

REVENUE — DETAILS

MAJOR VERMONT TAX SOURCES

Vermont has three major funds into which most tax revenue is deposited; the General, Transportation, and Education funds. 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 and Use Tax

Vermont has a 6% general tax on retail sales. As of fiscal year 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 allows municipalities to impose a 1% local option sales tax.

Meals and 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%. As of fiscal year 2020, 25% of this revenue is dedicated to the Education Fund, 69% of the revenue is dedicated to the General Fund, and the remaining 6% is dedicated to the Clean Water Fund. Effective August 1, 2024, there is an additional 3% surcharge on short-term rental occupancy, which is entirely dedicated to the Education Fund. Vermont allows municipalities to impose a 1% local option tax.



MAJOR VERMONT TAX SOURCES

Corporate Income Tax

The net income of C-corporations is taxed according to the state rate and bracket schedule. The apportionment formula considers only the share of sales in Vermont relative to total nationwide sales. Vermont requires unitary combined reporting.

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

Corporate Income Minimum Tax Table	
Vermont Gross Receipts	Minimum Tax
\$0 up to \$500,000	\$100
\$500,000 up to \$1,000,000	\$500
\$1,000,000 up to \$5,000,000	\$2,000
\$5,000,000 up to \$300,000,000	\$6,000
\$300,000,000 and over	\$100,000

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.

Captive Insurance Tax Table		
Volume	Direct Premiums	Reinsurance
(\$ 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

MAJOR VERMONT TAX SOURCES

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 0.22% is dedicated to the Clean Water Fund. The tax is applied to both transfers of deed and transfers of stock/controlling interests.

Property Transfer Tax and 0.22% Water Quality Surcharge Table					
Type of Property	Value Taxed	0.5 % Property Transfer Tax	1.25 % Property Transfer Tax	3.4% Property Transfer Tax	0.22% Clean Water Surcharge
Non-Principal Residence	All			✓	✓
Principal Residence	\$0 - \$200,000	✓			
	Marginal Value Over \$200,000		✓		✓
Principal Residence Purchased w/ VHFA, VHCB, or USDA RD Assistance	\$0 - \$250,000				
	Marginal Value Over \$250,000		✓		✓

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.

Cannabis Excise Tax

The cannabis excise tax is a 14% tax on the retail sales of cannabis and cannabis products. 30% of the revenue from this tax is allocated to substance misuse prevention funding.

Child Care Contribution (Payroll Tax)

The Childcare Contribution is 0.44% on employee wages and 0.11% on self-employment net-income.

Bank Franchise Tax

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



MAJOR VERMONT TAX SOURCES

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 Vermont 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 2 cents per gallon on fuel including heating oil, dyed diesel, kerosene and propane. Natural gas and coal are taxed at 0.75% of gross receipts and electricity is taxed at 0.5% of gross receipts. This revenue is dedicated to the Home Weatherization Assistance Fund.

Fuel Tax Table	
Fuel Type	Rate
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 6% or higher ABV beers and ciders is 26.5 cents per gallon. 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 Vermont 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.

MAJOR VERMONT TAX SOURCES

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 Vermont. The revenue is split equally between the State and the town where the railroad property is located.



**2024 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	23,200	\$ -	10.0%	0	
23,201	94,300	\$ 2,320	12.0%	23,200	
94,301	201,050	\$ 10,852	22.0%	94,300	
201,051	383,900	\$ 34,337	24.0%	201,050	
383,901	487,450	\$ 78,220	32.0%	383,900	
487,451	731,200	\$ 111,356	35.0%	487,450	
731,201	and over	\$ 196,668	37.0%	731,200	
Standard Deduction:				29,200	

Single Individuals					
Federal Taxable Income		Tax Liability			
Over	But not over	Pay	Plus % on excess	Of amount over	
0	11,600	\$ -	10.0%	0	
11,601	47,150	\$ 1,160	12.0%	11,600	
47,151	100,525	\$ 5,426	22.0%	47,150	
100,526	191,950	\$ 17,168	24.0%	100,525	
191,951	243,725	\$ 39,110	32.0%	191,950	
243,726	609,350	\$ 55,678	35.0%	243,725	
609,351	and over	\$ 183,646	37.0%	609,350	
Standard Deduction:				14,600	

