State of Vermont
Department of Taxes

2007 – 2008
Biennial Report

Tom Pelham, Commissioner

Commissioners of Taxes

W.P. Dillingham	1882-1888
J.L. Martin	1888-1890
P.K. Gleed	1890-1892
J.L. Martin	1892-1894
D.J. Foster	1894-1898
D.H. Lewis	1898-1900
J.E. Cushman	1900-1913
Charles A. Plumley	1913-1919
John M. Avery	1919-1920
Melvin G. Morse	1920-1921
Fred B. Thomas	1921-1925
Paul A. Chase	1925-1925
Erwin M. Harvey	1925-1945
George H. Amidon	1945-1949
Leonard W. Morrison	1949-1958
Austin B. Noble	1958-1961
Charles T. Shea	1961-1965
Gerald S. Witherspoon	1965-1969
Lawrence A. Wright	1969-1971
Edward Bartlett	1971-1972
Robert Lathrop	1972-1977
R. Paul Wickes	1977-1978
Harriet A. King	1978-1981
Elaine K. Hoiska	1981-1984
Norris Hoyt	1984-1991
Joyce H. Errecart	1991-1994
Betsy Anderson	1994-1995
Edward W. Haase	1996-1998
Sean P. Campbell	1999-2000
Janet Ancel	2000-2003
Richard Mallary	2003-2003
Tom Pelham	2003 - Present

Our Mission

To collect the proper amount of tax revenue in a timely and efficient manner to pay for the goods and services people receive from State government;

To administer property tax assistance programs through highly efficient means;

To serve local governments by striving to improve local property tax assessment practices;

To assist and service taxpayers, legislators and others to the maximum feasible extent.

TOM PELHAM
COMMISSIONER OF TAXES

TO THE GENERAL ASSEMBLY OF THE STATE OF VERMONT

I am pleased to present the Biennial Report of the Commissioner of Taxes for 2007 and 2008, as required by 32 V.S.A. § 3101(b). The past two years have been busy. Here's a brief profile of some of our more significant areas of activity.

E-filing: Progress continues on this front. For tax year 2004, over 107,000 income tax returns were filed electronically, or 34% of the total. For tax year 2007, the percentage increased to 51.2% or 170,150 returns. Despite this success, there is still much ground to be gained. The national e-filing rate is over 60%.

Regarding business trust tax returns (sales and use, meals and rooms, withholding), in 2008 the Department offered enhancements to its successful electronic filing program VTBizFile. Taxpayers using VTBizFile can now warehouse payments and use ACH credit as a payment option. In fiscal year 2008, over $96.2 million was paid electronically.

Property Tax Administration: In 2006, the legislature voted that property tax adjustments be incorporated into property tax bills rather than sent directly to taxpayers by check. This new law was implemented on July 1, 2007. It required converting taxpayer information submitted on applications filed during the 2007 tax season to a data file for each town with property tax adjustment information for each eligible taxpayer. I applaud the efforts of the Tax Department's IS staff in implementing this complex requirement.

New Technology: Over the past two years, the Tax Department, with the help of outside consultants, has designed a modern computer platform for the administration of the corporate income tax, the business income tax, the property transfer tax, the fuel gross receipts tax, and the individual use tax. These taxes are currently administered using programs on the "mainframe" computer which date back to the mid-1980s. With the new system, scheduled for operation in the fall, the Tax Department can provide better service, including offering electronic filing options eventually.

Staffing and Budget: The past two years have seen a continuation of the Department's efforts to be more effective. Staff positions have been reduced from 190 to 181 and budget growth has been less than 1% annually. This progress is attributable to the better use of technology and to the dedication and creativity of the Department's staff.

Respectfully submitted,

Tom Pelham
Commissioner of Taxes

TABLE OF CONTENTS

Administration

Administration includes the people responsible for overall Department leadership, policy-making, and budget. It includes the Commissioner, Deputy Commissioner, General Counsel, Policy Analysts, Taxpayer Advocate, Business Manager and their immediate staffs. This section has overall management control of the entire Department. The Administrative Division responds to all tax policy inquiries from the Governor and Legislature, issues rulings and technical bulletins to implement tax legislation, conducts tax appeal hearings and represents the Department in any civil or criminal litigation. The Division also provides budget preparation and fiscal management services, payroll processing, procurement of all goods and services (including contract administration) and inventory control for all office supplies, furniture, equipment and tax forms. In late 2008 personnel administration for the departments within the Agency of Administration was consolidated and is now administered by the Department of Human Resources.

Administration also encompasses all mailroom/stockroom operations, including processing all out-going mail, preparation and distribution of tax forms, refund checks, delinquency notices/bills and any special mailings to taxpayers. It also includes coordinating all aspects of the "substitute forms program", which has grown significantly now that a majority of our tax return and tax remittance processing is performed with imaging/scanning equipment.

Information Systems

Information Systems manages automated information processing for the Department. In this role, the Division supports the Department as well as over 500,000 taxpayers and all the municipalities in the State. The unit is staffed by twenty-four technical positions. The goal of the division is to provide automated solutions that enable the Department to meet the needs of Vermont taxpayers in an accurate and timely manner.

During 2007 and 2008, a portion of the Division's resources focused on a project to migrate the processing of Corporate Income, Business Income, Fuel Gross Receipts and Property Transfer taxes from the legacy mainframe system to a new integrated tax system called VIRCS-ETM (Vermont Integrated Revenue and Collection System – Enterprise Tax Management). This project is expected to be complete in 2009. VIRCS-ETM will give the Department the technology it needs to eventually process all taxes on one system.

As changes to the property tax adjustment program occurred, the division met the challenges of modifying the underlying computer systems used to administer the program. In 2007 systems were changed to replace checks to the property owners with payments made directly to the towns so that tax bills would reflect any adjustments. In 2008 changes were made to support a system of netting the property tax adjustments against each Town's statewide education property tax rather than sending the money to the Towns.

The Division continues to support property tax administration statewide. It provides support to towns and municipalities using the CAPTAP II software for their listing and tax billing needs. A major milestone in this area was the automation of the annual process of certifying parcels enrolled in the Current Use program resulting in a significant time savings for both the Towns and the Department.

In order to continue to promote electronic filing channels, Vermont Bizfile was updated in 2008 to allow Sales & Use, Meals and Rooms and Withholding taxpayers to file returns early while scheduling their payments for a date in the future via ACH Debit. An additional accepted payment method (ACH Credit) was implemented as well. Also, Vermont taxpayer participation in the Fed/State E-file program has continued to increase annually. This program allows Vermont taxpayers to have both their Federal and State personal income tax returns processed electronically. Taxpayers can choose to have their refunds direct deposited to their bank accounts. The IS division has been participating, along with most other state tax entities, in working groups to standardize and adopt what is referred to as Fed/State modernized e-File (MeF) for Personal Income tax.

As we go forward into 2009 and 2010, the Division will continue to work on the VIRCS-ETM project as well as responding to required changes to the existing tax system. The Division will also continue to support towns' efforts to meet annual legislative changes. Additionally the Division will be involved in the Department's efforts to expand electronic filing options for taxpayers, including the development of Modernized Fed/State E-File from the IRS and electronically filed Property Transfer Tax returns.

Revenue Accounting and Returns Processing (RAARP)

RAARP is responsible for all revenue accounting and returns processing for the Tax Department. Those duties include: receipt, opening, extraction and routing of all incoming mail; tax return validation and control for data entry or document preparation for scanning/imaging; data capture of all documents via traditional keyboard entry or scanning/imaging technology; daily bank deposits and related cash management functions including electronic funds transfers and credit card payments; bank account/general ledger reconciliations; and finally, preparing year-end GAAP/GASB 34 reports. The Division is also responsible for overseeing the receipt and posting of an ever-increasing number of returns and payments filed electronically via a number of different Tax Department applications made available to taxpayers over the past few years.

Property Valuation And Review

The Property Valuation and Review Division (PVR) provides administrative support for Vermont's property tax system, participates in the development and execution of State property tax policies and administers several State property tax related programs. Most major functions assigned to the Division involve taxes and programs that are primarily administered by municipal governments; hence PVR works extensively with local governments in the performance of its duties.

Specific programs and functions include a number of major programs that are detailed below. In addition, the Division frequently performs several other functions such as appraising of State owned buildings and land and participating in both Executive and Legislative studies and commissions.

Equalization Study. Annually, the Division conducts a study that results in estimates of the fair market value of all taxable property and the level of appraisal in all Vermont school districts. The main product of the study is the Equalized Education Grand List (EEGL) which is an estimate of the total fair market value of property that is taxable for school funding purposes. After determining the EEGL, the school district's common level of appraisal (CLA) is determined by calculating the ratio of the municipality's actual grand list to PVR's EEGL estimate. The CLA is used in the calculation of the school tax rates (Homestead and Nonresidential) that all municipalities are required to assess against individual grand list properties on an annual basis. The Equalization Study is a type of "ratio study". Ratio studies are based on the ratios that result from comparing arm's length sales to the corresponding values found on towns' grand lists. The municipality's grand list is then adjusted to reflect the average deviation from fair market value. Sales verification to determine the arm's length status of sales involves considerable input from local appraisal officials but the final determination of validity rests with the Division. The Division has conducted Equalization Studies since the early 1970s. In 1997-8, we undertook an extensive review of the methods and procedures used in the Study including an evaluation by an independent consulting firm. As a result, extensive changes were implemented beginning with the 1999 Study. The major changes involve improvements in the statistics used in the Study and the review of the results that are aimed at increasing the reliability of the fair market value estimates.

Current Use. The Current Use, or the Use Value Appraisal program, allows enrolled property owners with eligible land and buildings to have their property taxes assessed on the productive value of their property, as opposed to its fair market value (which is the legal standard for assessment of most other real property). Enrolled owners agree to keep this property in productive agricultural and forest use. Owners pay property tax based on separate agriculture and forest productive values. The values are a per acre value and are used uniformly throughout the State in the taxation of enrolled land. Farmers who are enrolled in this program can also have their qualified farm buildings taxed at 0.0% of fair market value. All enrolled property is assessed at its respective use value and this reduction in value is reflected in PVR's equalization study which results in lower education property taxes for affected municipalities. The Division administers a "hold harmless" program that reimburses municipalities for the reduction in municipal taxes resulting from this program. A part of the current use program is the Land Use Change Tax. This is a tax imposed on owners of enrolled land who develop their property or choose to discharge the lien by payment of this tax. The tax is computed at variable rates based on the length of time the property remained enrolled in the Current Use program and it is payable to the State's General Fund.

Vermont Mapping Program. The Vermont Mapping program produces and distributes orthophotographic maps, both analog and digital, for the State. Older analog maps exist statewide in two vintages. Digital orthophotography (DOQ) has been completed for all 14 counties. The Mapping Program is currently in the process of securing an update of digital images statewide. At this point, we have nearly completed statewide coverage for this new vintage of DOQs. If sufficient funding is forthcoming in the fiscal year 2010 Capital budget, the program will be able to secure the photography needed to produce new DOQs for the remainder of the State. The digital format enhances the accuracy of the final mapping product and allows for new uses in concert with evolving Geographic Information System (GIS) technologies. For example, the digital elevation model allows contours to be generated that can be used with property maps and digital orthophotography to create a comprehensive view of property. The maps are used extensively by an array of public and private sector organizations to aid in their planning and administrative functions. With the expansion of GIS applications well beyond property tax mapping functions, the Department believes that it is now time to restructure DOQ mapping functions within the State. Given this, the Department's fiscal year 2010 budget reflects the transfer of the Mapping Program to a more appropriate entity in terms of the overall array of GIS functions within Vermont.

Computer Assisted Property Tax Administration Program (CAPTAP). To assist local officials and enhance the standardization of assessment practices within the State, the Tax Department has supported computer software for determining property values and administering the property tax. The Department currently supports a software program called CAPTAP-II. While the use by municipalities of the CAPTAP software is elective, it is our goal to provide an effective software product which municipalities will find advantageous. The Tax Department contracts with selected software developers to produce the programs and provides direct support and education to municipalities for software use. Currently 185 municipalities use the component of CAPTAP that produces appraisal values while 250 municipalities use the tax billing and administration component. The Department currently provides direct support services for its CAPTAP products to about 100 municipalities.

