



Vermont Tax Expenditures 2011 Biennial Report

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Vermont Department of Taxes
Legislative Joint Fiscal Office

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INTRODUCTION

In 2005 the Vermont Legislature passed Act 75, which charged the Department of Taxes to act in conjunction with the Joint Fiscal Office to prepare a biennial report detailing tax expenditures and their fiscal effect on the major state taxes. This report encompasses expenditures to individual and corporate income, sales and use, meals and rooms, and property taxes. Act 207 (2006) added bank franchise and insurance premiums taxes to the report and are included here. This year's report includes, for the first time, estimates for certain federal expenditures found on IRS Form 1040 Schedule A, as well as the federal standard deduction and federal personal exemption. The tax expenditures applied against the motor fuels and motor vehicle purchase and use taxes are also new in the 2011 report.

Taxes are an essential source of revenue for all state governments, but the manner in which they are imposed varies considerably from state to state. In its simplest form a tax is an across-the-board levy on a base, such as income or retail sales, to which a specific rate applies and no modifications exist. In practice, however, exclusions from the base are prevalent and this report serves to facilitate the tracking of the most modifications of the tax base, tax expenditures.

Tax Expenditures Defined

Tax expenditures are statutory provisions which reduce the amount of revenue that would otherwise be collected in order to encourage certain activity or to limit the tax burden on certain types of individuals. By reducing the amount of tax revenues collected by the government, expenditures can have the same fiscal effects as direct government expenditures. However, tax expenditures differ from direct spending programs in one important respect. Direct appropriations for government programs are evaluated annually during the budget process, and the legislature must take affirmative action to continue funding. Additionally, direct spending programs are itemized on the budget and therefore more transparent to the public. Tax expenditures, on the other hand, usually represent permanent foregone revenue and are not evident in the state budget or subject to the same annual review process.

Tax expenditures have come under increasing scrutiny in recent years. Forty-one states and the District of Columbia issue reports measuring tax expenditures to a varying degree. Since tax expenditures are designed to accomplish certain public goals that otherwise might be met through direct expenditures, it is appropriate for states to require the same kind of analysis and review given to budgetary appropriations for government goods and services. In addition to the important considerations of transparency and good policy, the recent budget crisis has brought the fiscal effects of these expenditures into greater focus for Vermont, as it has in many other states.

Reading the Report

The report is split into sections according to tax type: income, sales and use, meals and rooms, property, bank franchise, insurance premiums, motor fuels and motor vehicle purchase and use tax. For each tax type, there is an introductory section followed by a descriptive list of expenditures, with each one individually identified by descriptive title, authorizing statute and year enacted, followed by an Fiscal Year 2009 estimate of revenue forgone to the state and a short explanation of that expenditure. Finally, all expenditures in each tax type are summarized and data from the prior fiscal year is provided for comparison purposes. A new feature has been added to the report to make it more useful for fiscal review, and the summary list now includes an estimate for FY 2012 expenditure value, as well. *However, when looking at the estimates, it should be noted that the dollar amount listed is not necessarily the amount of*

revenue that the state would gain if that expenditure were to be eliminated. Among the reasons for this is that each expenditure is estimated independently of the others in the report, although significant effort has been made to account for interactions of interlinked provisions. While some provisions of the tax code provide specific tax exemptions, deductions, and credits, others are part of the basic structure of a given tax, known as the taxable base. The taxable base is discussed in the introductory sections for each tax type analyzed, and the expenditures listed in those sections are best thought of as exceptions to that tax base. The estimates are rounded to the nearest hundred and are based on the best data available. For the income tax sections, the number of taxpayers benefiting from the expenditure is also included. For FY12 estimates, various tax data and economic trends were analyzed to provide a preliminary estimate of future fiscal impact from that expenditure. Were the legislature to consider eliminating any particular tax expenditure, a more detailed analysis would be necessary.

INDIVIDUAL AND CORPORATE
INCOME TAX EXPENDITURES

DESCRIPTION OF INDIVIDUAL AND CORPORATE INCOME TAX EXPENDITURES

This portion of the report is devoted to individual and corporate income tax expenditures, split into two primary sections devoted first to the individual income tax, then corporate income tax. Both sections are divided into subsections with a focus on specific types of expenditures. The tax value of the expenditure differs depending on whether it is a deduction or exclusion from federal taxable income, a reduction of the Vermont tax prior to applying the income adjustment, income that is exempt and part of the adjustment calculation, or a credit against tax, which may be refundable or nonrefundable. The following page contains a flowchart illustrating the calculation of Vermont individual income tax and provides a framework for organizing the various exemptions, deductions and credits. Added to the individual income tax section is a new subsection on federal deductions and individual exemptions that reduce federal adjusted gross income to arrive at federal taxable income.

In addition to the summary tables that follow the descriptive lists for the two income tax expenditure sections, some additional summary data on individual income tax expenditures is provided by income cohort, including the total number of returns filed, the number receiving benefits from tax expenditures, and the total amount of and average reduction in tax liability due to those expenditures. There is also a summary table by income class on the three largest tax expenditures with more than 1,000 claimants.

Tax Base

Vermont income taxes are inextricably linked to the federal tax structure. Most states use federal taxable income or federal adjustable gross income (AGI) as the starting point for calculating state income taxes. Vermont's tax calculation begins with federal taxable income. This report focuses on those exclusions, exemptions, deductions, and credits enacted into the Vermont tax code that modify the federal tax base, as well as the federal expenditures mentioned above.

Tax provisions reflecting federal or state prohibitions against taxation are considered to be an inherent part of the tax base and therefore not included in this report. Prohibitions can relate to types of income, such as interest income from U.S. government obligations, or to types of entities, such as federally or state chartered credit unions. Vermont has also chosen, in some cases, to exempt particular institutions from income tax—such as banks—and to impose an alternative tax, in this case the bank franchise tax.

Data Sources

The nature of income tax expenditures in conjunction with Vermont's returns and revenue processing systems and off-line credit tracking spreadsheets provide detailed data that allow a high degree of confidence in the expenditure amounts supplied in this report. Each type of expenditure involves unique estimating problems and a different methodology. The estimated revenue impact for each expenditure is rounded to the nearest hundred dollars, and the number of taxpayers benefiting from the expenditure is rounded to the nearest multiple of ten.

LIST OF FISCAL YEAR 2009 INDIVIDUAL 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: 986
Estimate: \$4,552,800
Taxpayers benefiting from expenditure: 6,360

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.

1.002 Capital Gains Exclusion

Statute: 32 V.S.A. §5811(21)(B)(ii)
Enacted: 2002
Estimate: \$31,047,600
Taxpayers benefiting from expenditure: 29,030

An exclusion from taxable income in the amount of 40% of adjusted net long-term capital gain or of 40% of federal taxable income, whichever is less, was available in tax year 2008. In tax year 2009, the 40% exclusion was available for gains only in the first six months of the calendar year. For the remainder of 2009 and all of tax year 2010, taxpayers excluded only the first \$2,500 of adjusted net long-term capital gains. Gains from the sale of standing timber and farms retained the previous 40% exclusion. Taxpayers over age 70 were allowed choose the most beneficial exclusion method.

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: \$1,677,100
Taxpayers benefiting from expenditure: 14,520

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.

1.102 Credit for Elderly or Disabled

Statute: 32 V.S.A. §5822(d)
Enacted: 1967
Estimate: \$2,800
Taxpayers benefiting from expenditure: 70

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.

1.103 Investment Tax Credit

Statute: 32 V.S.A. §5822(d)
Enacted: 1967
Estimate: \$68,000
Taxpayers benefiting from expenditure: 40

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)).

1.104 Vermont Farm Income Averaging Credit

Statute: 32 V.S.A. §5822(c)(2)
Enacted: 2002
Estimate: \$112,500
Taxpayers benefiting from expenditure: 180

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.

1.105 Vermont Business Solar Energy Credit

Statute: 32 V.S.A. §§5822(d); 5930z
Enacted: 2002
Estimate: \$183,000
Taxpayers benefiting from expenditure: 10

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.

1.200 Adjustments to Vermont Income Tax

1.201 Military Pay

Statute: 32 V.S.A. §5823(a)(2) & (b)(3)
Enacted: 1966
Estimate: \$1,181,600
Taxpayers benefiting from expenditure: 1,680

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.

1.202 Federal Employment Opportunity Income

Statute: 32 V.S.A. §5823(a)(5)
Enacted: 1979
Estimate: \$10,700
Taxpayers benefiting from expenditure: 50

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).

1.203 Americans with Disabilities Credit

Statute: 32 V.S.A. §5823(a)(5)
Enacted: 1998
Estimate: \$300
Taxpayers benefiting from expenditure: Under 10

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.

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: \$300
Taxpayers benefiting from expenditure: Under 10

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

1.300 Vermont Tax Credits Applied after Income Adjustment

1.301 Charitable Housing Credit

Statute: 32 V.S.A. §5830c
Enacted: 1990
Estimate: \$43,400
Taxpayers benefiting from expenditure: 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.

1.302 Affordable Housing Credit

Statute: 32 V.S.A. §5930u
Enacted: 2000
Estimate: \$0
Taxpayers benefiting from expenditure: 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.)

1.303 Qualified Sale of Mobile Home Park Credit

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

1.304 Vermont Higher Education Investment Credit

Statute: 32 V.S.A. §5825a
Enacted: 2003 (revised in 2007)
Estimate: \$985,600
Taxpayers benefiting from expenditure: 2,010

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.

1.305 Entrepreneurs' Seed Capital Fund Credit

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

1.306 Historic Rehabilitation Tax Credit

Statute: 32 V.S.A. §5930cc(a); see §5930aa – 3930ff
Enacted: 2006
Estimate: \$4,700
Taxpayers benefiting from expenditure: Under 10

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.)

1.307 Façade Improvement Tax Credit

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

1.308 Code Improvement Tax Credit

Statute: 32 V.S.A. §5930cc(c); see §5930aa – 5930ff
Enacted: 2006
Estimate: \$55,300
Taxpayers benefiting from expenditure: 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.)

1.309 Research and Development Tax Credit

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

1.310 EATI Tax Credits

Statute: 32 V.S.A. §5930a2
Enacted: 1997; repealed 2006
Estimate: \$542,600
Taxpayers benefiting from expenditure: 30

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.

1.311 Downtown Tax Credits (carry forward only)

Statute: 32 V.S.A. §§5930n-5930r
Enacted: 1998, 2002, repealed 2006
Estimate: \$181,100
Taxpayers benefiting from expenditure: 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.

1.400 Refundable Credits

1.401 Low Income Child and Dependent Care Credit

Statute: 32 V.S.A. §5828c
Enacted: 2002
Estimate: \$51,700
Taxpayers benefiting from expenditure: 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.

1.402 Earned Income Tax Credit

Statute: 32 V.S.A. §5828b
Enacted: 1988
Estimate: \$21,467,100
Taxpayers benefiting from expenditure: 40,440

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.

Recently Expired or Repealed Exemptions

- a. Economic Advancement Tax Credits (EATI)
- Payroll Tax Credit 32 V.S.A. §5930c
 - Research and Development Tax Credit 32 V.S.A. §5930d
 - Workforce Development Incentive Tax Credit 32 V.S.A. §5930e
 - Export Tax Credit 32 V.S.A. §5930f
 - Capital Investment Tax Credit 32 V.S.A. §5930g
 - High-Tech Business Tax Credit 32 V.S.A. §5930k
 - Sustainable Technology R&D Tax Credit 32 V.S.A. §5930w
 - Sustainable Technology Export Tax Credit 32 V.S.A. §5930x

Authorization to grant EATI credits was terminated effective January 1, 2007, replaced by the Vermont Employment Growth Incentive Program. However, companies with existing authorizations were allowed the five-years earning and carry forward periods to take their credits. All provisions are repealed effective January 1, 2017. No. 184 (2006)

- b. Downtown Tax Credits
- Substantial Rehabilitation of Historic Buildings Credit 32 V.S.A. §5930n
 - Rehabilitation of Certified Historic Buildings Credit 32 V.S.A. §5930p
 - Platform Lifts, Elevators and Sprinkler Systems Credit 32 V.S.A. §5930q
 - Commercial Code Improvements Credit 32 V.S.A. §5930r

Authorization to allocate these four credits was terminated effective July 1, 2006, replaced by the Vermont Downtown and Village Center Tax Credit Program under 32 V.S.A. Subchapter 11J. However, taxpayers with existing awards were allowed five years to claim the credit and carry forward provisions were not repealed. No. 183 (2006).

- c. Angel Venture Capital Credit
Statute: 32 V.S.A. §5930v
Repealed effective January 1, 2010. No. 1 (2009 Special Session).

- d. *Repealed effective January 1, 2013. No. 160 (2010)*
- State Payments for Support of Developmentally Disabled Persons 32 V.S.A. §5823(a)(6)
 - Nonresident Commercial Film Income 32 V.S.A. §5823(b)(3) & (b)(4)(C)
 - Commercial Film Production Credit 32 V.S.A. §5826

LIST OF FISCAL YEAR 2009 FEDERAL INCOME TAX EXPENDITURES

Section 1.600 covers itemized deductions taken on Federal Form 1040 Schedule A, which are deducted from federal adjusted gross income (AGI). These deductions are taken in lieu of the standard deduction, and the expenditure value has been calculated after accounting for the value of the standard deduction (see section 1.700). Most taxpayers take multiple deductions, and therefore the number of taxpayers benefiting from each deduction is not additive. Approximately 100,000 Vermont taxpayers itemize each year.

1.600 Federal Itemized Deductions

1.601 Medical and Dental Expenses

Statute: IRC § 213
Enacted: 1942
Estimate: \$3,137,400
Taxpayers benefiting from expenditure: 16,630

A deduction is allowed for all expenses in excess of 7.5% of the taxpayer's adjusted gross income paid during the taxable year for medical care of the taxpayer or his dependants, provided those expenses are not reimbursed. This deduction includes prescribed drugs or insulin, and all amounts paid for the diagnosis, cure, mitigation, treatment or prevention of disease. It may also apply to amounts paid for needed lodging for treatment away from one's residence.

1.602 State and Local Income and Sales Taxes

Statute: IRC § 164
Enacted: 1913
Estimate: \$24,647,390
Taxpayers benefiting from expenditure: 96,950

A deduction is allowed for the total of state, local and foreign income taxes paid during the taxable year. This deduction can only be taken if the taxpayer chooses to forgo the deduction for general sales taxes. For tax years 2009 and after, Vermont limits the deduction of income taxes claimed on Schedule A to \$5000.

1.603 Real Estate Taxes

Statute: IRC § 164
Enacted: 1921
Estimate: \$14,202,300
Taxpayers benefiting from expenditure: 92,520

A taxpayer is entitled to deduct all state, local and foreign taxes paid during the taxable year on real estate owned that was not used for business.

1.604 Personal Property Taxes

Statute: IRC § 163(h)
Enacted: 1986
Estimate: \$309,800
Taxpayers benefiting from expenditure: 11,190

State and local personal property taxes paid by a taxpayer are deductible, but only if the taxes were based on value alone and imposed on a yearly basis. Additionally, there are other miscellaneous taxes that are deductible, such as generation-skipping transfer tax imposed on income distributions.

1.605 Home Mortgage Interest Deduction

Statute: IRC § 163(h)
Enacted: 1986
Estimate: \$23,001,500
Taxpayers benefiting from expenditure: 84,260

All interest from a secured debt mortgage may be deducted, presuming the following criteria are met: the taxpayer applying for the deduction is legally liable for the loan and the payment was made on a “qualified residence.” Mortgage interest not reported on Form 1098 may also be deductible, as well as points paid to borrow money and the amount of qualified mortgage insurance premiums paid under a mortgage insurance contract issued after December 1, 2006.

1.606 Investment Interest

Statute: IRC § 163(d)
Enacted: 1917
Estimate: \$1,556,500
Taxpayers benefiting from expenditure: 3,200

A deduction is allowed for interest that is paid or that accrues due to the holding of property for the purpose of investment during the taxable year. The amount to be deducted cannot exceed the taxpayer’s net investment income for that taxable year. However, any excess interest amount may be carried over as a deduction in the following taxable year.

1.607 Charitable Contributions and Gifts

Statute: IRC § 170
Enacted: 1917
Estimate: \$9,308,600
Taxpayers benefiting from expenditure: 71,700

A deduction is allowed for donations and gifts made to approved organizations, although the applicable deduction amount varies based on the property that is donated. For cash contributions by individuals, a deduction is allowed for up to 50% of the taxpayer’s AGI. For property contributions, a deduction can be taken up to 30% of AGI. Any excess charitable contributions may be carried forward for a total of five years.

