at retail where the property was obtained by the person making the sale, through purchase or otherwise, for the person's own use."

Current law specifically excludes aircraft, snowmobiles, motorboats, and vessels that are 16 feet or more in length from the definition of "casual sales." Section 13 would add ATVs to the list of items excluded from the definition of "casual sales," thereby applying the Sales and Use Tax to all ATV sales.

Section 14 would extend the "trade-in allowance" that currently applies to snowmobiles, motorboats, and vessels to ATVs. Under this provision, if a person sells these items and within three months purchases another such vehicle, the taxable sales price excludes the lesser of the sale price of the first vehicle or vessel, or the average book value at the time of sale of the first vehicle or vessel. The allowance similarly applies to certain situations involving insurance payments for total destruction of a vehicle or vessel and another vehicle or vessel purchased within three months of the destruction.

JFO expects these sections to increase revenue to the Education Fund by approximately $200,000 annually, beginning in fiscal year 2025. In municipalities with a one percent LOT, this change would generate minimal positive revenues for the Payment in Lieu of Taxes (PILOT) and the Tax-Local Option Process Fees special funds.

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

Section 13 would direct the State Registrar to waive the $10 fee for certified copies of "vital event certificates" for:[4]

- 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 fiscal year 2023, total revenues from vital records generated $133,640 for the Health Department Special Fund. According to the Vermont Housing Finance Agency, there were approximately 3,300 individuals experiencing homelessness, including 2,641 adults, in calendar year 2023.[5] 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.

Sections 16-19: Financial Regulation Fees

These sections would increase several fees collected by the Department of Financial Regulation (DFR) related to securities and insurance, effective July 1, 2024 (see *Table 1 on the following page*). These increases are collectively expected to increase revenues by $18.8 million, beginning in fiscal year 2025. Though certain fees are deposited

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[3] Per 23 V.S.A. § 3501(1), an "all-terrain vehicle" is "any nonhighway recreational vehicle, except snowmobiles, having not less than two low pressure tires (10 psi or less); not wider than 64 inches, with two-wheel ATVs having permanent, full-time power to both wheels; and having a dry weight of less than 2,500 lbs., when used for cross-country travel on trails or on any one of the following or a combination thereof: land, water, snow, ice, marsh, swampland, and natural terrain."

[4] 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.

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

in regulatory special funds, surplus balances from these funds are routinely transferred to the General Fund through direct application.

Table 1: Proposed Financial Regulation Fees – H.546

Statutory Reference	Fee Type	Fund	Approximate Number of Filings	Year Last Changed	Current Fee	Proposed Fee Amount	Current Law - FY23 Revenue	Estimated FY25 Revenue with Fee Adjustment	Difference - FY25
8 VSA §4800(2)(A)(iii)	Insurance Appointments	Insurance Regulatory & Suprv	N/A	2019	$ 60	$ 80	$ 23,660,000	$ 31,246,700	$ 7,586,700
9 VSA 5302(e)	Rule D/ Regulation A, Tier 2 Notification and Renewal	General Fund	1,170	2008	$ 600	$ 820	$ 702,000	$ 959,400	$ 257,400
9 VSA 5302(f)	Mutual Fund Notification	General Fund	2,400	2022	$ 2,000	$ 2,250	$ 4,836,000	$ 5,400,000	$ 564,000
9 VSA 5302(f)	Mutual Fund Renewal	General Fund	21,800	2022	$ 1,650	$ 2,000	$ 35,968,350	$ 43,600,000	$ 7,632,000
9 VSA §5410(b)	Broker Dealer Agent - Application, Renewal and Change of Registration	Securities Regulatory & Suprv	140,000	2019	$ 120	$ 140	$ 16,800,000	$ 19,600,000	$ 2,800,000
Total							**$ 81,966,350**	**$ 100,806,100**	**$ 18,840,100**

Increased fees include:

- Insurance Appointment fees paid by insurance companies that do business in Vermont on behalf of the producers who sell, solicit, or negotiate insurance policies for those companies. Section 16 would increase certain initial and annual producer appointment fees for resident and nonresident producers acting as agents of foreign insurers from $60 to $80.
- Securities Registration fees that apply to the following types of investments:
  - Regulation D, Rule 506 fees paid by the issuers of private equity offerings and are paid upon actual sale, as opposed to solicitation. Regulation A, Tier 2 fees paid by mid-cap issuers on the path to potential offerings on public stock exchanges. Section 17 would increase the notification and renewal fees from $600 to $820.
  - Offering fees applied to mutual funds and unit investment trusts. Fees are due at solicitation, rather than the sale of the security. Fees are assessed according to share class. Section 18 would increase the initial notice filing fee from $2,000 to $2,250 and increase the annual renewal fee from $1,650 to $2,000.
- Broker-Dealer Agent fees:
  - Brokers are engaged in the business of buying or selling securities for the account of others.
  - Dealers are engaged in the business of buying or selling securities for their own account.

  Section 19 would increase the fees for application, renewal, and changes of registration from $120 to $140.

Section 20: Local Option Tax (LOT) – S.60

Section 20 would amend 24 V.S.A. § 138 to allow any municipality to levy a one percent LOT without a charter amendment approved by the General Assembly. [6] The language in Section 20 is consistent with language previously included in S.60, which passed the Senate on April 6, 2023.

Currently, municipalities may seek approval for a LOT through either a charter amendment (which requires General Assembly approval), or through approval granted to certain municipalities in 24 V.S.A. § 138.

[6] For a list of towns with LOTs: http://tax.vermont.gov/business/local-option-tax

Revenues from a LOT are apportioned 70% to the municipality and 30% to the PILOT Special Fund.[7]

Currently, 24 V.S.A. § 138 contains language that restricts the LOT to certain municipalities that saw disproportionate impacts from the Act 60 (1997) change to education funding systems. Section 20 would remove this language, thereby allowing all municipalities eligible to enact a one percent LOT under the provisions of 24 V.S.A. § 138 without going through the charter amendment approval process. Section 20 would maintain the requirements that a LOT be recommended by the governing body of the municipality and approved by the voters prior to enactment.

The fiscal impact of this provision is not currently known and will depend on the extent to which municipalities enact additional LOTs. Of the total additional revenues raised through LOTs, 70% would accrue to the respective municipalities and 30% would accrue to the PILOT Special Fund.

[7] A $5.96 fee is assessed on each tax return to compensate the Department of Taxes for the cost of administering and collecting the LOT and the State appraisal and litigation program. The $5.96 fee is borne 70 percent by the municipality and 30 percent by the State from the PILOT Special Fund.