Property Tax Appeals. PVR fulfills several quasi-judicial functions with regard to property taxation. The most important involves appeals of property values as set by municipalities. The State Appraisers who hear valuation appeals from the municipal level are administratively attached to PVR. The State Appraisers serve as independent hearing officers and set values based on the evidence presented at appeals hearings. Typically the State Appraisers hear and render decisions regarding about 150 appeals annually. In addition to property assessment appeals, the Director of PVR hears appeals related to the Current Use program and the results of the Equalization Study.

Technical Support of the Property Tax System. The Division has eight regional representatives (called District Advisors) who directly support local assessment officials (listers and municipal assessors). The Advisors are regionally located to offer legal and technical advice to listers throughout the State. The expertise available from the Advisors is particularly important as many local officials have a limited background in property assessment and the availability of support both enhances the reliability of assessments and results in greater standardization of assessment practices throughout the State. The Division provides additional support to local officials through a Department attorney and other centrally located staff with expertise in property appraisal, property tax administration and legal matters associated with the property tax.

State real estate taxes (Real Estate Withholding, Property Transfer and Lands Gains). The Real Estate Withholding (REW) program is not a tax per se; it requires a buyer to withhold 2.5 percent of the consideration for real property being sold by a non-resident of Vermont. The withholding is required to insure that the appropriate amount of taxes on any gain resulting from the transfer is paid when the seller files a Vermont income tax return. PVR staff also review the income tax returns associated with withholding to determine final tax liabilities relative to the withheld amounts. The Property Transfer Tax is an amount due from a buyer of Vermont real property and is a percentage of the sale price. Typically, the tax rate is 1.25 percent of the total sales price associated with real property, though for property that is to be used as a principal residence there is a split rate with .5 percent applied to the first $100,000 and 1.25 percent applied to the remaining value. Land Gains is a tax imposed on the seller of land held for less than 6 years and then resold. The purpose of the tax is to discourage speculative property transactions by imposing a sliding scale rate on profits. The rate is higher for property held for a shorter time period. All three of these taxes have exemptions that reduce or eliminate the tax under statutorily defined circumstances.

Data collection and analysis. PVR has the statutory duty to collect and disseminate information about property taxation in Vermont. The primary data collections include property assessments from all municipalities (the grand lists and the summary of the grand lists) and property tax rates. Beyond this, the Division annually collects a variety of information including utility values, locally elected municipal officials and property sales. The Division makes this information available to local officials, State government and the public through its Annual Report. The Division also produces and distributes to municipalities a number of forms that are used in the administration of the property tax.

Payment in Lieu of Taxes (PILOT). State-owned property cannot be taxed by municipalities in Vermont. The PILOT program serves to partially compensate municipalities for the reduction in tax base due to the presence of State-owned buildings and land. PILOT payments are made annually and are calculated based on the value of State-owned property and a statutory rate.

Compliance

Compliance is the enforcement division of the Department of Taxes. In addition to standard audit selection and collection activity, our current goal is to continue to implement technology-based compliance initiatives to enhance revenue collections and encourage voluntary compliance with tax statutes.

FY2008 ended with an accounts receivable balance of $150.4 million dollars, up from $127.1 million in FY07. Some of the increase comes from increased use of federal data to pursue non-filers and a greater presence in pursuing taxpayers with professional licenses who must be in good standing with the Department pursuant to 32 VSA §3113. During the last fiscal year, approximately $52.8 million dollars in delinquent taxes were collected, up from $51.5 million in FY07. To supplement our in-house collection activities, the department also places delinquent accounts with private collection agencies as authorized by 32 VSA §3109.

In addition to tax collection, Compliance administers the refund offset program for 21 State and Federal agencies such as Child Support, Defender General, Judicial, VSAC and the Internal Revenue Service. We sent more than $4.2 million to participating agencies in FY08.

We are in our fifth year of placing qualifying debts with the U. S. Treasury Offset Program (TOP). This program allows for the offset of federal income tax refunds to pay State of Vermont personal income and withholding tax debts. This ongoing program results in the collection of millions of dollars from federal refund offsets, and from payments received directly from taxpayers as a result of certified letters advising them of potential placement of their debt with the TOP.

Taxpayer Services

The Taxpayer Services Division provides taxpayer assistance by responding to taxpayer questions, assisting in completing tax forms and resolving tax problems for taxpayers, distributing educational materials, encouraging voluntary compliance with Vermont tax laws and examining tax document information. These activities help assure that the Department receives accurate information and the appropriate amount of taxes. The Division also distributes and processes applications for the Lifeline and V-Script programs. The Division administers 27 taxes, 6 licensing programs and programs that assist homeowners and renters in paying their property tax and rent respectively.

The Division continues to assist homeowners with homestead declaration filings to ensure that their property is assessed school property tax by a municipality at the homestead rate. Property tax adjustment claims, applications, homeowner rebate claims and homestead declarations are now combined on the same form. The Division expends much effort educating taxpayers on the importance of filing this form. Taxpayers may file this form electronically using the Department's website. Approximately 173,000 homestead declarations were posted in FY 2008. In 2007 education property tax adjustments and property tax rebates were combined and credited on the local property tax bill of the claimant's homestead and the money was sent directly to the town. Prior to 2007 a check was sent directly to the claimant. In 2008 the property tax adjustment amount was netted in the calculation of education tax fund payments to school districts.

Unitary combined reporting became effective January 1, 2006 and the Department started receiving the required unitary returns in March of 2007. Unitary combined reporting requires groups of C corporations conducting a unitary business to report their income for tax purposes on a combined basis. At the same time the corporate income tax rates were reduced for all income brackets. In 2007 Vermont changed its treatment of net operating losses, decoupling from federal utilization and creating a distinct Vermont net operating loss (VNOL). Construction of and conversion to a new software program, ETM (Enterprise Tax Management), is underway and expected to be complete in late 2009. Corporate and Business Income, Fuel Gross Receipts and Property Transfer will be the first tax types administered in the ETM system. ETM will be a significant upgrade from the mainframe technology currently used to manage these taxes.

Effective December 31, 2006 Economic Advancement Tax Incentive Awards are no longer granted by the Vermont Economic Progress Council. This program was replaced by the Vermont Employment Growth Incentive (VEGI) Program which became law January 1, 2007. VEGI is a payroll-based growth incentive program designed to create good paying jobs for the State of Vermont. The Division continues to process existing Economic Advancement Tax Incentive (EATI) credits simultaneously with administering the Vermont Employment Growth Incentive (VEGI) program.

The Division responds annually to approximately 160,000 telephone calls. Individual income taxpayers can check on the status of their refund, homestead declaration or the amount of their estimated income tax payments on out website or by utilizing our automated telephone system available 24/7. Taxpayers may also receive assistance by fax, e-mail, letter or by visiting the office.

The streamlined sales tax agreement became effective in January of 2007. As full members of the national Streamlined Sales Tax Agreement, Vermont is entitled to require collection and remittance of the sales tax by participating out-of-state vendors who otherwise would have no obligation to collect and pay these taxes.

The Division provides assistance for businesses through seminars and outreach programs. The Division trains volunteer groups such as the Vermont Income Tax Assistance and Tax Counseling for the Elderly (VITA/TCE) that help citizens complete income tax returns. Division staff provides assistance in Montpelier and also provides assistance one day a week from February 1st through April 15th at the IRS in Burlington.

The Division continues to support and encourage electronic filing of business trust fund taxes (withholding, sales & use and meals & rooms) with its VTBizFile application, which allows filers to file and pay using ACH debit, ACH credit or major credit card. VTBizFile now offers taxpayers the option of warehousing their payments; they can now file their return early and schedule the date of their payment for any date up to and including the due date of the return. VTPay enables taxpayers to pay bills, estimated tax payments and current year personal income tax liabilities using a credit card. Fed/state e-filing continues to attract additional personal income taxpayers with over 179,000 taxpayers participating in 2008. E-Filers can opt to have their refund directly deposited into their account or schedule the payment of their tax liability electronically.

ACTIVE TRUST TAX ACCOUNTS

	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
Sales and Use Tax			
Monthly	8010	8617	9420
Quarterly	5592	4196	5426
Annual	21013	19472	20723
Meals and Rooms Tax			
Monthly	4455	3929	4472
Quarterly	703	789	901
Withholding			
Monthly	3236	3172	3543
Quarterly	22932	20483	22472
Semi-Weekly	1887	2140	2270

RETURNS EXAMINED

	Tax Year 2007	Tax Year 2008
Personal Income Tax	109051	108708
Renter Rebate	7418	7843
Homestead Declarations [2] (Education Property Tax Payment and Homeowner Property Tax Rebate)	77875	67089
Sales and Use Tax	25233	26190
Meals and Rooms Tax	9337	9776
Withholding Tax	13614	14217
Corporate/Business Entity Taxes [3]	38391	40458
Estate and Fiduciary Tax [4]	6617	7595

During the biennium, the Division examined the following volume of tax returns from the work lists [1]

[1] *The Division examines many other returns during the year as a result of appeals, large refunds, etc.*

[2] Education Tax Payment Applications, Homeowner Rebate Claims and Homestead Declarations are now combined on the same form (HS-122)

[3] Number of accounts.

[4] Corporate/Business entity Taxes and Estate and Fiduciary Tax are not yet on the "VIRCS" system and are manually reviewed.

INTEREST RATES

Year	Annual Rate	Monthly Rate
1998	9.6	0.8
1999	9.6	0.8
2000	8.4	0.7
2001	9.6	0.8
2002	8.4	0.7
2003	6.0	0.5
2004	6.0	0.5
2005	6.0	0.5
2006	6.0	0.5
2007	8.4	0.7
2008	6.0	0.5

"When a taxpayer fails to pay a tax liability imposed by this title (except the motor vehicle purchase and use tax) on the date prescribed therefor, the commissioner may assess and the taxpayer shall then pay, a sum of interest computed at the rate per annum established by the commissioner pursuant to section 3108 of this title on the unpaid amount of that tax liability for the period from the prescribed date to the date of full payment of the liability." 32 V.S.A. § 3202(a)

REVENUE PER UNIT OF TAX – SELECTED TAXES

Revenue Source	Tax Rate	Yield/Unit of Tax (dollars in millions)
Personal Income	--	NA
Sales & Use	6%	$ 321.8
Meals & Rooms	9%	120.3
Bank Franchise	.0096%	16.6
Gasoline	0.19	60.8
Diesel	0.25	15.5
Purchase and Use	6%	68.1

These simple yield rates assume no change in demand in response to the price change that would accompany a given tax rate change.

Source: Joint Fiscal estimates based on January 2009 Official E-Board Forecast for FY2008.

Introduction

This document describes the significant changes made to Vermont tax laws by the General Assembly in the 2007 session. However, this is a reminder that Act 185, which was enacted in the 2006 session will impact property tax bills for the first time this summer. Act 185 combined prebates and rebates into one property tax adjustment amount[1]. That amount will not be mailed to claimants but rather will appear as a credit on the property tax bill of the claimant's homestead, thereby reducing the amount owed to the municipality. Taxpayers who did not claim an adjustment amount are not affected by this law. 2006. Act No. 185.

Income Tax

Debt setoff: Clarified that courts, like all State agencies, are entitled to set off debts against both income tax refunds and property tax adjustments; and clarifies that court system "debts" include fines and penalties imposed by the State, but do not include damages awarded when one citizen sues another. Act 33, Secs. 3, 4.

The **Downtown Credit Allocation** was increased $100,000 from $1.5 million to $1.6 million. These credits are awarded by the Vermont Downtown Development Board to qualified applicants for qualified code improvements, façade improvements and historic rehabilitation projects. H. 521.[2], Sec. 23.

Withholding tax: Effective July 1, 2008, the payment date for taxpayers who file their withholding returns electronically may be extended by the Tax Commissioner by six days. This allows Vermont and Federal withholding tax to be paid at the same time. Current law allows only a four-day extension for taxpayers required to file electronically. H. 521, Secs. 2, 3.

All bonds and notes issued by the newly created **Vermont Telecommunications Authority** and income from and interest on such bonds and notes are exempt from income tax (and all taxes except for transfer, inheritance and estate taxes). H. 248, Sec. 1 (30 V.S.A. § 8074).

Land Gains Tax

Land sold to an organization that qualifies under section 501(c)(3) of the Internal Revenue Code, meets the "public support" test of section 509(a)(2) of the Code, and has as one of its stated purposes to provide affordable housing is **exempt** from tax if the land is sold within 12 months by the organization to a buyer who is qualified under an affordable housing program for the buyer's principal residence. However, if the land is not transferred within 12 months or not transferred to a qualified buyer for occupancy as the principal residence, the tax on both transfers (to and from the organization) shall be due from the organization. If the organization transfers the land within 12 months but there is no dwelling on the land and the buyer fails to complete and occupy a principal residence within two years, the tax on the first transfer shall be due from the organization and the tax on the second transfer shall be due from the buyer. H. 521, Sec. 25.

