

## **REVENUE—DETAILS**

## Major Vermont Tax Sources

Vermont has three major funds into which most tax revenue is deposited; the General Fund, the Transportation Fund and the Education Fund. There are also a number of special funds. The revenue from the tax sources described below are dedicated to the General Fund unless otherwise indicated.

This section contains brief descriptions of the tax base and rate for each type of tax. Additional detailed information and history is included in other sections for some of the major tax types. The list below is organized by the amount of revenue generated by the tax.

The Joint Fiscal Office performs a comprehensive decennial study of Vermont taxes. The most recent study was released in January 2017.

### Individual Income Tax

Vermont individual income tax begins at federal Adjusted Gross Income, which is adjusted to calculate Vermont taxable income. Vermont has four state specific tax brackets and rates established in 2018. From 2002 to 2018, the State had five tax brackets. Prior to 2002, Vermont individual income tax was calculated as a percentage of federal tax liability.

### Sales & Use Tax

Vermont has a 6% general tax on retail sales. As of FY 2019, the Education Fund receives 100% of this revenue. Previously, the General Fund received 64% of the revenue and 36% was dedicated to the Education Fund. Vermont also allows a 1% local option sales tax in some municipalities.

### Meals & Rooms Tax

A tax of 9% is imposed on taxable meals and the rent of each room occupancy less than thirty days in length. The alcohol portion of the meals tax is 10%. Vermont also allows a 1% local option sales tax in some municipalities. As of FY 2020, 25% of this revenue is dedicated to the Education Fund, 69% of the revenue is dedicated to the General Fund, while the remaining 6% is dedicated to the Clean Water Fund.

### Corporate Income Tax

The net income of C-corporations is taxed according to the State rate and bracket schedule. The apportionment formula includes property, payroll, and is doubled-weighted for sales. Vermont requires unitary combined reporting.

<b>Corporate Income Tax Table</b>	
<b>Taxable Income Bracket</b>	<b>Tax Rate</b>
\$0 up to \$10,000	6.00%
\$10,001 up to \$25,000	7.00%
\$25,001 and over	8.50%

## Major Vermont Tax Sources - continued

### Cigarette and Tobacco Products Taxes

The tax on all cigarettes is \$3.08 per pack effective July 1, 2015. The tax on other tobacco products and e-cigarettes is at a rate of 92% of the wholesale price, except snuff and new smokeless tobacco, which is \$2.57 per ounce. Both cigarettes and other tobacco products are additionally subject to the sales tax.

### Insurance Premiums Taxes

Traditional insurance companies are taxed at a rate of 2% per year on the gross amount of premiums written in Vermont. Captive insurance companies are taxed on the volume of premiums written for direct premiums and assumed reinsurance premiums. Insurance companies are exempt from the corporate income tax.

<b>Captive Insurance Tax Table</b>		
<b>Volume</b>	<b>Direct Premiums</b>	<b>Reinsurance</b>
(\$ millions)	Rate (%)	Rate (%)
0 - 20	0.38	0.214
20 - 40	0.285	0.143
40 - 60	0.19	0.048
60 and over	0.072	0.024

### Property Transfer Tax

A real property transfer tax is imposed on the transfer of property located within the state. The first 2% of the revenue collected is retained by the Tax Department. The remaining 98% is distributed as follows: (33%) to the General Fund, (50%) to the Housing and Conservation Trust Fund, and (17%) to the Municipal and Regional Planning Fund. A surcharge of 0.2% is dedicated to the Clean Water Fund. The tax is applied to both transfers of deed and transfers of stock/controlling interests.

<b>Property Transfer Tax and 0.2% Water Quality Surcharge Table</b>		
<b>Property Type</b>	<b>First \$100K</b>	<b>Over \$100K</b>
Principal Residence	0.50%	1.25% + 0.2%
VHFA, VHCB, USDA (first \$110K)	No Tax	1.25% + (0.2% on amounts above \$200K)
All Other	1.25% + 0.2%	

## Major Vermont Tax Sources - continued

### Estate Tax

The estate tax is a flat 16% on the value over the exclusion amount of \$5 million beginning January 1, 2021. Any revenue greater than 125% of the previous July forecast is dedicated to the Higher Education Trust Fund.

