

1 H.243

2 Introduced by Committee on Ways and Means

3 Date:

4 Subject: Taxation; Vermont Blue Ribbon Tax Structure Commission

5 Statement of purpose: This bill proposes to begin the tax reform process
6 recommended by the Vermont Blue Ribbon Tax Structure Commission for
7 creating transparency in Vermont's tax system by providing for a high level of
8 ongoing scrutiny of the multiple exemptions embedded in Vermont's major tax
9 structures. This process would be implemented by an initial, prospective
10 sunset of nearly all tax incentives in the personal income tax, sales tax, meals
11 and rooms tax, and property tax. It is not the intent of the commission to
12 actually repeal all of the tax incentives set out in this bill, but by these
13 prospective repeals, to ensure that the legislature does scrutinize each of these
14 incentives and make an active decision as to whether to continue each
15 incentive. This bill also proposes to implement the commission's
16 recommendation to extend the sales tax to services provided at the retail level.

17 An act relating to tax reform recommendations of the Vermont Blue Ribbon
18 Tax Structure Commission

19 It is hereby enacted by the General Assembly of the State of Vermont:

* * * Income Tax * * *

1
2 Sec. 1. 32 V.S.A. § 5811(21) is amended to read:

3 (21) "Taxable income" means federal ~~taxable income determined~~
4 ~~without regard to Section 168(k) of the Internal Revenue Code~~ adjusted gross
5 income and:

6 (A) Increased by the following items of income (to the extent such
7 income is excluded from federal adjusted gross income):

8 (i) interest income from non-Vermont state and local obligations;

9 (ii) dividends or other distributions from any fund to the extent
10 they are attributable to non-Vermont state or local obligations; and

11 (iii) ~~the amount in excess of \$5,000.00 of state and local income~~
12 ~~taxes deducted from federal adjusted gross income for the taxable year, but in~~
13 ~~no case in an amount that will reduce total itemized deductions below the~~
14 ~~standard deduction allowable to the taxpayer; and~~

15 (B) Decreased by the following items of income (to the extent such
16 income is included in federal adjusted gross income):

17 (i) income from United States government obligations;

18 (ii) with respect to adjusted net capital gain income as defined in
19 Section 1(h) of the Internal Revenue Code: either the first \$5,000.00 of
20 adjusted net capital gain income; or 40 percent of adjusted net capital gain

1 income from the sale of assets held by the taxpayer for more than three years,
2 except not adjusted net capital gain income from:

3 (I) the sale of any real estate or portion of real estate used by
4 the taxpayer as a primary or nonprimary residence; or

5 (II) the sale of depreciable personal property other than farm
6 property and standing timber; or stocks or bonds publicly traded or traded on
7 an exchange, or any other financial instruments; regardless of whether sold by
8 an individual or business; and provided that the total amount of decrease under
9 this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable
10 income; and

11 (iii) recapture of state and local income tax deductions not taken
12 against Vermont income tax.

13 Sec. 2. 32 V.S.A. § 5811(21) is amended to read:

14 (21) "Taxable income" means federal adjusted gross income and:

15 (A) Increased by the following items of income (to the extent such
16 income is excluded from federal adjusted gross income):

17 (i) interest income from ~~non-Vermont~~ state and local obligations;

18 (ii) dividends or other distributions from any fund to the extent
19 they are attributable to ~~non-Vermont~~ state or local obligations; and

20 (iii) [Repealed.]

1 (B) Decreased by the following items of income ~~(to the extent such~~
2 ~~income is included in federal adjusted gross income):~~

3 ~~(i) income from United States government obligations;~~

4 ~~(ii) with respect to adjusted net capital gain income as defined in~~
5 ~~Section 1(h) of the Internal Revenue Code: either the first \$5,000.00 of~~
6 ~~adjusted net capital gain income; or 40 percent of adjusted net capital gain~~
7 ~~income from the sale of assets held by the taxpayer for more than three years,~~
8 ~~except not adjusted net capital gain income from:~~

9 ~~(I) the sale of any real estate or portion of real estate used by~~
10 ~~the taxpayer as a primary or nonprimary residence; or~~

11 ~~(II) the sale of depreciable personal property other than farm~~
12 ~~property and standing timber; or stocks or bonds publicly traded or traded on~~
13 ~~an exchange, or any other financial instruments; regardless of whether sold by~~
14 ~~an individual or business;~~

15 ~~and provided that the total amount of decrease under this subdivision~~
16 ~~(21)(B)(ii) shall not exceed 40 percent of federal taxable income; and~~

17 ~~(iii) recapture of state and local income tax deductions not taken~~
18 ~~against Vermont income tax.~~

1 Sec. 3. 32 V.S.A. § 5822 is amended to read:

2 § 5822. TAX ON INCOME OF INDIVIDUALS, ESTATES, AND TRUSTS

3 (a) A tax is imposed for each taxable year upon the taxable income earned
4 or received in that year by every individual, estate, and trust, subject to income
5 taxation under the laws of the United States, in an amount determined by the
6 following tables, and adjusted as required under this section:

7 (1) ~~Married~~ Joint returns (married individuals filing joint returns ~~and~~
8 ~~surviving spouses):~~

9	If taxable income is:	The tax is:
10		
11	Not over \$56,700.00 <u>\$49,999.00</u>	3.55% <u>3.0%</u> of taxable income
12		
13	Over \$56,700.00 <u>\$50,000.00</u> but	\$2,013.00 <u>\$1,499.97</u> plus 7.0%
14	not over \$137,050.00 <u>\$149,999.00</u>	<u>4.5%</u> of the amount of taxable
15		income over \$56,700.00
16		<u>\$50,000.00</u>
17		
18	Over \$137,050.00 but	\$7,637.00 plus 8.25% of
19	not over <u>\$208,850.00</u>	the amount of taxable
20		income over <u>\$137,050.00</u>
21		