Local Option Taxes

The **City of South Burlington** charter was amended to give the City authority to impose a one percent local option tax on sales, meals & rooms and alcoholic beverages which are subject to taxation by the State of Vermont. The City Council must adopt an ordinance imposing the tax and then give 90 days notice to the Department of Taxes before collection of the taxes goes into effect. M-13. The City expects these actions to be taken in time for an October 1, 2007 effective date.

Property Tax

A. Education Property Tax

Education tax rates: For fiscal year 2008 only (2007-2008 property tax bills), the education tax rate on nonresidential property is $1.36 per $100 of assessed value and the rate on homestead property is $ .87 per $100 of assessed value. H. 526, Sec. 4.

[1] At the option of the claimant, this amount may also include all or a portion of the claimant's income tax refund.
[2] Bill numbers are referenced where Act numbers are not yet available.

Divided question: Effective for FY10 through FY14, a school budget must be presented to the voters as a **divided question** if it contains spending in excess of the specified inflation amount and the district's education spending per equalized pupil in the prior fiscal year was in excess of the statewide average school district spending per equalized pupil in that fiscal year. The first question is whether the voters approve a total budget that includes the maximum inflation amount and the second question is whether the voters also approve additional education spending in a specified amount. Districts whose spending does not exceed the statewide average spending per pupil are not affected by this provision. H. 526, Secs. 5 and 6.

Section 3843 properties: 32 V.S.A. § 3841 authorizes municipalities to enter into PILOT agreements with owners of housing projects for low and moderate income occupants. These agreements were grandfathered by Act 60 for ten years, meaning that these properties were not included on the municipality's education grand list. Their grandfathered status – which was due to lapse in 2007 – has been extended one year. This provision does not affect other agreements and exemptions covered by the Act 60 transition language – these will be included on the municipalities' 2007 education grand lists. H. 521, Sec.11.

Tax increment financing for reappraisal towns: Tax increment financing exempts the excess value of property over the original taxable value (the "increment") within the tax increment financing district from the education tax and allows municipalities to retain that portion of tax to finance improvements within the district. However, background growth – appreciation that would have occurred regardless of improvements within the district - is not part of the increment. This law provides that when a town reappraises at least twenty percent of the parcels in the municipality, the original taxable value of a property in the district is increased by the same proportion that other property within the district is increased. Prior to this amendment the increase was the same percentage as the increase experienced by the rest of the municipality. Act 66, Sec. 24.

To compensate municipalities for billing and collecting the education tax, municipalities may retain one-eighth of one percent of the total education tax collected (if remitted timely to the State). Effective for fiscal year 2009, the amount municipalities may retain increases to **0.225 of one percent of the total education tax collected.** However, the towns will not receive actual payment of the education tax adjustment amount in FY09 (as they will in FY08). Instead that amount will be **netted** in the calculation of education tax fund payments to school districts. In FY08, municipalities will receive education tax adjustment funds on or about July 1. The law was amended to require municipalities to transfer ***all*** education tax adjustment funds they receive to their school districts within 20 days of the first date upon which the taxes became due or 20 days after notification by the Education Commissioner, whichever is later. Under Act 185, some municipalities could have held a portion of the funds longer, depending upon the due dates. Act 65, Secs. 289, 290, 291, 299.

B. Property Tax Adjustments

Adult foster care: Last year, the law was amended to allow difficulty of care payments to be excluded in total from household income when calculating the claimant's property tax adjustment for 2007 and retroactively for 2005 and 2006; with respect to claims for 2008 and after, the first $6,500 of such payments could be excluded. This year the law is further amended to replace the term difficulty-of-care payments with a new term, "adult foster care payments" and to allow a total exclusion of adult foster care payments for all future years. The Act also retroactively provides that interest will be paid to claimants who received refunds as a result of the retroactive law change (excluding the payments from household income) made last year. Act 37.

Homestead sales: Claimants who transfer their homestead after March 31, 2007 and before June 21, 2007, may receive their property tax adjustment directly from the Department of Taxes instead of having it credited against the property tax due to the town. To obtain the payment, a claimant must notify the Commissioner of Taxes in writing no later than 4:30 p.m. on June 20, 2007. The notice must include the following:

1) A request that the property tax adjustment amount be paid to the transferor;
2) a copy of the completed property transfer tax return that was filed with the town clerk including the transferor's social security number and the property's school parcel account number (SPAN); and
3) proof of payment of the property transfer tax, such as a copy of the check or receipt of the tax payment to the town or closing agent.

The notice should be mailed to Vermont Department of Taxes, P.O. Box 1645, Montpelier, VT 05601-1645 **or faxed to (**802) 828-2720 **and be marked "Homestead Closing". See NOTICE REGARDING HOMESTEAD REAL ESTATE CLOSINGS OCCURRING AFTER MARCH 31, 2007 AND BEFORE JUNE 21, 2007 on the Department's website.**
Act 39, Sec. 7 and H. 521, Sec. 24.

Household income amendments: Prior law provided that a claimant who filed a timely claim had three years after the due date in which to amend their household income form (HI-144). This ability to amend has been extended to claimants who file late but by September 1 of the claim year. H. 521, sec. 4.

Maximum adjustment: With respect to claims filed in 2008 and after, no taxpayer shall receive a total adjustment amount in excess of $8,000 related to any one property tax year. The maximum adjustment for claims filed in 2007 is $10,000. H. 526, Secs. 2, 3.

C. Other Property Tax Changes

Subsidized housing: Definition of "appraisal value" with respect to subsidized rental housing is clarified to specify that for certain project types where rent is partially paid by the government and partially by the tenant, the value should be established using both components of rent referred to as "contract rents". H. 521, Sec. 10.

Rolling reappraisal study: Property Valuation and Review, in consultation with Vermont Assessors and Listers Association, Vermont League of Cities and Towns, International Association of Assessing Officials and two individual listers, one from an above average-sized town and one from a below average-sized town, will study the feasibility of adopting a statewide system of rolling reappraisals on a three- or five- year basis. H. 526, Sec. 27.

All property owned by the newly created **Vermont Telecommunications Authority** is exempt from tax. The Authority is authorized to own and lease equipment, facilities and other infrastructure, including fiber optic cables, towers, shelters, easements and rights of way. H. 248, Sec. 1 (30 V.S.A. §§ 8062, 8074).

Sales and Use Tax

The exemption for **parts, machinery and equipment ("parts") installed in an aircraft**, is broadened to include parts installed on private aircraft. Prior law exempted only parts installed on commercial aircraft (and commercial aircraft itself). After July 1, 2011, the exemption reverts to parts installed on commercial aircraft. H. 521, Secs. 7a and 7b.

Tobacco Tax

A taxpayer who fails to file a required **tobacco tax return** may be assessed at any time, which is the rule for other taxes. H. 521, Sec. 5.

Tobacco products wholesalers are now required to state on the invoice if the price includes the Vermont Tobacco Products Tax. This will clearly let retailers know if they have an obligation to remit the tax. H. 521, Sec. 6.

Vermont Economic Growth Incentive

Property tax allocations and stabilizations are subject to the same performance standards as a Vermont Economic Growth Incentive (VEGI) authorization. Thus, if a company falls short of performance requirements (creation and retention of payroll, capital investment and job targets) the property comes back onto the education grand list at full fair market value. H. 521, Secs. 12, 13, 21. Also, stabilizations and allocations are subject to the incentive ratio in the same manner as VEGI authorizations (this is the discount ratio whereby cost-benefit impacts are discounted 20% before an income authorization is issued) and cannot be authorized independently of an approval for a VEGI authorization. H. 521, Sec. 14.

Several **definitions** are corrected to make the program work as intended:

The term **“base payroll”** is removed from the definition of **“payroll threshold”** to resolve an error which would allow the calculation to produce negative numbers. The concept of base payroll is instead incorporated into the definition of “qualifying payroll”. H. 521, sec. 7.

“Qualifying payroll” is redefined to ensure that base payroll is maintained and background growth is taken into account in determining what investments are incremental. The new definition also clarifies that excess payroll may be counted toward future years’ targets and incentive payments provided the investments are maintained; and that VEGI recipients are not entitled to incentives on a full year’s salary for a new employee who is hired part-way through the year. H. 521, Secs. 7, 8.

Introduction

This document describes changes made to Vermont tax laws by the General Assembly in the 2008 session. Significantly, no major changes were made to the property tax adjustment program. For the second year, the adjustments will be a credit on the property tax bill that reduces education property taxes due to municipalities. Two important changes were made to income tax law. First, Vermont has decoupled from the federal accelerated bonus depreciation enacted by the Economic Stimulus Act of 2008 for individual income tax purposes[1]. Second, for tax years beginning in 2008 and after, the capital gains exclusion taken on the Vermont return may not exceed forty percent of federal taxable income. Other significant changes pertain to laws authorizing use of education tax increments to fund infrastructure costs. A number of exemptions from education property tax and income tax were added or expanded. There will be a two-day sales tax holiday in July for individuals purchasing tangible personal property; in the case of Energy Star appliances, the holiday will last one week.

Compliance

The commissioner may charge a **delinquent taxpayer** for the costs associated with serving a court complaint for the collection of delinquent taxes. This is generally the fee charged by a local sheriff. Act 190, Sec. 1 [32 V.S.A. § 3262].

Current Use

Each year, Property Valuation and Review (PVR) determines the eligibility of new and enrolled property for the Use Value Appraisal Program. Prior law prescribed various dates for this review to be completed and reported to towns. Now those notices will be combined into one, which PVR will send to towns by **March 15**. The other important deadline remains the same – towns must report back to PVR by **July 5** on whether the list is correct and on the fair market value of each parcel. PVR may notify an enrollee of discontinuance at any time that ineligibility is discovered. Act 190, Sec. 2 [32 V.S.A. § 3756].

Although the **transfer of ownership** alone will not affect the eligibility of the parcel, the law now provides that failure of an owner to provide information about the transfer, new maps or a new application within 30 days of a written request by PVR will result in removal from the program. Act 190, Sec. 3 and S. 311, Sec. 3 [32 V.S.A. § 3757 (e)].

Prior law allowed a decision by PVR regarding enrollment of use value of land to be appealed to the Director but did not specify the time in which such review could be sought. The law now specifically provides the aggrieved owner a **30-day appeal period**. Act 190, Sec. 4 [32 V.S.A. § 3758(a)].

A new owner of enrolled property is entitled to continue to have the eligible property taxed at use value provided the property remains eligible and the new owner **elects continued enrollment** on the property transfer tax return and, within 30 days of the transfer, applies to the Director of PVR and pays the required fees. The law directs the Commissioner of Taxes to redesign the transfer tax form to allow this election. S. 311, Secs. 2 and 4 [32 V.S.A. § 3756(e) and session law]. Applicants must pay a **$30 fee** in addition to other fees. The fee will go into the existing special fund, which will now be available for making improvements to the management of the program as well as paying municipal clerk fees. S. 311, Secs. 2 [32 V.S.A. § 3756(e)]. The listers are not required to send a notice to the owner for a change to listed value made solely to reflect a **new use value** set by the Current Use Advisory Board and no grievance is allowed for this reason. S. 311, Sec. 8 [32 V.S.A. § 4111(e) and (g)]. A municipality may enroll land it owns that is located in another municipality in the use value appraisal program. However, if the use value appropriation for the year is insufficient to pay the full amount due to any municipality for enrolled property owned by another municipality, the municipality in which the property is located may assess the owner-municipality the difference. S. 311, Secs. 9 and 10 [32 V.S.A. §§ 3752(10) and 3760(a)].

Education Property Tax

For fiscal year 2009 only, homestead and nonresidential **education property tax rates** will be $0.87 and $1.36 respectively, and the "applicable percentage"[2] for property tax adjustments is 1.80 percent. Act 190, Sec. 5 [session law]. An alternative education property tax is imposed on buildings and fixtures used directly in the generation of **electrical energy from wind power**. The buildings and fixtures must be part of a facility certified by the Commissioner of Public Service as producing electric energy for resale, have an installed capacity of at least 5 megawatts and hold a

[1] Accelerated depreciation was already blocked from passing through to Vermont corporate income tax returns by prior legislation. *See* 2001 (Adj. Sess.) Act No. 140.

