

1 H.324

2 Introduced by Representative Pearson of Burlington

3 Referred to Committee on

4 Date:

5 Subject: Taxation

6 Statement of purpose of bill as introduced: This bill proposes to make
7 numerous changes to Vermont's tax code, including the escheat of abandoned
8 bottle deposits to the State, the elimination of the preferential treatment of
9 capital gains income, a "pull-up" of income tax brackets for high income
10 taxpayers, a minimum income tax, having banks pay the higher of the bank
11 franchise tax or corporate income tax, lowering the estate tax exclusion to
12 \$1,000,000.00, raising the property transfer tax for properties over \$500,000.00
13 in value, adding bottled water to the sales tax but exempting the first \$100.00
14 of clothing purchases, and creating a water extraction tax.

15 An act relating to making numerous changes to Vermont's tax laws

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

17 * * * Bottle Deposits * * *

18 Sec. 1. 10 V.S.A. § 1521 is amended to read:

19 § 1521. DEFINITIONS

20 ~~For the purpose of~~ As used in this chapter:

1 (1) “Beverage” means beer or other malt beverages and mineral waters,
2 mixed wine drink, soda water ~~and~~, carbonated soft drinks, noncarbonated
3 water, and all nonalcoholic carbonated or noncarbonated drinks in liquid form
4 and intended for human consumption, except for rice milk, soymilk, hempseed
5 milk, milk, and dairy products. As of January 1, 1990 “beverage” also shall
6 mean liquor.

7 (2) “Biodegradable material” means material ~~which~~ that is capable of
8 being broken down by bacteria into basic elements.

9 (3) “Container” means the individual, separate, bottle, can, jar, or carton
10 composed of glass, metal, paper, plastic, or any combination of those materials
11 containing a consumer product. This definition shall not include containers
12 made of biodegradable material.

13 (4) “Distributor” means every person who engages in the sale of
14 consumer products in containers to a dealer in this ~~state~~ State, including any
15 manufacturer who engages in such sales. Any dealer or retailer who sells, at
16 the retail level, beverages in containers without having purchased them from a
17 person otherwise classified as a distributor, shall be a distributor.

18 (5) “Manufacturer” means every person bottling, canning, packing, or
19 otherwise filling containers for sale to distributors or dealers.

1 (6) “Recycling” means the process of sorting, cleansing, treating, and
2 reconstituting waste and other discarded materials for the purpose of reusing
3 the materials in the same or altered form.

4 (7) “Redemption center” means a store or other location where any
5 person may, during normal business hours, redeem the amount of the deposit
6 for any empty beverage container labeled or certified pursuant to section 1524
7 of this title.

8 (8) “Secretary” means the ~~secretary of the agency of natural resources~~
9 Secretary of Natural Resources.

10 (9) “Mixed wine drink” means a beverage containing wine and more
11 than 15 percent added plain, carbonated, or sparkling water; and which
12 contains added natural or artificial blended material, such as fruit juices,
13 flavors, flavoring, adjuncts, coloring, or preservatives; which contains not
14 more than 16 percent alcohol by volume; or other similar product marketed as
15 a wine cooler.

16 (10) “Liquor” means spirits as defined in 7 V.S.A. § 2.

17 (11) “Deposit initiator” means the first distributor or manufacturer to
18 collect the deposit on a beverage container sold to any person within the State.

1 Sec. 2. 10 V.S.A. § 1530 is added to read:

2 § 1530. ABANDONED DEPOSITS; DEPOSIT TRANSACTION ACCOUNT

3 (a) A deposit initiator shall open a separate interest-bearing account in a
4 Vermont branch of a financial institution to be known as the deposit
5 transaction account. The deposit initiator shall keep the deposit transaction
6 account separate from all other revenues and accounts. Each deposit initiator
7 shall deposit in the deposit transaction account the refund value established by
8 section 1522 of this title for all beverage containers sold by the deposit
9 initiator. The deposit initiator shall deposit the refund value for each beverage
10 container in the account not more than three business days after the date the
11 beverage container is sold. All interest, dividends, and returns earned on the
12 deposit transaction account shall be paid directly to the account and may be
13 transferred from the deposit transaction account for use by the deposit initiator.