### Liquor Tax

A tax based on gross revenues is assessed on the sale of spirituous liquor. Sales tax is also applied to liquor. The tax is a flat 5% of gross receipts.

### Bank Franchise Tax

The tax rate is 0.0096% of average monthly deposits in Vermont. Banks are exempt from the corporate income tax.

### Telephone Property Tax and Telephone Co. (Gross) Receipts Tax

The telephone property tax is 2.37% of the net book value of all of personal property within VT on the preceding December 31.

The telephone company receipts tax is an alternative tax that may be elected in lieu of the property tax described above for companies with less than \$50 million in gross operating receipts and is limited to those that made the election the previous year. The tax is between 2.25% and 5.25% of gross operating revenue.

### Fuel Tax (formerly Fuel Gross Receipts)

A tax of 0.2 cents per gallon on fuel including heating oil, kerosene, and propane. Natural gas and coal are 0.75% of gross receipts and electricity is 0.5% of gross receipts. This revenue is dedicated to the Home Weatherization Trust Fund.

<b>Fuel Tax Table</b>	
<b>Fuel Type</b>	<b>Rate</b>
Heating oil, propane, kerosene, dyed diesel fuels delivered to residence or business	\$0.02/gallon
Natural gas and coal	0.75% of retail price
Electricity	0.5% of retail price

### Beverage Taxes (Wine & Beer)

Excise taxes are levied on bottlers and wholesalers of malt and vinous beverages, which also includes hard ciders and “ready-to-drink” spirit beverages. The tax rate for up to 6% ABV beers and ciders is 26.5 cents per gallon.

## **Major Vermont Tax Sources - continued**

### Beverage Taxes (Wine & Beer) (continued)

The tax rate of wine and 6% or higher ABV beer and ciders is 55 cents per gallon. “Ready-to-drink” spirit beverages are taxed at \$1.10 per gallon.

Sales tax is also applied to these beverages.

### Land Gains Tax

This tax is on the gain made from the sale of land located in VT and held by the seller for less than 6 years. The rate is in inverse proportion to the holding period and between 5% and 80% of the gain.

### Land Use Change Tax

This tax is assessed if land enrolled in the use value appraisal program (Current Use Program) is developed.

### Railroad Tax

This tax is assessed on the appraised value of property and corporate franchise of each railroad company located in whole or part within VT. The revenue is split between the State and the town where the railroad property is located.

**2022 FEDERAL**  
**Personal Income Tax Rates and Brackets**

**Married Filing Jointly**

Federal Taxable Income		Tax Liability		
Over	But not over	Pay	Plus % on excess	of amount over
0	20,550	\$ -	10.0%	0
20,551	83,550	\$ 2,055	12.0%	20,550
83,551	178,150	\$ 9,615	22.0%	83,550
178,151	340,100	\$ 30,427	24.0%	178,150
340,101	431,900	\$ 69,294	32.0%	340,100
431,901	647,850	\$ 98,670	35.0%	431,900
647,851	and over	\$ 174,252	37.0%	647,850
Standard Deduction:				25,900

**Single Individuals**

Federal Taxable Income		Tax Liability		
Over	But not over	Pay	Plus % on excess	Of amount over
0	10,275	\$ -	10.0%	0
10,276	41,775	\$ 1,028	12.0%	10,275
41,776	89,075	\$ 4,807	22.0%	41,775
89,076	170,050	\$ 15,213	24.0%	89,075
170,051	215,950	\$ 34,647	32.0%	170,050
215,951	539,900	\$ 49,335	35.0%	215,950
539,901	and over	\$ 162,717	37.0%	539,900
Standard Deduction:				12,950

**Head of Household**

Federal Taxable Income		Tax Liability		
Over	But not over	Pay	Plus % on excess	Of amount over
0	14,650	\$ -	10.0%	0
14,651	55,900	\$ 1,465	12.0%	14,650
55,901	89,050	\$ 6,415	22.0%	55,900
89,051	170,050	\$ 13,708	24.0%	89,050
170,051	215,950	\$ 33,148	32.0%	170,050
215,951	539,900	\$ 47,836	35.0%	215,950
539,901	and over	\$ 161,218	37.0%	539,900
Standard Deduction:				19,400