[2] The applicable percentage is the percentage of household income, when adjusted for district spending, that a claimant must pay for property taxes before a property tax adjustment is available.

valid certificate of public good issued under 30 V.S.A. § 248. The tax is imposed at a rate of $0.003 per kilowatt hour produced. The tax is due twice a year to the Vermont Department of Taxes. Such buildings and fixtures will not be on the education grand list; however, municipal taxes are unaffected by this alternative tax. Act No. 92, Secs. 24, 25, 26 [32 V.S.A. §§ 5401(10)(J), 5402c, session law].

Several **federally-subsidized affordable housing projects** that were subject to tax stabilization agreements were exempted from the statewide education tax by Act 60 for a ten-year period. This transitional exemption was subsequently extended for an additional year. During this period any foregone education tax revenue was made up by the State's other taxpayers. Now that the exemption is expiring, the underlying law is simplified to allow a town to vote directly to exempt, in whole or in part, affordable housing. If the town votes an exemption, any foregone revenue must be made up by the town's other taxpayers - just as before Act 60. The transition rule is that any agreement made prior to April 1, 2008, will continue in effect, but beginning in fiscal year 2010, the foregone education tax revenue must be made up by the town's other taxpayers. Act 190, Secs. 6-8 [32 V.S.A. §§ 3843, 3844].

The last payment of education taxes by municipalities to the education fund is on June 1[3]. The Tax Commissioner calculates each municipality's education tax and the law now specifies that the calculation will be based on grand list information received by the Commissioner no later than the **March 15** prior to the June 1 net payment. Act 190, Sec. 11 [32 V.S.A. § 5402(c)].

The way towns are compensated for having to reissue a property tax bill due to a late-filed adjustment claim is changed. Instead of receiving a payment from the State of $15 for each reissued bill, the town is permitted to retain $15 from education taxes collected. Act 190, Secs. 11, 15 [32 V.S.A. §§ 5402, 6066a].

Prior legislation increased the amount towns could retain for collection of the statewide education tax from one-eighth to 0.225 of one percent of the education taxes collected. This year, the Legislature has made a parallel change with respect to education taxes collected on new or corrected property tax bills. Act 190, Sec. 12 [32 V.S.A. § 5410(h)].

The law allows **recalculation of a town's education tax liability** if a property tax appeal results in a reduction of one percent or more. This relief is expanded to allow recalculation if the value is reduced as the result of declaratory judgment or other type of legal preceding that changes the value of the property. The amendment also provides that in the case of a settlement between the town and a taxpayer, the town's education tax liability will only be recalculated if the Commissioner determines that the settlement amount represents fair market value. Act 190, Sec. 13 [32 V.S.A. § 5412].

The 2007 common level of appraisal for the **Town of Essex**, which underwent a reappraisal in 2007, will be retroactively increased to 100 percent. This cost to the education fund of approximately $1,000,000, will be a credit against the town's fiscal year 2009 education tax liability. Act 190, Sec. 31 [session law].

Effective for 2008 and 2009 grand lists only, **skating rinks**, owned and operated on a nonprofit basis, which provide facilities to local public schools for a sport officially recognized by the Vermont Principals' Association, are exempt from education property taxes. This is expected to exempt four or five skating rinks in the State. Act 190, Sec. 40 [session law].

Holton Home, a nonprofit elder residential care facility in Brattleboro, will be exempt from education tax on $500,000 of value. An old law had exempted it from property tax on $50,000 of value. The law does not increase the exemption from municipal tax. The increased exemption is effective for the facility's fiscal year 2009 tax liability. Act 190, Sec. 46 [session law].

For fiscal year 2009, **two health, recreation and fitness facility** properties are exempt from education property tax. One will be designated by the Springfield Hospital and the other by the North Country Hospital. Act 190, Sec.101 [session law notwithstanding 32 V.S.A. § 3832(7)].

<u>Provisions Affecting Tax Increment Financing Districts (TIF districts):</u>

The **type of debt** a municipality may use to pay for improvements in a TIF district is expanded. Prior law authorized only bonded debt; effective upon passage, municipalities may also use Housing and Urban Development Section 108

[3] Education taxes are paid on a fiscal year in two installments. The first payment is due December 1 and the second on June 1.

financing instruments; interfund loans within a municipality; State of Vermont revolving loan funds; and United States Department of Agriculture loans. However, all types of TIF district financing must be approved by the legal voters of the municipality. VEPC must assure the "viability and reasonableness" of any proposed financing other than bonding and least-cost financing. Act 190, Secs. 54, 61 [24 V.S.A. §§ 1891[4] ; 32 V.S.A. § 5404a(k)].

Improvements paid for with education tax revenue (increment) no longer have to be even partly within the district, they only have to **"serve" the district.** The increment used for the debt must be proportional[5] to the use of the improvement for the district. Act 190, Secs. 55, 58 [24 V.S.A. §§ 1893, 1897].

It is clarified that education tax revenues may not be retained by a municipality in excess of twenty years; however, a municipality has five years after approval of a TIF district to incur debt that may be paid in part with education taxes. The **twenty-year retention period** begins with the initial date of the first debt incurred within the first five years. Act 190, Sec. 56 [24 V.S.A. § 1894]. It was also clarified that the municipal tax increment must be used in equal proportion to education tax increment. Act 190, Sec. 58 [24 V.S.A. § 1897]***.***

If the tax increment collected is in **excess of the amount pledged** for financing in a particular tax year, the excess education portion and the excess municipal portion must be treated the same way. Three uses are permitted: prepayment of the financing instrument; placement in escrow, or distribution on a proportional basis to the education fund and municipal budgets. Act 190, Sec. 65 [24 V.S.A. §1900].

Municipalities with TIF districts are subject to **additional reporting requirements** and effective upon passage, the **State Auditor of Accounts** shall review and audit all active TIFs every three years. Act 190, Sec. 61, 62 [32 V.S.A. § 5404a(k); 24 V.S.A. § 1901;].

The provisions of Title 32 regarding **allocations** (retention of tax increment on new economic development) are repealed. There are no existing allocations and the provisions were unnecessary in light of other TIF provisions. Act 190, Sec. 63, 64 [32 V.S.A. § 5404a(e) and (g)].

Prior law allowed VEPC to approve ten new TIF districts within a five-year period beginning July 1, 2006. That was changed to allow approval of **six new districts in a five year period** beginning July 1, 2008. Act 190, Sec. 67 [session law].

Special provisions were enacted for three municipalities with TIF districts:

- **Milton** does not have to follow the proportionality rule for debt obligation incurred prior to April 1, 2009 with respect to improvements that serve two TIF districts known as Husky Campus and Catamount Industrial Park. Milton, however, is required to use the municipal tax increment in equal proportion to the education tax increment if these TIF districts are extended beyond the initial ten years, just as other towns are required to use equal proportions of educational and municipal increments. Act 190, Sec. 68 [session law]. Finally, Milton was given one more year before it has to comply with TIF district location criteria for any new TIF application. Act 190, Sec.69 [session law].

- **Winooski's** fiscal year 2008 education property tax liability will be retroactively calculated using a common level of appraisal factor of 1.0952. This recalculation will result in the City receiving approximately $300,000 from the education fund as a credit against its fiscal year 2009 education tax liability. Act 190, Sec. 70 [session law]. The Joint Fiscal Office and the Tax Department have been charged with analyzing whether the law should be amended to adopt a recalculation method that includes all property within a TIF district for equalization purposes. Act 190, Sec. 65[session law]. Also, a technical correction was made to the Winooski TIF legislation. Prior law had required 5 percent of the education tax increment imposed on residential property within the district to be paid to the education fund. Since there was no definition of "residential" in this context, that qualifier was deleted and the percentage was lowered to 2. Act 190, Sec. 71 [amending Sec. 38 of No. 159 of the Acts of 1999 Adj. Sess.].

[4] Conforming changes – replacing "bonds" with "financing" – were made throughout Chapter 53 of Title 24. H.888, Secs. 54-60.
[5] The proportionality test also applies to "related costs".

- **Burlington**, which had been using non-bond financing for its TIF, was given retroactive authority to use two forms of alternative financing, HUD section 108 financing instruments and certificates of participation. Act 190, Sec.75 [session law].

Income Tax

As stated above, Vermont has decoupled from the **bonus depreciation** provisions of the federal Economic Stimulus Act of 2008 and so accelerated bonus depreciation taken at the federal level will not pass through to the Vermont individual income tax. This means that businesses that utilize the federal depreciation will be required to keep separate depreciation schedules for federal and Vermont tax purposes. Federal bonus depreciation was already blocked with respect to C corporations. Act 190, Sec. 36 [32 V.S.A. § 5811(21)].

For taxable years 2008 and after, the **capital gains exclusion** taken on a Vermont return may not exceed forty percent of federal taxable income. Act 190, Sec. 19 [32 V.S.A. § 5811(21)(B)].

Beginning with the 2008 tax year, individuals, trusts, estates and corporations may claim a credit against income tax equal to 100 percent of the Vermont-property portion of the business **solar energy investment credit** component of the federal investment tax credit allowed against the taxpayer's federal tax. In prior years, 24 percent of the federal credit passed through to individuals, trusts and estates. This change allows those taxpayers the remaining 76 percent of the federal credit on the Vermont investment. The credit is new for corporations. If the federal credit is recaptured, the Vermont credit will be recaptured as well. Act 92, Secs. 27, 28, 29 [32 V.S.A. § 5822(c)(1)(B) and (d), 5930(z) session law].

The **wood products manufacturer tax credit** was to expire July 1, 2008 with no further credit available for taxable years beginning after that date. Instead, the credit is extended to July 1, 2011. Act 190, Sec. 29 [Sec. 9 of No. 212 of the Acts of 2005 Adj. Sess. relating to 32 V.S.A. § 5930y].

The **credit for affordable housing** is expanded. It is now available for rental housing projects identified in 26 U.S.C. § 42(g) and certain owner-occupied housing that is eligible under VHFA "allocation plan" criteria. These criteria include ensuring that housing is maintained as affordable by subsidy covenant on a perpetual basis. VHFA may award up to $100,000 per year for the new credit. The credit awarded to a taxpayer under this section is available for five consecutive tax years. This credit is in addition to $400,000 of tax credit that VHFA may award for rental housing projects every year. These credits are also available to the taxpayer for five years. Act 176, Sec. 13 [32 V.S.A. § 5930u].

Technical changes were made to the refund provisions of Chapter 151, clarifying that when the Department denies a refund request, the taxpayer has 60 days to appeal to the Commissioner for a hearing and correcting references to the interest statute. The law also provides that if a notice of deficiency is issued with respect to a refund paid in error, then notice given within the usual three-year period or one year after the date the erroneous refund was paid is timely. Act 190, Sec. 20 - 22 [32 V.S.A. §§ 3203, 5882, 5882].

Land Gains Tax

The transfer of undeveloped land in a **"Vermont neighborhood"**[6]**,** which is the first transfer of that parcel following the original designation of the Vermont neighborhood, is exempt from land gains tax. Act 176, Sec. 12 [32 V.S.A. § 10002(p)].

Meals and Rooms Tax

The commissioner may petition a court to require a taxpayer file meals and rooms tax returns. This authority already existed with respect to sales tax and income tax. Act 190, Sec. 25 [32 V.S.A. § 9243].

Property Tax Adjustments

Under Act 185, if a property tax adjustment amount exceeded the current and prior year taxes, the town had to refund the excess to the taxpayer. Beginning with 2008 claims, if the adjustment amount **changes after December 31 of the claim year** (usually because household income has been amended or valuation has been lowered following appeal), the State, and not the town, will refund the excess to the taxpayer. Act 190, Sec. 14 [32 V.S.A. § 6066a(c)].

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[6] "Vermont neighborhood" is defined in 24 V.S.A. § 2791(15) as an area of land that is in a municipality with an approved plan, a confirmed planning process, zoning bylaws and subdivision regulations and is in compliance with all requirements set forth in new legislation passed in H. 863.

The law that allowed towns to decide how to apply property tax adjustment amounts to property taxes billed in installments is replaced with the requirement that the adjustment amount be applied **pro rata (in equal amounts) to each installment** that includes education tax. Act 190, Sec. 16 [32 V.S.A. § 6066a(f)]. When homestead property is transferred, the default rule is now specified in law and provides that the property tax adjustment amount shall be **allocated to the seller**. The parties may agree otherwise. Act 190, Sec. 17 [32 V.S.A. § 6063].