Head of Household					
Federal Taxable Income		Tax Liability			
Over	But not over	Pay	Plus % on excess	Of amount over	
0	16,550	\$ -	10.0%	0	
16,551	63,100	\$ 1,655	12.0%	16,550	
63,101	100,500	\$ 7,241	22.0%	63,100	
100,501	191,950	\$ 15,469	24.0%	100,500	
191,951	243,700	\$ 37,417	32.0%	191,950	
243,701	609,350	\$ 53,977	35.0%	243,700	
609,351	and over	\$ 181,954	37.0%	609,350	
Standard Deduction:				21,900	

2024 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	79,950	\$ -	3.35%	0	
79,951	193,300	\$ 2,678	6.60%	79,950	
193,301	294,600	\$ 10,159	7.60%	193,300	
294,601	and over	\$ 17,858	8.75%	294,600	

Single Individuals					
<u>Vermont Taxable Income</u>		<u>Tax Liability</u>			
Over	But not over	Pay	Plus % on excess	of amount over	
0	47,900	\$ -	3.35%	0	
47,901	116,000	\$ 1,605	6.60%	47,900	
116,001	242,000	\$ 6,099	7.60%	116,000	
242,001	and over	\$ 15,675	8.75%	242,000	

Head of Household					
<u>Vermont Taxable Income</u>		<u>Tax Liability</u>			
Over	But not over	Pay	Plus % on excess	of amount over	
0	64,200	\$ -	3.35%	0	
64,201	165,700	\$ 2,151	6.60%	64,200	
165,701	268,300	\$ 8,850	7.60%	165,700	
268,301	and over	\$ 16,647	8.75%	268,300	

Married Filing Separately					
<u>Vermont Taxable Income</u>		<u>Tax Liability</u>			
Over	But not over	Pay	Plus % on excess	of amount over	
0	39,975	\$ -	3.35%	0	
39,976	96,650	\$ 1,339	6.60%	39,975	
96,651	147,300	\$ 5,080	7.60%	96,650	
147,301	and over	\$ 8,929	8.75%	147,300	



2023 Vermont Individual Income Tax Returns by AGI Income Class

AGI Income Class [1]	# Returns	Federal AGI	Vermont AGI	Adjusted Vermont Tax	Nonrefundable Credits	Refundable Credits [2]	Net VT Tax [3]	Average Tax Paid [4]	Effective Rate [5]
Negative	2,326	-138,842,438	-138,842,438	573,499	*	179,129	391,334	168	N/A
0.01 - 4,999	19,647	42,636,958	42,427,384	60,819	*	1,137,422	-1,076,618	-55	-2.5%
5,000 - 9,999	17,852	133,675,499	132,231,389	175,459	7,983	2,487,951	-2,320,475	-130	-1.7%
10,000 - 14,999	16,540	205,786,234	202,710,371	849,745	24,077	4,044,262	-3,218,594	-195	-1.6%
15,000 - 19,999	14,058	245,245,608	240,570,727	1,931,727	54,063	4,916,877	-3,039,213	-216	-1.2%
20,000 - 24,999	13,239	297,537,739	290,819,879	3,148,002	82,130	4,684,512	-1,618,640	-122	-0.5%
25,000 - 29,999	12,972	357,066,330	348,496,463	4,650,670	101,133	4,185,082	364,455	28	0.1%
30,000 - 34,999	14,074	457,494,799	447,861,331	7,005,781	152,845	4,325,684	2,527,252	180	0.6%
35,000 - 39,999	15,368	576,667,864	565,987,671	10,146,210	178,753	3,841,526	6,125,931	399	1.1%
40,000 - 44,999	15,363	652,581,414	641,423,057	12,319,604	209,764	2,873,838	9,236,002	601	1.4%
45,000 - 49,999	14,999	711,924,889	699,580,856	14,117,951	229,589	2,060,106	11,828,256	789	1.7%
50,000 - 59,999	26,133	1,433,390,975	1,408,885,301	30,791,519	550,478	2,662,767	27,578,274	1,055	1.9%
60,000 - 74,999	30,196	2,026,198,284	1,994,788,896	51,875,945	1,152,773	2,883,725	47,839,447	1,584	2.4%