1 ~~Over \$208,850.00 but~~ ~~\$13,561.00 plus 8.9% of~~
2 ~~not over \$372,950.00~~ ~~the amount of taxable~~
3 ~~income over \$208,850.00~~
4
5 Over ~~\$372,950.00~~ \$150,000.00 ~~\$28,166.00~~ \$5,999.93 plus
6 ~~9.40%~~ 6.95% of the amount of
7 taxable income over ~~\$372,950.00~~
8 \$150,000.00

9
10 (2) ~~Heads of households~~ Single returns (married filing separately, head
11 of household, unmarried individuals):

12 If taxable income is: The tax is:
13
14 Not over ~~\$45,500.00~~ \$29,999.00 ~~3.55%~~ 3% of taxable income
15
16 Over ~~\$45,500.00~~ \$30,000.00 but ~~\$1,615.00~~ \$899.97 plus 7.0%
17 not over ~~\$117,450.00~~ \$89,999.00 4.5% of the amount of taxable
18 income over ~~\$45,500.00~~
19 \$89,999.00
20

1	Over \$117,450.00 but	\$6,652.00 plus 8.25% of
2	not over \$190,200.00	the amount of taxable
3		income over \$117,450.00
4		
5	Over \$190,200.00 but	\$12,654.00 plus 8.90% of
6	not over \$372,950.00	the amount of taxable
7		income over \$190,200.00
8		
9	Over \$372,950.00 <u>\$90,000.00</u>	\$28,918.00 <u>\$3,599.93</u> plus
10		9.40% <u>6.95%</u> of the amount of
11		taxable income over \$372,950.00
12		<u>\$90,000.00</u>

13

14 (3) ~~Unmarried individuals (other than surviving spouse or head of~~
15 ~~household):~~

16

17 If taxable income is: The tax is:

18

19 Not over \$33,950.00 ~~3.55% of taxable income~~

20

1	Over \$33,950.00 but	\$1,205.00 plus 7.0% of
2	not over \$82,250.00	the amount of taxable
3		income over \$33,950.00
4		
5	Over \$82,250.00 but	\$4,586.00 plus 8.25% of
6	not over \$171,550.00	the amount of taxable
7		income over \$82,250.00
8		
9	Over \$171,550.00 but	\$11,953.00 plus 8.90% of
10	not over \$372,950.00	the amount of taxable
11		income over \$171,550.00
12		
13	Over \$372,950.00	\$29,878.00 plus 9.40% of
14		the amount of taxable
15		income over \$372,950.00
16		
17	(4) Married individuals filing separate returns:	
18		
19	If taxable income is:	The tax is:
20		
21	Not over \$28,350.00	3.55% of taxable income

1

2

~~Over \$28,350.00 but~~

~~\$1,006.00 plus 7.0% of~~

3

~~not over \$68,525.00~~

~~the amount of taxable~~

4

~~income over \$28,350.00~~

5

6

~~Over \$68,525.00 but~~

~~\$3,819.00 plus 8.25% of~~

7

~~not over \$104,425.00~~

~~the amount of taxable~~

8

~~income over \$68,525.00~~

9

10

~~Over \$104,425.00 but~~

~~\$6,780.00 plus 8.90% of~~

11

~~not over \$186,475.00~~

~~the amount of taxable~~

12

~~income over \$104,425.00~~

13

14

~~Over \$186,475.00~~

~~\$14,083.00 plus 9.40% of~~

15

~~the amount of taxable income~~

16

~~over \$186,475.00~~

17

18

(5) Estates and trusts:

19

1	If taxable income is:	The tax is:
2		
3	\$2,300.00 or less	3.55% of taxable income
4		
5	Over \$2,300.00 but	\$82.00 plus 7.0% of
6	not over \$5,350.00	the amount of taxable
7		income over \$2,300.00
8		
9	Over \$5,350.00 but	\$295.00 plus 8.25% of
10	not over \$8,200.00	the amount of taxable
11		income over \$5,350.00
12		
13	Over \$8,200.00 but	\$530.00 plus 8.90% of
14	not over \$11,150.00	the amount of taxable
15		income over \$8,200.00
16		
17	Over \$11,150.00	\$793.00 plus 9.40% of
18		the amount of taxable
19		income over \$11,150.00
20		
21		

* * *

1 Sec. 4. 32 V.S.A. § 5822 is amended to read:

2 § 5822. TAX ON INCOME OF INDIVIDUALS, ESTATES, AND TRUSTS

3 * * *

4 (c) The amount of tax determined under subsection (a) of this section shall
5 be:

6 (1) increased by 24 percent of the taxpayer's federal tax liability for the
7 taxable year for the following:

8 (A) additional taxes on qualified retirement plans, including
9 individual retirement accounts and medical savings accounts and other
10 tax-favored accounts;

11 (B) recapture of federal investment tax credit and increased by
12 76 percent of the Vermont-property portion of the business solar energy
13 investment tax credit component of the federal investment tax credit recapture
14 for the taxable year;

15 (C) tax on qualified lump-sum distributions of pension income not
16 included in federal taxable income; and

17 (2) ~~decreased by 24 percent of the reduction in the taxpayer's federal tax~~
18 ~~liability due to farm income averaging.~~

19 (d)(1) ~~A taxpayer shall be entitled to a credit against the tax imposed under~~
20 ~~this section of 24 percent of each of the credits allowed against the taxpayer's~~
21 ~~federal income tax for the taxable year as follows: elderly and permanently~~

1 ~~totally disabled credit, investment tax credit attributable to the Vermont-~~
2 ~~property portion of the investment, and child care and dependent care credits.~~

3 (2) Any unused business solar energy investment tax credit under this
4 section may be carried forward for no more than five years following the first
5 year in which the credit is claimed.

6 * * *

7 Sec. 5. 32 V.S.A. § 5823 is amended to read:

8 § 5823. VERMONT INCOME OF INDIVIDUALS, ESTATES, AND
9 TRUSTS

10 (a) For any taxable year, the Vermont income of a resident individual is the
11 adjusted gross income of the individual for that taxable year, and the Vermont
12 income of a resident estate or trust is its gross income for the taxable year, less:

13 (1) Income exempted from state taxation under the laws of the United
14 States and not subtracted under subdivision 5811(21)(B)(i) of this chapter.