Claimants who filed **incomplete 2007 adjustment claims** before September 4, 2007 and failed to respond to requests for additional information will now get another chance to receive a 2007 property tax adjustment. This retroactive relief is available if: the complete claim is re-filed before August 1, 2008; the claimant files a written request for reconsideration of the claim; the written request is signed under pains and penalties of perjury; the first 2007 property tax bill issued in the claimant's town was issued after September 4, 2007; the commissioner finds that the claimant was unable to complete the filing or provide the missing information prior to December 1, 2007 as a result of sickness, absence, or other disability, or other good cause. Act 190, Sec. 37 [session law].

If a claimant is required to pay back a property tax adjustment, interest does not begin to run until December 1. Act 190, Sec. 45 [32 V.S.A. § 6071(b)].

Property Transfer Tax

No tax is due on the first $110,000 in value of the property transferred if the purchaser obtains a purchase money mortgage funded in part with a homeland grant through the Vermont Housing and Conservation Trust Fund or which the Vermont Housing Finance Agency or the U.S. Department of Agriculture and Rural Development has committed to make or purchase. The value of the property over $110,000 is taxed at one and one-quarter percent. A similar exemption (on the first $100,000 of value for properties with a VHFA commitment) had been in law since 1999. Act 176, Sec. 14 [32 V.S.A. § 9602(1)].

Sales and Use Tax

There will be a **sales tax holiday** on July 12 and 13, 2008. No State or local option sales tax will be charged on sales to individuals for personal use of items of tangible personal property with a sales price of $2000 or less. For Energy Star appliances, the sales tax holiday extends through July 18, 2008. The $2000 price cap also applies to Energy Star appliances. Vendors in good standing with respect to tax laws may claim reimbursement for reprogramming their cash registers and computers for the holiday. The reimbursement payments will not exceed the least of the following amounts: actual cost of reprogramming; $50.00; or $50,000.00 divided by the number of qualified vendor applicants. Claims must be filed on or before November 1, 2008. Any municipality with a local option sales tax affected by the holiday will receive an amount in addition to the local option sales tax payment made under 24 V.S.A. § 138(d). The Commissioner will develop a methodology for determining the amount of reimbursement. The deposit into the PILOT special fund will also be adjusted if there are sufficient funds from the appropriation for this section. Act 190, Sec. 73[session law].

The sales tax exemption for **airplane parts, machinery and equipment** installed in private airplanes was enacted in 2007 with an expiration date of 2011. The exemption now will not expire until 2018. Act 190, Sec. 43 [32 V.S.A. § 9741(29)].

The Town of Middlebury is authorized through charter amendment approved by the General Assembly to impose **local option taxes.** The following taxes may be imposed on the same base as the state taxes: a one percent sales tax; a one percent meals and alcoholic beverages tax; and a one percent rooms tax. If Middlebury chooses to impose the tax it will be imposed, collected and administered in accordance with the provisions of section 138 of Title 24. No. M-17.

Tax Expenditure Reporting

The Commissioner is required to recommend to the General Assembly that any expenditure that has cost less than $50,000 or has been claimed by fewer than ten taxpayers in each of the three preceding years be repealed two years hence. Act 190, Sec. 24 [32 V.S.A. § 312(c)].

Vermont Economic Growth Incentive

In the first year of a Vermont Employment Growth Incentive (VEGI) plan, a business that does not meet its employment and wage requirements is given a grace period, similar to the **grace period** already allowed in the second and third years. Now, to the extent that the business reaches its first year award period targets within two calendar year reporting periods immediately succeeding year one, such business may claim incentives in five-year installments as otherwise provided in the law. Act 190, Sec. 28 [32 V.S.A. § 5930b].

An enhanced economic growth incentive is available for **environmental technology businesses** (so-called "green" businesses). To qualify, the economic activity of the business in Vermont must be certified by the Secretary of Commerce and Community Development to be primarily research, design, engineering, development, or manufacturing activity related to waste management, natural resource protection and management, energy efficiency or conservation, or clean energy. For qualified businesses, the incentive ratio is 90 percent instead of 80 percent and the payroll threshold is 20 percent of the expected average industry payroll growth. Act 190, Sec. 41 [32 V.S.A. § 5930b(g)].

The term **"full-time job"** is redefined to mean a permanent position filled by an employee who works at least 35 hours per week. Prior law specified 37 hours per week. The amendment also clarified that income from non-statutory stock options are not part of **"Vermont gross wages and salaries"** for purposes of calculating the incentive. Act 190, Sec. 42 [32 V.S.A. § 5930b(a)(9) and (23)].

Superior Court Decisions

Henry v. Department of Taxes
Docket No. 653-10-06 (Washington Superior Court, May 3, 2007).
Superior Court upheld personal income tax assessments. Rejected "tax protester" claims that income was zero and that tax may only be imposed on "corporate gain" and not compensation for services.

Town of Victory v. State
Docket No. 39-12-05 (Essex Superior Court, May 30, 2007).
State's 1999 redetermination of PILOT appraisal of 10,069 acres of land in Victory State Forest was sustained and the 2000 valuation remanded for redetermination.

Giroux v. Department of Taxes
Docket No. 400-7-06 (Washington Superior Court, July 2, 2007).
The Commissioner denied Taxpayers' renter rebate where Taxpayers' rented their homestead from their own wholly-owned Subchapter S corporation, on the grounds that "the taxpayers, in essence, rent from themselves." The Superior Court found the Commissioner erred in wholly disallowing the claim when there was otherwise a valid basis for the claim. The Court remanded for a determination.

GP Burlington South, LLC v. Department of Taxes
Docket No. 568-8-07 (Washington Superior Court, October 18, 2007).
Taxpayer's request for a refund of land gains tax was deemed denied by operation of law due to commissioner's failure to issue a refund within six months of the petition for refund. 32 V.S.A. § 5884(a). Taxpayer appealed to Superior Court per 32 V.S.A. § 5884(b). Department's motion for remand to the Commissioner for a hearing was denied; Court ordered Department to submit record as it existed to the Court for determination of appeal (see later order of July 14, 2008, infra).

Bailey v. Department of Taxes
Docket No. 266-4-07 Wncv (Washington Superior Court, December 17, 2007)
Tax protester case. Court held assessments were proper; appellant was not entitled to de novo hearing; the record below was sufficient, particularly when taxpayer made no showing as to why the record or assessment was incorrect.

Appeal of Eurowest Cinemas
Docket No. 816-07 (Chittenden Superior Court, January 31, 2008) (appeal docketed, Vermont Supreme Court, No. 2007-087).
Superior Court upheld commissioner's determination that heated buttered popcorn and nachos with melted cheese served from a movie theater concession stand fit the definition of a "taxable meal" under the meals and rooms tax statutes and the Department's regulations.

Northshire Bookstore Properties, LLC v. Department of Taxes
Docket No. 425-10-07 (Bennington Superior Court, March 27, 2008).
Superior Court affirmed commissioner's determination that transfer of property to a limited liability company (LLC) more than six months after formation was not exempt from property transfer tax under 32 V.S.A. § 9603(24) (which requires such transfer to be "at formation" of the LLC). The Court upheld the Department's (then unwritten) practice permitting transfers to an LLC within 90 days of formation to receive the benefit of the exemption.

Wilson v. Department of Taxes
Docket No. 707-10-07 (Windsor Superior Court, June 5, 2008).
Court affirmed commissioner's determination that the Department correctly calculated Taxpayer's Vermont personal income tax based on an determination of her income by the IRS which was unappealed.

GP Burlington South, LLC v. Department of Taxes
Docket No. 568-8-07 (Washington Superior Court, July 14, 2008) (appeal docketed, Vermont Supreme Court, No. 2008-387).
After review of record as supplied by parties (but no commissioner's Determination, see decision of October 18, 2007, supra), Court held that Taxpayer failed to make a clear and convincing showing that Department's rejection of refund claim was without any reasonable basis in law or on the record. However, Court granted Taxpayer's appeal in part and ordered partial refund of land gains tax due to miscalculation of applicable rate by the Department.

Morash v. Department of Taxes
Docket No. 715-10-07 (Rutland Superior Court, September 5, 2008).
Superior Court upheld commissioner's determination that Taxpayer was not entitled to a renter rebate and that 32 V.S.A. § 6062(e) defines the only circumstance under which a dwelling owned by a trust qualifies as a "homestead" of the beneficiary for purposes of the renter rebate.

Vermont Yankee Nuclear Power Corp. v. Department of Taxes
Docket No. 102-2-08 (Windham Superior Court, October 3, 2008) (appeal docketed, Vermont Supreme Court, No. 2008-447).
Court affirmed commissioner's determination that interest on Taxpayer's 1992 refund was property calculated beginning 45 days after amendment filed in 2005 pursuant to 32 V.S.A. § 5884(c), and not from date of initial (and unsubstantiated) amendment filed in 1994.

Supreme Court Decisions

DeLuca v. Department of Taxes
2006-397 (Vermont Supreme Court, April 25, 2007) (Unpublished 3 Justice Entry Order)
The Court affirmed commissioner's determination that Taxpayer, who moved to Vermont but resided in hotels and condos in Pittsburgh and elsewhere while working there and made occasional weekend visits to Vermont, was a Vermont resident subject to Vermont personal income tax.

The Ice Center of Washington West, Inc. v. Town of Waterbury
2008 VT 37 (Vermont Supreme Court, March 26, 2008) (Entry Order)
Court affirmed determination that ice skating rink owned by Vermont non-profit corporation is not exempt from property taxes because it is "used primarily for…recreational purposes" unless so voted by Town. 32 V.S.A. § 3832(7).

Williston Inn Group LLC v. Department of Taxes
2008 VT 47 (Vermont Supreme Court, April 11, 2008) (Entry Order).
Supreme Court upheld commissioner's imposition of meals and rooms tax on the first thirty days of occupancy by guests at extended stay hotel and held that commissioner correctly determined that a hotel guest registration card is not a lease exempting guests from tax.

Mollica v. Division of Property Valuation and Review
2008 VT 60 (Vermont Supreme Court, May 2, 2008).
The Mollicas owned a cottage that was used as a rental property most months of the year, but used after Thanksgiving and before Christmas as a sales office for their Christmas tree farm. The PVR Director ruled that occasional use as a sales office did not qualify the cottage and associated acreage eligible for current use appraisal as a farm building. Vermont Supreme Court affirmed decision of Superior Court which reversed the Director. The Court held that the cottage fit the definition of "farm building" under 32 V.S.A. § 3752(14) and that occasional off-season use as a rental did not constitute "development" mandating removal from the current use program under 32 V.S.A. § 3752(5).

TD Banknorth, N.A. v. Department of Taxes
2008 VT 120 (Vermont Supreme Court, September 19, 2008).
Taxpayer owned three subsidiary banks doing business in Vermont, and created three investment holding companies which were in turn subsidiaries of each bank. The three banks transferred certain income producing assets (mostly commercial, real estate and consumer loans) into the holding companies in exchange for stock. However, the banks carried out business exactly as before the creation of the holding companies. The banks showed losses, and requested and received refunds of the bank franchise tax. The holding companies showed income but paid almost no tax under then existing law. After noticing a precipitous decline in bank franchise tax revenues, the Department concluded that the investment holding companies had no economic substance and no business purpose other than tax avoidance. The Department disregarded the holding companies and assessed the banks additional bank franchise tax. The commissioner and the Washington Superior Court affirmed the assessments. The Supreme Court affirmed, adopting the economic substance doctrine in Vermont. The Court held that the holding companies were empty shells and were not engaged in substantial independent business activities beyond the achievement of tax avoidance. The Court also upheld imposition of penalty and concluded that a portion of the assessment was not barred by the statute of limitations.

Scott v. Department of Taxes
2008-190 (Vermont Supreme Court, October 2, 2008) (Unpublished 3 Justice Entry Order).
Court affirmed commissioner's determination as modified by Superior Court upholding assessment of Vermont personal income tax and penalties (Superior Court found penalty was limited to amount of unpaid tax liability but not the full amount due. Department did not appeal this decision and the Supreme Court did not address this issue on appeal). The Court rejected Taxpayer's "tax protester" arguments that he did not earn taxable wages.

Bankruptcy Court Decisions

In re: David T. Punia
Docket No. 07-10342 cab (BKR D. Vt. November 13, 2007).
Bankruptcy Court denied debtor's motion to turn over alleged overpayment of taxes because the statute of limitations for claiming a refund for overpayment expired pre-petition and therefore neither the debtor nor the estate had any right to or interest in such a claim against the State.