1.608 Casualty or Theft Losses

Statute: IRC § 165, 198A
Enacted: 1913
Estimate: \$55,400
Taxpayers benefiting from expenditure: 170

A taxpayer is allowed a deduction for any non-business casualty or theft losses during the taxable year that were not compensated for by insurance or otherwise. The loss deduction is limited to the taxpayer's adjusted basis in the property. Each personal casualty or theft loss is limited to the excess of the loss over \$100 for taxable year 2008 (\$500 for taxable year 2009; \$100 for taxable years 2010 and after). Total losses are deductible only to the extent that the amount for the taxable year exceeds 10% of AGI.

1.609 Job Expenses and Other Miscellaneous Deductions

Statute: IRC § 162
Enacted: 1913
Estimate: \$4,346,200
Taxpayers benefiting from expenditure: 17,350

Unreimbursed employee expenses that are ordinary and necessary for the carrying on of a trade or business of being an employee and in excess of 2% of the taxpayer's AGI may be deducted. Examples of valid unreimbursed employee expenses are detailed in IRS Publication 529. A taxpayer may also deduct fees paid for tax return preparation and certain other fees and expenses paid to produce or collect taxable income and manage or protect property held for earning income. Additionally, other miscellaneous deductions may be taken, including gambling losses, to the extent of gambling winnings, casualty and theft losses of income-producing property, certain unrecovered investment in a pension, and impairment-related work expenses of a disabled person.

1.700 Other Federal Expenditures between AGI and Taxable Income

1.701 Standard Deduction

Statute: IRC § 63

Enacted: 1944

Estimate: \$104,541,100¹

Taxpayers benefiting from expenditure: 200,860²

A deduction of \$10,900 was allowed in tax year 2008 (adjusted annually for inflation) for married filing joint taxpayers who choose not to itemize their deductions for the taxable year. (The amount for those filing as head of household was \$8,000; for single taxpayers, \$5,450.) The amount is increased for those who are 65 years and older and/or blind. For taxable year 2009 only, the standard deduction could be increased for taxes paid on the purchase of a new motor vehicle, the amount of state and local real estate taxes up to \$500 (\$1000 for married filing joint), and net disaster loss.

1.702 Personal Exemption

Statute: IRC § 151(a)

Enacted: 1913

Estimate: \$88,594,600

Taxpayers benefiting from expenditure: 286,290

A deduction of \$3,500 was allowed in tax year 2008 (adjusted annually for inflation) for every exemption claimed by a taxpayer whose AGI is below a threshold amount, varied by filing status. For each \$2,500 of AGI over that amount, the exemption dollar amount must be reduced by 2%, with a total reduction of no more than one-third of the final exemption amount.

¹ The tax expenditure value of the federal standard deduction has been calculated for all taxpayers, regardless of whether they itemize their deductions. Thus, the expenditure value of itemized deductions is the residual deduction amount. This methodology assumes that itemized deductions would not be eliminated such that the amount to be deducted would reduce total deductions for itemized filers below the standard deduction allowable to the taxpayer (see Act No. 1, Sec. H.47. 2009 Special Session). The deduction amount and count includes zero exemption filers who receive some portion or all of the standard deduction.

² The reported number of taxpayers includes only those who took the standard deduction rather than the itemized deduction. However, since the methodology for calculating the expenditure value (see FN 1) includes the value for *all* taxpayers, regardless of which option they chose, the average value cannot be computed from these two figures. The corresponding portion of the standard deduction expenditure associated with taxpayers who itemize is \$47,794,900.

Vermont Individual Income Tax Expenditure Summary

Item Number	Individual Income Tax Expenditure	FY 2008	FY 2009	FY 2012 projected
1.001	Vermont Municipal Bond Income	\$4,503,400	\$4,552,800	\$5,000,000
1.002	Capital Gains Exclusion	\$61,150,300	\$31,047,600	\$18,100,000
1.101	Credit for Child and Dependent Care	\$1,675,200	\$1,677,100	\$1,685,000
1.102	Credit for Elderly or Disabled	\$3,100	\$2,800	\$3,300
1.103	Investment Tax Credit	\$31,800	\$68,000	\$400,000
1.104	Vermont Farm Income Averaging Credit	\$99,300	\$112,500	\$100,000
1.105	Vermont Business Solar Energy Credit	N.A.	\$183,000	\$1,600,000
1.201	Military Pay Exemption	\$1,121,500	\$1,181,600	\$1,160,000
1.202	Federal Employment Opportunity Income	\$7,700	\$10,700	\$12,000
1.203	Americans with Disabilities Credit Exemption	\$100	\$300	\$200
1.204	Qualified Bond Interest Income Exemption	\$0	\$300	\$1,000
1.301	Charitable Housing Credit	\$43,600	\$43,400	\$44,000
1.302	Affordable Housing Credit	\$0	\$0	\$0
1.303	Qualified Sale of Mobile Home Park Credit	\$0	\$0	\$0
1.304	Vermont Higher Education Investment Credit	\$911,800	\$985,600	\$1,200,000
1.305	Entrepreneurs' Seed Capital Fund Credit	\$0	\$0	\$0
1.306	Historic Rehabilitation Tax Credit	\$24,700	\$4,700	\$10,000
1.307	Façade Improvement Tax Credit	\$0	\$0	\$0
1.308	Code Improvement Tax Credit	\$29,500	\$55,300	\$40,000
1.309	Research and Development Tax Credit	N.A.	N.A.	\$1,500,000
1.310	EATI Tax Credits (carryforward only after 2010)	\$592,100	\$542,600	\$350,000
1.311	Downtown Tax Credits (carry forward only)	\$77,600	\$181,100	\$25,000
1.401	Low Income Child and Dependent Care Credit	\$70,300	\$51,700	\$75,000
1.402	Earned Income Tax Credit	\$20,381,300	\$21,467,100	\$28,000,000
Total		\$90,723,300	\$62,178,980	\$59,305,500

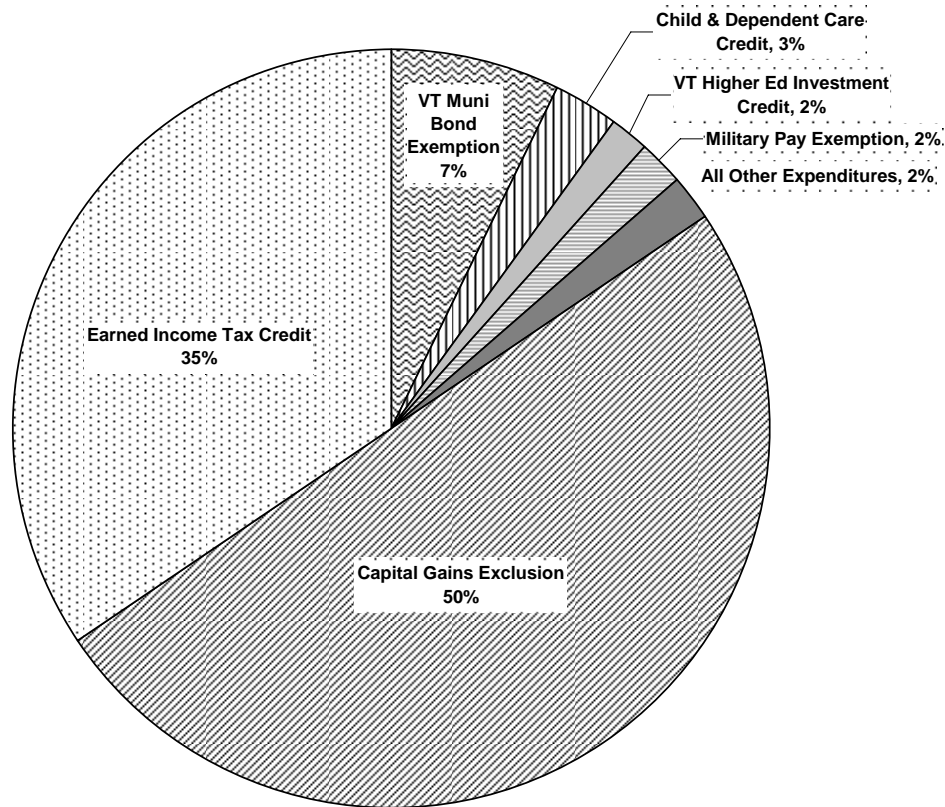
Federal Individual Income Tax Expenditure Summary

Item Number	Individual Income Tax Expenditure	FY 2008	FY 2009	FY 2012 projected
1.601	Medical & Dental Expenses	\$3,061,600	\$3,137,400	\$3,380,000
1.602	State & Local Income and Sales Taxes	\$23,201,422	\$24,647,390	\$28,500,000
1.603	Real Estate Taxes	\$13,272,100	\$14,202,300	\$16,400,000
1.604	Personal Property Taxes	\$375,800	\$309,800	\$400,000
1.605	Home Mortgage Interest Deduction	\$22,496,700	\$23,001,500	\$25,000,000
1.606	Investment Interest	\$2,735,300	\$1,556,500	\$3,000,000
1.607	Charitable Contributions & Gifts	\$11,543,500	\$9,308,600	\$13,000,000
1.608	Casualty or Theft Losses	\$55,693	\$55,400	\$56,000
1.609	Job Expenses & Other Misc. Deductions	\$4,760,700	\$4,346,200	\$5,000,000
1.701	Standard Deduction	\$102,673,500	\$104,541,100	\$110,000,000
1.702	Personal Exemption	\$91,087,900	\$88,594,600	\$93,000,000
Total		\$275,264,215	\$273,700,790	\$297,736,000

SUMMARY ANALYSIS OF INDIVIDUAL INCOME TAX EXPENDITURES

There are 24 state tax expenditures which may be taken against the individual income tax. The benefits are relatively widespread with almost one-quarter of all income tax filers receiving at least one type of tax preference. Of the approximately 365,000 returns filed in tax year 2009, there were over 87,000 returns claiming at least one tax expenditure. A number of taxpayers receive more than one benefit. From the list of tax expenditures, only three account for 96% of all foregone personal income tax revenue, with the remaining 31 credits accounting for 4% of the foregone revenue.

FY 2009 Individual Income Tax Expenditures



The highest levels of participation occurred in both extremes of the income spectrum. This is predominately because of the Earned Income Tax Credit in the lower income groups and the Capital Gains exclusion and Vermont Municipal Bond exemption among higher income taxpayers. Three of the other tax expenditures—the Child and Dependent Care Credit, Military Pay Exemption, and the Vermont Higher Education Investment Tax Credit—have relatively high utilization rates (over 1,000 claimants). More details of personal income tax expenditures are contained in the summaries on the following pages.

Tax Expenditure Summary - Fiscal Year 2009 Vermont Individual Income Tax Returns

Taxable Income Class (Federal)	Total # of Returns	Total # Receiving at Least One Benefit	Percent of Returns	Total \$ Amount of Tax Expenditure	Average \$ Amount of Tax Expenditure
Negative	12,720	6,970	54.8%	5,073,860	728
None/Missing	56,680	16,040	28.3%	8,320,820	519
.01 - 4,999	30,780	9,930	32.3%	4,243,430	427
5,000 - 9,999	23,790	6,260	26.3%	2,873,530	459
10,000 - 14,999	22,070	5,250	23.8%	1,420,970	271
15,000 - 19,999	20,880	3,440	16.5%	496,450	144
20,000 - 24,999	18,970	2,300	12.1%	313,590	136
25,000 - 29,999	16,370	2,140	13.1%	358,820	168
30,000 - 34,999	14,380	2,190	15.2%	322,400	147
35,000 - 39,999	12,390	2,120	17.1%	365,020	172
40,000 - 44,999	10,960	2,110	19.3%	418,920	199
45,000 - 49,999	9,520	1,930	20.3%	398,970	207
50,000 - 59,999	15,680	3,610	23.0%	784,740	217
60,000 - 74,999	16,750	4,340	25.9%	1,192,070	275
75,000 - 99,999	14,120	4,410	31.2%	1,676,330	380
100,000 - 124,999	6,210	2,230	35.9%	1,312,180	588
125,000 - 149,999	3,280	1,370	41.8%	1,209,070	883
150,000 - 199,999	3,080	1,440	46.8%	1,871,460	1,300
200,000 - 299,999	2,230	1,140	51.1%	2,461,300	2,159
300,000 - 499,999	1,170	700	59.8%	2,755,670	3,937
500,000 - 999,999	550	360	65.5%	3,359,680	9,332
1,000,000 +	320	230	71.9%	15,689,460	68,215
Total Vermont	312,900	80,510	25.7%	56,918,740	707
Total Out of State	52,350	6,840	13.1%	5,260,240	769
Grand Total	365,250	87,350	23.9%	62,178,980	712

Three Largest Tax Expenditures - Fiscal Year 2009 Vermont Individual Income Tax Returns

Taxable Income Class (Federal)	Total Tax Expenditures		Vermont Muni Bond Income		Capital Gains 40% Exclusion		Earned Income Tax Credit		All Others
	Number	Total	Number	Total	Number	Total	Number	Total	Total
Negative	6,970	5,073,860	410	193,070	0	0	6,550	4,877,770	3,020
None/Missing	16,040	8,320,820	230	31,900	0	0	15,790	8,282,160	6,760
.01 - 4,999	9,930	4,243,430	200	38,080	2,160	34,440	7,560	4,091,990	78,920
5,000 - 9,999	6,260	2,873,530	180	42,800	1,310	52,270	4,660	2,649,960	128,500
10,000 - 14,999	5,250	1,420,970	190	69,260	1,200	61,400	3,610	1,110,050	180,260
15,000 - 19,999	3,440	496,450	210	38,830	1,190	71,770	1,490	204,390	181,460
20,000 - 24,999	2,300	313,590	190	46,310	1,220	86,950	80	9,750	170,580
25,000 - 29,999	2,140	358,820	190	103,270	1,120	83,730			171,820
30,000 - 34,999	2,190	322,400	220	57,400	1,150	93,790			171,210
35,000 - 39,999	2,120	365,020	210	58,830	1,140	116,310			189,880
40,000 - 44,999	2,110	418,920	240	115,940	1,120	125,220			177,760
45,000 - 49,999	1,930	398,970	210	77,650	1,010	122,650			198,670
50,000 - 59,999	3,610	784,740	390	187,900	1,930	303,890			292,950
60,000 - 74,999	4,340	1,192,070	480	201,310	2,420	553,590			437,170
75,000 - 99,999	4,410	1,676,330	610	318,960	2,610	905,760			451,610
100,000 - 124,999	2,230	1,312,180	370	232,630	1,490	803,680			275,870
125,000 - 149,999	1,370	1,209,070	280	255,630	890	759,860			193,580
150,000 - 199,999	1,440	1,871,460	350	414,800	980	1,260,340			196,320
200,000 - 299,999	1,140	2,461,300	360	404,710	790	1,825,170			231,420
300,000 - 499,999	700	2,755,670	240	376,120	480	2,207,480			172,070
500,000 - 999,999	360	3,359,680	160	421,790	260	2,865,260			72,630
1,000,000 +	230	15,689,460	110	623,360	170	14,780,590			285,510
Total Vermont	80,510	56,918,740	6,030	4,310,550	24,640	27,114,150	39,740	21,226,070	4,267,970
Total Out of State	6,840	5,260,240	350	242,250	4,400	3,933,410	680	241,000	273,620
Grand Total	87,350	62,178,980	6,380	4,552,800	29,040	31,047,560	40,420	21,467,070	4,541,590

High Participation Expenditure Details - Fiscal Year 2009 Vermont Individual Income Tax Returns

Taxable Income Class (Federal)	Child and Dependent Care		Military Pay Exemption		Vermont Higher Education Investment Plan	
	Number	Total	Number	Total	Number	Total
Negative	0	100	0	10	10	2,600
None/Missing	0	0	0	50	20	6,030
.01 - 4,999	490	26,940	130	8,260	10	3,170
5,000 - 9,999	610	74,180	180	32,770	20	3,980
10,000 - 14,999	760	105,960	190	54,580	20	3,690
15,000 - 19,999	740	96,140	170	68,600	30	11,820
20,000 - 24,999	770	90,730	150	64,840	40	10,120
25,000 - 29,999	810	97,360	110	43,120	30	9,670
30,000 - 34,999	810	96,360	100	51,820	60	17,870
35,000 - 39,999	800	99,580	80	47,120	60	16,670
40,000 - 44,999	820	99,240	50	40,500	70	19,440
45,000 - 49,999	770	97,590	30	39,420	80	24,670
50,000 - 59,999	1,440	187,070	60	63,550	130	39,640
60,000 - 74,999	1,610	204,570	70	117,840	270	102,000
75,000 - 99,999	1,410	174,910	50	102,640	370	161,920
100,000 - 124,999	520	59,870	30	83,740	210	110,480
125,000 - 149,999	270	28,340	10	43,290	150	101,000
150,000 - 199,999	250	27,710	10	39,210	160	121,510
200,000 - 299,999	170	19,350	0	6,250	140	118,200
300,000 - 499,999	80	10,870	0	0	70	62,440
500,000 - 999,999	10	2,120	0	340	20	18,550
1,000,000 +	10	1,220	0	0	10	10,900
Total Vermont	13,150	1,600,210	1,420	907,950	1,980	976,370
Total Out of State	1,400	76,880	280	273,620	30	9,280
Grand Total	14,550	1,677,090	1,700	1,181,570	2,010	985,650

LIST OF FISCAL YEAR 2009 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 benefiting from expenditure: 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.