**2022 VERMONT**  
**Personal Income Tax Rates and Brackets**

**Married Filing Jointly**

<u>Vermont Taxable Income</u>		<u>Tax Liability</u>		
Over	But not over	Pay	Plus % on excess	of amount over
0	70,450	\$ -	3.35%	0
70,451	170,300	\$ 2,360	6.60%	70,450
170,301	259,500	\$ 8,950	7.60%	170,300
259,501	and over	\$ 15,729	8.75%	259,500

**Single Individuals**

<u>Vermont Taxable Income</u>		<u>Tax Liability</u>		
Over	But not over	Pay	Plus % on excess	of amount over
0	42,150	\$ -	3.35%	0
42,151	102,200	\$ 1,412	6.60%	42,150
102,201	213,150	\$ 5,375	7.60%	102,200
213,151	and over	\$ 13,807	8.75%	213,150

**Head of Household**

<u>Vermont Taxable Income</u>		<u>Tax Liability</u>		
Over	But not over	Pay	Plus % on excess	of amount over
0	56,500	\$ -	3.35%	0
56,501	145,950	\$ 1,893	6.60%	56,500
145,951	236,350	\$ 7,796	7.60%	145,950
236,351	and over	\$ 14,667	8.75%	236,350

**Married Filing Separately**

<u>Vermont Taxable Income</u>		<u>Tax Liability</u>		
Over	But not over	Pay	Plus % on excess	of amount over
0	35,225	\$ -	3.35%	0
35,226	85,150	\$ 1,180	6.60%	35,225
85,151	129,750	\$ 4,475	7.60%	85,150
129,751	and over	\$ 7,865	8.75%	129,750

2021 Vermont Individual Income Tax Returns by AGI Income Class

AGI Income Class [1]	# Returns	Federal AGI	Vermont AGI	Adjusted Vermont Tax	Credits	VT EITC [2]	Net VT Tax [3]	Average Tax Paid [4]	Effective Rate [5]
Negative	2,296	-173,780,366	-173,780,366	981,654	81,684	187,944	712,026	310	N/A
0.01 - 4999	21,435	44,859,324	44,631,235	19,362	3,637	1,405,629	-1,389,904	-65	-3.1%
5,000 - 9,999	18,248	136,607,039	135,322,481	229,262	9,322	3,260,798	-3,040,858	-167	-2.2%
10,000 - 14,999	17,210	214,514,023	211,312,221	1,146,414	36,647	5,100,753	-3,990,986	-232	-1.9%
15,000 - 19,999	16,742	292,936,792	287,669,537	2,796,353	70,607	4,897,827	-2,172,081	-130	-0.7%
20,000 - 24,999	15,778	354,811,064	347,543,933	4,262,238	103,207	3,996,048	162,983	10	0.0%
25,000 - 29,999	16,514	454,824,539	445,394,632	6,648,474	551,195	3,515,984	2,581,295	156	0.6%
30,000 - 34,999	17,666	574,240,590	562,814,637	9,771,121	200,576	2,876,585	6,693,960	379	1.2%
35,000 - 39,999	17,384	651,510,314	639,577,775	12,125,098	223,703	1,943,072	9,958,323	573	1.5%
40,000 - 44,999	16,027	680,229,570	667,429,838	13,512,367	247,404	964,760	12,300,203	767	1.8%
45,000 - 49,999	14,287	677,842,339	665,376,743	14,062,955	295,636	375,915	13,391,404	937	2.0%
50,000 - 59,999	24,290	1,330,722,021	1,307,470,484	30,577,188	648,546	127,001	29,801,641	1,227	2.2%
60,000 - 74,999	27,508	1,844,995,930	1,811,412,438	49,283,284	1,209,385 *		48,073,899	1,748	2.6%



