

Vermont Legislative Joint Fiscal Office

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TO: Members of the Joint Fiscal Committee

FROM: Sara Teachout - November 15, 2013

RE: Statutory Purposes for Tax Expenditures

The following two sections of law were included in the 2013 Technical Tax Bill requiring a statutory purpose to be recommended by the JFC for every tax exemption, exclusion, deduction or credit. Attached are draft statutory purposes, highlighted in yellow, for all of the tax expenditures in Vermont statute. Legislative Council is preparing draft legislation that may be reviewed by the Senate Finance Committee and the House Ways & Means Committees. These will be an agenda item for recommendation on November 21st.

Sec. 4. 32 V.S.A. § 312(d) is added to read:

(d) Every tax expenditure in the tax expenditure report required by this section shall be accompanied in statute by a statutory purpose explaining the policy goal behind the exemption, exclusion, deduction, or credit applicable to the tax. The statutory purpose shall appear as a separate subsection or subdivision in statute and shall bear the title “Statutory Purpose.” Notwithstanding any other provision of law, a tax expenditure listed in the tax expenditure report that lacks a statutory purpose in statute shall not be implemented or enforced until a statutory purpose is provided.

Sec. 5. TAX EXPENDITURE PURPOSES

The Joint Fiscal Committee shall draft a statutory purpose for each tax expenditure in the report required by 32 V.S.A. § 312 that explains the policy goal behind the exemption, exclusion, deduction, or credit applicable to the tax. For the purpose of this report, the Committee shall have the assistance of the Department of Taxes, the Joint Fiscal Office, and the Office of Legislative Council. The Committee shall report its findings and recommendations to the Senate Committee on Finance and the House Committee on Ways and Means by January 15, 2014. The report of the Committee shall consist of a written catalogue for Vermont’s tax expenditures and draft legislation, in bill form, providing a statutory purpose for each tax expenditure. Upon receipt of the report under this section, the Senate Committee on Finance shall introduce a bill to adopt statutory purposes during the 2014 legislative session.

DRAFT

LIST OF FISCAL YEAR 2011 PERSONAL INCOME TAX EXPENDITURES

1.000 Adjustments to Federal Taxable Income

1.001 Vermont Municipal Bond Income Exemption

Statute: 32 V.S.A. §5811(21)(A)(i)
Enacted: 1986
Estimate: \$3,700,700
Taxpayers: 5,800

Interest income from Vermont state and local government obligations is exempt from taxation in Vermont. However, interest income from non-Vermont state and local obligations is added to the amount of federal taxable income.

PURPOSE To encourage investment in Vermont state and local bonds and maintain the state's favorable bond rating.

1.002 Capital Gains Exclusion

Statute: 32 V.S.A. §5811(21)(B)(ii)
Enacted: 2002; amended 2009, 2010
Estimate: \$8,544,200
Taxpayers: 22,730

Effective for tax years 2011 and after, taxpayers may reduce taxable income by up to \$5,000 in adjusted net capital gain income or 40% adjusted net capital gain income from the sale of certain business assets held for more than three years. As under prior law, the exclusion amount cannot exceed 40% of federal taxable income.

PURPOSE The flat capital gains exclusion is to encourage savings and investment while exempting a portion of the gain that may represent inflation. The 40% business capital gains exclusion mitigates the impact of one-time realizations in a progressive tax structure.

1.100 Subtractions from Vermont Income Tax

1.101 Credit for Child and Dependent Care

Statute: 32 V.S.A. §5822(d)
Enacted: 1967
Estimate: \$1,656,100

Taxpayers: 14,510

A taxpayer is entitled to a nonrefundable tax credit equal to 24% of the federal child and dependent care credit applied against federal tax liability. A taxpayer may claim this credit or the low income child and dependent care credit, but not both.

PURPOSE To provide tax relief to working taxpayers who must incur dependent care expenses to stay in the workforce.

1.102 Credit for Elderly or Disabled

Statute: 32 V.S.A. §5822(d)
Enacted: 1967
Estimate: \$2,700
Taxpayers: 90

A taxpayer is entitled to a nonrefundable tax credit equal to 24% of the federal credit available to the elderly (age 65 or older) and permanently disabled, which was applied against federal tax liability.

PURPOSE To provide tax relief for seniors and disabled persons with little tax exempt retirement or disability income.

1.103 Investment Tax Credit

Statute: 32 V.S.A. §5822(d)
Enacted: 1967
Estimate: \$886,000
Taxpayers: 90

A taxpayer is entitled to a nonrefundable tax credit equal to 24% of the federal investment tax credit applied against federal tax liability for Vermont-property investment in the following activities: rehabilitation (IRC §47), energy (IRC §48(a)), advanced coal products (IRC §48(a)), and gasification products (IRC 48B(e)).

PURPOSE To encourage Vermont business investments.

1.104 Vermont Farm Income Averaging Credit

Statute: 32 V.S.A. §5822(c)(2)
Enacted: 2002
Estimate: \$48,500
Taxpayers: 150

A nonrefundable tax credit is available in the amount of 24% of the reduction in the taxpayer's federal tax liability due to farm income averaging.

PURPOSE To mitigate the adverse tax consequences of fluctuating farm incomes under a progressive tax structure.

1.105 Vermont Business Solar Energy Credit

Statute: 32 V.S.A. §§5822(d); 5930z
Enacted: 2002
Estimate: \$2,387,600
Taxpayers: 30

A taxpayer is entitled to a nonrefundable tax credit of 76% of the Vermont-property portion of the business solar energy tax credit component of the federal investment tax credit applied against the taxpayer's federal tax liability. Unused credits may be carried forward for five years. This credit in combination with the 24% Investment Tax Credit provides a total credit of 100% of the amount of the federal business solar energy credit.

PURPOSE To provide a temporary, enhanced incentive for business solar investments located in Vermont.

1.200 Adjustments to Vermont Income Tax

1.201 Military Pay

Statute: 32 V.S.A. §5823(a)(2) & (b)(3)
Enacted: 1966
Estimate: \$2,229,700
Taxpayers: 1,700

Exempts all military pay for full-time active duty earned outside Vermont. This also exempts the first \$2,000 of military pay earned for commander certified unit training in Vermont for National Guard or United States Reserve personnel who have a federal AGI under \$50,000. Exemption also applies to funds received through the federal armed forces educational loan repayment program, but only to funds included in the taxpayer's AGI for the taxable year.

PURPOSE To provide additional compensation for military personnel for service to the country.

1.202 Federal Employment Opportunity Income

Statute: 32 V.S.A. §5823(a)(5)
Enacted: 1979
Estimate: \$33,100
Taxpayers: 60

Exempts income related to wages and salaries not taken as a federal employment credit and included in federal AGI pursuant to IRC 280C. Also exempts income included in federal AGI related to expenses incurred but not covered by the Americans with Disabilities Credit (IRC 44).

PURPOSE To reduce the taxation of people receive federal employment opportunity income and reduce the cost to government of providing this assistance.

1.203 Americans with Disabilities Credit

Statute: 32 V.S.A. §5823(a)(5)
Enacted: 1998
Estimate: \$0
Taxpayers: 0

Exemption applies to eligible expenses incurred by small businesses for the purpose of providing access to persons with disabilities, as provided in Section 44 of the IRC.

PURPOSE To provide tax relief for small businesses making ADA improvements required by federal law.

1.204 Interest Income from VSAC bonds, Vermont Telecommunications Authority bonds and notes, and federal Build America bonds

Statute: 16 V.S.A. §2825; 30 V.S.A. §8074
Enacted: 1965; 2007
Estimate: \$1,366,800
Taxpayers: 340

Exemption applies to interest and income from these sources when included in a taxpayer's federal AGI.

PURPOSE To encourage investment in bonds supporting Vermont projects.

1.300 Vermont Tax Credits Applied after Income Adjustment

1.301 Charitable Housing Credit

Statute: 32 V.S.A. §5830c
Enacted: 1990
Estimate: \$18,360
Taxpayers: 50

Vermont taxpayers who make an authorized charitable investment in an eligible housing charity are entitled to a nonrefundable credit in the amount equal to the difference between the net income that would have been received at the charitable threshold rate and the actual net income received by, or credited to, the taxpayer. The credit cannot exceed 3% of the average outstanding principal balance of the investment during the taxable year. Unused credits may be carried forward for three years.

PURPOSE To encourage investment in housing in Vermont.

1.302 Affordable Housing Credit

Statute: 32 V.S.A. §5930u
Enacted: 2000
Estimate: \$0

Taxpayers: 0

A nonrefundable tax credit may be taken for an affordable rental housing project or owner-occupied affordable housing units, provided the project has been authorized by the Vermont Housing Finance Agency. The amount of the credit is based on a taxpayer's eligible cash contribution and the agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year allocation plus the succeeding four years' deemed allocation. (These credits are taken almost exclusively against bank franchise tax and insurance premiums tax.)

PURPOSE To encourage the investment in and development of affordable housing in Vermont.

1.303 Qualified Sale of Mobile Home Park Credit

Statute: 32 V.S.A. §5828
Enacted: 1998
Estimate: \$0
Taxpayers: 0

The taxpayer is entitled to a nonrefundable credit worth 7% of the taxpayer's gain from the sale of a mobile home park. This is measured by the gain subject to federal income tax. Unused credits may be carried forward for three years.

PURPOSE To encourage sales of mobile home parks as an alternative to closure.

1.304 Vermont Higher Education Investment Credit

Statute: 32 V.S.A. §5825a
Enacted: 2003 (revised in 2007)
Estimate: \$1,396,300
Taxpayers: 2,690

A taxpayer, including each spouse filing a joint return, is entitled to a nonrefundable credit of 10% for the first \$2,500 contributed for each beneficiary to a Vermont higher education investment plan account. A recipient of this credit is subject to a 10% repayment for any distribution not excluded from federal AGI, up to a maximum of the total credits received.

PURPOSE To encourage savings Vermont 529 plans and lower the cost of higher education for taxpayers.

