

2018 LEGISLATIVE HIGHLIGHTS

Here is a list of significant legislative changes for 2018. Select the tax type or topic to see more information and available resources pertaining to these important changes. Download or print the complete list of legislative changes.

Individuals

Personal Income Tax

[Act 11 \(H.16\) \(Spec. Sess.\)](#), an act relating to making appropriations for the support of government, financing education and vital records, is the 2018 budget bill. This Act included Vermont's response to the federal Tax Cuts and Jobs Act (TCJA). The personal income tax changes in Act 11 build off of changes made in Act 73 of 2017, Sec. 13a, which amended the definition of Vermont taxable income. Previously under the old definition, the calculation for Vermont taxable income began with federal taxable income. Following the Act 73 changes that took effect in 2018, the calculation starts with federal adjusted gross income (AGI). The following changes were made in Act 11:

- The TCJA suspended personal exemptions at the federal level, but Vermont will maintain its own personal exemption of \$4,150 for each individual taxpayer, their spouse, including deceased spouses if filing jointly, and qualifying dependents. Sec. H.1 (H.16) Act 11 (Spec. Sess.).
- Vermonters will be allowed to deduct a Vermont-defined standard deduction from their income based on their filing status. Sec. H.1 (H.16) Act 11 (Spec. Sess.).
- An additional deduction of \$1,000 is available to filers who are 65 or over and/or blind, and who qualified and received the deduction at the federal level. The amount of the additional deduction will be adjusted annually for inflation. Sec. H.1 (H.16) Act 11 (Spec. Sess.).
- In 2018, all Vermonters will be able to claim a 5% non-refundable credit for any charitable contribution they make, as long as the charitable contribution is deductible according to IRS rules. The maximum amount of charitable contributions that are eligible for the credit is \$20,000. Sec. H.3 (H.16) Act 11 (Spec. Sess.).
 - The IRS guidelines are available here: <https://www.irs.gov/charities-non-profits/contributors/written-record-of-charitable-contribution>.
- The Vermont marginal rates will be lower starting in 2018. Secs. H.2, H.3, H.6 (H.16) Act 11 (Spec. Sess.).
- Starting in 2018, income-eligible Social Security beneficiaries will be able to claim an exemption for the taxable portion of their Social Security benefits. Secs. H.2, H.5, H.6 (H.16) Act 11 (Spec. Sess.).
- Previously, taxpayers who claimed the federal earned income tax credit could claim a credit of 32% of the federal credit amount against their Vermont income tax liability. Starting in 2018, that percentage will increase to 36%. Sec. H.4 (H.16) Act 11 (Spec. Sess.).

Property-Related Issues

[Act 11 \(H.16\) \(Spec. Sess.\)](#), an act relating to making appropriations for the support of government, financing education and vital records, is the 2018 budget bill. This Act also included changes to the Vermont education financing system. The Act made the following changes, effective as noted.

- Establishes yields and a nonresidential property tax rate for fiscal year 2019, effective July 1, 2018. Sec. H.10.
 - Property dollar equivalent yield set at \$10,220
 - Income dollar equivalent yield set at \$12,380
 - Nonresidential property tax rate set at \$1.58
- Establishes new default rates for property dollar equivalent yield and income dollar equivalent yield as the rates in the prior fiscal year, unless set otherwise by the General Assembly. Effective on passage. Sec. H.10A.
- Changes how income sensitivity property tax adjustments are calculated.
 - Effective July 1, 2018, Sec. H.11 amends the housesite value limits:
 - The housesite value eligible for an adjustment is capped at \$225,000 for households earning \$90,000 or more instead of \$250,000 under current law.
 - The housesite value eligible for an adjustment is capped at \$400,000 for households earning less than \$90,000 instead of \$500,000 under current law.
 - These changes will affect adjustments calculated based on 2017-2018 property taxes paid that are applied as credits to 2018-2019 property tax year bills.
 - Effective July 1, 2019, Secs. H.12-H.13 split property tax adjustments:
 - For eligible households earning \$47,000 or less, the maximum annual municipal property tax adjustment will be \$2,400.
 - For eligible households, the maximum annual State education property tax adjustment will be \$5,600.
 - These changes will affect adjustments calculated based on 2018-2019 property taxes paid that are applied as credits to 2019-2020 property tax year bills.
 - Effective July 1, 2019 (fiscal year 2020; claim year 2019), Secs. H.14-H.15 require State education property tax to be stated separately from any other tax on the municipal tax bill.