2023 Vermont Individual Income Tax Returns by AGI Income Class

AGI Income Class [1]	# Returns	Federal AGI	Vermont AGI	Adjusted Vermont Tax	Nonrefundable Credits	Refundable Credits [2]	Net VT Tax [3]	Average Tax Paid [4]	Effective Rate [5]
75,000 - 99,999	34,013	2,949,928,218	2,901,569,019	85,318,714	2,293,110	4,258,663	78,766,941	2,316	2.7%
100,000 - 124,999	24,658	2,758,155,585	2,713,055,037	86,042,050	2,411,296	4,253,722	79,377,032	3,219	2.9%
125,000 - 149,999	16,752	2,289,132,236	2,252,210,761	82,403,441	2,608,131	2,648,336	77,146,974	4,605	3.4%
150,000 - 199,999	18,428	3,159,644,756	3,102,985,892	130,764,303	4,720,482	1,302,409	124,741,412	6,769	3.9%
200,000 - 299,999	12,628	3,024,994,303	2,954,230,008	147,847,975	6,385,604	562,322	140,900,049	11,158	4.7%
300,000 - 499,999	6,132	2,298,949,314	2,221,739,113	134,990,138	8,278,554	258,460	126,453,124	20,622	5.5%
500,000 - 999,999	2,625	1,752,205,533	1,694,435,671	120,972,605	10,344,269	90,732	110,537,604	42,110	6.3%
1,000,000 +	1,047	2,765,694,304	2,573,479,125	212,688,918	27,935,202	22,019	184,731,697	176,439	6.7%
State Total	329,050	28,000,068,404	27,290,645,516	1,138,675,075	67,723,287	53,679,544	1,017,272,244	3,092	3.6%
Out of State	51,866	27,221,613,265	1,946,346,958	92,910,861	1,209,516	472,042	91,229,303	1,759	0.3%
All Returns	380,916	55,221,681,669	29,236,992,474	1,231,585,936	68,932,803	54,151,586	1,108,501,547	2,910	2.0%

[1] AGI = Adjusted Gross Income

[2] Total Earned Income Tax Credit, Child Tax Credit, and Child and Dependent Care Credit distributed

[3] Total tax due after credits

[4] Net tax divided by number of returns

*Denotes fewer than 10 taxpayers

EDUCATION FUND REVENUE SOURCES

(non-property tax)

Lottery Transfer

All profits from the State lottery are transferred to the Education Fund. The 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 fiscal year 2019, 25% of the revenue from the meals & 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 in some municipalities that is not dedicated to the Education Fund.

As of fiscal year 2025, Vermont now adds a surcharge of 3% on “short-term rentals.” This is 100% 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 & use tax is dedicated to the Education Fund. (See the description of Transportation Fund revenue sources.)

Sales and Use Tax

As of fiscal year 2019, revenue from the general sales and use tax is dedicated to the Education Fund. Vermont has a 6% general tax on retail sales.

Vermont also allows a 1% local option sales tax in some municipalities that is not dedicated to the Education Fund.

Per 2024 Act 87 Sec. 97, cannabis sales tax revenue is dedicated to the Universal Afterschool and Summer Special Fund.

Uniform Capacity Tax

A tax of \$4.00 per KW plant capacity on any renewable energy plant 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.

TRANSPORTATION FUND REVENUE 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.

Motor Vehicle Purchase and Use Tax

The motor vehicle purchase and use tax applies to motor vehicle sale transactions; and, 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



TRANSPORTATION FUND REVENUE SOURCES

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 \$2,486. 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 the Department of Motor Vehicles (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 fiscal year 2021 through fiscal year 2024.

Relative Contribution to the Transportation Fund				
Transportation Fund Sources				
<u>Source</u>	FY 2021	FY 2022	FY 2023	FY 2024
Gasoline Tax	10.9%	11.5%	11.0%	10.7%
Gasoline Assessment	12.9%	13.5%	14.1%	12.8%
Diesel Tax	6.3%	6.4%	6.0%	5.9%
Purchase & Use Tax (2/3)	31.6%	31.7%	32.1%	31.9%
Motor Vehicle Fees	31.0%	29.9%	29.6%	30.9%
Other Revenue	7.3%	7.1%	7.2%	7.8%
<i>Total</i>	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 was 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.



HIGHLIGHTS OF RECENT TAX LEGISLATION

2014

Distilled Spirits

Tax rate on distilled spirits is changed from a flat tax rate to a graduated 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 was 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 was 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 was increased from \$2.29 to \$2.57 per ounce.

HIGHLIGHTS OF RECENT TAX LEGISLATION

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.

Income Tax

The \$5,000 State and local income tax deduction was 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 the 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 fiscal year 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 SNAP program will not be taxed.

2016

Estate Tax

The Vermont estate tax was 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 was restructured: heating oil, propane, kerosene, dyed diesel switched to a 2 cent per gallon tax rate. The tax rate on natural gas and coal was increased to 0.75% and electricity remains at 0.5%; the tax reauthorized for three years.