1.305 Entrepreneurs' Seed Capital Fund Credit

Statute: 32 V.S.A. §5830b
Enacted: 2004
Estimate: \$0
Taxpayers: 0

A taxpayer who contributes to the Seed Capital Fund may claim a nonrefundable credit equal to the lesser of either 4% of the taxpayer's contribution or 50% of the taxpayer's tax liability for the year prior to claiming the credit, provided that the aggregate credit allowable for all taxable years not exceed 20% of the taxpayer's contribution to the initial capitalization of the fund. Unused credits may be carried forward for four years.

PURPOSE To provide an incentive for investment in small businesses in Vermont.

1.306 Historic Rehabilitation Tax Credit

Statute: 32 V.S.A. §5930cc(a); see §5930aa – 3930ff
Enacted: 2006
Estimate: \$0
Taxpayers: 0

A taxpayer who is deemed qualified by the Vermont Downtown Development Board and completes a qualified historic rehabilitation project may claim a nonrefundable credit of 10% of those qualified rehabilitation expenditures. Unused credits may be carried forward for nine years. (A substantial number of these credits are taken against bank franchise tax.)

PURPOSE To provide incentives to improve and rehabilitate historic properties in designed downtowns and village centers.

1.307 Façade Improvement Tax Credit

Statute: 32 V.S.A. §5930cc(b); see §5930aa – 5930ff
Enacted: 2006
Estimate: \$0
Taxpayers: 0

Taxpayers are eligible for a nonrefundable credit equal to 25% of expenditures up to \$25,000 on a qualified façade improvement project, as approved by the Vermont Downtown Development Board. Unused credits may be carried forward for nine years. (A substantial number of these credits are taken against bank franchise tax.)

PURPOSE To provide incentives to improve facades and rehabilitate historic properties in designed downtowns and village center.

1.308 Code Improvement Tax Credit

Statute: 32 V.S.A. §5930cc(c); see §5930aa – 5930ff
Enacted: 2006
Estimate: \$24,100
Taxpayers: Under 10

Taxpayers are eligible for a nonrefundable credit equal to 50% of costs for qualified code improvement or installation projects, up to the following limits: \$12,000 for a platform lift, \$50,000 for an elevator or sprinkler system, and

\$25,000 for combined costs of all other code improvement and installation projects, as approved by the Vermont Downtown Development Board. Unused credits may be carried forward for nine years. (A substantial number of these credits are taken against bank franchise tax.)

PURPOSE To provide incentives to improve and rehabilitate historic properties in designed downtowns and village centers by making code improvements.

1.309 Research and Development Tax Credit

Statute: 32 V.S.A. §5930ii
Enacted: 2009
Estimate: N.A.
Taxpayers: N.A.

A taxpayer is eligible for a nonrefundable credit equal to 30% of the amount of the federal tax credit for eligible R&D expenditures made within Vermont. Unused credits may be carried forward for ten years. The credit takes effect for eligible expenditures made on or after January 1, 2011.

PURPOSE To encourage business investment in research and development within Vermont.

1.310 Wood Products Manufacture Tax Credit

Statute: 32 V.S.A. §5930y
Enacted: 2005
Estimate: \$26,200
Taxpayers: Under 10

A credit of 2% of the wages paid in the taxable year by an employer for services performed in the designated counties having at least 5% of their combined jobs provided by employers that manufacture finished wood products and having the highest combined unemployment rate in the state for at least one month in the previous calendar year.

PURPOSE To lower income taxes for businesses in the northeast kingdom counties of Essex and Caledonia in order retain employees in wood products manufacturing.

1.311 EATI Tax Credits (carry-forward only)

Statute: 32 V.S.A. §5930a2
Enacted: 1997; repealed 2006
Estimate: \$232,000
Taxpayers: 20

A suite of tax credits based on payroll increases, research and development investment, workforce development expenditures, or capital investments in facilities and machinery or equipment, and sales of product shipped out of state. The final taxable year in which credits can be earned is 2010; the last year carry-forward credits can be claimed is 2015.

PURPOSE To provide incentives to businesses creating new jobs in Vermont.

1.312 Downtown Tax Credits (carry-forward only)

Statute: 32 V.S.A. §§5930n-5930r
Enacted: 1998, 2002, repealed 2006
Estimate: \$188,900
Taxpayers: Under 10

Four tax credits designed to assist with rehabilitation and code improvements for older and historic buildings located within designated downtowns and village centers were replaced with three credits (§5930cc) to make the program easier to use and administer.

Credits allocated prior to July 1, 2006 remain subject to the associated statutory provisions but must be claimed by May 24, 2011.

PURPOSE To provide incentives to improve and rehabilitate historic properties in designed downtowns and village centers.

1.400 Refundable Credits

1.401 Low Income Child and Dependent Care Credit

Statute: 32 V.S.A. §5828c
Enacted: 2002
Estimate: \$57,500
Taxpayers: 430

A refundable credit is available for taxpayers with federal AGI under \$30,000, if filing individually, or \$40,000, if married filing jointly. The credit is equal to 50% of the federal child and dependent care credit for child and dependent care services procured in Vermont, so long as the facility providing these services has been certified by the Agency of Human Services.

PURPOSE To provide additional cash relief to lower-income working taxpayers who incur dependent care expenses in certified centers to stay in the workforce.

1.402 Earned Income Tax Credit

Statute: 32 V.S.A. §5828b
Enacted: 1988
Estimate: \$25,565,700
Taxpayers: 44,500

Any taxpayer entitled to a federal earned income tax credit may claim a Vermont EITC in the amount of 32% of the federal credit, proportional to the percentage of total income that was earned or received in Vermont.

PURPOSE To increase the after-tax income of low-income working families and individuals and to provide an incentive to work for those with little earned income.

LIST OF FISCAL YEAR 2011 CORPORATE INCOME TAX EXPENDITURES

2.000 Adjustments to Federal Taxable Income

2.001 Vermont Municipal Bond Income Exemption

Statute: 32 V.S.A. §5811(21)(A)(i)
Enacted: 1986
Estimate: Data unavailable
Taxpayers: Data unavailable

Interest income from Vermont state and local government obligations is exempt from taxation in Vermont. However, interest income from non-Vermont state and local obligations is added to the amount of federal taxable income.

PURPOSE To encourage investment in Vermont state and local bonds and maintain the state's favorable bond rating.

2.100 Vermont Tax Credits

2.101 Charitable Housing Credit

Statute: 32 V.S.A. §5830c
Enacted: 1990
Estimate: \$0
Taxpayers: 0

Vermont taxpayers who make an authorized charitable investment in an eligible housing charity are entitled to a nonrefundable credit in the amount equal to the difference between the net income that would have been received at the charitable threshold rate and the actual net income received by, or credited to, the taxpayer. The credit cannot exceed 3% of the average outstanding principal balance of the investment during the taxable year. Unused credits may be carried forward for three years.

PURPOSE To encourage investment in housing in Vermont.

2.102 Affordable Housing Credit

Statute: 32 V.S.A. §5930u
Enacted: 2000
Estimate: \$144,800
Taxpayers: Under 10

A nonrefundable tax credit may be taken for an affordable rental housing project or owner-occupied affordable housing units, provided the project has been authorized by the Vermont Housing Finance Agency. The amount of the credit is based on a taxpayer's eligible cash contribution and the agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year

allocation plus the succeeding four years' deemed allocation. (These credits are taken almost exclusively against bank franchise tax and insurance premiums tax.)

PURPOSE To encourage the investment and development of affordable housing in Vermont.

2.103 Qualified Sale of Mobile Home Park Credit

Statute: 32 V.S.A. §5828
Enacted: 1998
Estimate: \$0
Taxpayers: 0

The taxpayer is entitled to a nonrefundable credit worth 7% of the taxpayers gain from the sale of a mobile home park. This is measured by the gain subject to federal income tax. Unused credits may be carried forward for three years.

PURPOSE To encourage sales of mobile home parks as an alternative to closure.

2.104 Wood Products Manufacture Tax Credit

Statute: 32 V.S.A. §5930y
Enacted: 2005
Estimate: \$0
Taxpayers: Under 10

A credit of 2% of the wages paid in the taxable year by an employer for services performed in the designated counties having at least 5% of their combined jobs provided by employers that manufacture finished wood products and having the highest combined unemployment rate in the state for at least one month in the previous calendar year.

PURPOSE To lower income taxes for businesses in the northeast kingdom counties of Essex and Caledonia in order retain employees in wood products manufacturing.

2.105 Historic Rehabilitation Tax Credit

Statute: 32 V.S.A. §5930cc(a); see §§5930aa - 5930ff
Enacted: 2006
Estimate: \$0
Taxpayers: 0

Credit equals 10% of qualified rehabilitation expenditures as defined in the IRC 26 U.S.C. § 47(c).

PURPOSE To provide incentives to improve and rehabilitate historic properties in designed downtowns and village centers.

2.106 Façade Improvement Tax Credit

Statute: 32 V.S.A. 5930cc(b); see §§5930aa - 5930ff
Enacted: 2006
Estimate: \$0
Taxpayers: 0

The credit equals 25% of qualified expenditures for façade improvements, up to a maximum amount of \$25,000.

PURPOSE To provide incentives to improve facades and rehabilitate historic properties in designed downtowns and village center.

2.107 Code Improvement Tax Credit

Statute: 32 V.S.A. 5930cc(c); see §§5930aa - 5930ff
Enacted: 2006
Estimate: \$0
Taxpayers: 0

A qualified applicant is eligible for a tax credit of 50% for qualified expenditures up to a maximum of \$12,000 for installation or improvement of a platform lift, a maximum tax credit of \$50,000 for installation or improvement of a sprinkler system, and a maximum tax credit of \$25,000 for the combined costs of all other qualified code improvements.

PURPOSE To provide incentives to improve and rehabilitate historic properties in designed downtowns and village centers by making code improvements.

2.108 Business Solar Energy Tax Credit

Statute: 32 V.S.A. §5930z
Enacted: 2008
Estimate: \$168,000
Taxpayers: Under 10

A taxpayer is entitled to a 100% credit for the Vermont-property portion of the business solar energy tax credit component of the federal investment tax credit applied against the taxpayer's federal tax liability. Unused credits may be carried forward for five years.