15 (2) ~~Military pay for full time active duty with the armed services earned~~
16 ~~outside the state; and the first \$2,000.00 of military pay for unit training in the~~
17 ~~state to National Guard and United States Reserve personnel for whom the~~
18 ~~adjutant general or reserve component commander certifies that the taxpayer~~
19 ~~completed all unit training of his or her unit during the calendar year, and who~~
20 ~~has a federal adjusted gross income of less than \$50,000.00. Any credit~~
21 claimed under section 5830e of this title.

1 ~~(3) Funds received through the federal armed forces educational loan~~
2 ~~repayment program under 10 U.S.C. chapters 109 and 1609, to the extent the~~
3 ~~funds are included in adjusted gross income of the taxpayer for the taxable~~
4 ~~year.~~

5 ~~(4) [Repealed.]~~

6 ~~(5) That portion of wages which is required to be included as adjusted~~
7 ~~gross income as provided in Section 280C of the United States Income Tax~~
8 ~~Code which relates to federal tax credit incentive work programs and that~~
9 ~~portion of expenses which is required to be included as adjusted gross income~~
10 ~~as provided in Section 44 of the United States Tax Code which relates to~~
11 ~~federal disabled access credit.~~

12 ~~(6) The amount paid by the state to a family for the support of an eligible~~
13 ~~person with a developmental disability as defined in 18 V.S.A. § 8722(2), to~~
14 ~~the extent that such amount is included in federal adjusted gross income.~~

15 ~~(7) [Repealed.]~~

16 (b) For any taxable year, the Vermont income of a nonresident individual,
17 estate or trust is the sum of the following items of income to the extent they are
18 required to be included in the adjusted gross income of the individual or the
19 gross income of an estate or trust for that taxable year:

20 (1) Rents and royalties derived from the ownership of property located
21 within this state.

1 (2) Gains from the sale or exchange of property located within this state.

2 (3) Wages, salaries, commissions, or other income (~~excluding military~~
3 ~~pay for full time active duty with the armed services and also excluding funds~~
4 ~~received through the federal armed forces educational loan repayment program~~
5 ~~under 10 U.S.C. chapters 109 and 1609; and also excluding the first \$2,000.00~~
6 ~~of military pay for unit training in the state to National Guard and United~~
7 ~~States Reserve personnel for whom the adjutant general or reserve component~~
8 ~~commander certifies that the taxpayer completed all unit training of his or her~~
9 ~~unit during the calendar year, and who has a federal adjusted gross income of~~
10 ~~less than \$50,000.00) received with respect to services performed within this~~
11 state.

12 * * *

13 Sec. 5a. REPEAL

14 18 V.S.A. § 8729 (family support payments; income tax exemption) is
15 repealed for taxable years beginning on or after January 1, 2012.

16 Sec. 6. 32 V.S.A. § 5825a is amended to read:

17 § 5825a. CREDIT FOR VERMONT HIGHER EDUCATION INVESTMENT
18 PLAN CONTRIBUTIONS

19 * * *

20 (c) Tax expenditure sunset. This section is repealed for taxable years
21 beginning on or after January 1, 2015.

1 Sec. 7. 32 V.S.A. § 5828 is amended to read:

2 § 5828. MOBILE HOME PARK SALE; CAPITAL GAIN CREDIT

3 (a) A taxpayer of this state shall receive a credit against the tax imposed
4 under section 5822 or 5832 of this title for a qualified sale of a mobile home
5 park. The credit shall be in the amount of seven percent of the taxpayer's gain
6 subject to federal income tax for the taxable year. Credit in excess of the
7 taxpayer's tax liability for the taxable year may be carried forward for credit in
8 the next succeeding three taxable years. "Qualified sale of a mobile home
9 park" means the land comprising a mobile home park that is transferred in a
10 single purchase to a group composed of a majority of the mobile home park
11 leaseholders as defined in 10 V.S.A. § 6242(a), or to a nonprofit organization
12 that represents such a group.

13 (b) Tax expenditure sunset. This section is repealed for taxable years
14 beginning on or after January 1, 2015.

15 Sec. 8. 32 V.S.A. § 5828b is amended to read:

16 § 5828b. EARNED INCOME TAX CREDIT

17 * * *

18 (c) Tax expenditure sunset. This section is repealed for taxable years
19 beginning on or after January 1, 2015.

1 Sec. 9. 32 V.S.A. § 5828c is amended to read:

2 § 5828c. LOW-INCOME CHILD AND DEPENDENT CARE CREDIT

3 (a) A resident of this state with federal adjusted gross income less than
4 \$30,000.00 (or \$40,000.00 for married, filing jointly) shall be eligible for a
5 refundable credit against the tax imposed under section 5822 of this title. The
6 credit shall be equal to 50 percent of the federal child and dependent care
7 credit allowed to the taxpayer for the taxable year for child or dependent care
8 services provided in this state in a registered home or licensed facility certified
9 by the agency of human services as meeting national accreditation or national
10 credential standards endorsed by the agency. A credit under this section shall
11 be in lieu of any child and dependent care credit available under subsection
12 5822(d) of this title.

13 (b) Tax expenditure sunset. This section is repealed for taxable years
14 beginning on or after January 1, 2015.

15 Sec. 10. 32 V.S.A. § 5830b is amended to read:

16 § 5830b. TAX CREDITS; ENTREPRENEURS' SEED CAPITAL FUND

17 * * *

18 (c) Tax expenditure sunset. This section is repealed for taxable years
19 beginning on or after January 1, 2015.

1 Sec. 11. 32 V.S.A. § 5830c is amended to read:

2 § 5830c. TAX CREDITS; CHARITABLE INVESTMENTS IN HOUSING

3 * * *

4 (g) Tax expenditure sunset. This section is repealed for taxable years
5 beginning on or after January 1, 2015.