**2021 Vermont Individual Income Tax Returns by AGI Income Class**

AGI Income Class [1]	# Returns	Federal AGI	Vermont AGI	Adjusted Vermont Tax	Credits	VT EITC [2]	Net VT Tax [3]	Average Tax Paid [4]	Effective Rate [5]
75,000 - 99,999	32,473	2,816,911,580	2,764,185,434	80,696,864	2,578,822 *		78,118,042	2,406	2.8%
100,000 - 124,999	22,559	2,519,299,898	2,470,576,147	82,391,121	2,799,699 *		79,591,422	3,528	3.2%
125,000 - 149,999	14,438	1,971,639,762	1,928,001,394	74,244,321	3,051,352	0	71,192,969	4,931	3.6%
150,000 - 199,999	14,804	2,536,755,409	2,470,643,455	108,696,812	4,416,036	0	104,280,776	7,044	4.1%
200,000 - 299,999	10,414	2,499,937,208	2,411,438,571	125,793,219	6,790,179	0	119,003,040	11,427	4.8%
300,000 - 499,999	5,605	2,108,895,701	2,021,963,615	127,561,300	8,491,216	0	119,070,084	21,244	5.6%
500,000 - 999,999	2,541	1,684,101,958	1,588,340,567	115,784,736	10,881,395	0	104,903,341	41,284	6.2%
1,000,000 +	1,243	3,780,920,282	3,355,543,650	280,537,537	32,767,579	0	247,769,958	199,332	6.6%
<b>State Total</b>	<b>329,462</b>	<b>27,002,774,977</b>	<b>25,962,868,422</b>	<b>1,141,121,680</b>	<b>75,457,827</b>	<b>28,652,316</b>	<b>1,037,011,537</b>	<b>3,148</b>	<b>3.8%</b>
Out of State	51,747	48,225,168,189	1,875,096,029	99,056,959	1,547,710	302,883	97,206,366	1,878	0.2%
<b>All Returns</b>	<b>381,209</b>	<b>75,227,943,166</b>	<b>27,837,964,452</b>	<b>1,240,178,639</b>	<b>77,005,537</b>	<b>28,955,199</b>	<b>1,134,217,903</b>	<b>2,975</b>	<b>1.5%</b>

[1] AGI = Adjusted Gross Income [4] Net VT Tax divided by # Returns

[2] Vermont Earned Income Tax Credit [5] Net VT Tax divided by Federal AGI

[3] Net of Vermont Tax Credits \* Denotes fewer than 10 taxpayers

## **Education Fund Revenue Sources (Non-Property Tax)**

### Lottery Transfer

All profits from the Vermont State Lottery are transferred to the Education Fund. The Vermont State Lottery was created in 1978. The Tri-State Lottery was introduced in 1986 and Powerball was introduced in 2004.

### Meals and Rooms Tax

As of FY 2019, 25% of the revenue from the Meals and Rooms Tax is dedicated to the Education Fund. (See the description of major Vermont Tax Sources).

Vermont also allows a 1% local option Meals & Rooms Tax in some municipalities that is not dedicated to the Education Fund.

### Medicaid Transfer

A portion of the Federal Medicaid reimbursements received by the State for medically-related services provided to students who are Medicaid-eligible is transferred to the Education Fund.

### Purchase and Use Tax

One-third of the revenue from the Purchase and Use Tax is dedicated to the Education Fund. (See the description of Transportation Fund revenue sources.)

### Sales and Use Tax

As of FY 2019, revenue from the general Sales and Use Tax is dedicated to the Education Fund. Vermont has a 6% general tax on retail sales. Per 2020 Acts and Resolves 164 Sec. 17c, cannabis sales tax revenue shall be directed to afterschool and summer learning programming. Note that Vermont also allows a 1% local option sales tax in some municipalities that is *not* dedicated to the Education Fund.

### Uniform Capacity Tax

A tax of \$4.00 per KW plant capacity on any renewable energy plan commissioned to generate solar power is dedicated to the Education Fund.

### Wind-Powered Electric Generating Facilities Tax

A tax of \$0.003 per kWh of electric energy produced by a certified facility is dedicated to the Education Fund.

*Sources: 16 V.S.A. § 4025; 32 V.S.A § 5402c(d); 32 V.S.A. § 8701(b); 2020 Act 164 Sec. 17c*

## **Description of Transportation Fund Sources**

Sources for transportation spending consist of (1) the Transportation Fund and (2) the Transportation Infrastructure Bond Fund (TIB Fund). The TIB Fund is a sub-fund of the Transportation Fund whose revenue can only be expended on certain long-lived transportation structures (either directly or via payment of debt service on bonds issued for such purposes).