PURPOSE To provide a temporary, enhanced incentive for business solar investments located in Vermont.

2.109 Machinery and Equipment Tax Credit

Statute: 32 V.S.A. §5930ll
Enacted: 2010
Estimate: N.A.
Taxpayers: N.A

A qualified taxpayer approved by VEPC for a machinery and equipment investment tax credit certification is entitled to a nonrefundable credit in an amount equal to 10% of the total qualified capital expenditures. The total amount of credit authorized by statute is \$8 million, and may not exceed \$1 million in any one tax year. The credit applies to tax years beginning on January 1, 2012; repealed effective June 1, 2026.

PURPOSE To provide an incentive to make a major, long-term capital investment in Vermont-based plant and property to ensure the continuation of in-state employment.

2.110 Research and Development Tax Credit

Statute: 32 V.S.A. §5930ii
Enacted: 2009
Estimate: N.A.
Taxpayers: N.A.

A taxpayer is eligible for a nonrefundable credit equal to 30% of the amount of the federal tax credit for eligible R&D expenditures made within Vermont. Unused credits may be carried forward for ten years. The credit takes effect for eligible expenditures made on or after January 1, 2011.

PURPOSE To encourage business investment in research and development within Vermont.

2.111 EATI Tax Credits (carry-forward only)

Statute: 32 V.S.A. §5930a
Enacted: 1997; repealed 2006
Estimate: \$1,628,200
Taxpayers: Under 10

A suite of tax credits based on payroll increases, research and development investment, workforce development expenditures, or capital investments in facilities and machinery or equipment, and sales of product shipped out of state. The final taxable year in which credits can be earned is 2010; the last year carry forward credits can be claimed is 2015.

PURPOSE To provide incentives to businesses creating new jobs in Vermont.

2.112 Downtown Tax Credits (carry-forward only)

Statute: 32 V.S.A. §§5930n-5930r
Enacted: 1998, 2002, repealed 2006

Estimate: \$30,400
Taxpayers: Under 10

Four tax credits designed to assist with rehabilitation and code improvements for older and historic buildings located within designated downtowns and village centers were replaced with three credits (§5930cc) to make the program easier to use and administer. Credits allocated prior to July 1, 2006 remain subject to the associated statutory provisions but must be claimed by May 24, 2011.

PURPOSE To provide incentives to improve and rehabilitate historic properties in designed downtowns and village centers.

OTHER EXPENDITURES FOR FISCAL YEAR 2011

2.200 Vermont Employment Growth Incentive (VEGI)

Statute: 32 V.S.A. §5930b
Enacted: 2006
Estimate: \$602,190
Taxpayers: 13

Unlike other credits, deductions, or exemptions to personal income tax, the VEGI program provides a cash incentive, paid in installments, based on new, qualified job and payroll creation in Vermont, to companies authorized by the Vermont Economic Progress Council (VEPC). VEGI was a newly designed non-credit incentive program that began in January 2007, replacing the Economic Advancement Tax Incentive program (EATI). The VEGI incentive amount is earned over a period of up to five years and paid out over a period of up to nine years, provided the company maintains or increases base payroll and meets the necessary targets. The claims process is unrelated to filing personal or business income taxes.

PURPOSE To provide a cash incentive to businesses that expand and create jobs in Vermont.

LIST OF FISCAL YEAR 2011 SALES TAX EXPENDITURES

3.000 Sales Not Covered; Transactions and Entities Not Taxed

3.001 Medical products

Statute: 32 V.S.A. §9741(2)
Enacted: 1969 (amended in 2012)
Estimate: \$45,900,000

This exemption includes several categories of sales for items used in the “treatment intended to alleviate human suffering or to correct . . . human physical disabilities.” The exemption includes sales of both prescription and non-prescription drugs, supplies used for medical treatment, and durable medical equipment that is either used directly by a patient, such as an oxygen system, or used in a hospital or clinic such as x-ray or magnetic resonance imaging systems. The 2012 amendment includes nominally priced dental supplies provided to patients without charge under this exemption.

PURPOSE To allow for those in need of medical products and support the health and welfare of Vermont residents.

Data source: Vermont Department of Financial Regulation, Vermont Health Care Expenditure Analysis & Three-Year Forecast

3.002 Agricultural inputs

Statute: 32 V.S.A. §9741(3)
Enacted: 1969
Estimate: \$22,000,000

This exemption includes several categories of sales for items used in the production on farms of tangible personal property. The exemption applies to a list of specific items, including feed, seed, plants, baler twine, silage bags, sheets of plastic for bunker covers or agricultural wrap, and breeding or other livestock. The exemption also includes pesticides, chemicals, and fertilizers but only when used for agriculture.

PURPOSE To lessen the costs for the agricultural industry.

Data source: New England Agricultural Statistics, Farm Production Expenditures

3.003 Veterinary supplies

Statute: 32 V.S.A. §9741(3)
Enacted: 1969
Estimate: \$1,100,000

The same section of statute that includes agricultural inputs also exempts veterinary supplies that apply in some cases to supplies used in the treatment of

non-agricultural animals. The veterinary supplies exemption is intended only for those items used in the treatment of animals at a veterinarian or for health-related items that are not otherwise available from non-veterinarian retailers.

PURPOSE To lessen the cost to the agricultural industry of veterinary services.

Data Sources: US Census Bureau and American Veterinarian Medicine Association

3.004 Non-business, casual sales

Statute: 32 V.S.A. §9741(4)

Enacted: 1969

Estimate: Data unavailable

Casual sales represent those sales made by individuals not normally in the business of retail sales. This includes garage sales and sales between individuals of single items such as those often seen in newspaper and electronic classified advertisements.

PURPOSE This exemption has been in law since the inception of the tax to prevent the occasional sale of personal property by individuals not engaged as merchants from being subjected to the tax.

3.005 Fuels for railroads and boats

Statute: 32 V.S.A. §9741(7)

Enacted: 1969

Estimate: Data unavailable

Railroads are exempt under Title 23 and the use of diesel fuel in boats is exempt under the Title 32 exemption for other motor fuels. Non-dyed fuels for on-road motor vehicles are taxed under Title 23.

PURPOSE The use of railroads and boats typically do not necessitate the need for public expenditures on transportation infrastructure and, therefore, are exempt from a sales tax burden on fuels.

3.006 Sales of Food

Statute: 32 V.S.A. §9741(13)

Enacted: 1969

Estimate: \$80,900,000

Food that is sold for consumption off the premises where it is sold, including groceries, is exempt from the sales tax. This exemption includes vitamins and dietary supplements.

PURPOSE To limit the taxes on the purchase of goods that are necessary for health and welfare.

Data Source: Consumer Expenditure Survey

3.007 Exemption for manufacturers' material and equipment

Statute: 32 V.S.A. §9741(14)
Enacted: 1969 (amended in 2012)
Estimate: \$307,200,000

The manufacturers' exemption includes both the materials incorporated and consumed in the manufacture of tangible personal property and the equipment used in the manufacturing process. The equipment exempt from sales tax includes only that equipment that is used directly and exclusively in the manufacture of tangible personal property. The exemption does not apply to materials used in the construction of real property, even when included as a part of a manufacturing facility. Starting January 1, 2012, the manufacturers' exemption includes machinery that results in secondary packaging of tangible personal property.

PURPOSE To avoid tax pyramiding on goods and encourage investments in equipment by manufacturing entities.

Data Source: US Census Bureau, American Fact Finder

3.008 Newspapers

Statute: 32 V.S.A. §9741(15)
Enacted: 1969; amended in 1980
Estimate: \$1,200,000

The sale of newspapers is exempt (including newspapers that are given away and not sold) as are the materials used in the production of newspapers, such as newsprint and ink.

PURPOSE To maintain the continued availability of printed news resources. / Or to protect free speech?

Data source: US Census Bureau, Service Annual Survey

3.009 Packaging and shipping materials

Statute: 32 V.S.A. §9741(16)
Enacted: 1969
Estimate: \$1,200,000

Packages for the sale of retail items are not subject to sales tax to producers and distributors. This includes containers, labels, and packing materials (such as bubble wrap or polystyrene fill). Shipping materials that may be reused are also eligible for this exemption. Reusable shipping materials include pallets and kegs.

PURPOSE To support industry and prevent "tax pyramiding" by excluding inputs into business production and distribution.

Data source: US Census Bureau, Survey of Business Expenses

3.010 Rented furniture for residential use

Statute: 32 V.S.A. §9741(17)

Enacted: 1970

Estimate: Data unavailable

The rental of furniture for residences is exempt from sales tax. The use of furniture that is included in the rental of a furnished apartment is also exempt from tax.

PURPOSE To limit sales taxes on items that are not being sold and to avoid instances of double taxation.

3.011 Admissions to municipal, state, and federal recreation facilities

Statute: 32 V.S.A. §9741(18)

Enacted: 1970

Estimate: \$300,000

The admission fees for federal, state, or municipally owned recreation facilities are exempt from the sales tax on amusements. These facilities include public beaches and swimming pools, dock and mooring use, golf courses, and campsites.

PURPOSE To exempt from tax a state charge for an entrance or admission.

Data sources: Agency of Natural Resources, sample survey of municipal recreation departments, municipal published documents

3.012 Rentals of coin-operated washing facilities, including car washes

Statute: 32 V.S.A. §9741(19)

Enacted: 1970

Estimate: \$1,300,000

Laundry and car washing facilities that customers access through the use of coin-operated machinery are exempt from the sales tax on those coin-based transactions.

PURPOSE To exempt services from taxation.

Data source: Economic Census of Vermont

3.013 Admission fees to nonprofit museums

Statute: 32 V.S.A. §9741(20)

Enacted: 1970

Estimate: \$1,400,000

The admission fees to museums operated by organizations with a federal tax exempt status are not subject to the sales tax.

PURPOSE To support the missions of non-profit facilities and encourage higher visitation.