6 Sec. 12. 32 V.S.A. § 5830d is amended to read:

7 § 5830d. DEFERRAL OF INCOME TAXATION; COMBAT ZONE DUTY

8 * * *

9 (3) Tax expenditure sunset. This section is repealed for taxable years
10 beginning on or after January 1, 2015.

11 Sec. 13. 32 V.S.A. § 5830e is added to read:

12 § 5830e. VERMONT RESIDENT INCOME TAX CREDIT

13 There is allowed a nonrefundable credit against the tax imposed by section
14 5822 of this title in the amount of \$350.00 for each personal exemption
15 allowed on the taxpayer's federal income tax return for the taxable year; and
16 \$150.00 for each exemption for a dependent claimed on that taxpayer's federal
17 income tax return for the taxable year. The total amount of the credit under
18 this section may not exceed \$800.00; and the credit shall be reduced by a
19 percentage equal to the portion of adjusted gross income which is not Vermont
20 income. This credit is not available to taxpayers whose federal adjusted gross
21 income exceeds \$125,000.00.

1 Sec. 14. 32 V.S.A. § 5922 is amended to read:

2 § 5922. FINANCIAL SERVICES DEVELOPMENT TAX CREDIT

3 * * *

4 (g) Tax expenditure sunset. This section is repealed for taxable years
5 beginning on or after January 1, 2015.

6 Sec. 15. 32 V.S.A. § 5930a is amended to read:

7 § 5930a. VERMONT ECONOMIC PROGRESS COUNCIL

8 * * *

9 (n) Tax expenditure sunset. This section is repealed on January 1, 2015.

10 Sec. 16. 32 V.S.A. § 5930b is amended to read:

11 § 5930b. VERMONT EMPLOYMENT GROWTH INCENTIVE

12 * * *

13 (h) Tax expenditure sunset. This section is repealed for taxable years
14 beginning on or after January 1, 2015.

15 Sec. 17. 32 V.S.A. § 5930c is amended to read:

16 § 5930c. ECONOMIC ADVANCEMENT PAYROLL TAX CREDIT

17 * * *

18 (5) Tax expenditure sunset. This section is repealed for taxable years
19 beginning on or after January 1, 2015.

1 Sec. 18. 32 V.S.A. § 5930d is amended to read:

2 § 5930d. ECONOMIC ADVANCEMENT RESEARCH AND
3 DEVELOPMENT TAX CREDIT

4 * * *

5 (c) Tax expenditure sunset. This section is repealed for taxable years
6 beginning on or after January 1, 2015.

7 Sec. 18a. 32 V.S.A. § 5930e is amended to read:

8 § 5930e. WORKFORCE DEVELOPMENT INCENTIVE TAX CREDIT

9 * * *

10 (d) Tax expenditure sunset. This section is repealed for taxable years
11 beginning on or after January 1, 2015.

12 Sec. 19. 32 V.S.A. § 5930f is amended to read:

13 § 5930f. VERMONT EXPORT TAX INCENTIVE

14 * * *

15 (3) Tax expenditure sunset. This section is repealed for taxable years
16 beginning on or after January 1, 2015.

17 Sec. 20. 32 V.S.A. § 5930g is amended to read:

18 § 5930g. CAPITAL INVESTMENT TAX CREDIT

19 * * *

20 (5) Tax expenditure sunset. This section is repealed for taxable years
21 beginning on or after January 1, 2015.

1 Sec. 21. 32 V.S.A. § 5930k is amended to read:

2 § 5930k. HIGH-TECH GROWTH INCENTIVES

3 * * *

4 (e) Tax expenditure sunset. This section is repealed for taxable years
5 beginning on or after January 1, 2015.

6 Sec. 22. 32 V.S.A. § 5930u is amended to read:

7 § 5930u. TAX CREDIT FOR AFFORDABLE HOUSING

8 * * *

9 (h) Tax expenditure sunset. This section is repealed for taxable years
10 beginning on or after January 1, 2015.

11 Sec. 23. 32 V.S.A. § 5930w is amended to read:

12 § 5930w. ECONOMIC ADVANCEMENT SUSTAINABLE TECHNOLOGY

13 RESEARCH AND DEVELOPMENT TAX CREDIT

14 * * *

15 (d) Tax expenditure sunset. This section is repealed for taxable years
16 beginning on or after January 1, 2015.

17 Sec. 24. 32 V.S.A. § 5930x is amended to read:

18 § 5930x. ECONOMIC ADVANCEMENT SUSTAINABLE TECHNOLOGY

19 EXPORT TAX CREDIT

20 * * *

1 (d) Tax expenditure sunset. This section is repealed for taxable years
2 beginning on or after January 1, 2015.

3 Sec. 25. 32 V.S.A. § 5930z is amended to read:

4 § 5930z. SOLAR ENERGY TAX CREDIT

5 * * *

6 (h) Tax expenditure sunset. This section is repealed on January 1, 2015.

7 Sec. 26. TAX EXPENDITURE SUNSET; REPEAL

8 In 32 V.S.A. chapter 151:

9 (1) Subchapter 11J (downtown and village center tax credit) is repealed
10 for taxable years beginning on or after January 1, 2015.

11 (2) Subchapter 11L (research and development tax credit) is repealed for
12 taxable years beginning on or after January 1, 2015.

13 (3) Subchapter 11M (machinery and equipment tax credit) is repealed
14 for taxable years beginning on or after January 1, 2015.

15 * * * Sales and Use Tax * * *

16 Sec. 27. 32 V.S.A. § 9701 is amended to read:

17 § 9701. DEFINITIONS

18 Unless the context in which they occur requires otherwise, the following
19 terms when used in this chapter mean:

20 * * *

1 (12)(A) "Casual sale": means an isolated or occasional sale of an item
2 of tangible personal property or a service by a person who is not regularly
3 engaged in the business of making sales of that general type of property or
4 service at retail where the property or service was obtained by the person
5 making the sale, through purchase or otherwise, for his or her own use.