2007-01:

The income of an S corporation operating in Vermont includes adjusted net capital gains as defined in Section 1(h) of the Internal Revenue Code. Section 5811(21)(B)(ii) excludes forty percent of capital gains income from Vermont taxable income. Pursuant to 32 V.S.A. § 5814(c), the S corporation is required to declare and pay estimated tax on behalf of its nonresident shareholders in an amount equal to the next-to-lowest marginal individual rate (7.2) multiplied by the shareholder's pro rata share of the income attributable to Vermont. The Department ruled that for purposes of calculating the estimates, "income attributable to Vermont" excludes income that is, by statute, not taxable in the hands of the shareholder. Therefore, the pro rata share of income attributable to Vermont should be reduced by 40 percent of the adjusted net capital gain before multiplying by 7.2 percent. This ruling turns on the fact that the capital gain income is excludable from taxable income under Vermont law. The S corporation could not for example exclude income due to a shareholder's anticipated offsetting losses or credits that would reduce the tax on the shareholder's pro rata share of income.

2007-02:

Company that sells and installs warehouse racks was determined to be a contractor performing improvements to real property given custom nature of racking, its high cost and the difficulty of removing the racking once attached to the real estate. Sales of the materials and supplies to a contractor for use in improvements to real estate are considered retail sales of tangible personal property, see Reg. §1.9701(5), and tangible personal property sold at retail in this state is subject to the sales tax. 32 V.S.A. § 9771(a). In this instance, the company takes possession of and uses tangible personal property (the materials and supplies) in this state that has not been subject to the sales tax. Accordingly, the compensating use tax is due on the cost of the property to the company – an amount equal to that which the company would have paid had the purchase been subject to Vermont sales tax. In addition to tax on materials and supplies that become the racks, tax is also due on any materials, equipment and machinery used in the installation process if a sales tax has not been paid. The company should file use tax returns and remit the tax directly to the State of Vermont.

Freight charges are subject to tax as of January 1, 2007 because "sales price" now is defined to include delivery charges, see 32 V.S.A. § 9701(4)(A), which include the costs for transportation, shipping, postage, handling, crating, and packing. Reg. § 1.9701(4)-1.

With respect to invoices, while sellers must separately state the sales tax, see 32 V.S.A. § 9778, there is no such requirement for the use tax. If the company chooses to itemize the tax, it should clearly indicate that the tax was paid by the company and is not due from the customer.

2007-03:

The owner of a retail store will train employees to operate an inkjet cartridge refilling machine, which restores customers' inkjet cartridges by cleaning and reconditioning the cartridge and by replacing the ink. The process constitutes a repair because the cartridge is restored to or near its original condition or usefulness without producing new parts. The ink used in the repair constitutes tangible personal property sold at retail in this state and is thus subject to sales tax. As a general rule, the labor or service charge for a repair is not taxable when separately stated. If a single sales price is charged for the tangible personal property and labor, however (which is likely the case here), the transaction constitutes a "bundled transaction." A bundled transaction is one in which two or more products that are otherwise distinct and identifiable are sold for one non-itemized price. Reg. § 9701(4)-3. Sales tax should be collected on the entire sales price if any product in the transaction would be taxable if sold separately. If the sales price of the taxable product is ten percent or less – unlikely here - then the charge for the taxable item is considered de minimis and the entire transaction is not taxable. Use of the machine is neither manufacturing (the cartridges are not being manufactured) nor fabrication (a new or different item is not created). See 32 V.S.A. § 9741(14); Reg. §1.9741(14)-2, 3; 32 V.S.A. § 9771(3); Reg. §9771(3)-1, 2, 3. The company is responsible for tax on its purchase or use of the machine.

2007-04:

A sole proprietor offers computer software that customers may download for free. Certain features are disabled and customers choosing to access the disabled features must purchase a license from a third party online service company acting as the proprietor's agent. Once purchased, the customer receives a confirming email with the license number that allows access to the restricted features. No physical product is shipped to the customer. The third party service company does not have an office in Vermont, and most of the sales are to customers outside the state. The proprietor is required to register for a Vermont business tax account and to collect the sales tax and remit it to the Department. Beginning in January 2007, the definition of "tangible personal property" was amended to include prewritten computer software. 32 V.S.A. § 9701(7). "Prewritten computer software" means computer software, including prewritten upgrades, which is not designed and developed by the creator to specifications of a specific purchaser and is taxable "even if the software is delivered electronically." Reg. §9701(7).

If instead of acting as the retailer, the sole proprietor sold the software at wholesale to the online service company, which is the retail seller, the sole proprietor is not making a taxable sale. 32 V.S.A. § 9771 (sale tax imposed on retail sales in the state). The online retailer should collect sales tax if it has nexus with Vermont and if it does not, use tax is due from the user of the software in Vermont.

2007-05:

The Department determined that sanitation equipment and chemicals used to clean the production floor of a dessert manufacturing facility following the production shift is not exempt from sales and use tax as equipment used "directly and exclusively, except for isolated or occasional uses, in the manufacture of tangible personal property for sale." 32 V.S.A. § 9741(14). Although manufacturing includes food processing, the legislature has limited the manufacturing process to the period of time beginning with the first production operation and ending with initial packaging. Id. The cleaning and sanitization of machinery and equipment – although necessary to maintain the integrity of the product - is not an integrated part of the manufacturing process occurring prior to initial product packaging, but is instead an activity that occurs after the manufacturing process has been completed.

2007-06:

"Durable medical equipment" - defined as equipment that "can withstand repeated use…is primarily and customarily used to serve a medical purpose…generally is not useful to a person in the absence of illness or injury; and is not worn on or in the body" - is exempt from sales and use tax. 32 V.S.A. § 9741(30). The following items sold by the company easily meet this definition: cervical collars, grab bars, urinals (of the plastic type typically used by bedridden patients, as opposed to a fixture), medical commodes, transfer boards, lift chairs (both bath and chair-types used to aid a person in standing), walkers, ring cushions (designed for use by persons suffering from post-natal, post-operative, hemorrhoidal or other medical discomfort), bath/shower seats, crutches, wheelchairs, raised toilet seats, sitz baths and traction equipment. Each of these items is capable of repeated use, serves a medical purpose, is generally not used absent illness or injury, and is not worn on or in the body. However, cervical pillows and bed wedges, are exempt only if they are the type prescribed or recommended by a physician for a medical purpose. Similarly, only canes of the type specifically designed and marketed for medical, rather than recreational or decorative purposes are exempt, and only ramps that are specifically designed for wheelchair use, as opposed to those serving a more general purpose such as moving furniture, are exempt.

2007-07:

Company is required to collect and remit sales tax on its sales of over-the-counter and prescription drugs to be administered to domesticated animals kept as pets. The medical exemption does not apply because it pertains only to "[d]rugs intended for human use." 32 V.S.A. § 9741(2). The agricultural exemption, which includes "veterinary supplies," does not apply because when read in context, it only exempts veterinary supplies used in agriculture. 32 V.S.A. § 9741(3); Reg. § 9741(3)-1. Note that both exemptions are product-based rather than use-based and therefore, if any of the drugs are not packaged and marketed for domestic animal use, but are instead intended for human use or for livestock, they are exempt.

2007-08:

Breast forms and inserts, whether silicone or foam, marketed for and used by persons having undergone mastectomies, lumpectomies or other breast surgeries are specifically designed to replace a missing part of the body after surgery, and are therefore "prosthetic devises" which are exempt from tax under 32 V.S.A. § 9741(2), the so-called medical exemption. Also see Reg. §1.9701(42)(E)(Prosthetic devises include "[A]rtificial limbs, artificial eyes, prescription eyeglasses and contact lenses, hearing aids, dentures and dental appliance, electronic voice producing machines, cranial hair prosthesis, cervical collars, heart valves, pacemakers, orthotic devices, trusses, and fabric and elastic supports and braces.")

Mastectomy bras are a type of clothing and clothing is not subject to sales tax. 32 V.S.A. § 9701(24)(definition and examples of clothing); 32 V.S.A. § 9741(45)(clothing exemption). Bust enhancement products (foam and silicone breast enhancers, pushups and bra cups) are not exempt under the medical exemption, but they are exempt as clothing. Clothing is broadly defined to include "all human wearing apparel suitable for general use" and these items are similar to items specifically identified as clothing. 32 V.S.A. § 9701(24)(A).

2007-09:

Amplified telephones, advertized as making conversations not only louder, but clearer and easier to understand, and amplified cordless telephones marketed to both "the active aging population and the special needs market" are subject to sales and use tax. The medical exemption, 32 V.S.A. § 9741(2), does not apply to the telephones. They are clearly not drugs or mobility-enhancing equipment. They are not durable medical equipment because they are not medical in nature, are not designed to be used in the treatment of human ailments or disabilities, and may be used by, and useful to, persons whether or not they are ill or injured. The telephones differ from hearing aids, which are prosthetic devices, in that the telephones are not "replacement, corrective, or supportive device[s]" and are not "worn on or in the body" of the user. 32 V.S.A. § 9701(35). Finally the amplified phones are not supplies used in medical treatment because they are not therapeutic in nature and are capable of repeated usage. Reg. §1.9701(2)(F).

2007-10:

There is no redacted version.

2008-01:

A bank brought a complaint for foreclosure against mortgagor in default and simultaneously moved for public sale of the property. Mortgagors failed to redeem and the sale was held with four parties bidding, including the bank. The bank believed the property was worth more than the highest third party bid and made the final bid, which was still significantly less than the mortgage and judgment amount. The bank intends to sell the property. A tax is imposed on the gains from the sale or exchange of property in Vermont. 32 V.S.A. § 10001. The taxable gain from the sale or exchange is the amount realized minus the basis of the land. 32 V.S.A. § 10005(c). Basis is determined under the provisions of the Federal Internal Revenue Code "except for land transferred by a mortgagee who acquired the land by foreclosure or transfer in lieu of foreclosure [the basis] shall be the amount of debt due on the mortgage increased by the costs of acquisition, and decreased by the amount of any tax benefit due to bad debt loss on the mortgage debt." The Department ruled that this method of determining the basis of a mortgagee applied to the bank. The bank "acquired the land by foreclosure" within the meaning of 32 V.S.A. § 10005(a). Vermont law provides for both strict foreclosure and foreclosure by sale. In the case, because the bank believed there may have been equity in the property, it moved for public sale. A strict foreclosure decree may not issue absent a finding that there is no value in the property in excess on the mortgage debt and property taxes due. Section 10005(a) does not distinguish between strict foreclosure and foreclosure by sale.

TB-34:

(January 16, 2007)(Note that TB-34 supersedes Guidelines dated July 2001.)

Provides guidance for taxpayers in determining the amount of gains subject to land gains tax where there is a sale or exchange of land which includes buildings, structures or other improvements. There are two acceptable methods – allocation of amount realized and allocation of gain. Allocation of amount realized requires a complete, professional appraisal showing value both at the time of acquisition and subsequent sale. The appraisal(s) must be attached to the Vermont Tax Form LG-2 return. The bulletin includes the schedule for use when allocation is based on amount realized. The LG-2 and instructions are designed to allow taxpayers to use the simplified allocation of gain method, whereby the total gain (as defined in 32 V.S.A. § 10005(c)) is allocated based on relative fair market value of the land and buildings. Allocation of gain is usually more easily determined based upon information already available to the seller at the time of closing, and is consistent with the statutes since in most cases the relative fair market value of land to buildings does not change between the acquisition of the property and its subsequent sale.

TB-35:

(March 13, 2007)
Explains the treatment of net operating losses under new law that created a Vermont net operating loss (VNOL) that can be carried forward. Under prior law federal net operating losses passed through to the Vermont return because the calculation of Vermont tax starts with federal taxable income, which is net of any net operating loss. This is still the law for losses incurred in tax years before January 1, 2007. For losses occurring in tax years beginning January 1, 2007 and after, the new law: (1) creates a Vermont Net Operating Loss (VNOL), defined as "any negative income after allocation and apportionment of Vermont net income pursuant to 32 V.S.A. § 5833", which is available as a carryforward in the ten years following the loss year; (2) establishes transition rule for loss years 2007, 2008 and 2009 when a portion of the taxpayer's federal net operating loss is carried back. A VNOL may not be carried back.