Data source: Economic Census of Vermont

3.014 Items sold to fire, ambulance, and rescue squads

Statute: 32 V.S.A. §9741(21)

Enacted: 1970

Estimate: Data unavailable

This exemption is provided to emergency responders as a particular set of users for equipment and supplies that might otherwise be taxable as tangible personal property. In addition, the materials and equipment used in the construction and renovation of buildings and other real property housing the emergency responders are exempt when purchased by contractors.

PURPOSE To limit the tax on organizations charged with protecting the safety of the public

3.015 Funeral charges

Statute: 32 V.S.A. §9741(22)

Enacted: 1970

Estimate: \$400,000

This exemption includes the purchase of funeral furnishings that are necessary incidents of a funeral, including caskets, vaults, and crematory urns. (The exemption does not include items sold as an accommodation, such as flowers.)

PURPOSE To not tax the bereaved.

Data source: The value of caskets, vaults, and urns is estimated from data provided by the National Funeral Directors Association

3.016 Property used in commercial, industrial or agricultural research

Statute: 32 V.S.A. §9741(24)

Enacted: 1974

Estimate: Data unavailable

Property purchased and used in commercial, industrial or agricultural research is exempt from the sales tax.

PURPOSE To reduce financial barriers to research and innovation in the commercial, industrial and agricultural industries.

3.017 Agricultural machinery and equipment

Statute: 32 V.S.A. §9741(25)
Enacted: 1974
Estimate: \$2,000,000

The purchase of machinery and equipment used in the production of agricultural goods and livestock is exempt from the sales tax.

PURPOSE To support the agricultural industry and avoid tax pyramiding of agricultural products.

Data source: New England Agricultural Statistics, Farm Production Expenditures

3.018 Energy purchases for a residence

Statute: 32 V.S.A. §9741(26)
Enacted: 1977
Estimate: \$51,000,000

Electricity, fuel oil, natural gas, propane, and other fuels are subject to tax as tangible personal property. When these fuels are sold to residences, the fuel supplier or utility is not required to collect the sales tax. A fuel gross receipts tax of 0.5% of the retail sale is applied to heating oil, kerosene, other dyed diesel fuels, natural gas, propane gas, electricity, and coal used to heat a residence or business. (33 V.S.A. § 2503)

PURPOSE To limit the tax on the purchase of goods that are necessary for health and welfare.

Data source: Energy Information Administration

3.019 Energy purchases for farming

Statute: 32 V.S.A. §9741(27)
Enacted: 1977
Estimate: \$3,300,000

When electricity, fuel oil, natural gas, propane and other fuels sold to farmers, the fuel supplier or utility is not required to collect the sales tax.

PURPOSE To support the agricultural industry and avoid tax pyramiding of agricultural products.

Data source: Energy Information Administration, Census of Agriculture

3.020 Sales of films to movie theaters

Statute: 32 V.S.A. §9741(28)
Enacted: 1981
Estimate: \$800,000

Movie theaters that charge for admission do not need to pay sales tax on the purchase or licensed use of films from film distributors.

PURPOSE To avoid tax on items that are normally not for permanent use within the state.

Data source: National Association of Theater Operators

3.021 Aircraft and depreciable parts for commercial use

Statute: 32 V.S.A. §9741(29)
Enacted: 1986
Estimate: Under \$100,000

This exemption is for the purchase of aircraft that are used for commercial use, such as the transport of people and goods for compensation and hire. The exemption also includes the purchase of parts and equipment used in the maintenance and repair of aircraft for commercial or private use.

PURPOSE To promote the growth of the aircraft maintenance industry in Vermont.

Data source: Joint Fiscal Office

3.022 Railroad rolling stock and depreciable parts

Statute: 32 V.S.A. §9741(30)
Enacted: 1986
Estimate: Under \$100,000

This exemption includes the purchase of railroad locomotives and cars and the parts and equipment used in their maintenance.

PURPOSE To support the railroad industry and interstate transportation.

Data source: Division of Property Valuation and Review

3.023 Ferryboats and depreciable parts

Statute: 32 V.S.A. §9741(31)
Enacted: 1988
Estimate: \$100,000

This exemption includes the purchase of ferries used in the transport of people and property for compensation or hire, and the parts and equipment used in their maintenance.

PURPOSE To support ferryboat services and interstate transportation.

Data source: History of Lake Champlain Ferries 1947–2005.

3.024 Sales of mobile homes and modular housing

Statute: 32 V.S.A. §9741(32)
Enacted: 1989
Estimate: Data unavailable

Forty percent of the sales price of a new mobile home or manufactured home is exempt from the sales tax (the remaining 60% is subject to the sales tax). In the case of a used mobile home or manufactured home when sold as real estate, there is no sales tax. Real estate transactions are subject to the property transfer tax.

PURPOSE To create equity between mobile/modular housing and traditional residential construction by providing and exemption for the estimated portion of the cost attributable to labor (versus materials).

3.025 U.S. flag sold to or by exempt veterans' organizations

Statute: 32 V.S.A. §9741(33)
Enacted: 1990
Estimate: Data unavailable

U.S. flags purchased or sold by exempt veteran's organizations are exempt from the sales tax.

PURPOSE To support veteran's organizations in performing their patriotic function.

3.026 Energy used in manufacturing tangible personal property for sale

Statute: 32 V.S.A. §9741(34)
Enacted: 1993
Estimate: \$15,100,000

Data source: Energy Information Administration

Electricity, fuel oil, natural gas, propane, and other fuels are subject to tax as tangible personal property. When these fuels are sold for use in manufacturing, the fuel supplier or utility is not required to collect the sales tax.

PURPOSE To avoid the taxation of manufacturing inputs and the pyramiding of taxes on goods produced in state.

3.027 Property transferred as part of personal service transaction or transfer of intangible property rights

Statute: 32 V.S.A. §9741(35)
Enacted: 1995
Estimate: Data unavailable

Transactions that focus on the sale of personal services such as bookkeeping or hair styling or the transfer of intangible property, such as stocks or marketing logos, may also require the transfer of tangible property. The transaction is

exempt from sales tax as long as the value of the tangible personal property transferred is less than 10% of the sales price for the complete transaction.

PURPOSE To exempt tangible personal property that is a small portion of a service.

3.028 Advertising materials

Statute: 32 V.S.A. §9741(36)
Enacted: 1995
Estimate: Data unavailable

Transactions that transfer the right to use advertising materials are exempt from sales tax. Such transactions may include the transfer of a single copy of advertising materials to the purchasing customer.

PURPOSE To exempt tangible personal property if it is a small portion of a larger service.

3.029 Documents that record a professional service

Statute: 32 V.S.A. §9741(37)
Enacted: 1995
Estimate: Data unavailable

Bills, invoices, briefs, agreements, and wills are examples of documents that may be provided to customers without the payment of the sales tax on the price of the transaction.

PURPOSE To exempt tangible personal property if it is a small portion of a service package.

3.030 Tracked vehicles

Statute: 32 V.S.A. §9741(38)
Enacted: 1997
Estimate: Data unavailable

The sale of tracked vehicles is subject to the sales tax. The exemption applies on sales that would otherwise result in a tax paid above a capped amount. The cap is required by law to be adjusted by the CPI as of July 1 in each even-numbered year. The cap was \$1,200 in FY 2011 and \$1,260 in FY 2012.

PURPOSE To limit the sales tax on tracked vehicles (i.e. construction vehicles such as bulldozers) and lessen the cost of capital investments of those purchases.

3.031 Sales of building materials

Statute: 32 V.S.A. §9741(39)(i) and (ii)
Enacted: 1997
Estimate: Under \$100,000

Sales of building materials within any three consecutive years in excess of \$250,000 in purchase value and incorporated into a downtown redevelopment

project, as defined by the Department of Economic, Housing, and Community Development.

PURPOSE To encourage the restoration and revitalization of downtown districts.

Data source: Vermont Economic Progress Council

3.032 Wholesale transactions between telecommunications service providers

Statute: 32 V.S.A. §9741(41)
Enacted: 1997
Estimate: Data unavailable

The sale of telecommunication services from one provider to another telecommunications provider is exempt from the sales tax.

PURPOSE To promote the telecommunications industry by avoiding taxation of the inputs and intercompany transactions.

3.033 Scrap construction materials by a third party

Statute: 32 V.S.A. §9741(43)
Enacted: 1998
Estimate: Data unavailable

Scrap construction materials generated during construction or demolition are not subject to sales tax if a third party takes possession of the material with no payment and then either uses the material in construction.

PURPOSE To promote the reuse and recycling of scrap construction materials.

3.034 Property incorporated in railroad line

Statute: 32 V.S.A. §9741(44)
Enacted: 1998
Estimate: Data unavailable

Materials used in the construction, repair, operation, or maintenance of railroad lines are exempt from the sales tax.

PURPOSE To support the railroad industry and encourage ongoing investments within Vermont.

3.035 Clothing and footwear

Statute: 32 V.S.A. §9741(45)
Enacted: 1999; all clothing and footwear exempt January 1, 2007
Estimate: \$24,900,000

Clothing, including footwear, is exempt from the sales tax. Accessories and protective equipment are not exempt.

PURPOSE To limit the tax burden on the purchase of goods that are necessary for the health and welfare of all Vermont residents.

Data source: Bureau of Labor Statistics, Consumer Expenditure Survey, and US Census Bureau

3.036 Property incorporated into a net metering system, an on-premise energy system not connected to the electric distribution system, or a solar hot water heating system

Statute: 32 V.S.A. §9741(46)
Enacted: 1999
Estimate: Under \$100,000

Property incorporated into photovoltaic systems that are not covered by the manufacturing exemption is exempt under this specific subsection of statute. In addition, solar equipment for heating water is exempt.

PURPOSE To encourage the promulgation of efficient technologies for generating and distributing renewable energy resources.

Data Source: Vermont Public Service Board

3.037 Purchases by and limited purchases from 501(c)(3) organizations

Statute: 32 V.S.A. §9743(3)
Enacted: 1969, amended
Estimate: Data unavailable

Nonprofit organizations purchases are exempt from the sales tax. Some sales by churches, schools, and other organizations are also exempt to a \$20,000 limit. These sales include garage sales and sporting equipment swap sales. Charges for entertainment sponsored by nonprofits also have a limited exemption.