6 * * *

7 (13) ~~Use:~~ "Use" means the exercise of any right or power over tangible
8 personal property by the purchaser thereof and includes, but is not limited to,
9 the receiving, storage or any keeping or retention for any length of time,
10 withdrawal from storage, any installation, any affixation to real or personal
11 property, or any consumption of that property. "Use" also means deriving a
12 benefit, either directly or indirectly, of any service paid for by the consumer.

13 * * *

14 (15) ~~Property~~ "Property and services the use of which is subject to ~~tax:~~
15 tax" means ~~include all~~ any property or service sold to a person within the state,
16 ~~whether or not the sale is made within the state, and any property or service~~ the
17 use of which ~~property~~ is subject to tax under section 9773 of this title or will
18 become subject to tax when ~~such~~ the property or benefit of the service is
19 received by or comes into the possession or control of such person within the
20 state.

21 * * *

1 (48) “Consumer” means an individual who purchases or otherwise
2 obtains tangible property or services for consumption by himself or herself, or
3 for his or her direct or indirect benefit. “Consumer” does not include any
4 legally recognized business or organizational entity, such as a sole
5 proprietorship, partnership, corporation, nonprofit, association, estate, trustee,
6 or receiver.

7 (49) “Service” means all activities engaged in for other persons for a
8 fee, retainer, commission, or other monetary charge, which activities involve
9 predominantly the performance of a service as distinguished from selling
10 property. In determining what is a service, the intended use, principal
11 objective, or ultimate objective of the contracting parties shall not be
12 controlling. For the purposes of this chapter, services rendered by an
13 employee for his or her employer are not taxable.

14 (50) “Dietary supplement” means any product, other than “tobacco,”
15 intended to supplement the diet that:

16 (A) contains one or more of the following dietary ingredients:

17 (i) a vitamin;

18 (ii) a mineral;

19 (iii) an herb or other botanical;

20 (iv) an amino acid;

1 (v) a dietary substance for use by humans to supplement the diet
2 by increasing the total dietary intake; or

3 (vi) a concentrate, metabolite, constituent, extract, or combination
4 of any ingredients described in this subdivision (50); and

5 (B) is intended for ingestion in tablet, capsule, powder, softgel,
6 gelcap, or liquid form, or if not intended for ingestion in such a form, is not
7 represented as conventional food and is not represented for use as a sole item
8 of a meal or of the diet; and

9 (C) is required to be labeled as a dietary supplement, identifiable by
10 the “Supplemental Facts” box found on the label and as required pursuant to
11 21 C.F.R. § 101.36.

12 (51) “Health care services” means professional services that are
13 delivered by licensed health care professionals such as physicians, registered
14 nurses, and therapists, or by personal care aides under the supervision of health
15 care professionals, for the diagnosis, prevention, treatment, cure, or relief of a
16 health condition, illness, injury, or disease.

17 (52) “Educational services” means services provided by an “educational
18 institution” as the term is defined at 16 V.S.A. § 140a(1), or an employee,
19 contractor, or agent of an “educational institution,” as that term is defined at
20 16 V.S.A. § 140a(1).

1 (53) “Soft drinks” means nonalcoholic beverages that contain natural
2 or artificial sweeteners. “Soft drinks” do not include beverages that contain
3 milk or milk products, soy, rice, or similar milk substitutes, or greater than
4 50 percent of vegetable or fruit juice by volume.

5 Sec. 28. 32 V.S.A. § 9703(c) is amended to read:

6 (c) Such person shall have the same rights in collecting the tax from his or
7 her purchaser or regarding nonpayment of the tax by the purchaser as if the tax
8 were a part of the purchase price of the property, service, telecommunications
9 service, or amusement charge, as the case may be, and payable at the same
10 time; provided, however, if the person required to collect the tax has failed to
11 remit any portion of the tax to the commissioner, that the commissioner shall
12 be notified of any action or proceeding brought by such person to collect the
13 tax and shall have the right to intervene in such action or proceeding.

14 Sec. 29. 32 V.S.A. § 9704 is amended to read:

15 § 9704. PRINCIPAL AND AGENT; JOINT AND SEVERAL LIABILITY

16 When in the opinion of the commissioner it is necessary for the efficient
17 administration of this chapter to treat any salesman, representative, peddler, or
18 cavasser as the agent of the vendor, distributor, supervisor, or employer under
19 whom he or she operates or from whom he or she obtains tangible personal
20 property or services sold by him or her or for whom he or she solicits business,
21 the commissioner may, in his or her discretion, treat such agent as the vendor

1 jointly and severally responsible with the principal, distributor, supervisor or
2 employer for the collection and payment of the tax.

3 Sec. 30. 32 V.S.A. § 9707(b) is amended to read:

4 (b) No later than one business day prior to an event at which taxable sales
5 will be made by vendors who have no permanent place of business in the state,
6 the promoter of the event shall provide to the commissioner a list of vendors
7 who are authorized by the promoter to sell taxable property or services at the
8 event and the vendors' current sales tax license numbers. No later than one
9 week after the event the promoter shall notify the department in writing of any
10 changes to the list of participating vendors and their sales tax license numbers.
11 In this subsection, "event" means a specific time and location at which 25 or
12 more vendors are authorized by the promoter to sell taxable items.

13 Sec. 31. 32 V.S.A. § 9741 is amended to read:

14 § 9741. SALES NOT COVERED

15 Retail sales and use of the following shall be exempt from the tax on retail
16 sales imposed under section 9771 of this title and the use tax imposed under
17 section 9773 of this title.

18 * * *

19 (2) Drugs intended for human use, durable medical equipment, mobility
20 enhancing equipment, and prosthetic devices and supplies, including blood,
21 blood plasma, insulin, and medical oxygen, used in treatment intended to

1 alleviate human suffering or to correct, in whole or in part, human physical
2 disabilities. For a sale to be exempt under this section, the drug, piece of
3 equipment, device, or supply item must be medically prescribed.

4 * * *

5 (13) Sales of food, food stamps, purchases made with food stamps, food
6 products, and beverages sold for human consumption off the premises where
7 sold, but not including dietary supplements or soft drinks.