[Act 188 \(H.907\)](#), an act relating to improving rental housing safety, makes changes to the Department of Taxes' administration of the Landlord Certificate for the Renter Rebate Program.

- By October 31, 2019 and every year thereafter, the Department of Taxes will be required to make publicly available a sortable spreadsheet of landlord data that includes:
 - (1) the name of owner or landlord;
 - (2) the mailing address of landlord;
 - (3) the location of rental unit;
 - (4) the type of rental unit;
 - (5) the number of units in building; and
 - (6) the property's School Property Account Number (SPAN).

[Act 194 \(S.276\)](#), an act relating to rural economic development, makes changes regarding eligibility for use value appraisal of managed forestland.

- Requires that a forest management plan be filed with the Department of Forest, Parks and Recreation, and a management report to be filed with the Director of Property Valuation and Review, Department of Taxes on February 1 of the year following the year when the management activity occurred.
- Permits access and inspection of parcels and defines a process by which owners can reapply after removal from the current use program.

Municipal Fees

[Act 155 \(H.899\)](#), an act relating to a town fee report and request, pertains to town fees, including fees for recording property documents in town land records. Act 155 requires towns to propose changes to town fees set by statute every three years, starting in 2019.

Health Insurance

[Act 182 \(H.899\)](#), an act relating to establishing a State individual mandate requires that all individuals and their eligible dependents maintain minimum essential health care coverage at all times.

- Requires the Legislature to enact a financial penalty or other enforcement mechanism in 2019.
- Creates an Individual Mandate Working Group charged with developing recommendations regarding enforcement (as well as coverage, exemptions and administration) of the mandate and report to the legislature by November 1, 2018.
- Requires, ultimately, an educational effort regarding Vermonters' responsibilities to maintain minimum essential coverage and the penalties for failure to do so.

New Vermont Remote Workers

[Act 197 \(S.94\)](#), an act relating to promoting remote work, creates a new remote worker grant program for new full-time employees of non-Vermont businesses, who become Vermont residents on or after Jan. 1, 2019, and who work remotely in Vermont.

- Grants are awarded for qualifying remote worker expenses (relocation, computer software, hardware, etc.) up to \$5,000 per year, total of \$10,000 per individual.
- The Agency of Commerce and Community Development (ACCD) has been tasked with the design and implementation of the Program, including the certification process.

Businesses

Bottle Deposits

[Act 208 \(S.285\)](#), an act relating to universal recycling requirements, is also known as "The Bottle Bill." This Act authorizes the State of Vermont to reclaim unclaimed beverage container deposits from

“deposit initiators.” Deposit initiators are the first distributor or manufacturer to collect the deposit on a beverage container sold to any person within the State. The revenues from abandoned deposits will be sent to the Clean Water Fund. Sec. 4a (S.285) Act 208.

- Act 208 creates new requirements for a deposit transaction account.
 - Deposit initiators are required to open an interest-bearing account in a Vermont financial institution. The account must be kept separate from all other revenues and accounts. All interest, dividends, and returns earned are paid directly to the account.
 - Beginning October 1, 2019, deposit initiators will be required to deposit the refund value for each beverage container sold into the account not more than three business days after the date of sale. The deposit initiator must pay all refunds on returned beverage containers from the deposit transaction account.
 - Beginning on January 1, 2020:
 - Deposit initiators will be required to provide detailed financial reporting on deposit transactions to the Secretary of Natural Resources and the Commissioner of Taxes.
 - Deposit initiators will be required to remit to the Department of Taxes the abandoned bottle deposits from the previous quarter. Abandoned deposits are calculated by subtracting the amount refunded, plus any interest on the account, from the amount of deposits collected.
 - Deposit initiators may request reimbursements if formerly abandoned bottle deposits are claimed by the consumer creating a deficit for the deposit initiator.
- This Act also makes minor and technical changes to laws regarding solid waste management and commercial haulers, changing the date when haulers must collect food residuals from July 1, 2018 to July 1, 2020.

Meals and Rooms Tax

[Act 10 \(S.6\) \(Spec. Sess.\)](#), an act relating to registration and taxation of short-term rentals, changes the requirements imposed on short-term rental operators.

- Act 10 creates new information-posting requirements for short-term rental operators:
 - posting the meals and rooms tax account number on all advertisements; and
 - posting contact information in each unit for the responsible person, the Department of Health (VDH), and the Department of Public Safety's (DPS) Division of Fire Safety.
- At the time of registration, the Department of Taxes is required to send all new short-term rental operators health and safety educational materials prepared by VDH and DPS.
- The Department of Taxes is required to send all previously registered short-term rental operators the packet prepared by VDH and DPS prior to July 1, 2019.
- VDH, DPS, and the Department of Taxes are all required to report to the General Assembly on short-term rental issues.