PURPOSE To reduce costs for nonprofit organizations.

3.038 Building materials and supplies used in construction or, repair of buildings by governmental bodies or 501(c)(3) organizations or development corporations

Statute: 32 V.S.A. §9743(4)
Enacted: 1969
Estimate: Data unavailable

This exemption includes the materials used for most public works projects as well as the construction of structures for nonprofit organizations.

PURPOSE To reduce the costs of construction for nonprofit organizations.

3.039 Amusement charges for 4 events a year for 501(c)(4)-(13) and (19) organizations and political organizations

Statute: 32 V.S.A. §9743(5)
Enacted: 1983
Estimate: Data unavailable

This exemption is limited to 4 events (e.g., musical or theatrical presentations) a year for 501(c)(4)-(13) and (19) organizations and political organizations. The exemption was expanded in 2010 to include amusement charges for events where the risk is shared with for-profit promoters and presenters.

PURPOSE To reduce the costs for and encourage participation in a limited number of events organized by nonprofit organizations.

3.040 Amusement charges for events presented by 501(c)(3) organizations

Statute: 32 V.S.A. §9743(7)
Enacted: 1983 (amended 2010)
Estimate: Data unavailable

Nonprofit organizations under IRC 501(c)(3) may charge for live performances without collecting sales tax but only if their proceeds from the past year's events do not exceed \$100,000.

PURPOSE To reduce the costs for and encourage participation in fundraising events organized by nonprofit organizations

3.041 Limitation of tax on telecommunications services

Statute: 32 V.S.A. §9771a
Enacted: 1997
Estimate: Under \$100,000

No single customer is subject to a sales tax greater than \$10,000 in any one calendar year.

PURPOSE To limit the taxes on telecommunications intensive businesses.

Data source: Department of Taxes

3.042 Reallocation of receipts from tax imposed on sales of construction materials

Statute: 32 V.S.A. §9819
Enacted: 1998
Estimate: Under \$100,000

The sales tax revenues from materials used in construction of qualified projects in designated downtown districts above certain amounts (varying by the size of the community) are allocated to the municipalities that are the location of those projects.

PURPOSE To promote the restoration and/or revitalization of downtown districts within Vermont.

Data source: Department of Taxes

3.043 Sales to nonprofit hospital service corporations

Statute: 8 V.S.A. §4518
Enacted: 1947
Estimate: Data unavailable

Nonprofit hospital service corporations are exempt from the sales and use tax.

PURPOSE To exempt nonprofit hospitals providing health care services.

3.044 Sales to nonprofit medical service corporations

Statute: 8 V.S.A. §4590
Enacted: 1947
Estimate: Data unavailable

Nonprofit medical service corporations are exempt from the sales and use tax.

PURPOSE To exempt a nonprofit entity providing medical insurance coverage.

3.045 Sales to credit unions

Statute: 8 V.S.A. §30901
Enacted: 1967
Estimate: Data unavailable

Credit unions are exempt from the sales and use tax.

PURPOSE To lessen the taxes on financial institutions that provide banking to underserved populations.

3.046 Sales by licensed auctioneers

Statute: 32 V.S.A. §9741(48)
Enacted: 2011
Estimate: Data unavailable

Sales of tangible personal property are exempt from the sales tax when sold by an auctioneer and the auction is conducted on the premises of the owner of the property.

PURPOSE To extend the “casual sale” exemption to parallel situations involving an auctioneer.

3.047 Licensed use of prewritten software from remote servers

Statute: 2012 Act 143, Section 52
Enacted: 2012 for the period from January 1, 2007 until June 30, 2013.
Estimate: \$0 (refunds for taxes paid issued in FY 2012)

The Department of Taxes provided refunds for the purchase of the license to use software remotely accessed. Refunds for taxes paid were issued in FY 2012 and FY 2013. The exemption sunsets in FY 2014.

PURPOSE To provide a temporary exemption to businesses and consumers while clarifying and drafting the rules for this relatively new model for providing software.

Data source: Department of Taxes

LIST OF FISCAL YEAR 2011 MEALS AND ROOMS TAX EXPENDITURES

4.000 Meals and Alcoholic Beverage Tax

4.001 Grocery-type items furnished for take-out (meals tax only)

Statute: 32 V.S.A. §9202(10)(D)(i)
Enacted: 1959
Estimate: \$6,200,000

Most food purchased from a grocery store is not subject to the meals tax. This exemption is for prepared food but still intended for home use and includes whole pies, cakes, and loaves of bread, single-serving bakery items sold in quantities of three or more, deli and candy sales by weight, whole uncooked pizzas, and larger containers of ice cream, salad dressings, sauces, cider, or milk.

PURPOSE To exempt from tax the purchase of goods that are necessary for the health and welfare of all Vermont residents.

Data source: Economic Census of Vermont, Consumer Expenditure Survey

4.002 Served or furnished on the premises of a nonprofit

Statute: 32 V.S.A. §9202(10)(D)(ii)(I)
Enacted: 1959
Estimate: Data unavailable

Nonprofit organizations may sell meals without a meals tax when those meals are sold on the premises and further the purpose of the organization. The profits from meals sold under this exemption must also be used exclusively for the nonprofit organization.

PURPOSE To reduce costs for nonprofit organizations.

4.003 Premises of a school

Statute: 32 V.S.A. §9202(10)(D)(ii)(II)
Enacted: 1959
Estimate: \$2,200,000

Schools may sell meals on their own grounds without collecting the meals tax. Contractors may sell meals to school students and staff under this exemption, but restaurants and caterers otherwise subject to the tax may not deliver meals to the schools without collecting the tax.

PURPOSE To reduce the overall costs of education in Vermont.

Data source: Vermont Department of Education

4.004 Premises of Vermont or federal institutions where meals are provided to inmates and employees

Statute: 32 V.S.A. §9202(10)(D)(ii)(III)
Enacted: 1959
Estimate: \$200,000

Meals provided at state or federal institutions are not subject to the meals tax.

PURPOSE To prevent the taxation of entities that are funded by taxpayers.

Data source: Vermont Department of Corrections

4.005 Hospitals, convalescent and nursing homes

Statute: 32 V.S.A. §9202(10)(D)(ii)(IV)
Enacted: 1959
Estimate: \$1,000,000

Meals provided at locations that have a primary purpose for delivering health care or hospice care are not subject to the meals tax.

PURPOSE To reduce the overall costs of health care and senior care in Vermont.

Data source: Vermont Inpatient Hospital Utilization Report

4.006 Meals furnished while transporting passengers for hire on train, bus, or airplane (carriers)

Statute: 32 V.S.A. §9202(10)(D)(ii)(V)
Enacted: 1959
Estimate: Data unavailable

Meals provided to passengers in transit delivered by carrier-for-fee businesses are not subject to the meals tax.

PURPOSE To reduce the administrative costs for transit companies providing interstate travel services.

4.007 Summer camp for children

Statute: 32 V.S.A. §9202(10)(D)(ii)(VI)
Enacted: 1959
Estimate: Under \$100,000

Meals provided at camps serving children are not subject to the meals tax.

PURPOSE To promote Vermont outdoor education for youth.

Data source: www.vermontcamps.org

4.008 Nonprofits at fairs, bazaars, picnics, and similar events, but limited to 4 days

Statute: 32 V.S.A. §9202(10)(D)(ii)(VII)
Enacted: 1964
Estimate: Data unavailable

Nonprofit organizations may provide meals at public events without collecting the meals tax, but only for four calendar days during any given year.

PURPOSE To reduce costs for nonprofit organizations.

4.009 Furnished to an employee of a hotel or restaurant operator as remuneration for his or her employment

Statute: 32 V.S.A. §9202(10)(D)(ii)(VIII)
Enacted: 1963
Estimate: Data unavailable

Meals provided to employees as a part of their compensation are not subject to the meals tax.

PURPOSE To avoid the taxation of in kind benefits.

4.010 Provided to the elderly pursuant to the Older Americans Act

Statute: 32 V.S.A. §9202(10)(D)(ii)(IX)
Enacted: 1973
Estimate: \$600,000

Meals delivered to the home of eligible elderly individuals and funded by the federal Older Americans Act Nutrition Program are not subject to the meals tax.

PURPOSE To exempt from tax government provided meals.

Data source: Vermont Department of Disabilities, Aging, and Independent Living

4.011 Purchased with Food Stamps

Statute: 32 V.S.A. §9202(10)(D)(ii)(X)
Enacted: 1987
Estimate: \$200,000

A limited list of restaurant meals is eligible to be paid for with food stamps. The purchase of these meals with food stamps is not subject to the meals tax. This represents only a small portion (about 2%) of the overall sales of food under the food stamp program.

PURPOSE To exempt from tax meals paid for with government funds.

Data source: United States Department of Agriculture

4.012 Served on the premises of a continuing care retirement community

Statute: 32 V.S.A. §9202(10)(D)(ii)(XI)

Enacted: 1988

Estimate: Data unavailable

Meals provided at continuing care retirement communities are not subject to the meals tax.

PURPOSE To exempt from tax meals prepared in a person's home.

4.013 Meals provided for nonprofit hospital service corporations

Statute: 8 V.S.A. §4518

Enacted: 1947

Estimate: Under \$100,000

Nonprofit hospital service corporations are exempt from the meals and rooms tax.

PURPOSE To exempt meals provided as part of a hospital/health care service.

4.014 Meals provided for nonprofit medical service corporations

Statute: 8 V.S.A. §4590

Enacted: 1947

Estimate: Under \$100,000

Nonprofit medical service corporations are exempt from the meals and rooms tax.

PURPOSE To exclude meals provided by nonprofit health insurance companies.

4.015 Meals provided for credit unions

Statute: 8 V.S.A. §30901

Enacted: 1967

Estimate: Under \$100,000

Credit unions are exempt from the meals and rooms tax.

PURPOSE To lessen the taxes on financial institutions that provide banking to under-served populations.

4.100 Rooms Tax

4.101 Time share rights

Statute: 32 V.S.A. §9202(8)
Enacted: 1992
Estimate: Data unavailable

Owners of time share properties are not subject to the rooms tax for the payment of time share rights at purchase.