The Transportation Fund (excluding the TIB Fund) has six sources of revenue:

- (1) a fixed cent-per-gallon gasoline tax,
- (2) a fixed cent-per-gallon diesel fuel tax,
- (3) a gasoline percentage-of-price assessment with a minimum and maximum cent-per-gallon equivalent,
- (4) a motor vehicle purchase and use tax (6% tax rate, with revenue split 4% to the Transportation Fund and 2% to the Education Fund),
- (5) motor vehicle fees, and
- (6) other revenue (other small transportation related taxes and fees)

The TIB fund has 2 sources of revenue:

- (1) a gasoline percentage of price assessment, and
- (2) a fixed-cent-per-gallon diesel fuel assessment.

### Gasoline levies

Vermont's state levies on gasoline consist of:

- (1) a fixed 12.1 cents-per-gallon Transportation Fund tax,
- (2) a 4% percentage-of-price Transportation Fund assessment with a minimum and maximum cents-per-gallon equivalent of 13.4 cents and 18 cents respectively,
- (3) a 2% percentage-of-price TIB Fund assessment with a minimum cent-per-gallon equivalent of 3.96 cents, and
- (4) a 1 cent-per-gallon petroleum clean-up fund fee.

### Diesel fuel levies

Vermont's state levies on diesel fuel consist of:

- (1) a fixed 28 cents-per-gallon Transportation Fund tax,
- (2) a fixed 3 cents-per-gallon TIB Fund assessment and
- (3) a 1 cent-per-gallon petroleum clean-up fund fee.

## Transportation Fund Sources — continued

### Motor Vehicle Purchase and Use-Tax

The motor vehicle purchase & use tax applies to (1) motor vehicle sale transactions; and (2) where a sale is not involved, to an owner's initial registration of a vehicle in the state. For sale transactions, the tax is assessed on the vehicle's purchase price less the value of any trade-in which is credited against the purchase price.

For non-sale transactions, the tax is assessed on the vehicle's current market value at the time of registration. Sale taxes paid by the owner in another jurisdiction are credited against the tax due. In both cases the tax rate is 6%. For trucks over 10,099 pounds, the tax is capped at \$2,075. Vehicles purchased for the short-term rental market are exempt from the purchase tax but each rental transaction is subject to a rental tax equal to 9% of the rental charge.

Revenue from the purchase & use tax and short-term rental tax is allocated 2/3 to the Transportation Fund and 1/3 to the Education Fund.

### Motor Vehicle Fees

This category covers a range of fees collected by DMV, the most important of which are registration fees and driver license fees. A registration fee is collected on all motor vehicles and trailers. The fee varies depending upon the vehicle type, size, weight, and purpose. All motor vehicle fees are deposited in the Transportation Fund.

### Relative Contribution to the Transportation Fund

The above sources made the following relative contributions to Transportation Fund revenue from FY 2019 through FY 2022.

<b>Relative Contribution to the Transportation Fund</b>				
<b>Transportation Fund Sources</b>				
Source	FY-19	FY-20	FY-21	FY-22
Gasoline tax	12.8%	12.4%	10.9%	11.5%
Gasoline assessment	15.0%	14.5%	12.9%	13.5%
Diesel tax	6.6%	6.8%	6.3%	6.4%
Purchase & Use tax	26.6%	26.6%	31.6%	31.7%
Motor vehicle fees	30.4%	31.7%	31.0%	29.9%
Other revenue	8.7%	8.0%	7.3%	7.1%
Total	100.0%	100.0%	100.0%	100.0%

## Highlights of Recent Tax Legislation

### 2011

#### Sales and Use Tax

Performance sales tax threshold increased from \$50K to \$100K. Limited sales tax exemption for licensed auctioneers. Internet sellers must notify purchasers of their use tax liability. Affiliate nexus legislation passed with a delayed effective date.

#### Cigarette and Tobacco Products

Increase of \$0.38 per pack of cigarettes from \$2.24 to \$2.62 effective July 1, 2011. The threshold for cigars that are taxed at the \$2.00 rate was increased from \$1.08 to \$2.17.

#### Fuel Gross Receipts

Sunset extended from June 30, 2011 to June 30, 2016.