8 * * *

9 ~~(15) Sales of newspapers and sales of tangible personal property which~~
10 ~~becomes an ingredient or component part of or is consumed or destroyed, or~~
11 ~~loses its identity in the manufacture of newspapers, whether sold or distributed~~
12 ~~without charge. A publication shall not be considered a newspaper unless, on~~
13 ~~an average for the taxable year, at least ten percent of its printed material~~
14 ~~consists of news of general or community interest, community notices,~~
15 ~~editorial comment, or articles by different authors.~~

16 * * *

17 ~~(19) Rentals of coin operated washing facilities for individual, or~~
18 ~~personal use, including car washes and laundries.~~

19 ~~(20) Fees and charges for admission to nonprofit museums.~~

20 * * *

1 ~~separate charge is made for the transfer of tangible personal property; and the~~
2 ~~value of the tangible personal property transferred, including the value of~~
3 ~~services added to the tangible personal property transferred, is less than 10~~
4 ~~percent of the total charge for the transaction. When the focus of the~~
5 ~~transaction is the transfer of tangible personal property, all receipts from the~~
6 ~~sale are taxable, including receipts from separately stated charges for services~~
7 ~~to produce the property, unless the receipts are otherwise exempt under this~~
8 ~~chapter.~~

9 * * *

10 (37) ~~Charges for documents, the sole purpose of which is to record or~~
11 ~~memorialize professional services rendered, such as, but not limited to, charges~~
12 ~~for briefs, memoranda, agreements, and wills prepared by lawyers; charges for~~
13 ~~tax returns and reports produced by accountants; charges for drawings~~
14 ~~produced by architects; or charges for insurance policies.~~

15 (38) ~~Tax on the sale or use of a tracked vehicle shall not exceed~~
16 ~~\$1,100.00 adjusted as follows: As of July 1 of each even numbered year, the~~
17 ~~commissioner shall adjust the most recent unrounded cap amount by the~~
18 ~~cumulative inflation index for the prior two calendar years under the consumer~~
19 ~~price index for urban consumer all items, and round that amount to the nearest~~
20 ~~ten dollars, and shall publish this rounded amount as the new cap.~~

21 * * *

1 ~~(43) Sales of scrap materials generated in the course of construction or~~
2 ~~demolition and diverted from waste disposal at the construction or demolition~~
3 ~~job site; provided that the sale is not by the generator and is by a person who~~
4 ~~received the materials from the generator with no payment.~~

5 * * *

6 ~~(45) Clothing; but clothing shall not include clothing accessories or~~
7 ~~equipment, protective equipment, or sport or recreational equipment.~~

8 ~~(46) Tangible personal property to be incorporated into:~~

9 ~~(A) a net metering system as defined in 30 V.S.A. § 219a;~~

10 ~~(B) a home or business energy system on a premises not connected to~~
11 ~~the electric distribution system of a utility regulated under Title 30 and that~~
12 ~~otherwise meets the requirements of 30 V.S.A. § 219a(a)(3)(A), (C), (D), and~~
13 ~~(E); or~~

14 ~~(C) a hot water heating system that converts solar energy into thermal~~
15 ~~energy used to heat water, but limited to that property directly necessary for~~
16 ~~and used to capture, convert, or store solar energy for this purpose.~~

17 * * *

18 ~~(48) Health care services and educational services.~~

19 ~~(49) Tax expenditure sunset. The following subdivisions of this section~~
20 ~~are repealed on January 1, 2016: (2), (3), (13), (14), (16), (17), (18), (21), (24),~~
21 ~~(25), (27)–(31), (34), (36), (39), (41), (44), (47), and (48).~~

1 Sec. 32. 32 V.S.A. § 9742 is amended to read:

2 § 9742. TRANSACTIONS NOT COVERED

3 This chapter shall not cover the following transactions:

4 * * *

5 (8) ~~The sawing of lumber owned by the person requesting the sawing or~~
6 ~~his agent is not a “fabrication” within the meaning of subdivision 9771(3) of~~
7 ~~this title.~~

8 * * *

9 (11) Tax expenditure sunset. The following subdivisions of this section
10 are repealed on January 1, 2016: (1)–(7), (9), and (10).

11 Sec. 33. 32 V.S.A. § 9743 is amended to read:

12 § 9743. ORGANIZATIONS NOT COVERED

13 * * *

14 (8) Tax expenditure sunset. Subdivisions (2)–(7) of this section are
15 repealed on January 1, 2016.

16 Sec. 34. 32 V.S.A. § 9771 is amended to read:

17 § 9771. IMPOSITION OF SALES TAX

18 (a) Except as otherwise provided in this chapter, there is imposed a tax on
19 retail sales in this state. The tax shall be paid at the rate of ~~six~~ four and
20 one-half percent of the sales price charged for but in no case shall any one
21 transaction be taxed under more than one of the following:

1 * * *

2 (9) Services sold to a consumer.

3 (b) For the purposes of subdivision (a)(9) of this section, the sale of a
4 service is considered to be in the state if the service was performed wholly in
5 the state, or the greater portion of the service was performed in the state based
6 on the proportion of the cost of performance of the service to the consumer.
7 Notwithstanding the foregoing, in determining whether a service took place
8 within the state, it is presumed that a service directly related to real property
9 takes place where the real property is located, and that a service represented by
10 tangible personal property takes place where the tangible personal property is
11 received by the purchaser.

12 Sec. 35. REPEAL

13 32 V.S.A. § 9771a (limitation on sales tax on telecommunications services)
14 is repealed on January 1, 2012.