PURPOSE To avoid double taxation on holdings that are subject to property taxes.

4.102 Student housing

Statute: 32 V.S.A. §9202(8)
Enacted: 1964
Estimate: Data unavailable

The rental charges to students attending a school are not subject to the rooms tax.

PURPOSE To accomodations that are part of education.

4.103 Permanent residents

Statute: 32 V.S.A. §9202(6) and (7).
Enacted: 1959
Estimate: Data unavailable

The rental charges to individuals that occupy a room in a hotel for at least 30 days are not subject to the rooms tax.

PURPOSE To treat long-term hotel guests as permanent residents of the state for purposes of administrating the rooms tax.

4.104 Furnished to an employee of a hotel or restaurant operator as remuneration for his or her employment

Statute: 32 V.S.A. §9202(6)
Enacted: 1959
Estimate: Data unavailable

Workers residing in a hotel are not subject to the rooms tax when the accommodation is provided as compensation for employment.

PURPOSE To exclude the taxation of in kind benefits.

4.105 Summer camp for children

Statute: 32 V.S.A. §9202(6)
Enacted: 1959
Estimate: \$200,000

Overnight accommodations at camps serving children are not subject to the rooms tax.

PURPOSE To promote Vermont outdoor education for youth.

Data source: www.vermontcamps.org

4.106 Hospital, sanatorium, convalescent home, nursing home, or home for the aged

Statute: 32 V.S.A. §9202(3)(A)

Enacted: 1959

Estimate: Data unavailable

The room charges to occupy a hospital or other institution providing health care are not subject to the rooms tax.

PURPOSE To exclude rooms that are a person's residence.

4.107 State or US-operated establishment

Statute: 32 V.S.A. §9202(3)(B)

Enacted: 1959

Estimate: Data unavailable

Rooms available from establishments operated by the state or federal government are not subject to the rooms tax. This exemption does not extend to recreational facilities operated by the Department of Forests, Parks and Recreation.

PURPOSE To abide by requirement that states will not tax the federal government and to avoid the instance of the state taxing itself.

4.108 Rooms on the premises of a nonprofit

Statute: 32 V.S.A. §9202(3)(C)

Enacted: 1959

Estimate: Data unavailable

Nonprofits operating hotels to further their exempt purpose are exempt from collecting the rooms tax.

PURPOSE To reduce costs for nonprofit organizations.

4.109 Rooms on the premises of a continuing care retirement community

Statute: 32 V.S.A. §9202(3)(D)

Enacted: 1988

Estimate: Data unavailable

A continuing care community is exempt from collecting the rooms tax on the rent of its accommodations.

PURPOSE To exclude rooms that are a person's residence.

4.110 Rooms provided to nonprofit hospital service corporations

Statute: 8 V.S.A. §4518
Enacted: 1947
Estimate: Less than \$100,000

Nonprofit hospital service corporations are exempt from the meals and rooms tax.

PURPOSE To exclude rooms that are a part of a medical service.

4.111 Room provided to nonprofit medical service corporations

Statute: 8 V.S.A. § 4590
Enacted: 1947
Estimate: Less than \$100,000

Nonprofit medical service corporations are exempt from the meals and rooms tax.

PURPOSE To reduce costs for nonprofit organizations.

4.112 Rooms provided to credit unions

Statute: 8 V.S.A. § 30901
Enacted: 1967
Estimate: Less than \$100,000

Credit unions are exempt from the meals and rooms tax.

PURPOSE To lessen the taxes on financial institutions that provide banking to under-served populations.

LIST OF FISCAL YEAR 2011 PROPERTY TAX EXPENDITURES

5.000 Property Tax Exemptions

5.001 Nonprofit Medical Service Corporations

Statute: 8 V.S.A. §4518 and §4590
Enacted: 1939
Estimate: \$132,000
of parcels: 1

One nonprofit medical service corporation qualifies for this exemption.

PURPOSE To exempt non profit companies that provide health care insurance coverage.

5.002 Local Development Corporations

Statute: 10 V.S.A. § 236
Enacted: 1973
Estimate: \$100,000
of parcels: 33

Unoccupied portions of buildings and industrial parks owned by local development authorities are exempt.

PURPOSE To exempt government funded entities and promote economic development.

5.003 Vermont Housing Finance Agency

Statute: 10 V.S.A. § 641 (a)
Enacted: 1973
Estimate: \$63,000
of parcels: 20

All property of the agency is public property and exempt from all taxes.

PURPOSE To exempt quasi-governmental entities that provide and promote affordable housing.

5.004 Vermont State Colleges

Statute: 16 V.S.A. § 2178
Enacted: 1961; amended 2005.
Estimate: \$1,304,000
of parcels: 27

Property used for educational and not commercial purposes is exempt.

PURPOSE To exempt entities receiving government funding and provide higher education.

5.005 University of Vermont

Statute: 16A APPX V.S.A. § 1-15
Enacted: 1802
Estimate: \$10,064,000
of parcels: 145

Property used for educational purposes is exempt.

PURPOSE To exempt entities receiving government funding and provide higher education.

5.006 Libraries

Statute: 22 V.S.A. § 109
Enacted: prior to 1947
Estimate: \$911,000
of parcels: 146

If the institution is a free and public library, the library and other property is forever exempt.

PURPOSE To exempt libraries that offer free and public access to information and research resources.

5.007 Housing Authorities

Statute: 24 V.S.A. § 4020
Enacted: 1961
Estimate: \$1,322,000
of parcels: 56

The property of a housing authority is declared public property and is exempt.

PURPOSE To exempt quasi government entities that provide and promote affordable housing.

5.008 Federal and State Government Property

Statute: 32 V.S.A. § 3802(1)
Enacted: some version of this exemption existed when Vermont became a State in 1791; it was last amended in 1977 when the last clause (regarding repossessed or voluntarily conveyed housing) was added
Estimate: \$3,390,000 (federal); and \$4,079,000 (state)
of parcels: 444 (federal); 355 (state)

This includes Agency of Natural Resources-owned land and state-owned buildings for which PILOT (payment in lieu of taxes) payments are made. Some federal land, including the Green Mountain National Forest, is not included in this estimate.

PURPOSE States are prohibited from taxing the federal government. The state exemption is to prevent government from taxing itself.

5.009 Congressionally Chartered Organizations

Statute: 32 V.S.A. § 3802(2)
Enacted: 1957
Estimate: \$555,000
of parcels: 111

Congress issued federal charters from 1791 until 1992 and over 100 organizations have this status. Congress does not oversee or supervise organizations with the charter, and the designation was largely honorific. Congress suspended federal charters because of the unmerited public assumption that the charter signifies federal approval of the organization's activities. (CRS Report, April 8, 2004)

There are two main groups of congressionally chartered organizations, including veterans, fraternal or patriotic groups such as the American Red Cross, National Academy of Sciences, or Girl and Boy Scouts, and corporate entities such as the Federal Reserve Bank, Fannie Mae, Freddie Mac, and the Tennessee Valley Authority.

PURPOSE To exempt organizations providing civic services.

5.010 Public, pious, and charitable property

Statute: 32 V.S.A. §§3802(4) 3832, 3840, 5404(a)
Enacted: Some version of § 3802(4) existed when Vermont became a State in 1791; a version of §3832 was enacted in 1880
Estimate: \$44,006,000
of parcels: 2,272

Subdivision 3802(4) exemptions are grouped together because municipalities are only required to report the statutory reference and not differentiate between the various exemption types.

PURPOSE To exempt entities that provide religious, charitable, civic or public services.

5.011 College fraternities and societies

Statute: 32 V.S.A. §3802(5) (Note: this exemption is limited by 32 V.S.A. §3831)
Enacted: 1906
Estimate: \$160,000
of parcels: 10

Property held for the benefit of college fraternities and societies and corporations owning such property are exempt. The exemption shall not apply to property held for investment purposes.

PURPOSE To exempt organizations that provide civic services.

5.012 Young Men's and Women's Christian Associations

Statute: 32 V.S.A. §3802(6)
Enacted: 1906 (YMCA) and 1963 (YWCA)
Estimate: \$173,000
of parcels: 9

YMCA and YWCA property is exempt if it is used for the purposes of the organization and the income is used entirely for such purposes.

PURPOSE To exempt non profit organizations that offer benefits to the community.

5.013 Cemeteries

Statute: 32 V.S.A. § 3802(7); 18 V.S.A. §§5317, 5376
Enacted: some version of this exemption existed when Vermont became a State in 1791
Estimate: \$640,000
of parcels: 869

PURPOSE To exempt property with fair market value that is difficult to ascertain and limited options for alternative uses.

5.014 Owned by agricultural societies

Statute: 32 V.S.A. §3802(9)
Enacted: 1902
Estimate: \$393,000
of parcels: 13

The property is exempt if it is used annually for agricultural fairs.

PURPOSE To exempt property that is used to publicly support the state's agricultural economy.

5.015 \$10,000 exemption of appraised value of a residence for a veteran

Statute: 32 V.S.A. § 3802(11) and 32 V.S.A. § 6066(i)
Enacted: prior to 1910; amended 2011
Estimate: \$291,000
of parcels: 2,188

The exemption is for a veteran of any war or who has received an American Expeditionary Medal. The exemption also applies to the veteran's spouse, widow, widower, or child, if one or more of them are receiving disability compensation for at least 50 percent disability, death compensation, dependence and indemnity compensation, or pension for disability paid through any military department or the Veteran's Administration.

Because over 60% of the owners who receive this exemption pay education property taxes based on income, the statute was amended in 2011 to specify that the property tax adjustment shall be calculated without regard to the \$10,000 exemption.

PURPOSE To permanently provide property tax reductions to certain veterans and their families.

5.016 Property exclusively installed and operated for the abatement of water pollution

Statute: 32 V.S.A. § 3802(12)

Enacted: 1961

Estimate: Data unavailable and/or included in the municipal exemption estimate

This property is exempt as long as it meets with the approval of the Secretary of the Agency of Natural Resources.

PURPOSE To encourage real property improvements that abate water pollution.