#### Tax Credits

New Veterans' Credit of up to \$2,000 for new full-time employees or start-up businesses. Wood Products Manufacture Credit extended from July 1, 2011 to July 1, 2013.

### 2012

#### Energy Tax

The electric generating plant education property tax is repealed, and the rate of the electric generating plant tax is changed to \$0.0025 per kWh of electric energy produced in the prior quarter. The rate is effective for electricity generated after July 1, 2012.

#### Sales and Use

A temporary moratorium on enforcement of sales tax on prewritten computer software accessed remotely is enacted. The tax will not be enforced for the period January 1, 2007 to July 1, 2013.

### 2013

#### Tax Incremental Financing (TIF)

Significant changes and revisions to the TIF statutes.

#### Fuel Gross Receipts

Exemption for small sellers repealed.

### 2014

#### Distilled Spirits

Tax rates on distilled spirits is changed from a flat tax rate to a graduated

## **Highlights of Recent Tax Legislation - continued**

system with three brackets based on revenues. The first-rate bracket is 5% and is applied on revenue from \$0 to \$500,000. The second-rate bracket is \$25,000 plus 10% on revenues from \$500,000 to \$750,000. The third-rate bracket is 25% on all revenue above \$750,000. Effective July 1, 2014.

### Cigarette and Tobacco Products

Increase of \$0.13 per pack of cigarettes from \$2.62 to \$2.75 effective July 1, 2014. The tax on snuff and smokeless tobacco is increased to \$2.29 per ounce.

### Fuel Gross Receipts

Propane sold in free-standing containers is no longer subject to the fuel gross receipts tax but is still subject to the sales tax. Effective July 1, 2014.

### Solar Capacity Tax

Plants with a capacity of less than 50kW are exempt from the solar capacity tax. The previous exemption was for plants with a capacity of 10kW or less. Effective January 1, 2015.

### Delinquencies

The Department of Taxes has authority to publish a list of the 100 business taxpayers and 100 individual taxpayers with the largest unresolved liabilities in the state.

### Tax Credits

The research and development tax credit is reduced from 30% to 27% of the value of the federal tax credit. Retroactively effective on January 1, 2014.

### Tax Exemptions

The tax exemption of the sales of building materials, in excess of \$250,000, is repealed effective July 1, 2014. The limitation of sales tax on telecommunications is repealed effective January 1, 2015.

## **2015**

### Cigarette and Tobacco Products

Increase of \$0.33 per pack of cigarettes from \$2.75 to \$3.08. The tax on snuff and smokeless tobacco is increased from \$2.29 to \$2.57 per ounce.

### Current Use

The Land Use Change Tax (LUCT) will now be applied at a rate of 10% of the fair market value of the actual parcel removed. Municipal listers will set the value of the withdrawn land. Effective October 2, 2015.

## Highlights of Recent Tax Legislation - continued

### Income Tax

The \$5,000 state and local income tax deduction is eliminated. Itemized deductions are capped at 2.5 times the standard deduction, except medical and charitable deductions which are fully allowed. There is a 3% minimum tax for taxpayers with Adjusted Gross Income (AGI) greater than \$150,000. Effective tax year 2015.

### Meals and Rooms Tax

The meals tax will apply to food or beverages sold from a vending machine. Effective July 1, 2015.

### Property Transfer Tax

A clean water surcharge of 0.2% will be applied to the value of property subject to the property transfer tax excluding the first \$100,000 of property to be used as a primary residence and the first \$200,000 for mortgages financed through Vermont Housing Finance Agency (VHFA) or U.S. Department of Agriculture (USDA) or funded by homeland grants from the Vermont Housing and Conservation Trust Fund. Effective FY 2016.

### Sales and Use Tax

The sales tax will be applied to soft drinks on and after July 1, 2015. Soft drinks bought through the USDA Supplemental Nutrition Assistance Program (SNAP) will not be taxed.

## **2016**

### Estate Tax

The Vermont estate tax is restructured and simplified with a flat 16% tax rate that applies to the value of the \$2.75 million exclusion threshold and includes taxable gifts made within two years of death. Effective January 1, 2016.