TB-36:

(March 16, 2007)
Provides information with respect to how transactions between members of a unitary combined group are treated in determining taxable income and apportionment percentages. In general, for purposes of determining the taxable business income of the unitary combined group, transactions between members of the group are deferred in a manner similar to 26 CFR 1.1502-13. The effect of this general deferral rule is to treat transactions between members of a unitary group as though they were transactions between divisions of a single corporation, thus preventing intercompany transactions from creating, accelerating, avoiding or deferring combined taxable income. Similarly, for purposes of determining the Vermont apportionment percentage of the unitary combined group, transactions between members are deferred as pursuant to 26 CFR 1.1502-13. Accordingly, items of income, gain, deduction or loss attributable to any intercompany transaction are not taken into account for purposes of determining the Vermont apportionment percentage of the unitary combined group until the subject of such intercompany transaction becomes the subject of a later transaction between a member of the unitary combined group and a nonmember of the group.

TB-37:

(March 16, 2007)(Note that TB-37 replaces TB-14.)

Addresses collection of local option sales tax imposed under 24 V.S.A. § 138. Local option sales tax is collected on a destination sales basis. A vendor located within the borders of a local option sales tax town, and any other vendor that delivers or sends items to a local option sales tax town must collect local option sales tax (1%) on sales that are subject to state sales tax (6%). If the property being delivered or sent is taxable, shipping charges are also subject to both the local option and state sales taxes. Sales from a local option sales tax town where delivery is made to a non-local option town are not subject to the local option sales tax. Out-of-state vendors that have voluntarily agreed to collect Vermont state sales tax through their membership in the Streamlined Sales Tax Project must also collect local option sales tax. Persons making amusement charges subject to state sales tax must also collect the local option tax on these charges if the entertainment or recreational facility is in a local option sales tax town. Utility sales subject to state tax (e.g., electricity used commercially, cable TV and telecommunications) are subject to the local option tax if the charge is for service provided at an address in a local option sales tax town. Charges for leases or rentals of tangible personal property subject to state sales tax are also subject to the local option tax if the property is located in a local option sales tax town. The local option sale tax does not apply to motor vehicles subject to the 6% purchase and use tax nor does it apply to automobile rentals. Sales made from temporary sites are subject to the local option tax if the temporary site is in a local option sales tax town. The bulletin contains a number of examples illustrating these rules.

TB-38:

(May 31, 2007)

Clarifies the limitations on the Vermont tax credit for income tax paid to another state or Canadian province when a taxpayer's income includes capital gains, income from the taxpayer's business or another business entity, rents or royalties, or the taxpayer made an adjustment to adjusted gross income such as a deduction for alimony paid. Vermont allows a credit against income tax for income tax paid to another state, territory, district or province on income that is also required to be reported in Vermont provided the other taxing jurisdiction offers a reciprocal credit for Vermont income tax paid. The credit can be no more than the amount of Vermont tax imposed on income also taxed by the other jurisdiction. Having income withheld by the other jurisdiction does not constitute income tax paid; a return must be filed with the other jurisdiction and the income tax actually paid. The credit is the smaller of the amount of tax paid to the other jurisdiction on income also taxed in Vermont or the portion of the Vermont tax imposed on the common income. Although the credit is generally easy to calculate, special treatment may be required when the other jurisdiction's income tax calculation results in income different than federal income and the other state income is not taxed in Vermont. The portion of the Vermont tax on income taxed in the other jurisdiction can never be more than 100% of the Vermont tax. The percentage is determined by dividing the amount of adjusted gross income from sources taxed in both Vermont and the other jurisdiction by the total adjusted gross income from all sources included in the Vermont return. The credit is the Vermont income tax multiplied by this percentage or the tax paid to the other jurisdiction, whichever is less. The bulletin contains examples showing the credit calculation for circumstances in which it is limited.

TB- 39:

(October 5, 2007)

Explains the meaning of "formation" relative to exemption from property transfer tax for transfers made to a corporation, partnership and limited liability company at the time of its formation. For limited liability companies and corporations, formation is when the articles of organization and articles of incorporation, respectively, are delivered to the Secretary of State. For partnerships, it is when the partnership registers its business name with the Secretary of State. The bulletin also states the Departments practice of allowing as exempt otherwise-qualifying transfers made within ninety days of formation of the transferee entity.

TB-40:

(January 7, 2008; revised October 7, 2008)

Provides a method for converting pre-2007 federal net operating losses (NOLs) to a Vermont net operating loss (VNOL). The remaining federal NOL for each loss year is multiplied by the corporation's Vermont apportionment percentage for 2007 or the year in which the loss was generated to arrive at the VNOL. The "federal NOL" for purposes of conversion means the actual federal NOL, not a pro forma NOL calculated for state tax purposes. The VNOL converted from loss years before 2007 may be carried forward for 10 years beginning with 2007 or for the period in which the loss was available for carry forward under federal law, whichever is shorter. VNOLs must be utilized on a First In-First Out basis. A company that files as a separate entity and not as part of a federal consolidated group or unitary group must provide a schedule as attached to the technical bulletin. Each combined group member must calculate its VNOL in the same manner as a separate entity and may apply its separately tracked VNOL to its separate income. However, if some or all of the unitary group elect to file a federal consolidated return but are filing as separate members within the Vermont unitary group, excess VNOLs of members that are part of the consolidated group may be used to offset the income of other unitary group members that are also part of the same federal consolidated group. Use of NOLs following reorganizations follows the federal rules.

TB-41:

(June 2008)

Provides informations and guidelines for the sales tax holiday occurring on July 12 and 13, 2008 and the energy star sales tax holiday occurring July 12 through 18, 2008.

TB-42:

(June 10, 2008)

Provides instructions for the adjustment to "household income" on Form HI-144 for employment and self-employment taxes (social security and medicare). Household income for purposes of the education property tax adjustment excludes social security and medicare taxes withheld on wages or paid by self-employed persons. No adjustment is made to amounts related to exempt household income or elective deferrals made to retirement accounts.

TB-43:

(July 1, 2008)
States the new cap on the sales tax imposed on the sale or use of tracked vehicles pursuant to 32 V.S.A. § 9741(38). The maximum tax for sales occurring between July 1, 2008 and June 30, 2008 is $1,170 after adjusting for inflation between December 2005 and December 2007.

Description of FY2007 – 2008 Taxes

Type of Tax	Tax Rate	Description
Bank Franchise 32 V.S.A. § 5836	.000096 of average monthly deposit	Tax assessed on franchise or privilege of doing business in Vermont on every corporation which is a bank, savings bank, savings institution, trust company, and every savings and loan association or building and loan association that has a business location in Vermont.
Beverage 7 V.S.A. § 421	26.5¢ per gallon malt 55¢ per gallon vinous	Tax is paid by every bottler and wholesaler on each gallon, or its equivalent, of malt or vinous beverages sold by them to retailers in this state.
Cigarette 32 V.S.A. § 7771	$1.99 per package (99.5 mills per cigarette) Rate increase for FY09 to $1.99 per pack (99.5 mills per cigarette)	Tax is prepaid by wholesaler when purchasing stamps or meter impressions which must be applied to each pack before sale to retailers. Every wholesale dealer or distributor must be licensed to do business. Licenses are without fee and non-transferable.
Electric Energy 32 V.S.A. § 8661	Graduated tax based on megawatt hour production	Imposed on electric generating plants with a name plate generating capacity of 230,000 kilowatts or more.
Estate 32 V.S.A. § 7442a	Measured by Federal credit for state death taxes as in effect on January 1, 2001	The estate tax is measured by the amount of the Federal credit for state death taxes allowable under Section 2011 of the Internal Revenue Code, as in effect on January 1, 2001.
Fuel Gross Receipts 33 V.S.A. § 2503	0.5% on retail sales of fuel.	Tax is on the retail seller of fuels, other than motor fuel, to fund the home weatherization assistance trust.
Game of Chance Licenses 32 V.S.A. § 10204	Manufacturer's license $3,000 annually; distributor's license $2,000 annually	Manufacturers and distributors of break-open tickets for sale in Vermont must be licensed by the Commissioner. Only nonprofit organizations may purchase from distributors, and each ticket sold must bear a unique serial number.
Hazardous Waste Generation 32 V.S.A. § 10103 Persons initiating shipment: Recycled Nonrecycled Certain waste in Vermont for less than 180 days Facilities as defined in 32 V.S.A. § 10103(e): Recycled Treated Disposed of in landfill	Rates vary depending on treatment and disposal 11¢ per gallon or 1.4¢ per lb. 23.6¢ per gal or 30¢ per lb. 1.0¢ per lb. 11¢ per gallon or 1.4¢ per lb. 15.7¢ per gallon or 2.0¢ per lb. 23.6¢ per gallon or 3.0¢ per lb.	Tax is on persons initiating shipment of hazardous waste who are required to file a manifest pursuant to Federal Resource Conservation and Recovery Act; and facilities required to obtain certification under 10 V.S.A. § 6606. Tax is based on the volume (or weight) and destination of hazardous waste.
Income, Corporate 32 V.S.A. § 5832	Graduated tax rates from 6 to 8.9%	Tax is on Vermont net corporate income allocated or apportioned to Vermont. Minimum tax is $250 ($75 for small farm corporations).
Income, Personal 23 V.S.A. § 5822	Graduated tax rates from 3.6 to 9.5%	Vermont tax rates imposed on Vermont taxable income.
Insurance 32 V.S.A. § 8551	2% of gross premiums and assessments	Domestic or foreign insurance companies, associations or societies, other than life, surety or guaranty companies, are assessed a 2% tax per year on gross premiums and assessments written or collected for business in this state, excluding premiums for reinsurance.

Insurance, Captive 8 V.S.A. § 6014	Direct premiums tax ranges from .0038% to .00072%, decreasing as direct premiums increase. Reinsurance premiums tax ranges from .00214% to .00024%, decreasing as the total reinsurance premiums increase.	Captive insurance companies are assessed a .0038% tax on the first $20 million, .00285% on the next $20 million, .0019% on the next $20 million, .00072% on each dollar thereafter on direct premiums; plus .00214% of first $20 million and .00143% of the next $20 million and .00048% on the next $20 million and .00024% of each dollar thereafter on reinsurance premiums. The minimum tax is $7,500.
Insurance, Surplus 8 V.S.A. § 5035	3% of gross premiums less return premiums	Tax is imposed on gross premiums, less return premiums, for surplus lines coverage placed with nonadmitted insurers.
Land Gains 32 V.S.A. § 10003	5% - 80% of gain on land sold if seller held land less than 6 years	Tax is on the gain made from the sale or exchange of land located in Vermont and held by the seller less than six years. Rate is in inverse proportion to holding period.
Land Use Change 32 V.S.A. § 3757	20% of full fair market value of developed land 10% if the land has been in the program for more than 10 years.	Tax is assessed if agricultural or managed forest land previously enrolled in the land use value program is developed.
Local Option (municipally imposed tax) 24 V.S.A. § 138	1% of sales tax excluding tax on telecommunications, 1% meals and alcohol beverages tax and 1% rooms tax	Authorized for certain towns impacted by Act 60. Tax is on sales subject to state tax. 70% of receipts go to the towns and 30% fund PILOT
Meals and Rooms 32 V.S.A. § 9241	9% on meals and rooms; 10% tax on alcoholic beverages	Tax is on the gross receipts from the rental of rooms and the charge for meals, including alcoholic beverages. A one-time, non-transferable license is required before engaging in serving taxable meals or rental of rooms.
Petroleum Distributors Licensing Fee 10 V.S.A. § 1942	½¢ per gallon on heating oil or kerosene not used to propel a motor vehicle	Imposed on sellers receiving more than $10,000 annually to fund cleanup and restoration of contaminated soil and groundwater caused by petroleum leaks. Terminates April 1, 2011.
Property Transfer 32 V.S.A. § 9602	1.25% of value of the property transferred, except rates for principal residences and Title 7 housing cooperatives is 0.5% of first $100,000 + 1.25% of amount greater than $100,000. For property purchased with funding from VHCB, VHFA or US Department of Agriculture and Rural Development no tax is imposed on the first $110,000 in value and tax at the rate of 1.25% is imposed on value in excess of $110,000. For land enrolled in use value appraisal programs the tax is 0.5%.	Tax is imposed upon the transfer of title by deed to property located in this state.
Railroad 32 V.S.A. § 8211	1% of appraised value	Tax is assessed annually upon the appraised value of property and corporate franchise of each person or corporation owning or operating a railroad located in whole or in part within this state. 50% of the tax is paid to each town where railroad real estate is located.