2.100 Vermont Tax Credits

2.101 Charitable Housing Credit

Statute: 32 V.S.A. §5830c
Enacted: 1990
Estimate: \$0
Taxpayers benefiting from expenditure: None

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.

2.102 Affordable Housing Credit

Statute: 32 V.S.A. §5930u
Enacted: 2000
Estimate: \$0
Taxpayers benefiting from expenditure: None

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.)

2.103 Qualified Sale of Mobile Home Park Credit

Statute: 32 V.S.A. §5828
Enacted: 1998
Estimate: \$0
Taxpayers benefiting from expenditure: None

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.

2.104 Wood Products Manufacture Tax Credit

Statute: 32 V.S.A. §5930y
Enacted: 2005
Estimate: \$0
Taxpayers benefiting from expenditure: None

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.

2.105 Historic Rehabilitation Tax Credit

Statute: 32 V.S.A. §5930cc(a); see §§5930aa - 5930ff
Enacted: 2006
Estimate: \$0
Taxpayers benefiting from expenditure: None

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

2.106 Façade Improvement Tax Credit

Statute: 32 V.S.A. 5930cc(b); see §§5930aa - 5930ff
Enacted: 2006
Estimate: \$0
Taxpayers benefiting from expenditure: None

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

2.107 Code Improvement Tax Credit

Statute: 32 V.S.A. 5930cc(c); see §§5930aa - 5930ff
Enacted: 2006
Estimate: \$0
Taxpayers benefiting from expenditure: None

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.

2.108 Business Solar Energy Tax Credit

Statute: 32 V.S.A. §5930z
Enacted: 2008
Estimate: \$39,000
Taxpayers benefiting from expenditure: Under 10

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.

2.109 Machinery and Equipment Tax Credit

Statute: 32 V.S.A. §5930ll
Enacted: 2010
Estimate: N.A.
Taxpayers benefiting from expenditure: 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. Applies to taxable years beginning on January 1, 2012 and repealed effective June 1, 2026.

2.110 Research and Development Tax Credit

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

2.111 EATI Tax Credits

Statute: 32 V.S.A. §5930a
Enacted: 1997; repealed 2006
Estimate: \$227,300
Taxpayers benefiting from expenditure: 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.

Recently Expired or Repealed Exemptions

- a. Manufacturer's Investment Credit
Enacted in 1993. Sunset for tax year 2005 and after.
- b. Employee Training Credit
Repealed effective May 31, 2006.
- c. New Jobs Credit
Repealed effective March 8, 2006.
- d. Downtown Tax Credits
 - Rehabilitation of Certified Historic Buildings Credit
 - Older or Historic Building Rehabilitation Credit
 - Platform Lifts, Elevators, and Sprinkler Systems Credit
 - Commercial Code Improvements Credit

Authorization to allocate these four credits was terminated effective July 1, 2006, replaced by the Vermont Downtown and Village Center Tax Credit Program under 32 V.S.A. Subchapter 11J. However, taxpayers with existing awards were allowed five years to claim the credit and carry forward provisions were not repealed. No. 183 (2006).

- e. Economic Advancement Tax Credits (EATI)
 - Payroll Tax Credit 32 V.S.A. §5930c
 - Research and Development Tax Credit 32 V.S.A. §5930d
 - Workforce Development Incentive Tax Credit 32 V.S.A. §5930e
 - Export Tax Credit 32 V.S.A. §5930f
 - Capital Investment Tax Credit 32 V.S.A. §5930g
 - High-Tech Business Tax Credit 32 V.S.A. §5930k
 - Sustainable Technology R&D Tax Credit 32 V.S.A. §5930w
 - Sustainable Technology Export Tax Credit 32 V.S.A. §5930x

Authorization to grant EATI credits was terminated effective January 1, 2007, replaced by the Vermont Employment Growth Incentive Program. However, companies with existing authorizations were allowed the five-years earning and carry forward periods to take their credits. All provisions are repealed effective January 1, 2016. No. 184 (2006)

OTHER EXPENDITURES FOR FISCAL YEAR 2009

2.200 Vermont Employment Growth Incentive (VEGI)

Statute: 32 V.S.A. §5930b

Enacted: 2006

Estimate: \$186,400

Taxpayers benefiting from expenditure: Under 10

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.

Corporate Income Tax Expenditures

Item Number	Corporate Income Tax Expenditures	FY 2008 actual	FY 2009 actual	FY 2012 projected
2.001	Vermont Municipal Bond Income Exemption		Data unavailable	
2.101	Charitable Housing Credit	\$0	\$0	\$0
2.102	Affordable Housing Credit	\$0	\$0	\$0
2.103	Qualified Sale of Mobile Home Park Credit	\$0	\$0	\$0
2.104	Wood Products Manufacture Tax Credit	\$289,600	\$0	\$350,000
2.105	Historic Rehabilitation Tax Credit	\$0	\$0	\$0
2.106	Façade Improvement Tax Credit	\$0	\$0	\$0
2.107	Code Improvement Tax Credit	\$0	\$0	\$0
2.108	Business Solar Energy Tax Credit		\$39,000	\$200,000
2.109	Machinery and Equipment Tax Credit	N.A.	N.A.	\$0
2.110	Research and Development Tax Credit	N.A.	N.A.	\$2,000,000
2.111	EATI Tax Credits (carryforward only after 2010)	\$635,000	\$227,300	\$100,000
	Total	\$635,000	\$354,300	\$2,525,000

Vermont Employment Growth Incentive

Item Number	Expenditure	FY 2008 actual	FY 2009 actual	FY 2012 projected
2.200	VEGI Incentive	\$77,600	\$ 186,400	\$75,000

**SALES AND USE AND MEALS AND ROOMS
TAX EXPENDITURES**

DESCRIPTION OF SALES AND USE AND MEALS AND ROOMS TAX EXPENDITURES

Sales and Use Tax Expenditures

Estimating expenditures in sales and use taxes presents challenges not encountered when reporting income tax expenditures. The tax department has no data on exempted sales, unlike for income tax credits and deductions, because specific sales tax exemptions are not reported on any tax return. The estimates contained in this report are based on data from a variety of sources for different years and using different methodologies. In some cases there were no available data on which to base an estimate, but where available, sales and use tax expenditure estimates are provided for fiscal year 2009. When using data sources that do not have annual updates, the data have been adjusted for inflation. The estimated revenue impact is rounded to the nearest hundred thousand dollars. It is impractical to estimate the number of affected taxpayers, so this portion of the report does not include the information.

In 2007, Vermont adopted a definition of "retail sale" developed by a consortium of states as part of the Streamlined Sales and Use Tax Agreement. This definition is included in 32 V.S.A. § 9701(5): Retail sale or sold at retail means any sale, lease, or rental for any purpose other than for resale, sublease, or subrent.

Section 9741 describes several categories of sales not covered by the sales tax, which are considered expenditures in this report:

- true expenditures that represent policy decisions to protect or give an advantage to certain activities or groups of consumers;
- several product exclusions including food, clothing, medical devices and agricultural supplies;
- transactions that fall outside the definition of tangible personal property as the basis for the sales tax and are in statute primarily for clarification, e.g., §§9741(35) and (37);
- exemptions for intermediate goods used in the processing of a final product that will be sold at retail, such as the manufacturing exemption, §9741(14), or the newspaper exemption, §9741(15); or
- exemptions for transactions the state deems too difficult to tax, e.g., casual sales.

Some exemptions represent transactions that fall outside the boundaries of the sales tax and are not considered tax expenditures, such as:

- exemptions that represent a choice of alternative tax schemes, such as the meals and rooms tax, which substitutes for extending the sales tax to meals for sale or rooms for rent;
- transactions and sales by organizations that are either nonretail in nature or when the transfer of tangible property is incidental to the delivery of service such as documents associated with professional services.

Section 9742 specifies transactions that are not covered by the sales tax, and therefore not included in the expenditure report, most of which are nonretail transactions involving the transfer of tangible property in exchange for an intangible interest or upon liquidation or as security for the performance of an obligation. Section 9742 also includes the sawing of lumber excluded from the definition of fabrication and therefore from the sales tax base. the use of waste wood by a manufacturer, and the sale of telecommunications services to an affiliate.

Organizations Not Covered

Certain exemptions are not included as tax expenditures because there would be no lawful mechanism for the state to collect the tax revenue. 32 V.S.A. § 9743(1) and (2), describe the exemption of state and federal government from sales and use taxes. The treatment of certain (income) tax-exempt organizations found in § 9743(3), (4), and (5), however, does come within the scope of the term "tax expenditure" and those exemptions are included in the body of the report.

Certain Telecommunications Services

Within the definition of telecommunications service, no tax is imposed on "coin-operated telephone service, paging service, private communications service, or value-added non-voice data service" by virtue of 32 V.S.A. § 9771(5). These services are nonretail transactions that do not involve the transfer of tangible personal property and therefore do not qualify as tax expenditures as the term is used herein. "Telecommunications nonrecurring charges" are defined from the term "sales price" and are not part of the tax base by virtue of § 9701(4)(B)(vi).

Vendor Credits

32 V.S.A. § 9701(4)(B) excludes credits on trade-in from the pre-2007 definition of "receipt." After membership in the Streamlined Sales Tax Agreement, trade-ins are excluded from the definition of sales price. There is a special rule for snowmobiles, motorboats, and vessel sales, excluding the price or book value of the first vehicle if a second vehicle is purchased within three months.

Use Tax Exemptions

32 V.S.A. § 9744 covers exemptions from use tax. These exemptions include:

- property purchased prior to Vermont's adoption of the sales tax;
- property on which a tax has already been paid upon purchase in another state;
- property purchased outside Vermont while a nonresident; and
- property withdrawn from inventory and donated to a nonprofit.

These exemptions are difficult to track and not considered expenditures for this report.

Meals and Rooms Tax Expenditures

The meals and rooms tax poses similar challenges as the sales and use tax for estimation of tax expenditures. The tax department has no data on which estimates can be based, and the authors of this report relied on various federal and state sources when relevant data could be found. All estimates have been inflation-adjusted in order to provide comparison for fiscal year 2009.

The tax on meals³ and rooms was enacted in 1959. The tax on alcoholic beverages was added in 1963. Unlike the sales tax chapter, chapter 225 does not contain an exemption statute. Instead, certain transactions that might otherwise be deemed a taxable meal or occupancy or alcoholic beverage are defined from those (or related) terms. Thus, most of the exemptions or exclusions are found in definitions⁴.

³ The definition of "taxable meal" was substantially rewritten in 1993.

⁴ In addition to these statutory exemptions, under the Supremacy Clause of the U.S. Constitution, no state is permitted to directly tax the federal government or any of its agencies or instrumentalities. Therefore, Vermont does not impose meals and rooms tax on charges billed directly to the federal government in its

Meals Tax

A tax is imposed on each “taxable meal.” 32 V.S.A. §9241. A taxable meal is food or beverage furnished by a “restaurant” and non-prepackaged food or beverage furnished by “other than a restaurant” whether for consumption on or off the premises. 32 V.S.A. §9202(10)(A) and (B). The definition of a taxable meal also excludes “grocery type items” that includes most of the food taxpayers purchase for home consumption. The definitions are complex and this report only includes the exemption for grocery type items “furnished for take out” that includes some bakery, delicatessen and candy products.

Rooms Tax

An operator collects this tax on the rent of each occupancy (occupancy means use, possession or the right to the use or possession of a hotel room). 32 V.S.A. § 9241(a). "Hotel" is defined broadly in 32 V.S.A. § 9202(3). That definition excludes certain types of accommodations that serve as the basis for some of the expenditures in this report. Other expenditures result from the rent of occupancy to governments and specified businesses.

Tax on Alcoholic Beverages

A tax is imposed on the sale of alcoholic beverages. 32 V.S.A. § 9241(c). Alcoholic beverages that are served under any of the circumstances enumerated in 32 V.S.A. § 9202(10)(D)(ii) are excluded from the definition of “alcoholic beverages.” 32 V.S.A. § 9202(11). Therefore, the tax expenditure estimates for the tax on alcoholic beverages are included in the estimates under the meals tax. The proportion of the expenditure that would be allocated to the tax on alcoholic beverages is expected to be small.

own name (or name of the agency or instrumentality). This exemption does not necessarily extend to employees of the federal government even if charges are incurred on behalf of the government. See *Vermont Department of Taxes Technical Bulletin No. 13* (1998). Nor does the state impose meals and rooms tax on itself. See *James v. Dravo Contracting Co.*, 302 U.S. 134 (1937) (taxing its own operations would be a direct obstruction to the exercise of its sovereign power). Again, this exempts only direct purchases and not employee purchases. See *TB-13, id.*

LIST OF FISCAL YEAR 2009 SALES TAX EXPENDITURES

3.000 Sales Not Covered

3.001 Medical products

Statute: 32 V.S.A. § 9741 (2)
Enacted: 1969
Estimate: \$41,500,000

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.

Data source: Vermont Department of Banking, Insurance, Securities and Health Care Administration, Vermont Health Care Expenditure Analysis & Three Year Forecast

3.002 Agricultural inputs

Statute: 32 V.S.A. § 9741 (3)
Enacted: 1969
Estimate: \$20,100,000

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.

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, which applies 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.

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.

3.005 Diesel 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.

3.006 Sales of food

Statute: 32 V.S.A. § 9741 (13)
Enacted: 1969
Estimate: \$73,700,000

Food that is sold for consumption off the premises where it is sold, including groceries, is exempt from the sales tax.

Data Source: Consumer Expenditure Survey

3.007 Manufacturers' material and equipment

Statute: 32 V.S.A. § 9741 (14)
Enacted: 1969
Estimate: \$308,200,000

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 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.

Data Source: US Census Bureau, American Fact Finder

3.008 Newspapers

Statute: 32 V.S.A. § 9741 (15)
Enacted: 1969; Amended in 1980
Estimate: \$1,100,000

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.

Data source: US Census Bureau, Service Annual Survey

3.009 Packaging and shipping materials

Statute: 32 V.S.A. § 9741 (16)
Enacted: 1969
Estimate: \$1,100,000

Packages for the sale of retail items are not subject to sales tax for 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.

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.

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.

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: \$1,200,000

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

Data source: Economic Census of Vermont

3.013 Admission fees to nonprofit museums

Statute: 32 V.S.A. § 9741 (20)
Enacted: 1970
Estimate: \$1,300,000

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

Data source: Economic Census of Vermont

3.014 Equipment, supplies and building materials sold to volunteer fire departments, ambulance companies 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 is exempt when purchased by contractors.

3.015 Funeral charges

Statute: 32 V.S.A. § 9741 (22)
Enacted: 1970
Estimate: \$300,000

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.

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

3.017 Agricultural machinery and equipment

Statute: 32 V.S.A. § 9741 (25)

Enacted: 1974

Estimate: \$1,600,000

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

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: \$45,700,000

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.

Data source: Energy Information Administration

3.019 Energy purchases for farming

Statute: 32 V.S.A. § 9741 (27)

Enacted: 1977

Estimate: \$3,200,000

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

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.

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: Less than \$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.

Data source: Joint Fiscal Office

3.022 Railroad rolling stock and depreciable parts

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

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

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 (for purchase only)

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.

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: \$200,000

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. (The tax expenditure for the sale of mobile homes and modular homes as real estate is not included in this estimate.)

Data Source: US Census Bureau, Manufactured Home survey

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

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

3.026 Electricity, oil, gas and other fuels used in manufacturing tangible personal property for sale

Statute: 32 V.S.A. § 9741 (34)
Enacted: 1993
Estimate: \$13,700,000

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.

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 as well, such as a written document or hair net. 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.

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.

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.

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 as of July 1 in each even numbered year. The cap is currently set at \$1,200.