15 Sec. 36. 32 V.S.A. § 9773 is amended to read:

16 § 9773. IMPOSITION OF COMPENSATING USE TAX

17 Unless property ~~has~~ or services have already been or will be subject to the
18 sales tax under this chapter, there is imposed on every person a use tax at the
19 rate of ~~six~~ four and one-half percent for the use within this state, except as
20 otherwise exempted under this chapter:

21 (1) Of any tangible personal property purchased at retail;

1 (2) Of any tangible personal property manufactured, processed or
2 assembled by the user, if items of the same kind of tangible personal property
3 are offered for sale by him or her in the regular course of business, but the
4 mere storage, keeping, retention or withdrawal from storage of tangible
5 personal property or the use for demonstrational or instructional purposes of
6 tangible personal property by the person who manufactured, processed or
7 assembled such property shall not be deemed a taxable use by him or her; and
8 for purposes of this section only, the sale of electrical power generated by the
9 taxpayer shall not be considered a sale by him or her in the regular course of
10 business if at least 60 percent of the electrical power generated annually by the
11 taxpayer is used by the taxpayer in his or her trade or business;

12 (3) Of any tangible personal property, however acquired, where not
13 acquired for purposes of resale, upon which any taxable services described in
14 subdivision 9771(3) of this title have been performed; ~~and~~

15 (4) ~~Specified~~ Of specified digital products transferred electronically to
16 an end user; and

17 (5) Of services sold to a customer at retail.

18 Sec. 37. 32 V.S.A. § 9774 is amended to read:

19 § 9774. RULES FOR COMPUTING COMPENSATING USE TAX

20 * * *

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* * *

(3) "Hotel" means an establishment which holds itself out to the public by offering sleeping accommodations for a consideration, whether or not the major portion of its operating receipts is derived therefrom and whether or not the sleeping accommodations are offered to the public by the owner or proprietor or lessee, sublessee, mortgagee, licensee, or any other person or the agent of any of the foregoing. The term includes ~~but is not limited to~~, inns, motels, tourist homes and cabins, ski dormitories, ski lodges, lodging homes, rooming houses, furnished-room houses, boarding houses and private clubs, as well as any building or structure or part thereof to the extent to which any such building or structure or part thereof in fact is held out to the public by offering sleeping accommodations for a consideration. The term shall not include the following:

(A) ~~a hospital, licensed under chapter 43 of Title 18, or a sanatorium, convalescent home, nursing home, or a home for the aged;~~

(B) any establishment operated by any state or United States agency or institution, except the department of forests, parks and recreation of the state of Vermont;

(C) ~~an establishment operated by a nonprofit corporation or association organized and operated exclusively for religious, charitable or~~

1 ~~educational purposes, one or more, which, in furtherance of any of the~~
2 ~~purposes for which it was organized, operates a hotel as defined herein.~~

3 (D) ~~a continuing care retirement community certified under chapter~~
4 ~~151 of Title 8.~~

5 * * *

6 (6) "Occupancy" means the use or possession, or the right to the use or
7 possession, of any room or rooms in a "hotel" for any purpose, or the right to
8 the use or possession of the furnishings or to the services and accommodations
9 accompanying the use and possession of a room or rooms. ~~The term shall not~~
10 ~~include occupancy by a "permanent resident," or by an employee of an~~
11 ~~operator when such occupancy is granted to the employee as remuneration for~~
12 ~~his or her employment, or any occupancy furnished in a summer camp for~~
13 ~~children.~~

14 * * *

15 (8) "Rent" means the consideration received for occupancy valued in
16 money, whether received in money or otherwise, including all receipts, cash,
17 credits and property or services of any kind or nature, and also any amount for
18 which the occupant is liable for the occupancy without any deduction
19 therefrom whatsoever; and any monies received in payment for time-share
20 rights at the time of purchase, provided, however, that such money received
21 shall not be considered rent and thus not taxable if a deeded interest is granted

1 to the purchaser for the time-share rights. ~~The term “rent” shall not include~~
2 ~~rental charges for living quarters, sleeping or household accommodations to~~
3 ~~any student necessitated by attendance at a school as defined herein.~~

4 * * *

5 (b) Tax expenditure sunset. Subdivision (a)10(D) (meals tax exemption) of
6 this section is repealed on January 1, 2016.

7 * * * Property Tax * * *

8 Sec. 41. 32 V.S.A. § 3802 is amended to read:

9 § 3802. PROPERTY TAX

10 * * *

11 (17) Tax expenditure sunset. Subdivisions (3)–(16) of this section are
12 repealed on January 1, 2017.

13 Sec. 42. REPEAL

14 32 V.S.A. §§ 3831 (property tax exemption for college, university, or
15 fraternity property) and 3832 (exemptions for certain public, pious, and
16 charitable uses) are repealed on January 1, 2017.

17 Sec. 43. 32 V.S.A. § 5401(10) is amended to read:

18 (10) “Nonresidential property” means all property except:

19 (A) Property which is exempt from the municipal property tax by law
20 and not by vote of the municipality.

1 (B) Property which is subject to the tax on railroads imposed by
2 subchapter 2 of chapter 211 of this title, the tax on steamboat, car and
3 transportation companies imposed by subchapter 3 of chapter 211 of this title,
4 the tax on telephone companies imposed by subchapter 6 of chapter 211 of this
5 title, or the tax on electric generating plants imposed by chapter 213 of this
6 title.

7 (C) Homesteads declared in accordance with section 5410 of this
8 title.

9 (D) ~~Personal property, machinery, inventory and equipment, ski lifts~~
10 ~~and snow-making equipment for a ski area; provided, however, this~~
11 ~~subdivision shall not exclude from the definition of "nonresidential property"~~
12 ~~the following real or personal property:~~

13 (i) ~~utility cables and lines, poles and fixtures (except those taxed~~
14 ~~under subchapter 6 of chapter 211 of this title); provided that utility cables,~~
15 ~~lines, poles and fixtures located on homestead property and owned by the~~
16 ~~person claiming the homestead shall be taxed as homestead property;~~

17 (ii) ~~gas distribution lines (except aboveground meters, regulators~~
18 ~~and gauges, and leased water heaters are excluded personal property).~~

19 (E) ~~The excess valuation of property subject to tax increment~~
20 ~~financing in a tax increment financing district established under subchapter 5~~
21 ~~of chapter 53 of Title 24 to the extent that the taxes generated on the excess~~

1 ~~property valuation are pledged and appropriated for interest and principal~~
2 ~~repayment on bonded debt or prefunding future tax increment financing district~~
3 ~~debt and to the extent approved for this purpose by the Vermont economic~~
4 ~~progress council upon application by the district under procedures established~~
5 ~~for approval of tax stabilization agreements under section 5404a of this title,~~
6 ~~and that any such action shall be included in the annual authorization limits~~
7 ~~provided in subdivision 5930a(d)(1) of this title.~~

8 (F) Property owned by a municipality which is located within that
9 municipality and which is used for municipal purposes including the provision
10 of utility services.