Filing Periods

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



HIGHLIGHTS OF RECENT TAX LEGISLATION

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%, 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 was created. The Supreme Court of the United States overturned the Quill Decision, allowing the State to collect remote sales tax regardless of whether the retailer has a physical presence in the State.

HIGHLIGHTS OF RECENT TAX LEGISLATION

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

Six percent of the meals and room 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.

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.



HIGHLIGHTS OF RECENT TAX LEGISLATION

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

Menstrual Products

Effective July 1, 2021, menstrual products 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 vendors' 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 alcoholic beverage through and 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 by the infrastructure is leased to a Communication Union

HIGHLIGHTS OF RECENT TAX LEGISLATION

District (CUD) or an Internet Service Provider (ISP) working with 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 district still in their period to incur debt were granted a one year extension to incur debt.

2022

Personal Income Tax

Significant changes to the Personal Income Tax System including:

- A new Child Tax Credit providing 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 for single filers with an AGI of \$120,000 or less and married filers with AGI of \$200,000.
- 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
 - * 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 Income Tax

Major changes to Corporate Income Tax effective January 1, 2023:

- Moves 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 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; and
- Legislation also adjusted the Vermont Corporate Minimum Tax.



HIGHLIGHTS OF RECENT TAX LEGISLATION

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. Changes effective July 1, 2023.

2023

Payroll Tax

Effective July 1, 2024 the Child Care Contribution (payroll tax) will be collected at a rate of 0.44% on employee wages and 0.11% on self-employment income. Employers are required to pay a minimum 75% of the required contribution for each employee. The remaining 25% must be withheld and remitted to the Department of Taxes in the same manner as employees' withheld income. Self-employed individuals shall remit contributions in the same manner as is required for estimated payments for income.

Cannabis

Outdoor cannabis cultivation will be regulated in the same manner as farming effective June 14, 2023. Outdoor cultivators may also qualify for the Current Use Program if requirements are met. All outdoor cultivators are eligible to use the agricultural sales tax exemption. Vape cartridges used for delivery of only cannabis are exempt from the Tobacco Products Tax.

HIGHLIGHTS OF RECENT TAX LEGISLATION

Sales and Use Tax

- The sales tax exemption on advanced wood boilers will be repealed July 1, 2024.
- Local option taxes were approved in Shelburne and Rutland.

Sports Wagering Income

Sports wagering income made within the State of Vermont will be considered taxable Vermont income regardless of the individuals residency status. The Department of Taxes may require taxes to be withheld from payments of wagering proceeds.

2024

Sales and Use Tax

- The sales tax exemption on advanced wood boilers is extended to July 1, 2027.
- Prewritten computer software accessed remotely is subject to sales and use tax, effective July 1, 2024.
- Any municipality can adopt a 1% local option sales tax without a municipal charter change, effective July 1, 2024.

Meals and Rooms Tax

- “Short-term rental” is defined as “a furnished, house, condominium, or other dwelling room or self-contained dwelling unit rented to the transient, traveling, or vacationing public for a period of fewer than 30 consecutive days and for more than 14 days per calendar year.”
- A new 3% surcharge is imposed on the rent of each occupancy of a short-term rental, in addition to the 9% rooms tax and any 1% local option tax. This revenue is dedicated to the Education Fund.
- No short-term rental surcharge is required if a unit is licensed as a lodging establishment under 18 V.S.A. Chapter 85, such as a hotel or bed and breakfast.

Property Transfer Tax

Act 181 makes a variety of changes to the property transfer tax:

- A new rate of 3.4% is added for the transfer of residential properties that are fit for year-round habitation, will not be used as a principal residence of the buyer, and are not associated with a landlord certificate.
- The 1.25% rate threshold is increased from \$100,000 to \$200,000 in transfer value and from \$110,000 to \$250,000 for principal residences financed through mortgage programs at VHFA, VHCD, and USDA Rural Development. As a result, the first \$200,000 for principal residences is subject to the existing 0.5% rate, while marginal transfer value above \$200,000 is subject to the 1.25% rate. Value below \$250,000 for houses financed through VHFA, VHCD, and USDA-RD is not taxed.



HIGHLIGHTS OF RECENT TAX LEGISLATION

- The Clean Water Surcharge is changed from 0.2% to 0.22% of property value at the time of transfer. The threshold after which the surcharge is applied is increased from \$100,000 to \$200,000 of property value for principal residences. The exclusion for principal residences financed through VHFA, VHCD, and USDA Rural Development is increased from \$200,000 to \$250,000.

Miscellaneous

- Extension of the fuel tax until June 30, 2029.
- Extension of the health information technology tax to July 1, 2026.