3.031 Sales of building materials

Statute: 32 V.S.A. § 9741 (39)

Enacted: 1997

Estimate: Less than \$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 Housing and Community Affairs.

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.

3.033 Scrap construction materials by a third party

Statute: 32 V.S.A. § 9741 (43)

Enacted: 1998

Estimate: Data unavailable

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.

3.035 Clothing and footwear

Statute: 32 V.S.A. § 9741 (45)
Enacted: 1999; all clothing and footwear exempt beginning January 1, 2007
Estimate: \$25,400,000

Clothing, including footwear and as defined by statute, is exempt from the sales tax. Certain clothing used for athletics and carrying out work is subject to the tax.

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

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

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

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

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
Estimate: Data unavailable

Purchases by nonprofit organizations are exempt from the sales tax, as are some sales by churches, schools and other organizations, up 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.

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.

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.

3.040 Limitation of tax on telecommunications services

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

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

Data source: Department of Taxes

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

Statute: 32 V.S.A. § 9819
Enacted: 1998
Estimate: Less than \$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.

Data source: Department of Taxes

3.042 Sales 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 sales and use tax.

3.043 Sales to nonprofit medical service corporations

Statute: 8 V.S.A. § 4590
Enacted: 947
Estimate: Less than \$100,000

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

3.044 Sales to credit unions

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

Credit unions are exempt from the sales and use tax.

Recently Expired or Repealed Exemptions

- a. New personal computers and software used in VT high-tech business. VEPC had authorization to grant this sales tax exemption.

Statute: 32 V.S.A. § 9741 (47)
Repealed: January 1, 2007. 2006 Act No. 184

Sales Tax Expenditure Summary

Item Number	Sales Tax Expenditure	FY 2008	FY 2009	FY 2012 Projected
3.001	Medical products	39,500,000	41,500,000	48,900,000
3.002	Agricultural inputs	21,700,000	20,100,000	21,600,000
3.003	Veterinary supplies	1,100,000	1,100,000	1,100,000
3.004	Non-business, casual sales	Not estimated	Not estimated	Not estimated
3.005	Diesel fuels for railroads and ferries	Not estimated	Not estimated	Not estimated
3.006	Sales of food	73,500,000	73,700,000	78,900,000
3.007	Manufacturer's material and equipment	328,800,000	308,200,000	320,100,000
3.008	Newspapers	1,100,000	1,100,000	1,100,000
3.009	Packaging and shipping materials	1,100,000	1,100,000	1,200,000
3.010	Rented furniture for residential use	Not estimated	Not estimated	Not estimated
3.011	Admissions to municipal, state and federal recreation facilities	300,000	300,000	300,000
3.012	Rentals of coin-operated washing facilities	1,200,000	1,200,000	1,200,000
3.013	Admission fees to nonprofit museums	1,300,000	1,300,000	1,300,000
3.014	Equipment, supplies and building materials sold to volunteer fire departments, ambulance companies and rescue squads	Not estimated	Not estimated	Not estimated
3.015	Funeral charges	300,000	300,000	300,000
3.016	Property used in commercial, industrial or agricultural research	Not estimated	Not estimated	Not estimated
3.017	Agricultural machinery and equipment	2,000,000	1,600,000	1,600,000
3.018	Energy purchases for a residence	49,400,000	45,700,000	44,100,000
3.019	Energy purchases for farming	3,400,000	3,200,000	3,200,000
3.020	Sales of films to movie theaters	700,000	800,000	800,000
3.021	Aircraft and depreciable parts for commercial use	Under 100,000	Under 100,000	Under 100,000
3.022	Railroad rolling stock and depreciable parts	Under 100,000	Under 100,000	Under 100,000
3.023	Ferryboats and depreciable parts	100,000	100,000	100,000
3.024	Sales of mobile homes and modular housing	200,000	200,000	200,000
3.025	U.S. flag sold to or by exempt veterans' organizations	Not estimated	Not estimated	Not estimated
3.026	Electricity, oil, gas and other fuels used in manufacturing tangible personal property for sale	15,900,000	13,700,000	12,100,000
3.027	Property transferred as part of personal service transaction or transfer of intangible property rights	Not estimated	Not estimated	Not estimated
3.028	Advertising materials	Not estimated	Not estimated	Not estimated
3.029	Documents that record a professional service	Not estimated	Not estimated	Not estimated
3.030	Tracked vehicles	Not estimated	Not estimated	Not estimated
3.031	Sales of building materials	Under 100,000	Under 100,000	Under 100,000
3.032	Wholesale transactions between telecommunications service providers	Not estimated	Not estimated	Not estimated

Sales Tax Expenditure Summary (continued)

Item Number	Sales Tax Expenditure	FY 2008	FY 2009	FY 2012 Projected
3.033	Scrap construction materials by a third party	Not estimated	Not estimated	Not estimated
3.034	Property incorporated in railroad line	Not estimated	Not estimated	Not estimated
3.035	Clothing and footwear	26,700,000	25,400,000	27,300,000
3.036	Property incorporated into a net metering system, an energy system on a premises not connected to the electric distribution system, or a solar hot water heating system	Under 100,000	Under 100,000	Under 100,000
3.037	Sales to and some purchases from 501(c)(3) organizations	Not estimated	Not estimated	Not estimated
3.038	Building materials and supplies used in construction, repair of buildings by governmental bodies or 501(c)(3) organizations or development corporations	Not estimated	Not estimated	Not estimated
3.039	Amusement charges for 4 events a year for 501(c)(4)-(13) and (19) organizations and political organizations	Not estimated	Not estimated	Not estimated
3.040	Limitation of tax on telecommunications services	Under 100,000	Under 100,000	Under 100,000
3.041	Reallocation of receipts from tax imposed on sales of construction materials	Under 100,000	Under 100,000	Under 100,000
3.042	Sales to nonprofit hospital service corporations	Under 100,000	Under 100,000	Under 100,000
3.043	Sales to nonprofit medical service corporations	Under 100,000	Under 100,000	Under 100,000
3.044	Sales to credit unions	Under 100,000	Under 100,000	Under 100,000
Total		568,300,000	540,600,000	565,400,000

LIST OF FISCAL YEAR 2009 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: \$5,700,000

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.

Data source: Economic Census of Vermont

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.

4.003 Premises of a school

Statute: 32 V.S.A. § 9202(10)(D)(ii)(II)
Enacted: 1959
Estimate: \$1,900,000

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.

Data source: Vermont Department of Education

4.004 Premises of Vermont or federal institutions 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.

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 are not subject to the meals tax.

Data source: Vermont Inpatient Hospital Utilization Report

4.006 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.

4.007 Summer camp for children

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

Enacted: 1959

2009 Estimate: Less than \$100,000

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

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.

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

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.

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 are 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.

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.

4.013 Meals provided for 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 Rooms and Meals Tax.

4.014 Meals provided for 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 Rooms and Meals Tax.

- 4.015 Meals provided for credit unions
Statute: 8 V.S.A. § 30901
Enacted: 1967
Estimate: Less than \$100,000

Credit unions are exempt from the Rooms and Meals Tax.

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.

- 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.

- 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.

- 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.

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.

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

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 rooms tax. This exemption does not extend to recreational facilities operated by the Department of Forests, Parks and Recreation

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

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.

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 Rooms and Meals Tax.

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 Rooms and Meals Tax.

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 Rooms and Meals Tax.

Meals and Rooms Tax Expenditure Summary

Item Number	Meals & Rooms Tax Expenditures	FY 2008	FY 2009	FY 2012 Projected
<u>Meals and Alcohol Tax</u>				
4.001	Grocery-type items furnished for take-out	5,400,000	5,700,000	6,100,000
4.002	Served on the premises of a non-profit	Not estimated	Not estimated	Not estimated
4.003	Served on the premises of a school	1,900,000	1,900,000	1,900,000
4.004	Served on the premises of a prison	200,000	200,000	200,000
4.005	Served in hospitals, convalescent and nursing homes	1,000,000	1,000,000	1,100,000
4.006	Carriers	Not estimated	Not estimated	Not estimated
4.007	Summer camp for children	Under 100,000	Under 100,000	Under 100,000
4.008	Sold by nonprofits at fairs etc. but limited to 4 days	Not estimated	Not estimated	Not estimated
4.009	Furnished to an employee of a hotel or restaurant	Not estimated	Not estimated	Not estimated
4.010	Served to the elderly pursuant to the Older Americans Act	600,000	600,000	700,000
4.011	Purchased with food stamps	100,000	200,000	200,000
4.012	Served on the premises of a continuing care facility	Not estimated	Not estimated	Not estimated
4.013	Provided for nonprofit hospital service corporations	Under 100,000	Under 100,000	Under 100,000
4.014	Provided for nonprofit medical service corporations	Under 100,000	Under 100,000	Under 100,000
4.015	Provided for credit unions	Under 100,000	Under 100,000	Under 100,000
<u>Rooms Tax</u>				
4.101	Time share rights	Not estimated	Not estimated	Not estimated
4.102	Student housing	Not estimated	Not estimated	Not estimated
4.103	Permanent residents (occupied a room in a hotel for at least 30 days)	Not estimated	Not estimated	Not estimated
4.104	Hotel or restaurant employee (as part of their remuneration)	Not estimated	Not estimated	Not estimated
4.105	Summer camps	Not estimated	Not estimated	Not estimated
4.106	Hospital, sanatorium, convalescent home, nursing home	Not estimated	Not estimated	Not estimated
4.107	State or US-operated establishment	Not estimated	Not estimated	Not estimated
4.108	Nonprofit establishments	Not estimated	Not estimated	Not estimated
4.109	Continuing care retirement communities	Not estimated	Not estimated	Not estimated
4.110	Rooms provided for nonprofit hospital service corporations	Under 100,000	Under 100,000	Under 100,000
4.111	Rooms provided for nonprofit medical service corporations	Under 100,000	Under 100,000	Under 100,000
4.112	Rooms provided for credit unions	Under 100,000	Under 100,000	Under 100,000
Total		9,200,000	9,600,000	10,400,000

PROPERTY TAX EXPENDITURES

DESCRIPTION OF PROPERTY TAX EXPENDITURES

Introduction

This section of the tax expenditure study estimates the value of exemptions from the statewide education property tax. Property tax expenditure estimates are based on the 2007 education grand list, which is a compilation of the information submitted by 262 local taxing jurisdictions, and information kept by state agencies with respect to state-administered programs such as use value appraisal and PILOT. Municipal property tax exemptions are not included in or estimated as part of this study.

Tax Base

The statewide education tax is imposed on homestead and nonresidential property. With only two exceptions both categories are comprised of real property - that is land and improvements to land - as opposed to personal property, which is portable. Homestead property means a principal dwelling and land; nonresidential property specifically excludes personal property. The two exceptions from the personal property exclusion are "utility cables and line, poles and fixtures" and "gas distribution lines".

Grand List Data

Statute prescribes the contents of municipalities' grand lists. 32 V.S.A. § 4152. With respect to exempt property, the grand list must include "what the full listed value of the property would be absent the exemption and the statutory authority for granting such exemption and, for properties exempt pursuant to a vote, the year in which the exemption became effective and the year in which the exemption ends." However, municipalities do not uniformly comply with this mandate. In many cases the information is incomplete or difficult to ascertain due to non-standard reporting. Some municipalities listed properties as exempt, but reported zero value. Exempt properties are often difficult to value since they are often constructed for a specific public purpose and are not frequently sold - churches for example. Nevertheless, any study of the impact of exemptions on the statewide grand list depends upon municipalities undertaking valuation of exempt properties. Since the estimates contained in this report rely in large part on grand list information received from municipalities, they necessarily mirror inaccuracies contained in those lists and fail to account for what has been omitted from those lists.

Expenditure Types

A property tax expenditure may be a total exemption from tax or an adjustment to the value of the property that results in a lower tax. A majority of the total exemptions are contained in 32 V.S.A. §3802. Value reduction expenditures are contained elsewhere in statute - for instance the use value appraisal program and tax increment financing provisions. The tax expenditures in the enumerated list are organized according to type; ordinary exemptions, adjustments to property values; session law exemptions; and property taxed under alternate schemes. A short list of recently repealed or expired exemptions is also included.

Public, Pious and Charitable Exemptions

Many of the most familiar exemptions – and the ones that have generated the most legal controversy - are contained in Section 3802(4) of Title 32. The following categories of property are exempt under that section:

- real and personal estate granted, sequestered or used for **public**⁵, **pious or charitable** uses;
- real property owned by **churches** or church societies or conferences and used as **parsonages** and personal property therein used by ministers engaged in full time work in the care of the churches of their fellowship within the state;
- real and personal estate set apart for **library uses** and used by the public and private circulating libraries, open to the public and not used for profit;
- lands leased by **towns or town school districts** for **educational purposes**;
- lands owned or leased by **colleges, academies or other public schools** or leased by towns for the support of the gospel (but lands or buildings rented for general commercial purposes and farming and timber land owned or leased by these entities are not exempt);
- lands and buildings owned and used by towns for the **support of the poor** therein, (but private buildings on such lands are not exempt).

Although not specifically mentioned by section 3802(4), Vermont case law has established that hospitals may be entitled to a charitable or public use exemption. See *Medical Center of Vermont, Inc. v. City of Burlington*, 131 Vt. 196 (1973).

For purposes of this report, the Section 3802(4) exemptions are grouped together. Since municipalities are only required to report the statutory references, any attempt to identify the proper category within the section would likely result in inaccurate information.

Municipal Property

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 which is located in that municipality and which is used for a municipal purpose from the education property tax base. It is unclear whether the Legislature intended to change the scope of the "inherent" municipal exemption by adopting an explicit and somewhat narrower "municipal purpose" test. However, it is clear that mere ownership of property by a municipality does not imbue the property with a municipal purpose and that under either test something more than ownership is required.

Limitations on “public, pious or charitable” exemptions

The “public, pious or charitable” exemption is limited by two other statutes. Under 32 V.S.A. § 3832, certain property owned by religious societies⁶, property of railroad corporations, municipal electric light plants when located outside the owner-town and certain state property⁷ are taxable.

⁵ As part of a large body of case law construing this exemption, a three-part test has been developed to determine when property is entitled to tax-exempt status as a “public use” – (1) the property must be dedicated unconditionally to public use; (2) the primary use must directly benefit an indefinite class of persons who are part of the public and must also confer a benefit on society as a result of the benefit conferred on the persons directly served; and (3) the property must be owned and operated on a not-for-profit basis. See *American Museum of Fly Fishing, Inc. v. Town of Manchester*, 151 Vt. 103 (1989).

⁶ “Real estate owned or kept by a religious society other than a church edifice, a parsonage, the outbuildings of the church edifice or parsonage, a building used as a convent, school, orphanage, home or hospital, land adjacent to any of the buildings named in this subsection, kept and used as a parking lot not used to produce income, lawn, playground or garden and the so-called glebe land.” 32 V.S.A. § (2)

⁷ State property located in any town other than that in which the institution of which it forms a part is located.

In addition, other municipal property located outside the owner-town, certain leased property⁸ and property used primarily for health or recreational purposes is exempt only if voted exempt by the town. Such a vote exempts the property owner, but does not affect the municipality's payment to the Education Fund. In other words, the tax burden is spread across the municipality's taxpayers. Similarly, under 32 V.S.A. § 3840 property owned by fraternal organizations, volunteer fire, ambulance or rescue companies and used exclusively for the purposes of such organization is exempt only if voted exempt by the municipality. Such an exemption may be voted for 10 years initially and then for 5-year renewal periods.

College Property

There are several laws that pertain to college property. They are arcane and require some explanation. First, Section 3802(4) exempts "lands owned or leased by colleges, academies or other public schools", but not "lands or buildings rented for general commercial purposes, [] farming or timber lands owned or leased" by a college, academy or other public school. However, school or college lands sequestered to such use prior to January 28, 1911 are exempt. Then Section 3831 qualifies this exemption for property acquired by a college, university or fraternity after April 1, 1941. It provides that such property is taxable at the value set by the listers prior to acquisition. This is the case even if the property is improved as long as it is not used for commercial and investment purposes. Thus, property acquired *prior to 1941* is exempt unless used for commercial, farming or timber purposes. Property acquired *after April 1, 1941* is taxable at its acquisition value. Property used for commercial, farming and timber purposes is taxable at fair market value *unless* sequestered to that use prior to January 28, 1911 – in which case it is exempt.

Property Tax Adjustments

Property tax adjustments are provided to owners of homestead property with qualifying household income levels. An education property tax "adjustment" is provided for the difference between the property tax on the housesite and the education tax amount determined as a percentage of household income. For 2007 and subsequent years, property tax adjustments are applied as a credit to the property tax bill and the homestead owner receives a net bill. Other components of the education funding system provide property tax relief for municipal taxes and the property taxes paid by renters, but neither of these programs are included as an education property tax expenditure.