### Fuel Tax

The Fuels Gross Receipts (FGR) tax is restructured: heating oil, propane, kerosene, and dyed diesel switched to a 2 cent per gallon tax rate. Tax rate on natural gas and coal increased to 0.75% and electricity remains at 0.5%; the tax is reauthorized for three years.

### Filing Periods

Three tax types, fuel gross receipts, bank franchise, and the telephone tax are changed from quarterly to monthly filing.

## Highlights of Recent Tax Legislation - continued

### 2017

#### Sales and Use Tax

Clear or undyed diesel fuels are exempted from the sales and use tax when used for forestry machinery or when they are used to propel a vehicle off State highways. Forestry equipment now exempted from the sales and use tax. Drones and their parts are no longer exempted from the sales and use tax.

#### Gasoline Tax

Clear or undyed diesel fuels are no longer subject to the gasoline tax.

#### Tax Incremental Financing (TIF)

Six new TIF districts may be approved if statutory conditions are met.

#### Personal Income Tax

Starting January 1, 2018, federal adjusted gross income will be adopted as the base for Vermont's personal income tax.

### 2018

#### Personal Income Tax

Significant changes to the Personal Income Tax system including:

- Decoupling from Federal personal income tax system
- Creation of a new Vermont Standard Deduction equal to \$6,000 (single) and \$12,000 (married)
- Creation of a new Vermont personal exemption equal to \$4,150 per exemption
- Creation of an exemption of taxable Social Security benefits for taxpayers with AGI up to \$55,000 (single) and \$75,000 (married)
- Creation of a Charitable Giving Tax Credit equal to 5% on the first \$20,000 in charitable contributions
- Reduction in the number of income tax rates from five to four
- Lowering tax rates for the remaining four brackets to 3.35%, 6.6%, 7.6%, and 8.75%
- Expansion of the Earned Income Tax Credit from 32% of Federal EITC to 36%

#### Sales and Use Tax

100% of all sales and use tax revenue will be directed to the Education Fund. An exemption for wood boilers is created. The Supreme Court of



## Highlights of Recent Tax Legislation - continued

the United States overturns the *Quill* Decision, allowing the State to collect remote sales tax regardless of whether the retailer has a physical presence in the state.

### Meals and Rooms Tax

25% of the meals and rooms tax revenue will be directed to the Education Fund.

### Miscellaneous

Beginning October 2019, retailers will be required to return unclaimed bottle deposits to the State, the revenues of which will be deposited in the Clean Water Fund.

## 2019

### Personal Income Tax

Limitation of the 40% capital gains exclusion to \$875,000 worth of capital gains. Creation of a new medical deduction in excess of the Vermont Standard Deduction and Personal Exemptions.

### Sales and Use Tax

Requirement for marketplace facilitators to collect and remit the sales tax on behalf of the vendors on their platforms.

### Meals and Rooms Tax

6% of the meals and rooms tax revenue will be directed to the Clean Water Fund beginning October 2019. Online Travel Agents (OTAs) will be required to collect and remit rooms tax on the administrative fee they charge on bookings.

### Estate Tax

Increases the exclusion for the estate tax over two years. Beginning January 1, 2020, the estate tax exclusion rises from \$2.75 million to \$4.25 million. On January 1, 2021, the exclusion rises to \$5 million.

### Land Gains Tax

Amends the tax so that only land subdivided by the transferor within six years would be subject to the tax. Also, a new exemption for land transferred in a downtown development district, a village center, or new town center development.

## Highlights of Recent Tax Legislation - continued

### Property Transfer Tax

Extends the tax to transfers of majority stock or controlling interest of property.

### Liquor Tax

Liquor tax changed to a flat 5% tax on the gross receipts of spirits.

### Miscellaneous

Extension of the Fuel Tax for another five years. Increase of the Downtown and Village Center Tax credit program cap to \$2.6 million. Expansion of the cap for the Affordable Housing Tax Credit. Extension of the Health Information Technology tax to July 1, 2021. Extension of the Home Health Provider tax to July 1, 2021.

## 2020

### Cannabis Taxes

Beginning March 1, 2022, a 14% excise tax shall be imposed on each sale in Vermont of cannabis and cannabis products made by a retailer or an integrated licensee, excluding food or beverages. In addition to the excise tax, the 6% sales and use tax shall be paid on the retail sale of cannabis.

