



VERMONT LEGISLATIVE
Joint Fiscal Office

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

Fiscal Note

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Chris Rupe, Associate Fiscal Officer and Ted Barnett, Fiscal Analyst

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

As passed by the Senate

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 passed by the Senate, H.546 would also extend the Sales and Use Tax exemption for advanced wood boilers until 2027, expand the Sales and Use Tax to casual sales of all-terrain vehicles (ATVs), extend the time period to claim the Machinery and Equipment Tax Credit until 2030, and permit all municipalities to enact a Local Option Tax (LOT) without charter amendments that require General Assembly approval.

Fiscal Impact

As passed by the Senate, beginning in fiscal year 2025, H.546 would minimally increase Education Fund revenues by approximately \$100,000 to \$150,000 from the net impact of the advanced wood boiler exemption and casual ATV sales inclusion. The bill could also impact corporate income tax revenue to the General Fund to the extent that the Machinery and Equipment Tax Credit is claimed against actual Vermont corporate income tax liabilities between 2026 and 2030. However, given the scope of the credit and Vermont’s single sales method of apportionment, this extension is unlikely to have a material fiscal impact in any given year.¹

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 table on the following page provides a high-level summary of the bill’s provisions:

¹ Effective for tax years beginning on or after January 1, 2023, Vermont apportions a corporation’s taxable net income based on the corporation’s share of total sales attributable to Vermont (single sales factor). Vermont corporate income tax is no longer calculated based on a corporation’s share of its total payroll and property within Vermont. For more details, see the fiscal note for Act 148 (2022): https://ljfo.vermont.gov/assets/Publications/As-Passed-by-the-General-Assembly/bc8de0f4f0/GENERAL-361032-v5-S_53_Fiscal_Note_2022_Session.pdf

Sections	Description	Revenue/Budget Impact	Impacted Fund(s)
1	Per Parcel Fee for Property Reappraisal – Technical correction to align law to 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 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.	Approximate cost of \$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 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 significant 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
12a-12b	Extension of Sales Tax Exemption for Advanced Wood Boilers	Cost of \$50,000 to \$100,000	Education Fund
13-14	Sales and Use Tax Expanded to Casual Sales of ATVs	\$200,000	Education Fund
15	Fee Waiver for Certified Copies of Vital Event Certificates	De minimis. See description	n/a
16-17	Machinery and Equipment Tax Credit Extension	See description.	General Fund
20	Local Option Tax (S.60)	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 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.² Doing so is expected to 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 (Sec. B.138 of the budget bill) 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 on or 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 Tax³

Section 11 would extend the sunset for the Health IT Fund (HIT Fund) by one year, from July 1, 2025, to July 1, 2026. Section 12 would similarly extend the 0.199% Health Care Claims Tax, which is the revenue source for the HIT Fund, to July 1, 2026. Per [32 V.S.A. § 10301](#), the HIT Fund supports information

² Area Median Income varies by household size and county. For 2022 Vermont data on 50% of AMI:

<https://erap.vsha.org/income-limits/>

³ 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>

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 HIT Fund in fiscal year 2024.

Section 12a – 12b: Extension of Sales Tax Exemption for Advanced Wood Boilers

These sections would extend the repeal of the Sales and Use Tax Exemption for advanced wood boilers by three years, from July 1, 2024 to July 1, 2027. The exemption in 32 V.S.A. § 9741(52) was first enacted in Act 194 (2018) with a sunset of July 1, 2021. The exemption was later extended until July 1, 2023 in Act 83 (2019), and until July 1, 2024 in Acts 72 and 73 (2023). The statutory purpose of the exemption, as noted in 32 V.S.A. § 9706(II), is “to promote the forest products industry in Vermont by encouraging the purchase of modern wood heating systems.”