Tax Increment Financing Districts

Tax increment financing (TIF) is a legislatively authorized tax scheme whereby the property tax imposed on properties within a defined district is diverted from general purposes and is used to pay debt incurred to construct infrastructure for the district.

Municipalities are authorized to establish TIF districts under subchapter 5 of chapter 53 of Title 24. Two TIF districts existed at the time the statewide education tax was adopted – one in Newport City and one in Burlington. These districts were "grandfathered" by Act 60, which means that the tax dollars that would otherwise fund education may continue to be used to pay down debt on bonds issued to cover TIF infrastructure costs without the necessity of State approval.

Since the adoption of the statewide property tax, TIF districts must be approved by the Vermont Economic Progress Council (VEPC) in order to affect the education property tax grand list.

⁸ This subsection includes real and personal estate owned or kept by an orphanage, home or hospital including diagnostic and treatment center not used for the purpose of such institution but leased to others for income or profit.

Approval is contingent upon meeting the statutory process requirements and criteria set out in 32 V.S.A. § 5404a(h).

There is one other TIF district, which is located in Winooski. It was authorized by special legislation in 2000. See 2000, No. 159 (not codified).

Use Value Appraisal

Since 1978 the use value appraisal program (Current Use) has allowed the valuation and taxation of farm and forest land to be based on its agricultural or forest use instead of its value in the marketplace. While there have been many changes to the program over time, the program continues to allow reduced valuation of property enrolled, resulting in a reduction in taxes.

Methodology

The starting point for estimating expenditure values was the exemptions information provided by the municipalities on the abstracts of grand lists (411 forms). The exempt parcel information extracted from the 411 reports was classified according to category, usually the statutory citation.

LIST OF FISCAL YEAR 2009 PROPERTY TAX EXPENDITURES

5.000 Property Tax Exemptions

5.001 Non-Profit Medical Service Corporations

Statute: 8 V.S.A. §4518 and §4590
Enacted: 1939
Estimate: \$120,100

One non-profit medical service corporation qualifies for this exemption; BCBS.

5.002 Local Development Corporations

Statute: 10 V.S.A. § 236
Enacted: 1973
Estimate: \$79,800

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

5.003 Vermont State Colleges

Statute: 16 V.S.A. § 2178
Enacted: 1961; amended 2005.
Estimate: \$985,500

Property used for educational and not commercial purposes is exempt.

5.004 University of Vermont

Statute: 16A APPX V.S.A. § 1-15
Enacted: 1802
Estimate: \$9,510,500

Property used for educational purposes is exempt.

5.005 Libraries

Statute: 22 V.S.A. § 109
Enacted: prior to 1947
Estimate: \$868,900

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

5.006 Housing Authorities

Statute: 24 V.S.A. § 4020
Enacted: 1961
Estimate: \$1,173,400

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

5.007 Federal and State Government Property

Statute: 32 V.S.A. § 3802(1)
Enacted: some version of this exemption existed when Vermont became State in 1791; it was last amended in 1977 when the last clause (regarding repossessed or voluntarily conveyed housing) was added
Estimate: \$16,316,000

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.

5.008 Congressionally Chartered Organizations

Statute: 32 V.S.A. § 3802(2)
Enacted: 1957
Estimate: \$471,800

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, Girl and Boy Scouts, and corporate entities such as the Federal Reserve Bank, Fannie Mae, Freddie Mac, and the Tennessee Valley Authority.

5.009 Personal estate property owned by VT residents in another state

Statute: 32 V.S.A. § 3802(3)
Enacted: some version of this exemption existed when Vermont became State in 1791
Estimate: Data unavailable

5.010 Public, pious, and charitable property

Statute: 32 V.S.A. § 3802(4) and §3832 and § 3840 and § 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: \$41,856,200

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

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: \$151,700

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.

5.012 Young Men's and Women's Christian Associations

Statute: 32 V.S.A. § 3802(6)
Enacted: 1906 (YMCA) and 1963 (YWCA)
Estimate: \$160,300

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.

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 State in 1791
Estimate: \$465,900

5.014 Furniture and equipment

Statute: 32 V.S.A. § 3802(8)
Enacted: prior to 1908
Estimate: Data unavailable

All household furniture and equipment is exempt if it is not for an income producing property.

5.015 Owned by agricultural societies

Statute: 32 V.S.A. § 3802(9)
Enacted: 1902
Estimate: \$367,800

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

5.016 \$10,000 exemption of appraised value of a residence for a veteran

Statute: 32 V.S.A. § 3802(11)
Enacted: prior to 1910
Estimate: \$100,100

The exemption is for a veteran of any war or who has received an American Expeditionary Medal. The exemption applies to the veteran's spouse, widow, widower or child, or jointly by any combination of them, 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 veterans administration. Over 60% of the owners who receive this exemption pay education property taxes based on income and are not included in the expenditure value.

5.017 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.

5.018 Humane societies

Statute: 32 V.S.A. § 3802(15)
Enacted: 1976
Estimate: \$62,100

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

5.019 FQHC and RHCs

Statute: 32 V.S.A. § 3802(16)
Enacted: 1999
Estimate: \$176,600

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

5.020 Ski Lifts and Snow-making Equipment

Statute: 32 V.S.A. § 5401(10)(D)
Enacted: 2002 (applicable to grand lists for 2004 and after)
Estimate: \$1,121,700

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

5.021 Municipally owned

Statute: 32 V.S.A. § 5401(10)(F)
Enacted: 1997
Estimate: \$12,070,400

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 which is located in that municipality and which is used for a municipal purpose from the education property tax base.

5.022 Whey Processing Fixtures

Statute: 32 V.S.A. § 5401(10)(G)
Enacted: 2001
Estimate: \$39,800

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

5.023 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: \$664,612

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.

5.100 Adjustments to Property Values

5.101 Use Value Appraisal Program

Statute: Chapter 124 of Title 32

Enacted: 1977

Estimate: \$33,913,900 (Education Fund portion only)

Commonly known as the “current use program,” this was originally the Working Farm Tax Abatement Program which was repealed in 1995. 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 \$10,712,418 in FY 2009.

5.102 Qualified Housing

Statute: 32 V.S.A. § 5404a(a)(6)

Enacted: 2004

Estimate: \$582,300

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

5.103 Tax Increment Financing Districts

Statute: 32 V.S.A. § 5404a(f) and 2000 Act No. 159

Enacted: 1997 and 2000

Estimate: \$2,023,800

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.

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: \$135,850,961

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 either their municipal property tax adjustment or renters in the Circuit Breaker program.

5.200 Session Law Exemptions

5.201 Holton Home

Statute: 2008 Act No.190 Sec. 46; Sec. 5 of No. 213 of the Acts of 1892; as amended by No. 357 of the Acts of 1906

Enacted: 1892

Estimate: \$7,100

The first \$500,000 of value of this nonprofit elder residential care home is exempt from the education property tax.

5.202 Skating Rinks

Statute: 2008 Act No.190 Sec. 40 (FY09 and FY10);
Amended 2010 Act No. 160 Sec. 22 (added FY11)

Enacted: 2008

Estimate: \$18,300

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.

5.203 Recreation Facilities

Statute: 2008 Act No.190 Sec. 101 (FY09 only)

Enacted: 2008

Estimate: \$24,900

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.

5.300 Property Taxed Under Alternate Scheme

5.301 Large Power Plants

Statute: 32 V.S.A. § 5401(10)(B)
Enacted: 1997; amended 2003
Alternative Tax: 32 V.S.A § 5402a

The Vermont Yankee Nuclear power facility is liable for an alternate, tiered, electric generating plant education property tax based on the megawatt hours of generation. Prior to the current tax, between 1997 and 2004, this 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)
Enacted: 2008
Alternative Tax: 32 V.S.A. § 5402c

The buildings and fixtures of wind-powered electric generating facilities are exempt from the education property tax. The alternate tax is \$0.003 per kWh of electrical energy produced.

Recently Expired or Repealed Exemptions

- a. Veterans of the United States in the Civil and Spanish-American Wars, or in the army, navy or marine corps of the United States between April 21, 1898, and July 4, 1902, or by his widow.

Statute: 32 V.S.A. § 3802(10)
Enacted: prior to 1943
Repealed: 2007

- b. Fallout shelters

Statute: 32 V.S.A. § 3802(13)
Enacted: 1963
Repealed: for April 1, 2010 Grand Lists

- c. Voted Exemptions Grandfathered in 1997

Statute: 32 V.S.A. § 5404a(a)(1) and (b)
Enacted: 1997
Expired: July 1, 2007, except low-income housing under 32 VSA §3843 will retain the exemption for another year.

- d. VEPC Approved Stabilization Agreements

Statute: 32 V.S.A. § 5404a
Enacted: 1997
Repealed: 2006

Property Tax Expenditure Summary

Item Number	Property Tax Expenditure	FY 2008	FY 2009	FY 2012 Projected
5.001	Non-Profit Medical Service Corporations	\$153,000	\$120,100	\$129,000
5.002	Local Development Corporations	\$92,882	\$79,800	\$81,000
5.003	Vermont State Colleges	\$898,000	\$985,500	\$990,000
5.004	University of Vermont	\$7,860,000	\$9,510,500	\$10,025,000
5.005	Libraries	\$840,000	\$868,900	\$869,000
5.006	Housing Authorities	\$1,098,000	\$1,173,400	\$1,275,000
5.007	Federal and State Government Property	\$14,801,110	\$16,316,008	\$17,712,000
5.008	Congressionally Chartered Organizations	\$449,000	\$471,800	\$519,000
5.009	Personal estate property in another state		Data unavailable	
5.010	Public, pious and charitable property	\$32,372,000	\$41,856,200	\$44,044,000
5.011	College fraternities and societies	\$144,000	\$151,700	\$160,000
5.012	YMCA and YWCAs	\$167,000	\$160,300	\$170,000
5.013	Cemeteries	\$427,000	\$465,900	\$499,000
5.014	Furniture and equipment		Data unavailable	
5.015	Owned by agricultural societies	\$564,000	\$367,800	\$383,000
5.016	\$10,000 for veterans	\$100,000	\$100,100	\$100,000
5.017	Water pollution abatement property		Data unavailable	
5.018	Humane societies	\$62,000	\$62,100	\$72,000
5.019	FQHC and RHCs	\$159,000	\$176,600	\$173,000
5.020	Ski lifts and snowmaking equipment	\$1,507,000	\$1,121,700	\$1,691,000
5.021	Municipally owned	\$10,957,000	\$12,070,400	\$13,418,000
5.022	Whey processing fixtures	\$5,466	\$39,800	\$43,000
5.023	Municipalities hosting large power plants	\$659,104	\$664,612	\$794,000
5.101	Use Value Appraisal Program	\$29,801,938	\$33,913,934	\$37,383,000
5.102	Qualified Housing	\$546,000	\$582,300	\$576,000
5.103	Tax Increment Financing Districts	\$1,944,000	\$2,023,800	\$2,500,000
5.104	Property Tax Adjustments	\$115,395,480	\$135,850,961	\$148,300,000
5.201	Holton Home	N/A	\$7,100	\$8,000
5.202	Skating Rinks	N/A	\$18,300	N/A
5.203	Recreation Facilities	N/A	\$24,900	N/A
Totals		\$221,002,980	\$259,184,515	\$281,914,000

List of Education Property Tax Exemptions by Town--2008 Grand List Abstracts

Taxable Grand List									Veterans' Exemption	
Town Name	Homestead	Non-Residential	# of Exempt Parcels	# of No Value Parcels	Valuation of Exempt Parcels	Estimated Tax Expenditure	Total Property Value	% Value Exempt	Number	Tax Value*
Addison	115,649,568	79,143,017	22	0	7,631,700	98,279	202,424,285	3.8%	2	270
Albany	52,548,100	40,940,300	17	0	3,416,900	35,157	96,905,300	3.5%	4	344
Alburgh	79,343,100	90,515,790	50	40	1,404,300	7,725	171,263,190	0.8%	4	720
Andover	29,978,300	53,229,119	20	0	1,510,300	32,792	84,717,719	1.8%	0	0
Arlington	161,858,400	147,961,290	33	0	20,507,200	268,093	330,326,890	6.2%	1	137
Athens	12,118,000	11,704,684	10	0	757,600	14,153	24,580,284	3.1%	0	0
Averill	2,270,700	40,050,293	0	0	0	0	42,320,993	0.0%	0	0
Averys Gore	0	2,335,110	0	0	0	0	2,335,110	0.0%	0	0
Bakersfield	53,070,700	20,406,000	19	19	0	0	73,476,700	0.0%	3	498
Baltimore	14,263,900	4,579,900	2	0	127,900	1,628	18,971,700	0.7%	0	0
Barnard	136,879,411	199,247,068	33	4	498,670	6,559	336,625,149	0.1%	0	0
Barnet	103,838,600	121,865,400	44	1	10,855,700	141,947	236,559,700	4.6%	2	256
Barre City	248,590,335	219,067,413	149	2	116,681,878	1,586,091	584,339,626	20.0%	9	927
Barre Town	426,322,100	151,397,000	115	1	85,136,700	1,321,689	662,855,800	12.8%	20	2,300
Barton	67,320,277	64,038,095	35	0	15,269,900	202,622	146,628,272	10.4%	7	924
Belvidere	15,445,529	13,191,295	10	10	0	0	28,636,824	0.0%	2	302
Bennington	472,616,190	450,724,335	154	81	31,464,650	323,177	954,805,175	3.3%	22	2,546
Benson	50,755,200	38,997,355	14	11	1,043,700	5,599	90,796,255	1.1%	2	236
Berkshire	85,772,700	37,789,098	15	11	448,000	5,348	124,009,798	0.4%	6	546
Berlin	167,995,200	254,414,698	45	18	80,095,800	916,794	502,505,698	15.9%	9	1,035
Bethel	113,637,900	81,990,500	50	3	8,800,900	106,701	204,429,300	4.3%	4	540
Bloomfield	11,644,900	21,508,800	19	11	2,508,300	28,520	35,662,000	7.0%	2	156
Bolton	65,241,550	52,822,450	2	1	4,735,400	30,797	122,799,400	3.9%	0	0
Bradford	136,662,200	93,325,106	47	1	7,243,200	47,251	237,230,506	3.1%	3	330
Braintree	53,610,300	27,571,100	12	10	249,800	4,099	81,431,200	0.3%	3	474
Brandon	191,759,600	134,946,702	67	0	32,111,100	358,055	358,817,402	8.9%	9	1,008
Brattleboro	448,333,000	560,869,200	248	7	175,634,200	2,290,128	1,184,836,400	14.8%	8	1,248
Bridgewater	75,654,681	108,397,906	17	0	3,663,400	53,451	187,715,987	2.0%	0	0