5.017 Humane societies

Statute: 32 V.S.A. § 3802(15)

Enacted: 1976

Estimate: \$74,000

of parcels: 13

Property owned by a charitable, nonprofit organization devoted to the welfare, protection, and humane treatment of animals is exempt.

PURPOSE To eliminate property taxes for organizations that protect animals.

5.018 FQHC and RHCs

Statute: 32 V.S.A. § 3802(16)

Enacted: 1999

Estimate: \$246,000

of parcels: 22

Property owned by a federally qualified health center or a free-standing, federally designated rural health clinic is exempt.

PURPOSE To support health centers in an underserved area or population, offer a sliding fee scale, provide comprehensive services, and have an ongoing quality assurance program.

5.019 Ski Lifts and Snowmaking Equipment (Fixtures)

Statute: 32 V.S.A. § 5401(10)(D)
Enacted: 2002 (applicable to grand lists for 2004 and after)
Estimate: \$1,606,000
of parcels: 40

Personal property, machinery, inventory, and equipment, including ski lifts and snow-making equipment, is exempt.

PURPOSE To support the ski industry and encourage personal property investments and improvements.

5.020 Municipally owned

Statute: 32 V.S.A. § 5401(10)(F)
Enacted: 1997
Estimate: \$13,934,000
of parcels: 4,298

Prior to the enactment of Act 68 in 2003, which classified property as either homestead or nonresidential, there was no explicit statutory exemption for municipal property. However, case law recognized that municipal property enjoys an inherent exemption provided that it is used for a public purpose. In Act 68, the Legislature expressly excluded property owned by a municipality located in that municipality and is used for a municipal purpose from the education property tax base.

PURPOSE To prevent government from taxing itself.

5.021 Whey Processing Fixtures

Statute: 32 V.S.A. § 5401(10)(G)
Enacted: 2001
Estimate: \$281,000
of parcels: 2

Nonresidential property does not include machinery and equipment used directly in the processing of whey.

PURPOSE To support industries utilizing whey processing facilities.

5.022 Municipalities Hosting Large Power Plants

Statute: 32 V.S.A. § 5402(d)
Enacted: § 4502(d) – 2004; §5402a – 1999 (but special taxing provisions have applied since 1998)
Estimate: \$791,000

The nonresidential and the residential education property tax rates (adjusted appropriately for the CLA and district spending) are applied at $\frac{3}{4}$ of the base amount in the Town of Vernon, the only municipality that qualifies.

PURPOSE To lower property taxes by 25% for businesses and residents of the community hosting an operating nuclear power facility.

5.100 Adjustments to Property Values

5.101 Use Value Appraisal Program

Statute: Chapter 124 of Title 32
Enacted: 1977
Estimate: \$40,192,000 (Education Fund portion only)
of parcels 16,308

Commonly known as the “current use program,” the existing program has been frequently changed, and the statutes amended. The estimated expenditure value does not include the appropriation for municipal reimbursement of taxes which was an additional \$12,289,000 for a total program cost of \$52.5 million in FY 2011.

PURPOSE To have the value of the land used for agriculture and forestry reflect how it is used rather than the “highest and best” use which is fair market value. This lowers the property level for these land-intensive industries.

5.102 Qualified Housing

Statute: 32 V.S.A. § 5404a(a)(6)
Enacted: 2004
Estimate: \$871,000
of parcels: 615

Residential rental units that are subject to specific rent restrictions may qualify for an exemption of 10% of the value of the parcel.

PURPOSE To reduce by 10% the taxes on housing with rent restrictions which make valuing these properties using the income approach difficult.

5.103 Tax Increment Financing Districts

Statute: 32 V.S.A. § 5404a(f)
Enacted: 1997, amended multiple times (1998 Act No. 71; 2000 Act No. 159; 2006 Act No. 184; 2008 Act No. 190; 2009 Act No. 54)
Estimate: \$1,966,000

TIF allows a municipality to retain and utilize a portion of the education property tax revenue from an approved district for improvements related to the district.

PURPOSE To allow communities to encourage investment in designated areas meeting certain criteria and to utilize locally the additional property tax revenue attributable to those improvements.

5.104 Property Tax Adjustments

Statute: Chapter 154 of Title 32
Enacted: 1997 (Note: Chapter 153, providing for payment of property tax rebates and credits, was enacted in 1969 and repealed in 1997 but the rebate program was incorporated into the new Chapter 154)
Estimate: \$150,100,000

Homestead property taxpayers may reduce their property tax liability by recalculating their education property tax as a percentage of household income. This figure is for the education property tax adjustment portion alone; it does not include the amounts reimbursed to homestead taxpayers under \$47,000 for municipal property tax adjustment, or renters in the circuit breaker program.

PURPOSE To allow property taxes on homesteads to reflect household income.

5.200 Session Law Exemptions

5.201 Permanent Session Law Exemptions (never codified)

Statute: Various
Enacted: Multiple dates
Estimate: \$31,000

The Legislature has enacted a number of property-specific permanent exemptions from education property tax. The ones that can be identified have been grouped together.

<u>Property Name</u>	<u>City/Town</u>	<u>Legal Reference</u>
Holton Home	Brattleboro	2008 Act No.190 and 1892 Act No.213
Moose Lodge	Rutland City	1945 Act No.204
Italian American Club	Rutland City	1939 Act No.250
American Legion	Rutland City	1921 Act No.31
Knights of Columbus	Rutland City	1921 Act No.262
Masonic Building	Brattleboro	1910 Act No.370
Masonic Temple	Rutland City	1900 Act No.244

PURPOSE These exemptions are permanently provided to specific properties that have demonstrated an individual purpose to the legislature.

5.202 Skating Rinks (temporary)

Statute: 2008 Act No.190 Sec. 40 (FY09 and FY10); Amended 2010 Act No. 160 Sec. 22 (FY11); Amended 2011 Act No. 45 Sec. 13f (FY12 at 50%)
Enacted: 2008; amended 2010 and 2011
Estimate: \$28,000
of parcels: 4

Property operated as a skating rink, on a nonprofit basis which provided facilities to local public schools for a sport officially recognized by the Vermont Principals' Association.

PURPOSE These exemptions are provided on a temporary basis while the legislature works to create a long term, comprehensive policy pertaining to these types of facilities.

5.203 Recreation Facilities (temporary)

Statute: 2008 Act No.190 Sec. 101 (FY09 only); 2009 Special Session Act No. 1 Sec. H.49 (FY10 and FY11); Amended 2011 Act No. 45
Sec. 13fe (FY12 at 50%)
Enacted: 2008; amended 2009 and 2011
Estimate: \$71,000
of parcels: 2

Buildings and land owned and occupied by a 501(c)(3) health, recreation, and fitness organization, one of which is designated by the Springfield Hospital and the other designated by the North Country Hospital, to promote exercise and healthy lifestyles for the community and to serve citizens of all income levels in this mission.

PURPOSE These exemptions are provided on a temporary basis while the legislature works to create a long term, comprehensive policy pertaining to these types of facilities.

5.204 VEPC Approved Stabilization Agreements

Statute: 32 V.S.A. §5404a
Enacted: 1997
Estimate: \$51,000
of parcels: 2

Municipalities that entered into property tax stabilization agreements for improvements to commercial or industrial property were allowed to apply to VEPC for additional state education property tax stabilizations for up to 10 years.

PURPOSE These exemptions are reviewed and provided on a case by case basis in conjunction with other economic development efforts.

5.300 Property Taxed Under Alternate Scheme

PURPOSE Each of these types of property is taxed under an alternative tax scheme that was determined to be more appropriate and not by the traditional method of applying the education property tax rate set annually to the fair market value of the property.

5.301 Large Power Plants

Statute: 32 V.S.A. §5401(10)(B)
Enacted: 1997; amended 2003 and 2012

Alternative Tax: 32 V.S.A §5402a (repealed effective 7/1/12)

The Vermont Yankee Nuclear power facility is exempt from the education property tax. Instead, the electrical energy generating tax in the amount of \$0.0025 per kWh of electrical energy produced is applied. This tax began on July 1, 2012. Prior to the current tax, between 2004 and 2012, the facility was charged alternate, tiered, electric generating plant education property tax based on the megawatt hours of generation. Between 1997 and 2004, the education property tax was set as a percentage of the “appraised value” of the facility. The appraised value was defined as “its original cost less depreciation as reported to the public service board for rate regulation purposes” or net book value.

5.302 Railroad Property

Statute: 32 V.S.A. §3803(1)
Enacted: 1882
Alternative Tax: 32 V.S.A. §8211

An alternative tax is assessed on the appraised value of property and corporate franchise of each railroad company. The revenue is split between the state’s general fund and the town where the railroad property is located.

5.303 Telephone Property Tax

Statute: 32 V.S.A. §3803(2)
Enacted: 1882
Alternative Tax: 32 V.S.A. §§8521 and 8522

A company may elect either a telephone property tax of 2.37% of net book value or an alternative tax based on gross operating revenue. This is a general fund tax source, rather than the education fund where property taxes and their alternatives are typically deposited.

5.304 Wind-Powered Electric Generating Facilities

Statute: 32 V.S.A. § 5401(10)(J)(i)
Enacted: 2008; amended 2012
Alternative Tax: 32 V.S.A. § 5402c(a)

The buildings and fixtures (not the land) of wind-powered electric generating facilities that are one megawatt and over are exempt from education property tax. The alternate tax is \$0.003 per kWh of electrical energy produced. The alternative tax was amended (2012 Act No. 127 Sec. 5) to apply to facilities that generate at least one megawatt instead of the original five megawatts. Smaller facilities are exempt.

5.305 Renewable Energy Plant Generating Electricity from Solar Power

Statute: 32 V.S.A. § 5401(10)(J)(ii)
Enacted: 2012
Alternative Tax: 32 V.S.A. § 8701

The fixtures and personal property (not land) of a solar electric renewable energy plant are exempt from the education property tax. Plants larger than 10 kWh are subject to a uniform capacity tax of \$4.00 per kWh of plant capacity. Smaller facilities are exempt from both the property tax and the generation tax. The exemption for small facilities is repealed in 10 years on January 1, 2023.