### Tax Increment Financing

The City of Hartford's TIF district is granted a 3-year extension of its debt incursion period. Additionally, seven other districts receive a one-year extension of their debt incursion periods.

## 2021

### Feminine Hygiene Products

Effective July 1, 2021, feminine hygiene products used in connection with the human menstrual cycle are exempt from the sales and use tax.

### Wood Pellets sold at Retail for Residential Use

Effective July 1, 2021, wood pellets sold to an individual on a vendor's premises or delivered to a residence shall be presumed to be purchased for residential use and shall be exempt from the sales and use tax.

### Meal delivery platforms

Effective August 1, 2021, "Taxable Meal Facilitator" is defined as an entity that "facilitates the sale and collects the charge for a taxable meal or

## Highlights of Recent Tax Legislation - continued

alcoholic beverage through an Internet transaction or any other means.” Includes “taxable meal facilitators” under the definition of “operator,” making them liable for collection and remittance of meals tax. Clarifies that the meals tax is applied when a meal delivery platform delivers meals to consumers, and to any delivery or other facilitator charge.

### Property Tax Exemption to Support Broadband Development

Effective July 1, 2021, an exemption is provided for real and personal property, except land, owned by an electric distribution utility that comprises broadband infrastructure provided the infrastructure is leased to a Communication Union District (CUD) or an Internet Service Provider (ISP) working with a CUD, is primarily for the purpose of providing broadband capable of speeds of at least 100 Mbps symmetrical, and is constructed on or after July 1, 2021.

### TIF Districts

Changes the audit schedule for Burlington Waterfront TIF District. The first audit shall be conducted on or after October 1, 2021. TIF districts still in their period to incur debt were granted a one-year extension to incur debt.

## **2022**

### Personal Income Tax

Act 138 makes a variety of changes to the personal income tax, effective January 1, 2022:

- A new Child Tax Credit provides a \$1,000 refundable credit per eligible child five years of age or younger
- Vermont Child and Dependent Care Tax Credit increases to 72% of the federal Child and Dependent Care Tax Credit and is made fully refundable
- Vermont Earned Income Tax Credit (EITC) increases to 38% of the federal EITC
- Creation of a Vermont deduction for student loan interest paid. Single filers with an AGI of \$120,000 or less and married filers with AGI of \$200,000 or less are eligible
- Single filers with AGI below \$50,000 and joint filers with AGI below \$65,000 can choose either:
  - A full exclusion of Social Security Income

## Highlights of Recent Tax Legislation - continued

- Exclusion of the first \$10,000 of income from military retirement and other eligible retirement systems
- Affordable housing tax credits used for manufactured home purchase and replacement increased by \$250,000 per year

### Corporate Tax

Major changes to taxes on corporations effective January 1, 2023:

- Move from three-factor apportionment (sales/property/payroll) to a single sales factor
- Repeals the Throwback Rule
- Moves from “Joyce” to “Finnegan” method to determine nexus and the calculation of in-state activity of unitary groups: Finnegan treats a unitary group as one taxpayer
- Requires all US-based corporations to be included in a unitary group, repealing the carve out for companies with operations overseas
- Legislation also adjusts the Vermont Corporate Minimum Tax

### Property Taxes

Property owned by Vermont-recognized Native American tribes or nonprofit organizations organized for the benefit of and controlled by the tribes are exempted from the statewide and municipal property tax. Effective July 1, 2022. Effective January 1, 2021, the definition of a household for the purposes of the homestead Property Tax Credit excludes income from individuals who are refugees, asylum seekers, or asylees on a temporary basis in the calculation of household income.

### Malt and Vinous Tax

Legislation defines and creates rules for taxing ready-to-drink spirit beverages and hard ciders. Ready to drink spirit beverages contain more than 1 but less than 12 percent alcohol and shall be taxed at \$1.10 per gallon under the Malt and Vinous Tax (instead of being taxed as a spirit). Hard ciders are defined as a beverage made from apples or pears that contain between 1 and 16 percent alcohol. Ciders containing more than 1 percent alcohol by volume but less than 7 percent are taxed at 26.5 cents a gallon. Ciders containing more than 7 percent alcohol are taxed at 55 cents per gallon. Effective July 1, 2023.