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**Veterans'
Exemption**

Town Name	Homestead	Non-Residential	# of Exempt Parcels	# of No Value Parcels	Valuation of Exempt Parcels	Estimated Tax Expenditure	Total Property Value	% Value Exempt	Number	Tax Value*
Brighton	30,113,400	52,762,200	49	21	3,232,500	30,806	86,108,100	3.8%	1	149
Bristol	180,554,487	91,040,121	120	6	32,991,000	470,601	304,585,608	10.8%	6	797
Brookfield	94,196,736	65,490,267	14	13	95,000	1,188	159,782,003	0.1%	3	369
Brookline	35,700,500	27,918,146	9	0	431,140	5,436	64,049,786	0.7%	0	0
Brownington	48,190,240	29,801,560	17	2	4,325,500	44,443	82,317,300	5.3%	1	90
Brunswick	3,828,170	4,813,300	12	0	465,600	8,276	9,107,070	5.1%	1	114
Buels Gore	1,217,500	1,588,000	0	0	0	0	2,805,500	0.0%	0	
Burke	96,918,820	121,659,806	27	0	10,617,800	134,982	229,196,426	4.6%	0	0
Burlington	1,543,012,297	1,710,996,564	502	0	1,785,797,700	25,056,151	5,039,806,561	35.4%	7	777
Cabot	80,543,900	66,130,200	25	20	326,700	4,449	147,000,800	0.2%	1	132
Calais	125,024,098	51,110,404	25	0	2,835,300	37,023	178,969,802	1.6%	1	128
Cambridge	222,260,800	305,232,000	49	0	41,431,400	316,760	568,924,200	7.3%	1	132
Canaan	40,389,200	42,488,600	32	1	4,844,900	60,137	87,722,700	5.5%	3	297
Castleton	188,098,483	241,569,008	97	0	80,127,800	1,205,862	509,795,291	15.7%	14	1,904
Cavendish	77,286,200	161,422,877	28	0	7,274,335	93,762	245,983,412	3.0%	0	0
Charleston	45,384,600	46,911,500	19	6	2,616,200	36,339	94,912,300	2.8%	2	224
Charlotte	647,312,100	264,587,200	26	1	9,888,000	123,492	921,787,300	1.1%	2	250
Chelsea	61,269,400	47,460,560	29	10	3,271,000	25,467	112,000,960	2.9%	0	0
Chester	210,642,400	189,744,187	50	0	26,507,000	282,212	426,893,587	6.2%	6	648
Chittenden	74,676,900	46,354,881	29	23	297,900	5,768	121,329,681	0.2%	1	175
Clarendon	88,439,003	58,045,602	20	10	770,000	17,395	147,254,605	0.5%	2	438
Colchester	817,344,000	551,330,185	166	138	32,880,800	383,012	1,401,554,985	2.3%	11	1,727
Concord	42,852,407	65,926,333	18	0	4,171,200	63,390	112,949,940	3.7%	0	0
Corinth	82,712,846	60,495,213	23	11	691,900	9,106	143,899,959	0.5%	2	240
Cornwall	94,841,600	38,627,770	13	3	2,842,400	53,705	136,311,770	2.1%	2	392
Coventry	57,066,100	57,837,000	15	15	0	0	114,903,100	0.0%	3	261
Craftsbury	62,800,916	45,592,202	40	6	6,416,800	91,307	114,809,918	5.6%	1	156
Danby	92,021,425	87,361,044	29	23	595,500	7,681	179,977,969	0.3%	4	472
Danville	156,041,542	124,561,740	40	1	11,488,100	147,592	292,091,382	3.9%	3	369
Derby	256,968,997	224,966,703	76	0	34,907,800	434,262	516,843,500	6.8%	16	1,516

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**Veterans'
Exemption**

Town Name	Homestead	Non-Residential	# of Exempt Parcels	# of No Value Parcels	Valuation of Exempt Parcels	Estimated Tax Expenditure	Total Property Value	% Value Exempt	Number	Tax Value*
Dorset	293,958,701	430,711,669	43	0	17,739,900	243,746	742,410,270	2.4%	2	260
Dover	77,438,200	682,390,417	30	0	25,535,221	465,711	785,363,838	3.3%	1	186
Dummerston	167,280,600	77,568,600	23	0	7,324,400	97,100	252,173,600	2.9%	1	155
Duxbury	95,210,900	50,038,500	15	1	22,718,400	288,297	167,967,800	13.5%	1	114
East Haven East	7,492,000	6,868,000	10	0	738,300	16,922	15,098,300	4.9%	0	0
Montpelier	116,234,167	40,806,198	25	25	0	0	157,040,365	0.0%	2	444
Eden	64,203,760	68,287,840	20	0	5,488,960	67,515	137,980,560	4.0%	1	127
Elmore	76,269,000	56,850,800	8	0	1,632,000	23,660	134,751,800	1.2%	0	0
Enosburg	113,343,900	85,144,000	60	56	2,682,800	4,497	201,170,700	1.3%	2	214
Essex Jct.	634,599,100	374,870,360	53	0	101,158,300	1,265,530	1,110,627,760	9.1%	8	1,056
Essex Town	895,215,700	373,989,360	81	1	87,802,900	1,129,299	1,357,007,960	6.5%	3	408
Fair Haven	61,447,150	45,806,420	65	1	22,148,600	390,336	129,402,170	17.1%	4	712
Fairfax	282,804,264	85,406,200	36	34	1,012,400	1,462	369,222,864	0.3%	3	330
Fairfield	116,163,951	43,306,787	6	1	836,560	7,062	160,307,298	0.5%	4	432
Fairlee	81,350,800	134,416,500	23	0	12,784,800	160,704	228,552,100	5.6%	0	0
Fayston	114,660,428	166,691,638	17	5	11,569,300	159,377	292,921,366	3.9%	1	173
Ferdinand	1,813,400	11,924,475	2	1	109,100	1,363	13,846,975	0.8%	0	0
Ferrisburgh	231,166,579	212,596,932	34	34	0	0	443,763,511	0.0%	1	132
Fletcher	83,186,740	23,667,318	17	4	2,200,300	34,641	109,054,358	2.0%	1	134
Franklin	71,150,553	46,452,427	20	0	3,358,120	40,031	120,961,100	2.8%	2	238
Georgia	348,501,655	138,270,765	29	4	10,364,800	129,693	497,137,220	2.1%	5	520
Glastenbury	383,700	3,802,900	0	0	0	0	4,186,600	0.0%	0	0
Glover	61,940,600	71,725,800	22	0	4,408,700	51,929	138,075,100	3.2%	2	222
Goshen	8,979,711	9,848,869	4	0	174,800	2,987	19,003,380	0.9%	0	0
Grafton	46,751,085	75,673,768	12	0	3,919,600	71,007	126,344,453	3.1%	1	155
Granby	1,957,600	10,701,700	9	0	647,700	11,557	13,307,000	4.9%	0	0
Grand Isle	214,479,200	157,154,417	25	0	10,733,900	106,013	382,367,517	2.8%	6	612
Granville	15,403,379	24,727,459	10	8	42,500	562	40,173,338	0.1%	0	0
Greensboro	38,237,600	127,891,839	16	14	571,700	4,166	166,701,139	0.3%	1	184

Town Name	Homestead	Non-Residential	# of Exempt Parcels	# of No Value Parcels	Valuation of Exempt Parcels	Estimated Tax Expenditure	Total Property Value	% Value Exempt	Number	Tax Value*
Groton	46,180,200	56,883,238	29	1	2,513,520	20,673	105,576,958	2.4%	2	250
Guildhall	14,207,596	15,985,589	16	2	975,800	16,140	31,168,985	3.1%	1	120
Guilford	128,734,347	67,253,932	11	0	467,640	7,407	196,455,919	0.2%	3	510
Halifax	54,226,705	64,271,558	17	0	2,189,240	28,121	120,687,503	1.8%	2	204
Hancock	9,330,657	10,747,244	10	6	240,089	2,364	20,317,990	1.2%	0	0
Hardwick	100,644,034	58,513,404	71	0	22,612,600	287,459	181,770,038	12.4%	6	690
Hartford	627,144,100	787,611,000	0	0	0	0	1,414,755,100	0.0%	23	2,921
Hartland	274,905,187	146,923,544	33	2	6,670,500	74,143	428,499,231	1.6%	8	1,096
Highgate	200,006,300	153,914,100	30	3	34,005,200	421,052	387,925,600	8.8%	2	192
Hinesburg	371,742,150	116,892,950	47	1	17,565,100	177,518	506,200,200	3.5%	7	945
Holland	29,418,539	26,953,921	6	0	866,100	12,448	57,238,560	1.5%	0	0
Hubbardton	46,324,157	71,460,033	13	4	861,000	11,407	118,645,190	0.7%	2	214
Huntington	137,051,713	39,939,506	14	0	3,067,600	43,406	180,058,819	1.7%	3	393
Hyde Park	178,481,303	86,365,476	37	26	2,423,800	31,905	267,270,579	0.9%	1	126
Ira	34,407,000	16,411,951	6	0	577,100	5,763	51,396,051	1.1%	0	0
Irasburg	57,324,550	36,520,550	20	18	345,100	4,793	94,190,200	0.4%	2	212
Isle LaMotte	34,810,247	63,562,546	18	0	4,373,900	61,789	102,746,693	4.3%	0	0
Jamaica	71,132,700	206,611,929	28	11	4,917,200	49,628	282,661,829	1.7%	0	0
Jay	14,828,238	96,996,986	4	0	13,033,700	63,794	124,858,924	10.4%	0	0
Jericho	356,047,800	62,759,000	28	11	9,617,900	132,110	428,424,700	2.2%	3	372
Jericho ID	105,958,000	23,903,410	12	3	5,889,800	62,459	135,751,210	4.3%	1	123
Johnson	84,366,900	66,672,900	58	7	2,835,700	31,284	153,875,500	1.8%	3	492
Killington	65,146,418	629,425,740	0	0	0	0	694,572,158	0.0%	0	0
Kirby	31,794,200	22,915,100	5	0	179,700	2,464	54,889,000	0.3%	0	0
Landgrove	39,540,900	84,870,400	20	0	2,314,000	30,985	126,725,300	1.8%	0	0
Leicester	86,570,500	97,675,800	8	0	480,800	5,738	184,727,100	0.3%	2	230
Lemington	4,202,100	5,044,850	1	0	306,400	6,856	9,553,350	3.2%	2	336
Lewis	0	7,813,460	1	1	0	0	7,813,460	0.0%	0	0
Lincoln	81,343,800	37,435,400	19	0	3,853,900	74,855	122,633,100	3.1%	1	175
Londonderry	139,635,100	282,510,420	33	0	6,054,000	55,923	428,199,520	1.4%	3	423
Lowell	40,450,200	40,502,300	19	5	2,770,400	34,399	83,722,900	3.3%	1	84
Ludlow	160,551,511	1,359,143,423	51	5	40,059,300	316,448	1,559,754,234	2.6%	1	139

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**Veterans'
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Town Name	Homestead	Non-Residential	# of Exempt Parcels	# of No Value Parcels	Valuation of Exempt Parcels	Estimated Tax Expenditure	Total Property Value	% Value Exempt	Number	Tax Value*
Lunenburg	36,527,200	44,805,529	10	7	564,800	1,404	81,897,529	0.7%	8	952
Lyndon	175,140,884	105,381,092	129	9	38,322,900	546,816	318,844,876	12.0%	8	1,084
Maidstone	10,364,599	32,765,319	6	1	183,100	3,954	43,313,018	0.4%	0	0
Manchester	482,247,690	848,182,092	72	20	58,355,800	683,433	1,388,785,582	4.2%	4	402
Marlboro	74,642,300	71,177,700	17	0	3,365,000	40,184	149,185,000	2.3%	0	0
Marshfield	81,169,258	32,072,247	35	0	11,293,000	154,967	124,534,505	9.1%	6	744
Mendon	97,246,200	81,494,300	31	1	4,033,100	57,399	182,773,600	2.2%	3	300
Middlebury	318,623,884	345,645,339	201	126	400,474,400	5,742,041	1,064,743,623	37.6%	10	1,580
Middlesex	108,941,964	37,161,221	15	12	53,500	923	146,156,685	0.0%	3	501
Middletown Springs	53,231,300	31,140,200	12	0	2,506,400	34,215	86,877,900	2.9%	0	0
Milton	705,135,622	314,489,462	66	14	24,444,820	302,609	1,044,069,904	2.3%	13	1,443
Monkton	133,021,349	37,451,968	23	10	660,300	10,822	171,133,617	0.4%	2	310
Montgomery	58,093,000	57,786,900	24	21	433,600	7,472	116,313,500	0.4%	4	512
Montpelier	268,153,500	241,911,071	52	4	27,321,900	393,315	537,386,471	5.1%	2	394
Moretown	97,630,800	65,673,934	24	6	1,755,900	23,045	165,060,634	1.1%	1	155
Morgan	61,084,700	130,055,024	13	0	991,400	13,854	192,131,124	0.5%	1	110
Morristown	309,472,305	268,478,450	77	2	41,806,200	493,479	619,756,955	6.7%	5	515
Mount Holly	72,097,300	107,655,995	22	17	805,723	16,806	180,559,018	0.4%	1	204
Mount Tabor	11,540,800	11,368,181	6	2	174,000	2,142	23,082,981	0.8%	2	177
New Haven	107,165,494	70,882,686	22	21	87,900	1,630	178,136,080	0.0%	0	0
Newark	34,762,900	56,659,800	4	0	899,900	11,210	92,322,600	1.0%	2	214
Newbury	93,796,377	86,747,798	48	1	8,232,500	122,824	188,776,675	4.4%	5	675
Newfane	128,219,111	125,188,639	40	0	8,714,400	117,749	262,122,150	3.3%	0	0
Newport City	110,504,163	141,195,637	77	0	45,261,100	620,804	296,960,900	15.2%	13	1,651
Newport Town	75,371,300	54,135,514	17	0	2,198,500	38,853	131,705,314	1.7%	3	462
North Bennington	35,206,300	30,327,000	25	10	3,955,300	23,516	69,488,600	5.7%	1	135
North Hero	95,491,700	167,732,500	21	0	12,147,700	169,763	275,371,900	4.4%	0	0
Northfield	164,478,013	102,136,193	94	11	153,581,101	2,442,084	420,195,307	36.5%	12	1,812

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**Veterans'
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Town Name	Homestead	Non-Residential	# of Exempt Parcels	# of No Value Parcels	Valuation of Exempt Parcels	Estimated Tax Expenditure	Total Property Value	% Value Exempt	Number	Tax Value*
Norton	5,738,678	16,566,846	9	9	0	0	22,305,524	0.0%	2	272
Norwich	481,571,800	212,795,148	55	0	41,278,985	504,627	735,645,933	5.6%	2	292
Orange	45,037,345	19,230,449	16	0	3,676,800	58,800	67,944,594	5.4%	1	147
Orleans ID	21,716,893	21,748,344	18	0	6,074,500	81,931	49,539,737	12.3%	2	185
Orwell	66,538,866	34,733,250	25	24	1,154,100	19,704	102,426,216	1.1%	0	0
Panton	51,995,000	27,619,000	8	0	1,044,800	17,689	80,658,800	1.3%	0	0
Pawlet	109,812,833	91,395,232	20	0	5,797,360	76,317	207,005,425	2.8%	0	0
Peacham	46,991,600	38,957,575	20	0	2,413,400	41,658	88,362,575	2.7%	0	0
Peru	51,571,110	204,992,225	17	0	6,546,200	86,608	263,109,535	2.5%	1	145
Pittsfield	32,133,400	55,334,300	9	9	0	0	87,467,700	0.0%	0	0
Pittsford	182,211,039	142,824,411	40	1	12,645,400	150,332	337,680,850	3.7%	4	504
Plainfield	58,469,400	21,022,600	30	0	12,211,000	224,437	91,703,000	13.3%	0	0
Plymouth	41,794,918	194,087,689	12	2	3,492,205	33,898	239,374,812	1.5%	0	0
Pomfret	65,792,029	78,558,128	16	4	6,244,303	96,319	150,594,460	4.1%	0	0
Poultney	118,554,949	163,273,646	36	0	80,838,900	1,331,855	362,667,495	22.3%	1	172
Pownal	134,531,300	70,038,100	56	1	7,588,900	116,557	212,158,300	3.6%	10	1,256
Proctor	85,783,305	39,733,595	42	1	20,896,600	266,370	146,413,500	14.3%	7	931
Putney	123,966,218	92,362,702	46	0	33,628,100	471,310	249,957,020	13.5%	1	151
Randolph	242,790,200	173,173,855	93	40	17,965,000	139,939	433,929,055	4.1%	8	936
Reading	67,595,934	87,960,820	21	0	4,708,700	60,906	160,265,454	2.9%	2	272
Readsboro	23,509,132	30,267,524	57	23	1,472,000	12,773	55,248,656	2.7%	1	119
Richford	81,221,252	69,387,700	69	5	36,688,400	431,858	187,297,352	19.6%	4	400
Richmond	334,137,932	90,185,019	25	1	9,224,800	103,810	433,547,751	2.1%	3	342
Ripton	34,585,750	17,150,300	43	0	10,036,500	167,066	61,772,550	16.2%	0	0
Rochester	49,013,169	70,836,960	27	25	30,900	537	119,881,029	0.0%	2	334
Rockingham	193,060,280	250,077,783	105	1	45,564,500	518,908	488,702,563	9.3%	9	1,058
Roxbury	26,538,504	27,850,646	9	8	19,900	351	54,409,050	0.0%	5	820
Royalton	70,627,052	66,599,157	47	44	558,100	13,396	137,784,309	0.4%	5	1,005
Rupert	73,765,019	78,897,577	17	0	9,834,400	117,061	162,496,996	6.1%	1	102
Rutland City	492,173,188	473,050,192	195	12	215,352,700	3,006,260	1,180,576,080	18.2%	22	2,750