14 (b) Beginning on January 10, 2016, and by the tenth day of each month
15 thereafter, every deposit initiator shall report to the Secretary of Natural
16 Resources and the Commissioner of Taxes concerning transactions affecting
17 the deposit initiator's deposit transaction account in the preceding month. The
18 report shall be submitted on a form provided by the Commissioner of Taxes
19 and shall include:

20 (1) the balance of the account at the beginning of the preceding month;

1 (2) the number of nonreusable beverage containers sold in the preceding
2 month and the number of nonreusable beverage containers returned in the
3 preceding month;

4 (3) the amount of beverage container deposits received by the deposit
5 initiator and deposited into the deposit transaction account;

6 (4) the amount of refund payments made from the deposit transaction
7 account in the preceding month;

8 (5) any income earned on the deposit transaction account in the
9 preceding month;

10 (6) any other transactions, withdrawals, or service charges on the
11 deposit transaction account from the preceding month; and

12 (7) any additional information required by the Commissioner of Taxes.

13 (c) On or before January 10, 2016, and on the tenth day of each month
14 thereafter, each deposit initiator shall remit from its deposit transaction account
15 to the Commissioner of Taxes any abandoned beverage container deposits
16 from the preceding month. The amount of abandoned beverage container
17 deposits for a month is the amount equal to the amount of deposits that should
18 be in the account less the sum of:

19 (1) income earned on amounts on the account during that month; and

20 (2) the total amount of refund value received by the deposit initiator for
21 nonrefillable containers during that month.

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~~ U.S. government obligations;

4 ~~(ii) with respect to adjusted net capital gain income as defined in~~
5 ~~26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend~~
6 ~~income: either the first \$5,000.00 of such adjusted net capital gain income; or~~
7 ~~40 percent of adjusted net capital gain income from the sale of assets held by~~
8 ~~the taxpayer for more than three years, except not adjusted net capital gain~~
9 ~~income from:~~

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

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

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

19 ~~(iii)(ii)~~ recapture of State and local income tax deductions not
20 taken against Vermont income tax.

1 * * * Alternative Minimum Tax * * *

2 Sec. 4. 32 V.S.A. § 5822(a)(6) is added to read:

3 (6) If the federal adjusted gross income of the taxpayer exceeds
4 \$125,000.00, then the tax calculated under this subsection shall be the greater
5 of the tax calculated under subdivisions (1)–(5) of this subsection or three
6 percent of the taxpayer’s federal adjusted gross income.

7 * * * Income Taxes Bracket Calculation * * *

8 Sec. 5. 32 V.S.A. § 5822(b) is amended to read:

9 (b) As used in this section:

10 (1) “Married individuals,” “surviving spouse,” “head of household,”
11 “unmarried individual,” “estate,” and “trust” have the same meaning as under
12 the Internal Revenue Code.

13 (2) The amounts of taxable income shown in the tables in this section
14 shall be adjusted annually for inflation by the Commissioner of Taxes, using
15 the Consumer Price Index adjustment percentage, in the manner prescribed for
16 inflation adjustment of federal income tax tables for the taxable year by the
17 Commissioner of Internal Revenue, beginning with taxable year 2003.

18 (3) For taxpayers filing under subdivisions (a)(1)–(4) of this section:

19 (A) a taxpayer whose taxable income is in the highest bracket shall
20 pay tax as if all of his or her income in the three lowest brackets were taxed at

1 the rate in the fourth lowest bracket and the remainder of his or her income will
2 be taxed under the remaining bracket and rate as specified; and

3 (B) a taxpayer whose taxable income is in the second highest bracket
4 shall pay tax as if all of his or her income in the lowest two brackets were
5 taxed at the rate in the third lowest bracket and the remainder of his or her
6 income will be taxed under the remaining brackets and rates as specified.

7 * * * Bank Franchise Tax * * *

8 Sec. 6. 32 V.S.A. § 5836(g) is amended to read:

9 (g) A corporation which is subject to the tax imposed by this section shall
10 ~~not be subject to the~~ pay the greater of the tax imposed by this section or the
11 tax imposed by section 5832 of this title.

12 * * * Estate Taxes * * *

13 Sec. 7. 32 V.S.A. § 7442a(c) is amended to read:

14 (c) The Vermont estate tax shall not exceed the amount of the tax imposed
15 by 26 U.S.C. § 2001 calculated as if the applicable exclusion amount under
16 26 U.S.C. § 2010 were ~~\$2,750,000.00~~ \$1,000,000.00, and with no deduction
17 under 26 U.S.C. § 2058.