LIST OF FISCAL YEAR 2011 BANK FRANCHISE TAX EXPENDITURES

6.000 Exemptions from Tax on Deposits

6.001 Credit Unions

Statute: 8 V.S.A. §2085
Enacted: 1967
Estimate: \$1,297,000

Deposits and shares in Vermont state-chartered credit unions are not subject to taxation.

PURPOSE: To subsidize financial services for individuals with low and moderate incomes and in underserved communities.

6.100 Bank Franchise Tax Credits

6.101 Affordable Housing Credit

Statute: 32 V.S.A. §5930u
Enacted: 2000
Estimate: \$1,377,300

A credit is available for affordable rental housing projects or owner-occupied affordable housing units, provided the project has been authorized by the Vermont Housing Finance Agency. The amount of the credit is based on a taxpayer's eligible cash contribution and the agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year allocation plus the succeeding four years' deemed allocation.

PURPOSE To encourage the investment in and development of affordable housing in Vermont.

6.102 Downtown and Village Center Program Tax Credits

Statute: 32 V.S.A. §5930cc
Enacted: 2006 (replacing similar credits from 1997)
Estimate: \$894,300

Three available credits for improvements in a designated downtown or village center:

Historic rehabilitation – 10% of qualified rehabilitation expenditures
Façade improvement – 25% of qualified expenditures (maximum = \$25,000)
Code improvement – 50% of qualified expenditures.

PURPOSE To provide incentives to improve and rehabilitate historic properties in designed downtowns and village centers.

6.103 Entrepreneurs' Seed Capital Fund Credit

Statute: 32 V.S.A. §5830b
Enacted: 1986; amended 2006
Estimate: \$0

A credit is available for a taxpayer who contributes to the fund in an amount equal to the lesser of either 4% of the taxpayer's contribution or 50% of the taxpayer's tax liability for the year prior to claiming the credit, provided that the aggregate credit allowable for all taxable years not exceed 20% of the taxpayer's contribution to the initial capitalization of the fund.

PURPOSE To provide an incentive for investment in small businesses in Vermont.

6.104 Charitable Housing Credit

Statute: 32 V.S.A. §5830c
Enacted: 1990
Estimate: \$0

Credit for the difference between interest income that would have been received at the charitable threshold rate and actual interest income received. The rate effective each July 1 is 2% below Bank Prime Loan Rate for March.

PURPOSE To encourage investment in housing in Vermont.

LIST OF FISCAL YEAR 2011 INSURANCE PREMIUMS TAX EXPENDITURES

7.000 Insurance Premiums Tax Credits

7.001 Affordable Housing Credit

Statute: 32 V.S.A. §5930u
Enacted: 2000
Estimate: \$440,000

A credit is available for affordable rental housing projects or owner-occupied affordable housing units, provided the project has been authorized by the Vermont Housing Finance Agency. The amount of the credit is based on a taxpayer's eligible cash contribution and the agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year allocation plus the succeeding four years' deemed allocation.

PURPOSE To encourage the investment in and development of affordable housing in Vermont.

7.002 Downtown and Village Center Program Tax Credits

Statute: 32 V.S.A. §5930cc
Enacted: 2006 (replacing similar credits from 1997)
Estimate: \$0

Three available credits for improvements in a designated downtown or village center:
Historic rehabilitation – 10% of qualified rehabilitation expenditures
Façade improvement – 25% of qualified expenditures (maximum = \$25,000)
Code improvement – 50% of qualified expenditures.

PURPOSE To provide incentives to improve and rehabilitate historic properties in designed downtowns and village centers.

7.003 Entrepreneurs' Seed Capital Fund Credit

Statute: 32 V.S.A. §5830b
Enacted: 2004, amended 2006
Estimate: \$0

A credit is available for a taxpayer who contributes to the fund in an amount equal to the lesser of either 4% of the taxpayer's contribution or 50% of the taxpayer's tax liability for the year prior to claiming the credit, provided that the aggregate credit allowable for all taxable years not exceed 20% of the taxpayer's contribution to the initial capitalization of the fund.

PURPOSE To provide an incentive for investment in small businesses in Vermont.

7.100 Exemptions from the Premiums Tax

7.101 Annuity Considerations

Statute: 8 V.S.A. §3718
Enacted: 1967
Estimate: \$9,462,000

No tax shall be due as from annuity considerations

PURPOSE To exempt non-traditional insurance/financial products from taxation.

7.102 Fraternal Societies

Statute: 8 V.S.A. §4500
Enacted: 1959
Estimate: Less than \$100,000

Fraternal organizations are exempt from the premiums tax.

PURPOSE To exempt organizations that are not insurance companies.

7.103 Hospital and Medical Service Organizations

Statute: 8 V.S.A. §§4518, 4590
Enacted: 1939
Estimate: \$8,909,000

Hospital services and medical services organizations are exempt from the premiums tax.

PURPOSE To exempt non profit companies that provide health care insurance coverage.

LIST OF FISCAL YEAR 2011 GASOLINE AND DIESEL FUEL TAX EXPENDITURES

8.000 Gasoline and Diesel Fuel Tax Expenditures

8.001 Gasoline Tax

There are no end user exemptions from the gasoline tax.

8.002 Diesel Tax

Statute: 23 V.S.A. §3003
Enacted: 1982
Estimate: \$11,200,000

Note: The TIB assessment on diesel fuel was effective for only part of FY2009 which largely explains the increase in the estimate from FY 2009 to FY 2011.

23 V.S.A. §3003 imposes on the sale of diesel fuel (1) a tax of \$0.25 per gallon, (2) a petroleum distributor license fee of \$0.01 per gallon which is deposited in the petroleum cleanup fund and (3) a transportation infrastructure bond (TIB) fund assessment of \$0.03 per gallon. This analysis treats exemptions from the tax, fee and assessment as all being tax expenditures and herein the term "tax" is all inclusive.

As specified in 23 V.S.A. §3003(d)(1), the following uses are exempted from the diesel fuel tax, the license fee and TIB assessment:

- off-road uses for agricultural purposes
- use by a vehicle registered as a farm truck
- off-road uses by any vehicle
- uses by state or municipal entities (including school districts, fire districts)
- use by a non-profit public transit agency

Purpose: The exemption for off road uses and farm trucks is based on the idea that the diesel tax is a user fee imposed on and limited to users of the state highway system. The exemption for municipal entities and public transit agencies is based on administrative convenience.

LIST OF FISCAL YEAR 2011 MOTOR VEHICLE PURCHASE AND USE TAX EXPENDITURES

9.000 Motor Vehicle Purchase and Use Tax Expenditures

9.001 Religious or charitable institutions or volunteer fire companies

Statute: 32 V.S.A. §8911 (3)
Enacted: 1960, amended 1987, 2006
Estimate: \$107,000

Purpose: To relieve the burden of state exactions on selected groups.

9.002 Non-registered vehicles

Statute: 32 V.S.A. §8911 (5)
Enacted: 1960, amended 1987, 2006
Estimate: Data unavailable

Purpose: From a user fee perspective, since only registered vehicles are entitled to use the state highway system, non-registered vehicles impose no costs on the system.

9.003 Gifts

Statute: 32 V.S.A. §8911 (8)
Enacted: 1960, amended 1987, 2006
Estimate: \$2,410,000

Purpose: To avoid the intrusion of a tax into sharing transactions that are common within families.

9.004 IRC Sec. 351

Statute: 32 V.S.A. §8911 (10)
Enacted: 1960, amended 1987, 2006
Estimate: \$15,000

Note: "IRC Sec. 351" refers to transfers by an owner to a business controlled by the owner pursuant to Internal Revenue Code Sec. 351.

Purpose: To limit the tax to transfers of ownership between two distinct parties as opposed to the same party wearing different legal hats.

9.005 Handicapped

Statute: 32 V.S.A. §8911 (12)
Enacted: 1960, amended 1987, 2006
Estimate: \$25,000

Purpose: to relieve the burden of state exactions on selected groups.

9.006 Veterans

Statute: 32 V.S.A. §8911 (14)
Enacted: 1960, amended 1987, 2006
Estimate: \$27,000

Purpose: to relieve the burden of state exactions on selected groups.

9.007 General exemption of trade-in value

Statute: 32 V.S.A. §8902(4) and (5)
Enacted: 1960, amended 1967
Estimate: \$22,900,000

Purpose: The standard rationale for the trade-in allowance is that it is necessary to avoid “double-taxation” – but absent the exemption a person buying one vehicle and trading in another would not be taxed twice for their purchase or use of the same vehicle. More precisely, the exemption reflects the view that when you pay a tax on the use value of a vehicle, that tax payment is like a credit that you should be able to draw down against your use of that vehicle and if you sell it when it has a residual value, to transfer the credit to a new vehicle.

In a round-about way, the exemption reflects the view that the state should tax the use value of a vehicle one and only one time. It is roundabout because in fact the state does tax the same use value multiple times (whenever a vehicle is transferred); but when the chain of trade-in allowances is accounted for, the use value of all registered vehicles is taxed only once. For example, suppose Owner #1 buys a new \$40,000 “Magnus” with no trade-in, then sells it to Owner #2 when it has a residual (trade-in) value of \$30,000 who sells it Owner #3 when it has a residual value of \$20,000 who sells to Owner #4 when it’s value is \$10,000 who drives the car until it has to be junked. Through that chain of ownership, Owners 1-4 will pay a P&U tax on $\$40,000 + \$30,000 + \$20,000 + \$10,000 = \$100,000$ of use value associated with the Magnus. In turn, Owner #1 acquires a trade-in allowance of \$30,000, Owner #2 a trade-in allowance of \$20,000 and Owner #3 a trade-in allowance of \$10,000 which they can use to avoid paying tax on the use value of different vehicles. P&U tax ends up being paid on \$100,000 of use value on the Magnus while \$60,000 of P&U tax value on other vehicles is not paid because of the trade-allowances. When the Magnus is taken to the junk yard, the state will have collected P&U tax on $\$100,000 - \$60,000 = \$40,000$ of net use value, equal to the original value of the Magnus.