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Town Name	Homestead	Non-Residential	# of Exempt Parcels	# of No Value Parcels	Valuation of Exempt Parcels	Estimated Tax Expenditure	Total Property Value	% Value Exempt	Number	Tax Value*
Rutland Town	194,213,900	211,367,882	36	2	10,719,700	187,659	416,301,482	2.6%	4	868
Ryegate	43,480,886	59,443,447	21	0	1,354,500	16,630	104,278,833	1.3%	2	308
Salisbury	68,017,926	85,695,965	14	0	5,346,900	77,281	159,060,791	3.4%	0	0
Sandgate	23,241,531	38,235,621	7	7	0	0	61,477,152	0.0%	2	292
Searsburg	2,936,500	17,092,400	1	1	0	0	20,028,900	0.0%	2	278
Shaftsbury	131,441,574	70,720,804	11	4	1,377,600	26,022	203,539,978	0.7%	4	784
Shaftsbury ID	27,328,400	9,139,160	2	2	0	0	36,467,560	0.0%	0	0
Sharon	70,051,597	38,898,451	21	6	1,279,179	24,885	110,229,227	1.2%	0	0
Sheffield	22,285,803	20,050,704	11	0	3,553,390	65,588	45,889,897	7.7%	2	310
Shelburne	847,964,900	546,416,085	73	0	121,572,600	1,437,421	1,515,953,585	8.0%	9	1,044
Sheldon	80,590,178	65,042,195	19	19	0	0	145,632,373	0.0%	1	152
Shoreham	85,376,414	45,313,715	34	23	946,700	10,097	131,636,829	0.7%	1	144
Shrewsbury	64,898,591	39,829,605	20	0	4,130,900	75,696	108,859,096	3.8%	2	330
Somerset South	136,300	5,102,000	0	0	0	0	5,238,300	0.0%	0	0
Burlington	1,407,876,455	1,242,426,300	133	31	65,478,500	555,455	2,715,781,255	2.4%	8	1,080
South Hero	241,972,400	247,946,350	24	23	34,500	0	489,953,250	0.0%	0	0
Springfield	405,071,816	235,892,400	120	3	119,274,900	1,463,341	760,239,116	15.7%	18	2,111
St. Albans City	176,277,286	185,291,717	76	52	13,816,000	83,087	375,385,003	3.7%	8	1,240
St. Albans Town	413,736,462	365,826,617	10	1	12,020,000	88,987	791,583,079	1.5%	7	756
St. George	29,185,674	12,599,640	4	0	316,300	6,785	42,101,614	0.8%	0	0
St. Johnsbury	146,174,706	198,024,017	177	2	95,962,520	1,657,408	440,161,243	21.8%	10	1,760
Stamford	54,749,500	25,234,900	12	0	3,950,000	56,887	83,934,400	4.7%	0	0
Stannard	8,314,500	8,951,200	1	1	0	0	17,265,700	0.0%	2	224
Starksboro	104,582,050	48,519,300	42	31	1,979,100	27,474	155,080,450	1.3%	1	130
Stockbridge	47,443,725	61,507,495	35	22	1,144,000	15,746	110,095,220	1.0%	0	0
Stowe	521,600,700	1,451,730,100	70	9	59,995,100	683,353	2,033,325,900	3.0%	4	596
Strafford	114,080,245	76,218,803	17	2	1,819,324	21,636	192,118,372	0.9%	0	0
Stratton	33,667,143	963,766,145	32	0	43,780,200	589,325	1,041,213,488	4.2%	0	0

Taxable Grand List

**Veterans'
Exemption**

Town Name	Homestead	Non-Residential	# of Exempt Parcels	# of No Value Parcels	Valuation of Exempt Parcels	Estimated Tax Expenditure	Total Property Value	% Value Exempt	Number	Tax Value*
Sudbury	26,961,615	22,347,149	10	4	1,076,000	25,252	50,384,764	2.1%	1	227
Sunderland	72,233,500	75,338,106	15	3	8,630,300	66,221	156,201,906	5.5%	1	162
Sutton	32,612,042	22,504,016	9	1	3,344,100	72,580	58,460,158	5.7%	2	386
Swanton	378,693,900	216,053,900	73	43	9,809,600	73,305	604,557,400	1.6%	16	1,568
Thetford	207,078,824	99,248,060	47	0	12,322,860	178,283	318,649,744	3.9%	3	462
Tinmouth	22,035,500	18,096,500	9	8	100,000	2,487	40,232,000	0.2%	1	247
Topsham	60,841,371	40,965,902	7	5	28,000	373	101,835,273	0.0%	2	244
Townshend	87,014,900	96,372,067	34	0	16,734,000	212,740	200,120,967	8.4%	0	0
Troy	59,426,581	45,537,548	48	4	4,481,400	60,814	109,445,529	4.1%	0	0
Tunbridge	71,721,785	40,773,929	14	0	5,278,600	98,859	117,774,314	4.5%	3	459
Underhill	245,661,300	52,380,200	30	0	14,549,500	194,512	312,591,000	4.7%	0	0
Underhill ID	46,364,400	10,752,900	8	0	2,539,700	34,141	59,657,000	4.3%	0	0
Vergennes	121,645,650	85,076,469	15	2	4,007,100	7,405	210,729,219	1.9%	3	342
Vernon	140,793,980	73,386,730	25	23	280,927,500	2,511,858	495,108,210	56.7%	4	376
Vershire	33,909,940	28,751,800	8	0	3,622,500	59,190	66,284,240	5.5%	1	167
Victory	3,216,700	10,788,850	8	0	128,800	2,054	14,134,350	0.9%	0	0
Waitsfield	172,684,800	190,436,207	34	0	10,766,400	122,781	373,887,407	2.9%	1	118
Walden	44,698,010	40,089,390	11	0	8,520,800	114,451	93,308,200	9.1%	1	110
Wallingford	152,287,868	82,967,990	36	0	13,113,500	155,807	248,369,358	5.3%	1	126
Waltham	33,787,020	9,028,864	3	3	0	0	42,815,884	0.0%	1	137
Wardsboro	50,381,750	118,978,115	24	0	4,390,080	59,147	173,749,945	2.5%	1	128
Warners Grant	0	195,900	0	0	0	0	195,900	0.0%	0	0
Warren	186,601,925	601,911,352	38	20	7,759,800	101,064	796,273,077	1.0%	1	121
Warren Gore	402,800	8,426,360	0	0	0	0	8,829,160	0.0%	0	0
Washington	64,248,500	35,905,350	22	0	4,039,900	51,600	104,193,750	3.9%	2	202
Waterbury	437,303,900	272,170,300	48	4	22,607,900	245,540	732,082,100	3.1%	6	648
Waterford	90,613,750	64,741,796	7	6	160,300	224	155,515,846	0.1%	3	363
Waterville	31,983,500	10,929,960	7	7	0	0	42,913,460	0.0%	4	684
Weathersfield	174,648,463	92,883,569	30	1	6,795,200	98,699	274,327,232	2.5%	14	2,170
Wells	69,404,600	111,364,599	12	0	2,119,200	30,166	182,888,399	1.2%	2	236

Taxable Grand List									Veterans' Exemption	
Town Name	Homestead	Non-Residential	# of Exempt Parcels	# of No Value Parcels	Valuation of Exempt Parcels	Estimated Tax Expenditure	Total Property Value	% Value Exempt	Number	Tax Value*
Wells River	11,682,600	17,405,190	21	0	8,263,100	97,116	37,350,890	22.1%	0	0
West Fairlee	30,288,603	31,156,952	17	15	92,600	1,323	61,538,155	0.2%	1	146
West Haven	16,099,000	13,884,500	4	3	454,000	5,740	30,437,500	1.5%	0	0
West Rutland	104,905,246	74,386,480	47	0	15,298,600	181,895	194,590,326	7.9%	3	339
Windsor	136,868,609	185,125,576	23	2	9,792,000	122,850	331,786,185	3.0%	2	250
Westfield	16,819,263	17,452,099	13	3	879,700	22,803	35,151,062	2.5%	2	390
Westford	128,575,310	31,750,722	22	0	3,822,800	70,331	164,148,832	2.3%	3	486
Westminster	153,314,270	83,377,273	30	0	39,288,300	572,156	275,979,843	14.2%	4	580
Westmore	35,707,182	99,030,718	10	0	2,774,300	36,804	137,512,200	2.0%	1	130
Weston	68,803,791	125,375,092	15	1	1,744,800	25,041	195,923,683	0.9%	1	148
Weybridge	82,010,026	39,510,835	13	11	219,900	3,043	121,740,761	0.2%	1	139
Wheelock	40,074,850	24,481,984	7	1	921,500	11,024	65,478,334	1.4%	3	300
Whiting	19,366,759	6,061,310	11	10	10,700	150	25,438,769	0.0%	0	0
Whitingham	62,804,700	116,975,700	23	1	4,360,200	77,153	184,140,600	2.4%	4	736
Williamstown	145,809,009	73,232,837	30	1	10,981,000	125,515	230,022,846	4.8%	5	625
Williston	837,857,833	752,592,502	109	1	42,730,250	497,228	1,633,180,585	2.6%	3	399
Wilmington	77,566,998	295,200,043	189	47	5,774,300	71,679	378,541,341	1.5%	3	786
Windham	28,163,300	57,203,500	12	0	1,816,100	25,307	87,182,900	2.1%	0	0
Windsor	92,160,914	58,440,253	42	0	17,522,195	340,557	168,123,362	10.4%	5	1,025
Winhall	53,676,500	471,953,470	91	1	15,202,000	347,057	540,831,970	2.8%	0	0
Winooski	213,271,800	222,642,537	105	34	75,360,600	523,998	511,274,937	14.7%	1	111
Wolcott	97,711,925	57,449,450	27	0	5,348,800	62,353	160,510,175	3.3%	1	100
Woodbury	64,286,800	61,177,600	17	17	0	0	125,464,400	0.0%	1	124
Woodford	23,429,700	33,964,476	25	22	132,400	1,468	57,526,576	0.2%	0	0
Woodstock	355,778,200	487,001,083	69	2	53,811,000	750,102	896,590,283	6.0%	6	804
Worcester	64,867,563	22,387,254	13	0	3,286,100	40,335	90,540,917	3.6%	0	0
Vermont	35,819,329,778	35,595,226,311	9,248	1,888	6,065,593,918	79,971,339	77,480,150,007	7.8%	761	100,052

* Value of exemption after application of property tax adjustments

**BANK FRANCHISE AND INSURANCE
PREMIMUMS TAX EXPENDITURES**

DESCRIPTION OF BANK FRANCHISE AND INSURANCE PREMIUMS TAX EXPENDITURES

Bank Franchise Tax Expenditures

Financial institutions doing business in Vermont are taxed on the average monthly deposits held in Vermont by the corporation. There are two categories of tax expenditures reported here. The first section addresses deposits in state-chartered credit unions that are not subject to the tax. In 2008, there were 21 credit unions chartered by the state that did not pay the bank franchise tax and eight federally chartered credit unions, which are exempt from the franchise tax based on federal law.

The second category of expenditures includes tax credits for investments in eligible housing projects, in downtown and village centers, and the state's seed capital fund. Credits can be awarded to financial institutions for direct investment or, in the case of the downtown and village center credits, indirectly through bank credit certificates.

Insurance Premiums Tax Expenditures

Insurance companies doing business in Vermont are taxed on the premiums and assessments written on business in the state. The National Association of Insurance Commissioners (NAIC) has standardized the reporting of insurance premiums, and Vermont returns are based on the NAIC reporting structure. Both the NAIC reporting (Schedule T) and the Vermont Insurance Premium Tax Return (IP-1) allow insurance companies to take certain deductions for purposes of calculating the Vermont premiums tax. The Vermont form does not require itemization of these deductions, and no data are available for this report.

Certain organization types are exempt from paying the Insurance Premiums tax. Insurance companies that are fraternal organizations (8 V.S.A. §4500), hospital services organizations (§4518), or medical services organizations (§4590) are exempt from paying the tax.

There are a limited number of Vermont tax credits available to insurance companies to offset tax liability—for affordable housing, for investment in rehabilitation of downtown and village buildings, and for the state's seed capital fund.

Annuity considerations are exempt from the Insurance Premiums tax as interpreted from 32 V.S.A. §8551. These considerations are reported on the NAIC Schedule T but only reported on the Vermont IP-1 tax return by insurance companies domiciled in other states where the annuity considerations are taxed. The tax expenditure value of annuity considerations is calculated from information provided by BISHCA from Schedule T.

**LIST OF FISCAL YEAR 2009 BANK FRANCHISE TAX AND INSURANCE PREMIUMS
TAX EXPENDITURES**

6.000 Exemptions from the Bank Franchise Tax

6.001 Credit Unions

Statute: 8 V.S.A. §2085
Enacted: 1967
Estimate: \$903,000

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

6.100 Bank Franchise Tax Credits

6.101 Affordable Housing Credit

Statute: 32 V.S.A. §5930u
Enacted: 2000
Estimate: \$955,000

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.

6.102 Downtown and Village Center Program Tax Credits

Statute: 32 V.S.A. §5930cc
Enacted: 2006 (replacing similar credits from 1997)
Estimate: \$296,000

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

6.103 Entrepreneurs' Seed Capital Fund Credit

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

A credit is available for taxpayer who contribute 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.

6.104 Charitable Housing Credit

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

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

7.000 Insurance Premiums Tax Credits

7.001 Affordable Housing Credit

Statute: 32 V.S.A. §5930u
Enacted: 2000
Estimate: \$364,000

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.

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

7.003 Entrepreneurs' Seed Capital Fund Credit

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

A credit is available for taxpayer who contribute 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.

7.100 Exemptions from the Insurance Premiums Tax

7.101 Annuity Considerations

Statute: 8 V.S.A. §3718
Enacted: 1967
Estimate: \$10,300,000

No tax shall be due as from annuity considerations

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.

7.103 Hospital and Medical Service Organizations

Statute: 8 V.S.A. §§4518, 4590
Enacted: 1939
Estimate: \$10,584,000

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

Bank Franchise Tax Expenditure Summary

Item Number	Bank Franchise Tax	FY 2008	FY 2009	FY 2012 Projected
6.001	Credit Unions	\$790,000	\$903,000	\$1,000,000
6.101	Affordable Housing Tax Credit	\$822,000	\$955,000	\$1,400,000
6.102	Downtown and Village Center Program Tax Credits	\$1,120,000	\$296,000	\$500,000
6.103	Entrepreneurs' Seed Capital Fund Credit	\$0	\$0	\$0
6.104	Charitable Housing Credit	\$0	\$0	\$0
	Total	\$2,732,000	\$2,154,000	\$2,900,000

Insurance Premiums Tax Expenditure Summary

Item Number	Insurance Premiums Tax	FY 2008	FY 2009	FY 2012 Projected
7.001	Affordable Housing Tax Credit	\$516,000	\$364,000	\$600,000
7.002	Downtown and Village Center Program Tax Credits	\$0	\$0	\$0
7.003	Entrepreneurs' Seed Capital Fund Credit	\$0	\$0	\$0
7.101	Annuity Considerations	\$10,500,000	\$10,300,000	\$10,500,000
7.102	Fraternal Societies	Less than \$100,000		<\$100,000
7.103	Hospital and Medical Service Organizations	\$10,807,000	\$10,584,000	\$10,700,000
	Total	\$21,823,000	\$21,248,000	\$21,800,000

MOTOR FUEL AND PURCHASE AND USE
TAX EXPENDITURES

DESCRIPTION OF GASOLINE AND DIESEL FUEL AND MOTOR VEHICLE PURCHASE AND USE TAX EXPENDITURES

No. 160 (2010), Sec. 1 amended 32 V.S.A. §312 to add reporting on the gasoline tax, diesel fuel tax and motor vehicle purchase and use tax to the biennial tax expenditure report.

Gasoline Tax

There are no end user exemptions to the gasoline tax.

Diesel Fuel Tax and Transportation Infrastructure Bond (TIB) Fund Diesel Fuel Assessment

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 clean up 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

Diesel fuel purchases by government entities and public transit agencies are excluded from this analysis.

The DMV electronic database is limited to information on the number of taxable and tax exempt gallons sold and does not break down the aggregate numbers by user type. Therefore, this report does not estimate the tax expenditure value of the individual exemptions but instead provides one value for all the uses and against all tax types included in 23 V.S.A. §3003(d)(1). The tax expenditure estimates are derived by using data from several sources to estimate the quantity of dealer to dealer sales and the quantity of diesel fuel purchases by state and local government entities and public transit agencies, which are not considered to be tax expenditures. These totals were then subtracted from DMV’s gross figure for tax-exempt gallons.

Motor Vehicle Purchase and Use Tax

Motor Vehicle Purchase & Use Tax – Specific Exemptions

Exemptions from the P&U tax are specified in 32 V.S.A §8911. The exemption for state and local government entities is excluded from the analysis.

The DMV database includes transactions exempted from the P&U tax in 7 categories. Information is available on the vehicle type, make, model and year, but not the sales price.. The expenditure estimate is derived by multiplying the number of transactions in each category by the average P&U tax paid per taxable transaction, as determined in a special 2005 survey updated for inflation.