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* * * Sales Tax * * *

Sec. 9. 32 V.S.A. § 9741 is amended to read:

§ 9741. SALES NOT COVERED

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

* * *

(13) Sales of food, food stamps, purchases made with food stamps, food products and beverages, but not bottled water, sold for human consumption off the premises where sold.

* * *

(45) Clothing; but clothing shall not include the value of an article of clothing in excess of \$100, clothing accessories or equipment, protective equipment, or sport or recreational equipment.

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* * * Extraction Taxes * * *

Sec. 10. 32 V.S.A. chapter 245 is added to read:

CHAPTER 245. EXTRACTION TAXES

Subchapter 1. Groundwater

§ 10501. DEFINITIONS

As used in this chapter:

(1) “Groundwater” shall have the meaning set forth in 10 V.S.A. § 1416.

(2) “Manufacturer” means any processor, bottler, or other person who withdraws groundwater in the State of Vermont for the purpose of selling or reselling the groundwater for consumption by human beings.

(3) “Spring” shall have the meaning set forth in 10 V.S.A. § 1416.

(4) “Well” shall have the meaning set forth in 10 V.S.A. § 1416.

(5) “Withdraw” or “withdrawal” shall have the meaning set forth in 10 V.S.A. § 1416.

§ 10502. IMPOSITION OF GROUNDWATER WITHDRAWAL ROYALTY

There is hereby imposed on each manufacturer a groundwater withdrawal royalty of \$0.28 per gallon of groundwater withdrawn from a well or a spring within the State of Vermont for the purpose of sale or the purpose of sale to another for resale.

1 § 10503. PAYMENT

2 Each manufacturer shall prepare and submit to the Department a monthly
3 report according to procedures established by the Commissioner showing the
4 total gallons of groundwater withdrawn during the preceding month and other
5 information the Commissioner may require. The groundwater withdrawal
6 royalty shall be paid each month to the Department at the same time the report
7 is submitted and deposited in the General Fund.

8 § 10504. RECORDS

9 Each manufacturer shall keep a record of all groundwater withdrawn in this
10 State, and that record must be open at all times to inspection by the
11 Commissioner of Taxes.

12 § 10505. ENFORCEMENT

13 The groundwater withdrawal royalty imposed under this chapter shall be
14 enforced using the enforcement and collection provisions set forth in chapter
15 103 of this title.

16 Subchapter 2. Earth Resources

17 § 10510. EARTH RESOURCES EXTRACTION TAX

18 There is imposed on each person extracting earth resources, including sand,
19 gravel, peat, topsoil, crushed stone, or quarried material, that is also subject to
20 the fee in 10 V.S.A. § 6083a(4) a tax of \$0.02 per cubic yard of the total
21 volume of earth resources extracted each year. Extracted material that is not

1 sold or does not otherwise enter the commercial marketplace shall not be
2 subject to the tax.

3 § 10511. PAYMENT

4 Each person subject to the tax in section 10510 of this title shall prepare and
5 submit to the Department a monthly report according to procedures established
6 by the Commissioner showing the total earth resources extracted during the
7 preceding month and other information the Commissioner may require. The
8 tax in section 10510 shall be paid each month to the Department at the same
9 time the report is submitted and deposited in the General Fund.

10 § 10512. RECORDS

11 Each person subject to the tax in section 10510 shall keep a record of all
12 earth resources extracted by that person in this State, and that record must be
13 open at all times to inspection by the Commissioner of Taxes.

14 § 10513. ENFORCEMENT

15 The tax imposed under section 10510 shall be enforced using the
16 enforcement and collection provisions set forth in chapter 103 of this title.

17 Sec. 11. EFFECTIVE DATES

18 (a) This section shall take effect on passage.

19 (b) Secs. 1 and 2 (bottle deposit) and 10 (extraction taxes) shall take effect
20 on January 1, 2016.

1 (c) Sec. 3 (capital gains) shall take effect on January 1, 2016, and apply to
2 tax year 2016 and forward.

3 (d) Secs. 4 (alternative minimum tax), 5 (income tax brackets), 6 (bank
4 franchise tax), and 7 (estate taxes) shall take effect on January 1, 2016, and
5 apply to tax year 2016 and forward.

6 (e) Sec. 8 (property transfer tax) shall take effect on January 1, 2016, and
7 apply to property transferred after that date.

8 (f) Sec. 9 (sales tax) shall take effect on July 1, 2015.