“Advanced wood boilers” are defined in 32 V.S.A. § 9701(55) as a boiler or furnace:

- installed as a primary central heating system;
- rated as high efficiency (a higher heating value or gross calorific value of 85% or more);
- containing at least one week of fuel storage, automated startup and shutdown, and fuel feed; and
- meeting other efficiency and air emissions standards established by the Department of Environmental Conservation.

JFO estimates, pending more precise data, that this exemption has a forgone annual revenue impact of \$50,000 – \$100,000, which is de minimis in the context of the \$606.9 million total forecasted Sales and Use Tax revenue in fiscal year 2025.

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.⁴ 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.

⁴ 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.”

Since proof of tax payment is required at registration, this change in tax policy could potentially impact compliance with ATV registrations or trail access decal purchases in the future. Per 23 V.S.A. § 3513, 90% of ATV fees and penalties are allocated to the Department of Forests, Parks and Recreation for use by the Vermont ATV Sportsman's Association (VASA) for trail-related uses (the remaining 10% is allocated to the Transportation Fund).

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:⁵

- 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 2023.⁶ 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 – 17: Machinery and Equipment Tax Credit Extension

Section 16 would extend the period of time that the Machinery and Equipment Tax Credit can be claimed or carried forward from tax years ending on or before December 31, 2026 to tax years ending on or before December 31, 2030.

Per 32 V.S.A. § 5813(t), the statutory purpose of the Machinery and Equipment Tax Credit (32 V.S.A. § 5930ll) is “to provide an incentive to make a major, long-term capital investment in Vermont-based plants and property to ensure the continuation of in-state employment.”

The Machinery and Equipment Tax Credit provides a nonrefundable corporate income tax credit to qualified taxpayers that made at least \$20 million of capital investments for machinery and equipment to be used in Vermont for creating, producing, or processing tangible personal property for sale. Qualified taxpayers must be Subchapter C corporations with at least 200 full-time jobs in Vermont during the investment period, be located in a Rural Economic Area Partnership (REAP) Zone, and propose to make capital investments that will contribute substantially to the REAP Zone's economy.⁷

Section 16 proposes to extend the claim deadline, currently December 31, 2026, to December 31, 2030. It proposes to extend reporting annual requirements similarly but does not otherwise modify eligibility for the credit. Section 17 would extend the repeal of the credit from July 1, 2026 to July 1, 2030; no credit would be available for any tax year beginning after June 30, 2030.

The total amount of credit authorized by statute is \$8 million and may not exceed \$1 million in any one tax year. However, actual impacts to corporate income tax revenue in any given year will depend on the extent to

⁵ 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.

⁶ <https://www.housingdata.org/profile/population-household/homelessness>

⁷ Rural Area Economic Partnership (REAP) Zones are designated by the U.S. Department of Agriculture Rural Development Authority. Vermont's REAP Zone comprises Essex, Caledonia, and Orleans Counties. <https://www.rd.usda.gov/programs-services/businesses/rural-economic-area-partnership-program-reap-zones>

which this credit is claimed against Vermont corporate tax liabilities. Given the scope of the credit's eligibility criteria and Vermont's single sales factor apportionment, it is unlikely that the actual impacts of this extension will have a material fiscal impact – and any impact is unlikely to approach the maximum levels set forth in statute.⁸

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.⁹ 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. Revenues from a LOT are apportioned 70% to the municipality and 30% to the PILOT Special Fund.¹⁰

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 additional municipalities enact 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.

⁸ Effective for tax years beginning on or after January 1, 2023, Vermont apportions a corporation's taxable net income based on the corporation's share of total sales attributable to Vermont (single sales factor). Vermont corporate income tax is no longer calculated based on a corporation's share of its total payroll and property within Vermont. For more details, see the fiscal note for Act 148 (2022): https://ljfo.vermont.gov/assets/Publications/As-Passed-by-the-General-Assembly/bc8de0f4f0/GENERAL-361032-v5-S_53_Fiscal_Note_2022_Session.pdf

⁹ For a list of towns with LOTs: <http://tax.vermont.gov/business/local-option-tax>

¹⁰ 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.