Motor Vehicle Purchase & Use Tax – Trade-In Value Exemption

32 V.S.A §8902(4) and (5) define the purchase price subject to the P&U tax as, in general terms, being equal to the gross price paid minus the value of any trade-in involved in the transaction (broadly defined to include separate sales). It has been argued that a trade-in allowance constitutes a tax expenditure. It has also been argued that a trade-in allowance is necessary to avoid double taxation. In 2005, at the request of the House Ways & Means Committee, the Joint Fiscal Office provided revenue estimates for several options involving the elimination of the trade-in allowance, in whole or in part. The figures were an estimate of the additional P&U tax revenue that would have been generated had the trade-in allowance not existed in the fiscal year involved (adjusted for estimated demand effects).The estimate for a zero trade-in allowance was updated and is included in this report. Whether this revenue constitutes a tax expenditure or rather double taxation is a separate question.

LIST OF FISCAL YEAR 2009 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: \$9,700,000

Note: The TIB assessment on diesel fuel was effective for only part of FY2009.

LIST OF FISCAL YEAR 2009 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: \$150,000

9.002 Non-registered vehicles

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

9.003 Gifts

Statute: 32 V.S.A. §8911 (8)
Enacted: 1960, amended 1987, 2006
Estimate: \$2,660,000

9.004 IRC Sec. 351

Statute: 32 V.S.A. §8911 (10)
Enacted: 1960, amended 1987, 2006
Estimate: \$13,000

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

9.005 Handicapped

Statute: 32 V.S.A. §8911 (12)
Enacted: 1960, amended 1987, 2006
Estimate: \$20,000

9.006 Veterans

Statute: 32 V.S.A. §8911 (14)
Enacted: 1960, amended 1987, 2006
Estimate: \$28,000

9.007 General exemption of trade-in value

Statute: 32 V.S.A. §8902(4) and (5)
Enacted: 1960, amended 1967
Estimate: \$19,600,000

Gasoline and Diesel Fuel Tax Expenditure Summary

Item Number	Expenditure	FY 2009	FY 2010	FY 2012 Projected
8.001	Gasoline Tax	\$0	\$0	\$0
8.002	Diesel Fuel	\$9,700,000	\$10,800,000	\$10,900,000
Totals		\$9,700,000	\$10,800,000	\$10,900,000

Motor Vehicle Purchase & Use Tax Expenditure Summary

Item Number	Expenditure	FY 2009	FY 2010	FY 2012 Projected
9.001	Religious, charitable	\$150,000	\$135,000	\$160,000
9.002	Non-registered vehicles	No data	No data	No data
9.003	Gifts	\$2,660,000	\$2,970,000	\$3,070,000
9.004	IRC Sec. 351	\$13,000	\$12,000	\$10,000
9.005	Handicap	\$20,000	\$20,000	\$20,000
9.006	Veterans	\$28,000	\$34,000	\$30,000
9.007	Trade-In Allowance	\$19,600,000	\$20,700,000	\$23,300,000
Totals		\$22,471,000	\$23,871,000	\$26,590,000

Summary of All FY 2012 Tax Expenditures

Item Number	Tax Expenditure	FY 2012 projected
Vermont Individual Income Tax Expenditures		
1.001	Vermont Municipal Bond Income	\$5,000,000
1.002	Capital Gains Exclusion	\$18,100,000
1.101	Credit for Child and Dependent Care	\$1,685,000
1.102	Credit for Elderly or Disabled	\$3,300
1.103	Investment Tax Credit	\$400,000
1.104	Vermont Farm Income Averaging Credit	\$100,000
1.105	Vermont Business Solar Energy Credit	\$1,600,000
1.201	Military Pay Exemption	\$1,160,000
1.202	Federal Employment Opportunity Income	\$12,000
1.203	Americans with Disabilities Credit Exemption	\$200
1.204	Qualified Bond Interest Income Exemption	\$1,000
1.301	Charitable Housing Credit	\$44,000
1.302	Affordable Housing Credit	\$0
1.303	Qualified Sale of Mobile Home Park Credit	\$0
1.304	Vermont Higher Education Investment Credit	\$1,200,000
1.305	Entrepreneurs' Seed Capital Fund Credit	\$0
1.306	Historic Rehabilitation Tax Credit	\$10,000
1.307	Façade Improvement Tax Credit	\$0
1.308	Code Improvement Tax Credit	\$40,000
1.309	Research and Development Tax Credit	\$1,500,000
1.310	EATI Tax Credits (carryforward only after 2010)	\$350,000
1.311	Downtown Tax Credits (carry forward only)	\$25,000
1.401	Low Income Child and Dependent Care Credit	\$75,000
1.402	Earned Income Tax Credit	\$28,000,000
	Subtotal	\$59,305,500
Federal Individual Income Tax Expenditures		
1.601	Medical & Dental Expenses	\$3,380,000
1.602	State & Local Income and Sales Taxes	\$28,500,000
1.603	Real Estate Taxes	\$16,400,000
1.604	Personal Property Taxes	\$400,000
1.605	Home Mortgage Interest Deduction	\$25,000,000
1.606	Investment Interest	\$3,000,000
1.607	Charitable Contributions & Gifts	\$13,000,000
1.608	Casualty or Theft Losses	\$56,000
1.609	Job Expenses & Other Miscellaneous Deductions	\$5,000,000
1.701	Standard Deduction	\$110,000,000
1.702	Personal Exemption	\$93,000,000
	Subtotal	\$297,736,000

Item Number	Tax Expenditure	FY 2012 projected
Corporate Income Tax Expenditures		
2.001	Vermont Municipal Bond Income Exemption	Not estimated
2.101	Charitable Housing Credit	\$0
2.102	Affordable Housing Credit	\$0
2.103	Qualified Sale of Mobile Home Park Credit	\$0
2.104	Wood Products Manufacture Tax Credit	\$350,000
2.105	Historic Rehabilitation Tax Credit	\$0
2.106	Façade Improvement Tax Credit	\$0
2.107	Code Improvement Tax Credit	\$0
2.108	Business Solar Energy Tax Credit	\$200,000
2.109	Machinery and Equipment Tax Credit	\$0
2.110	Research and Development Tax Credit	\$2,000,000
2.111	EATI Tax Credits (carryforward only after 2010)	\$100,000
	Subtotal	\$2,650,000
Vermont Employment Growth Incentive		
2.200	VEGI Incentive	\$75,000
	Subtotal	\$75,000
Sales Tax Expenditure Summary		
3.001	Medical products	48,900,000
3.002	Agricultural inputs	21,600,000
3.003	Veterinary supplies	1,100,000
3.004	Non-business, casual sales	Not estimated
3.005	Diesel fuels for railroads and ferries	Not estimated
3.006	Sales of food	78,900,000
3.007	Manufacturer's material and equipment	320,100,000
3.008	Newspapers	1,100,000
3.009	Packaging and shipping materials	1,200,000
3.010	Rented furniture for residential use	Not estimated
3.011	Admissions to municipal, state and federal recreation facilities	300,000
3.012	Rentals of coin-operated washing facilities	1,200,000
3.013	Admission fees to nonprofit museums	1,300,000
3.014	Equipment, supplies and building materials sold to volunteer fire departments, ambulance companies and rescue squads	Not estimated
3.015	Funeral charges	300,000
3.016	Property used in commercial, industrial or agricultural research	Not estimated
3.017	Agricultural machinery and equipment	1,600,000
3.018	Energy purchases for a residence	44,100,000
3.019	Energy purchases for farming	3,200,000
3.020	Sales of films to movie theaters	800,000
3.021	Aircraft and depreciable parts for commercial use	Under 100,000
3.022	Railroad rolling stock and depreciable parts	Under 100,000
3.023	Ferryboats and depreciable parts	100,000
3.024	Sales of mobile homes and modular housing	200,000
3.025	U.S. flag sold to or by exempt veterans' organizations	Not estimated
3.026	Electricity, oil, gas and other fuels used in manufacturing tangible personal property for sale	12,100,000

Item Number	Tax Expenditure	FY 2012 projected
Sales Tax Expenditures (continued)		
3.027	Property transferred as part of personal service transaction or transfer of intangible property rights	Not estimated
3.028	Advertising materials	Not estimated
3.029	Documents that record a professional service	Not estimated
3.030	Tracked vehicles	Not estimated
3.031	Sales of building materials	Under 100,000
3.032	Wholesale transactions between telecommunications service providers	Not estimated
3.033	Scrap construction materials by a third party	Not estimated
3.034	Property incorporated in railroad line	Not estimated
3.035	Clothing and footwear	27,300,000
3.036	Property incorporated into a net metering system, an energy system on a premises not connected to the electric distribution system, or a solar hot water heating system	Under 100,000
3.037	Sales to and some purchases from 501(c)(3) organizations	Not estimated
3.038	Building materials and supplies used in construction, repair of buildings by governmental bodies or 501(c)(3) organizations or development corporations	Not estimated
3.039	Amusement charges for 4 events a year for 501(c)(4)-(13) and (19) organizations and political organizations	Not estimated
3.040	Limitation of tax on telecommunications services	Under 100,000
3.041	Reallocation of receipts from tax imposed on sales of construction materials	Under 100,000
3.042	Sales to nonprofit hospital service corporations	Under 100,000
3.043	Sales to nonprofit medical service corporations	Under 100,000
3.044	Sales to credit unions	Under 100,000
	Subtotal	565,400,000
Meals and Alcohol Tax Expenditure Summary		
4.001	Grocery-type items furnished for take-out	6,100,000
4.002	Served on the premises of a non-profit	Not estimated
4.003	Served on the premises of a school	1,900,000
4.004	Served on the premises of a prison	200,000
4.005	Served in hospitals, convalescent and nursing homes	1,100,000
4.006	Carriers	Not estimated
4.007	Summer camp for children	Under 100,000
4.008	Sold by nonprofits at fairs etc. but limited to 4 days	Not estimated
4.009	Furnished to an employee of a hotel or restaurant	Not estimated
4.010	Served to the elderly pursuant to the Older Americans Act	700,000
4.011	Purchased with food stamps	200,000
4.012	Served on the premises of a continuing care facility	Not estimated
4.013	Provided for nonprofit hospital service corporations	Under 100,000
4.014	Provided for nonprofit medical service corporations	Under 100,000
4.015	Provided for credit unions	Under 100,000
	Subtotal	10,200,000

Item Number	Tax Expenditure	FY 2012 projected
Rooms Tax Expenditure Summary		
4.101	Time share rights	Not estimated
4.102	Student housing	Not estimated
4.103	Permanent residents (occupied a room in a hotel for at least 30 days)	Not estimated
4.104	Hotel or restaurant employee (as part of their remuneration)	Not estimated
4.105	Summer camps	200,000
4.106	Hospital, sanatorium, convalescent home, nursing home	Not estimated
4.107	State or US-operated establishment	Not estimated
4.108	Nonprofit establishments	Not estimated
4.109	Continuing care retirement communities	Not estimated
4.110	Rooms provided for nonprofit hospital service corporations	Under 100,000
4.111	Rooms provided for nonprofit medical service corporations	Under 100,000
4.112	Rooms provided for credit unions	Under 100,000
	Subtotal	200,000
Property Tax Expenditures		
5.001	Non-Profit Medical Service Corporations	\$129,000
5.002	Local Development Corporations	\$81,000
5.003	Vermont State Colleges	\$990,000
5.004	University of Vermont	\$10,025,000
5.005	Libraries	\$869,000
5.006	Housing Authorities	\$1,275,000
5.007	Federal and State Government Property	\$17,712,000
5.008	Congressionally Chartered Organizations	\$519,000
5.009	Personal estate property in another state	Not estimated
5.010	Public, pious and charitable property	\$44,044,000
5.011	College fraternities and societies	\$160,000
5.012	YMCA and YWCAs	\$170,000
5.013	Cemeteries	\$499,000
5.014	Furniture and equipment	Not estimated
5.015	Owned by agricultural societies	\$383,000
5.016	\$10,000 for veterans	\$100,000
5.017	Water pollution abatement property	Not estimated
5.018	Humane societies	\$72,000
5.019	FQHC and RHCs	\$173,000
5.020	Ski lifts and snowmaking equipment	\$1,691,000
5.021	Municipally owned	\$13,418,000
5.022	Whey processing fixtures	\$43,000
5.023	Municipalities hosting large power plants	\$794,000
5.101	Use Value Appraisal Program	\$37,383,000
5.102	Qualified Housing	\$576,000
5.103	Tax Increment Financing Districts	\$2,500,000
5.104	Property Tax Adjustments	\$148,300,000
5.201	Holton Home	\$8,000
5.202	Skating Rinks	N/A
5.203	Recreation Facilities	N/A
	Subtotal	\$281,914,000

Item Number	Tax Expenditure	FY 2012 projected
Bank Franchise Tax Expenditure Summary		
6.001	Credit Unions	\$1,000,000
6.101	Affordable Housing Tax Credit	\$1,400,000
6.102	Downtown and Village Center Program Tax Credits	\$500,000
6.103	Entrepreneurs' Seed Capital Fund Credit	\$0
6.104	Charitable Housing Credit	\$0
	Subtotal	\$2,900,000
Insurance Premiums Tax Expenditure Summary		
7.001	Affordable Housing Tax Credit	\$600,000
7.002	Downtown and Village Center Program Tax Credits	\$0
7.003	Entrepreneurs' Seed Capital Fund Credit	\$0
7.101	Annuity Considerations	\$10,500,000
7.102	Fraternal Societies	<\$100,000
7.103	Hospital and Medical Service Organizations	\$10,700,000
	Subtotal	\$21,800,000
Gasoline and Diesel Fuel Tax Expenditures		
8.001	Gasoline Tax	\$0
8.002	Diesel Fuel	\$10,900,000
	Subtotal	\$10,900,000
Motor Vehicle Purchase & Use Tax Expenditures		
9.001	Religious, charitable	\$160,000
9.002	Non-registered vehicles	No data
9.003	Gifts	\$3,070,000
9.004	IRC Sec. 351	\$10,000
9.005	Handicap	\$20,000
9.006	Veterans	\$30,000
9.007	Trade-In Allowance	\$23,300,000
	Subtotal	\$26,590,000
	TOTAL	\$1,279,670,500

APPENDIX

APPENDIX A

Tax Expenditure Report Authorizing Statute

32 V.S.A. § 312. Tax expenditure report

§ 312. Tax expenditure report

(a) For purposes of this section, "tax expenditure" shall mean the actual or estimated loss in tax revenue resulting from any exemption, exclusion, deduction, or credit applicable to the tax.

(b) Tax expenditure reports. Biennially, as part of the budget process, beginning January 15, 2009, the department of taxes and the joint fiscal office shall file with the house committees on ways and means and appropriations and the senate committees on finance and appropriations a report on tax expenditures in the personal and corporate income taxes, sales and use tax, and meals and rooms tax, insurance premium tax, bank franchise tax, education property tax, diesel fuel tax, gasoline tax, motor vehicle purchase and use tax, and such other tax expenditures for which the joint fiscal office and the tax department jointly have produced revenue estimates. Legislative council shall also be available to assist with this tax expenditure report. The report shall include, for each tax expenditure, the following information:

- (1) A description of the tax expenditure.
- (2) The most recent fiscal information available on the direct cost of the tax expenditure in the past two years.
- (3) The date of enactment of the expenditure.
- (4) A description of and estimate of the number of taxpayers directly benefiting from the expenditure provision.

(c) Based on the information contained in the tax expenditure report, the commissioner shall recommend to the general assembly that any expenditure that has cost less than \$50,000.00 or has been claimed by fewer than ten taxpayers in each of the three preceding years be repealed two years hence. (Added 2005, No. 75, § 26; amended 2005, No. 207 (Adj. Sess.), § 23, eff. May 31, 2006; 2007, No. 190 (Adj. Sess.), § 24, eff. June 6, 2008; 2009, No. 160 (Adj. Sess.), § 1, eff. June 4, 2010.)

2009 Act No. 160

Sec. 2. FUTURE TAX EXPENDITURE REPORTS

(a) The report due January 15, 2011, shall include the pass-through of federal tax expenditures from personal income tax reported on Federal Schedule A to Form 1040. (b) No later than January 15, 2012, the department of taxes, the joint fiscal office, and legislative council shall research other state tax expenditure reports and federal tax code to determine which federal exemptions, exclusions, deductions, and other adjustments that pass through to Vermont should be included in future tax expenditure reports. The report shall include specific recommendations with respect to further development of tax expenditure reporting.