Sales and Use Tax and Local Option Tax

[Act 194 \(S.276\)](#), an act relating to rural economic development, includes many new initiatives. One of those initiatives is the creation of a new exemption from the sales and use tax for advanced wood boilers.

- Specifies that retail sales and use of advanced wood boilers shall be included in the list of items that are exempt from the sales and use tax.
- Specifies that the Clean Energy Development Fund shall, through July 1, 2021 when this initiative is set to end, at specified intervals, make the State whole by calculating and transferring the amount of forgone sales tax to the Education Fund. Secs. 25-27 (S.276) Act 194.

[Act M-16 \(H.925\)](#), an act relating to approval of amendments to the charter of the City of Barre, authorizes the City of Barre to raise municipal revenues for street and sidewalk reconstruction by assessing a 1% local option tax on rooms, meals, and alcoholic beverages.

[Act 158 \(H.917\)](#), an act relating to the Transportation Program and miscellaneous changes to transportation-related law, is also known as the Transportation Bill. This Act makes changes to various taxes imposed on aviation fuel and the use of that tax revenue, in order to bring Vermont law into compliance with Federal Aviation Administration rules. Secs. 33-37 (H.917) Act 158. These changes notably include a shift in the way that the local option sales tax applies to aviation jet fuel starting January 1, 2019. Sec. 36 (H.917) Act 158. These changes are the following:

- Jet fuel continues to be subject to the local option tax under 24 V.S.A. § 138.
- Jet fuel is exempt from the per return local option tax administrative fee.
- Local option tax revenues on jet fuel must be collected and reported separately from other local option tax revenues, with a split as follows:
 - 70% to the municipality, and
 - 30% to the Transportation Fund.
- Any tax revenues may only be used for aviation purposes consistent with federal law, regulations, and policies.

Health Care Claims Tax

[Act 131 \(H.892\)](#), an act relating to regulation of short-term, limited-duration health insurance coverage and association health plans authorizes the sale and thus regulation of a new type of health insurance coverage: short-term, limited-duration health insurance plans (STLDHI).

- This Act allows STLDHI plans to be sold in Vermont and authorizes DFR to regulate them, in part by requiring DFR to adopt rules.
- This Act also changes the definition of “health insurance” for the purpose of both the Health Care Claims Tax to include STLDHI plans, which makes STLDHI plans subject to the Health Care Claims Tax.

[Act 187 \(H.901\)](#), an act relating to information technology and health information exchange.

- Existing statute directs the Department of Taxes to allocate a percentage of the Health Care Claims Tax revenues to the Health IT-Fund. That allocation was set to sunset on July 1, 2018, but Act 187 extends the sunset by one year, to July 1, 2019. Sec. 5.

Miscellaneous Business Changes

[Act 168 \(S.260\)](#), an act relating to funding the cleanup of State waters. This Act extends the repeal date of the petroleum distributor's licensing fee on motor fuel and heating fuel, kerosene, or dyed diesel under 10 V.S.A. § 1942 from April 1, 2021 to April 1, 2031. Sec. 11 (S.260) Act 168.

[Act 196 \(S.269\)](#), an act relating to simplifying government for small businesses establishes a steering committee led by the Secretary of State working collaboratively with the Agency of Commerce and Community Development, the Agency of Digital Services, and other stakeholders. The steering committee is required to review and consider ways to enhance the Secretary of State's one-stop business portal for businesses, entrepreneurs, and citizens in order to provide information about starting and operating a business in Vermont, and to provide ongoing support to businesses interfacing with State government. The steering committee must also submit a report to the Legislature by December 15, 2018 that recommends a new, cost-efficient design proposal for the comprehensive one-stop portal. Sec. 1 (S.85) Act 196.

[Act 205 \(S.269\)](#), an act relating to blockchain business development pertains to the protection of personal information, companies that deal with this information, and emerging blockchain technologies. This Act creates a new type of business structure: a blockchain-based limited liability company (BLLC), which is a company that utilizes blockchain technology for a material portion of its business activities. Businesses may elect to register under this legal form with the Department of Financial Regulation and be subject to licensing requirements and associated fees. Sec. 7 (S.269) Act 205. The Agency of Commerce and Community Development, in collaboration with the Department of Financial Regulation and other stakeholders are tasked with promoting blockchain and financial technology-related economic development. Sec. 5 (S.269) Act 205.