11 (G) ~~Machinery and equipment used directly in the processing of~~
12 ~~whey, whether or not such machinery or equipment is attached or affixed to~~
13 ~~real property.~~

14 (H) ~~Real property, excluding land, consisting of unoccupied new~~
15 ~~facilities, or unoccupied facilities under renovation or expansion, owned by a~~
16 ~~business that has obtained the approval of the Vermont economic progress~~
17 ~~council under section 5930a of this title that is less than 75 percent complete,~~
18 ~~not in use as of April 1 of the applicable tax year, and for a period not to~~
19 ~~exceed two years.~~

20 (I) ~~Real property consisting of the value of remediation expenditures~~
21 ~~incurred by a business that has obtained the approval of the Vermont economic~~

1 ~~progress council under section 5930a of this title for the construction of new,~~
2 ~~expanded or renovated facilities on contaminated property eligible under the~~
3 ~~redevelopment of contaminated properties program pursuant to 10 V.S.A.~~
4 ~~§ 6615a(f), including supporting infrastructure, on sites eligible for the United~~
5 ~~States Environmental Protection Agency “Brownfield Program,” for a period~~
6 ~~of ten years.~~

7 (J) ~~Buildings and fixtures of wind powered electric generating~~
8 ~~facilities taxed under section 5402c of this title.~~

9 Sec. 44. 32 V.S.A. § 5402(d) is amended to read:

10 (d) ~~A municipality which has upon its grand list an operating electric~~
11 ~~generating plant subject to the tax under section 5402a of this chapter shall be~~
12 ~~subject to the nonresidential education property tax at three quarters of the rate~~
13 ~~provided in subdivision (a)(1) of this section, as adjusted under section 5402b~~
14 ~~of this chapter; and shall be subject to the homestead education property tax at~~
15 ~~three quarters of the base rate provided in subdivision (a)(2) of this section, as~~
16 ~~adjusted under section 5402b of this chapter, and multiplied by its district~~
17 ~~spending adjustment.~~

18 Sec. 45. 32 V.S.A. § 5404a is amended to read:

19 § 5404a. TAX STABILIZATION AGREEMENTS; TAX INCREMENT

20 FINANCING DISTRICTS

21 * * *

1 Sec. 48. 16 V.S.A. § 2178 is amended to read:

2 § 2178. TAX EXEMPTION

3 (a) All real and personal property owned by the corporation shall be
4 exempt from taxation.

5 (b) Tax expenditure sunset. This section (property tax exemption for state
6 college property used for educational purposes) is repealed on January 1, 2017.

7 Sec. 49. 16A V.S.A. § 1-15 is amended to read:

8 § 1-15. TAX EXEMPTION

9 (a) Real and personal property now held or owned or hereafter acquired by
10 the University of Vermont and State Agricultural College for educational
11 purposes shall be exempt from taxation.

12 (b) Tax expenditure sunset. This section is repealed on January 1, 2017.

13 Sec. 50. 22 V.S.A. § 109 is amended to read:

14 § 109. EXEMPTION FROM TAXATION

15 (a) When the instrument providing the endowment declares that the
16 institution shall be a free public library, such library and other property of the
17 corporation shall be forever exempt from taxation.

18 (b) Tax expenditure sunset. This section is repealed on January 1, 2017.

1 Sec. 51. 24 V.S.A. § 4020 is amended to read:

2 § 4020. TAXATION

3 (a) The property of an authority is declared to be public property used for
4 essential public and governmental purposes and such property and an authority
5 shall be exempt from all taxes and special assessments of the state or any state
6 public body thereof; provided however, that in lieu of such taxes or special
7 assessments, the authority may agree to make payments to the state public
8 body for improvements, services, and facilities furnished by such state public
9 body for the benefit of the housing project, but in no event shall the payments
10 exceed the estimated cost to such state public body of the improvements,
11 services or facilities to be so furnished.

12 (b) Tax expenditure sunset. Subsection (a) of this section is repealed on
13 December 15, 2015.

14 Sec. 52. 10 V.S.A. § 6306 is amended to read:

15 § 6306. EXEMPTION FROM TAXATION

16 * * *

17 (e) Tax expenditure sunset. Subsections (a) through (d) of this section are
18 repealed on January 1, 2017.

19 Sec. 53. TRANSITION RULE; EXISTING TAX INCENTIVES

20 Tax credits and other tax incentives which have been specifically granted to
21 the taxpayer prior to the time of the repeal of the incentive under sections of

1 this act shall remain effective as if the authorizing statute had not been
2 repealed.

3 Sec. 54. EFFECTIVE DATES

4 This act shall take effect upon passage, and unless otherwise specifically
5 provided, shall apply to taxable year 2012 and after, except as follows:

6 (1) Secs. 2 (removing tax expenditures for Vermont interest and
7 dividend income and capital gains exclusion) and 4 (removing tax expenditures
8 for farm income averaging, child and dependent care credit, elderly or disabled
9 credit, investment tax credit, and solar tax credit) of this act shall apply to
10 taxable years beginning on or after January 1, 2015.

11 (2) Sec. 40 (repeal of rooms tax exemptions) shall take effect on
12 January 1, 2016.

13 (3) Secs. 43 (amending definition of nonresidential property) and 44
14 (amending tax expenditure for towns with electric generating plants) shall take
15 effect January 1, 2017.