Sales and Use 32 V.S.A. § 9771 32 V.S.A. § 9773	6%	Sales tax is on the retail sales price or rental charge of tangible personal property, the charge for amusements, and the retail sale of telecommunications services. Use tax is on the retail sales price of tangible personal property that is used, stored, or consumed within Vermont where no Vermont sales tax was paid.
Solid Waste 32 V.S.A. § 5952	$6.00 per ton (certain small landfills may pay on volume)	Tax is on public and private certified treatment and waste facilities.
Statewide Education Property 32 V.S.A. § 5402	$1.10 per $100 of equalized education property value of homestead property; $1.59 per $100 of equalized education property value of nonresidential property. Annually, Tax Commissioner recommends rate adjustment to General Assembly based on education fund budget stabilization reserve balance.	Tax is imposed on all nonresidential and homestead property and is collected by the towns. Individual tax liability is adjusted pursuant to the income sensitivity provisions of Title 32, Chapter 154. FY 2005 - $1.05 homestead / $1.54 non-residential FY 2006 - $1.02 homestead / $1.51 non-residential FY 2007 - $0.95 homestead/$1.44 non-residential FY 2008 - $0.87 homestead/$1.36 non-residential
Telephone 32 V.S.A § 8521	2.37% of net book value	Imposed on persons and companies owning or operating a telephone line or business in the state.
Telephone (Alternative Tax) 32 V.S.A. § 8522	2.25% to 5.25% of gross operating revenue	Tax may be elected in lieu of telephone property tax by companies with less that $50 million in gross operating revenue in previous year, but election may not be made by a taxpayer that did not make the election in the previous year.
Tobacco 32 V.S.A. § 7811	41% of wholesale price	Tax is imposed on the wholesale price of tobacco products (other than cigarettes) that a distributor imports into or manufactures in this state.

*Tax Credits and Programs **

Credit	***Statute***	***Can be taken against***
Affordable Housing Credit	32 V.S.A. § 5930u	Personal Income, Corporate Income, Bank Franchise, Insurance Premium
Angel Venture Capital	32 V.S.A. § 5930v	Personal Income, Corporate Income
Charitable Housing Credit	32 V.S.A. § 5930u	Personal Income, Corporate Income, Bank Franchise, Insurance Premium
Commercial Film Production Credit	32 V.S.A. § 5826	Personal Income
Downtown and Village Center Credits (Historic Building, Façade Improvement, Code Improvement)	32 V.S.A. § 5930cc	Personal Income, Corporate Income, Bank Franchise, Insurance Premium
Earned Income Tax Credit	32 V.S.A. § 5828b	Personal Income
EATI Capital Investment Tax Credit	32 V.S.A. § 5930g	Personal Income, Corporate Income
EATI Export Tax Credit	32 V.S.A. § 5930f	Personal Income, Corporate Income
EATI High-Tech Business Credit	32 V.S.A. § 5930k	Personal Income, Corporate Income
EATI Payroll Tax Credit	32 V.S.A. § 5930c	Personal Income, Corporate Income
EATI Research & Development Tax Credit	32 V.S.A. § 5930d	Personal Income, Corporate Income
EATI Sustainable Technology Export Credit	32 V.S.A. § 5930x	Personal Income, Corporate Income
EATI Sustainable Technology R&D Tax Credit	32 V.S.A. § 5930w	Personal Income, Corporate Income
EATI Workforce Development Tax Credit	32 V.S.A. § 5930k	Personal Income, Corporate Income
Financial Services Tax Credit	32 V.S.A. § 5922	Personal Income, Corporate Income
Low Income Child & Dependent Care Credit	32 V.S.A. § 5828c	Personal Income
Qualified Sale of Mobile Home Park Credit	32 V.S.A. § 5828	Personal Income, Corporate Income
Solar Energy Credit	32 V.S.A. § 5822(c)(1)(B)	Personal Income, Corporate Income, Insurance Premiums
Vermont Higher Education Investment Credit	32 V.S.A. § 5825a	Personal Income

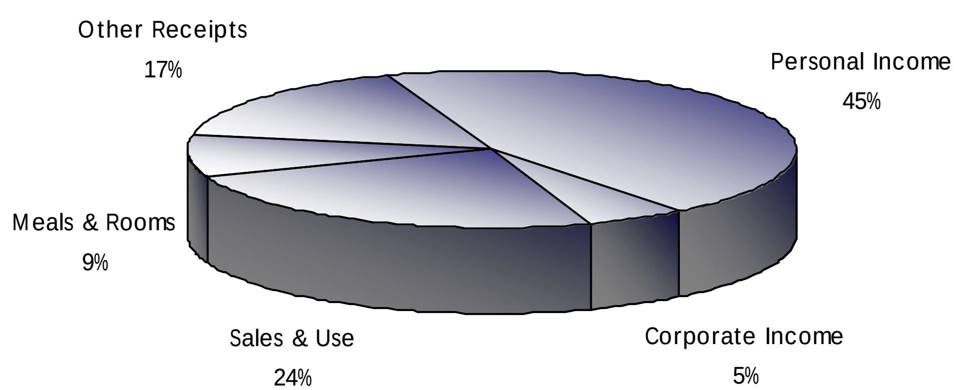
**** More information can be found at the Vermont Department of Taxes website at: www.state.vt.us/tax***

THREE YEAR COMPARISON OF RECEIPTS BY TAX TYPE

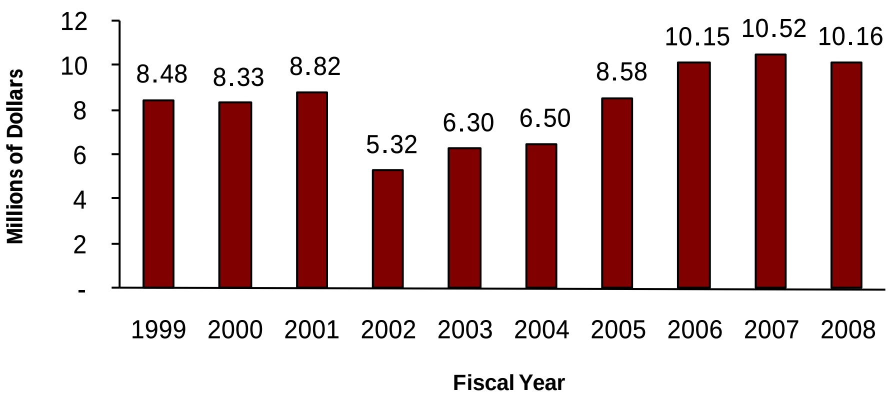
	FY2006	% Increase (Decrease) over Previous Year	FY2007	% Increase (Decrease) over Previous Year	FY2008	% Increase (Decrease) over Previous Year
General Fund						
Aviation Jet Fuel	$ 193,956	-14.4	$ 247,713	27.7	$ 2,144,897	765.9
Bank Franchise	10,154,333	18.3	10,519,312	3.6	10,162,956	-3.4
Beverage (Malt & Wine)	5,449,403	2.8	5,517,860	1.3	5,620,162	1.9
Break-open Ticket License	38,000	-59.5	32,000	-15.8	34,000	6.3
Captive Insurance	22,694,926	5.6	22,807,568	0.5	24,187,834	6.1
Cigarette & Tobacco	48,930,577	0.3	63,141,439	29	59,222,237	-6.2
Corporate Income	75,808,564	25.1	72,626,283	-4.2	74,945,164	3.2
Electric Energy	2,600,000	0.0	2,631,403	1.2	2,719,186	3.3
Estate	26,223,450	39.0	17,798,143	-32.1	15,696,389	-11.8
Freight Lines & Transport.	96,843	88.1	0	-100.0	101	
Fuel Gross Receipts	6,931,027	4.3	7,647,623	10.3	8,087,522	5.8
Hazardous Waste	217,602	-33.1	266,427	22.4	241,031	-9.5
Insurance	32,026,648	3.4	32,335,324	1.0	33,067,651	2.3
Land Gains	6,445,892	12.5	5,646,166	-12.4	3,449,827	-38.9
Land Use Change	673,115	-19.3	680,276	1.1	541,729	-20.4
Meals and Rooms	111,748,266	-1.0	114,973,861	2.9	121,140,268	5.4
Misc. Receipts	5,499,551	12.7	4,760,132	-13.5	4,901,468	3.0
Personal Income	541,561,417	8.3	581,901,297	7.4	622,083,042	6.9
Property Transfer	43,682,207	-3.4	39,317,848	-10.0	33,991,555	-13.5
Sales & Use [a]	324,357,933	4.7	332,878,522	2.6	339,350,775	1.9
Solid Waste	3,339,741	0.6	3,236,416	-3.1	3,459,955	6.9
Telephone Company	602,686	63.4	537,204	-10.9	401,760	-25.2
Telephone Property	7,770,075	-3.7	9,422,248	-3.6	7,295,396	-22.6
Local Option Sales	7,029,195	13.6	8,399,305	19.5	10,636,114	26.6
Local Option Meals & Rooms	543,297	8.5	1,217,488	124.1	2,747,485	125.7
Special Interest Funds						
Children's Trust	78,927	8.8	72,548	-0.7	75,397	-3.8
Non-Game Wildlife	99,710	3.2	96,594	-0.7	97,741	-1.3
Transportation Fund						
Railroad	141,173	-19.3	174,965	52.3	136,967	36.3
TOTAL REVENUES	**$1,284,938,514**	**6.7**	**$1,338,885,965**	**4.2**	**$1,386,438,609**	**3.6**

[a] Includes sales tax on telecommunications.

2008 TAX REVENUE TOTALS - $1,386,438,609

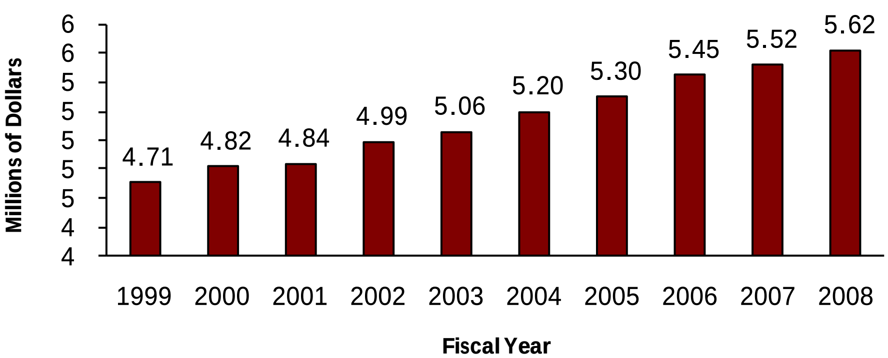


BANK FRANCHISE TAX - TEN YEAR SUMMARY



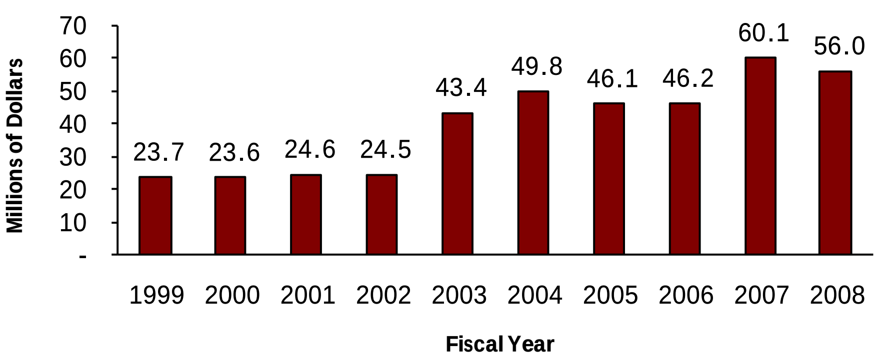
FY	No. of Taxpayers	Tax Receipt Amount	% Change
1999	34	$ 8,485,221	24.4
2000	36	8,335,660	-1.8
2001	35	8,821,576	5.8
2002	26	5,325,761	-39.6
2003	26	6,304,620	18.4
2004	26	6,503,865	3.2
2005	26	8,586,176	32.0
2006	26	10,154,333	18.3
2007	27	10,519,312	3.6
2008	25	10,162,956	-3.4

BEVERAGE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1999	33	4,714,840	0.3
2000	33	4,818,535	2.2
2001	35	4,843,009	0.5
2002	35	4,992,566	3.0
2003	30	5,056,134	1.3
2004	30	5,200,983	2.9
2005	30	5,302,915	2.0
2006	32	5,449,403	2.8
2007	35	5,517,860	-0.3
2008	37	5,620,162	2.2

CIGARETTE TAX - TEN YEAR SUMMARY

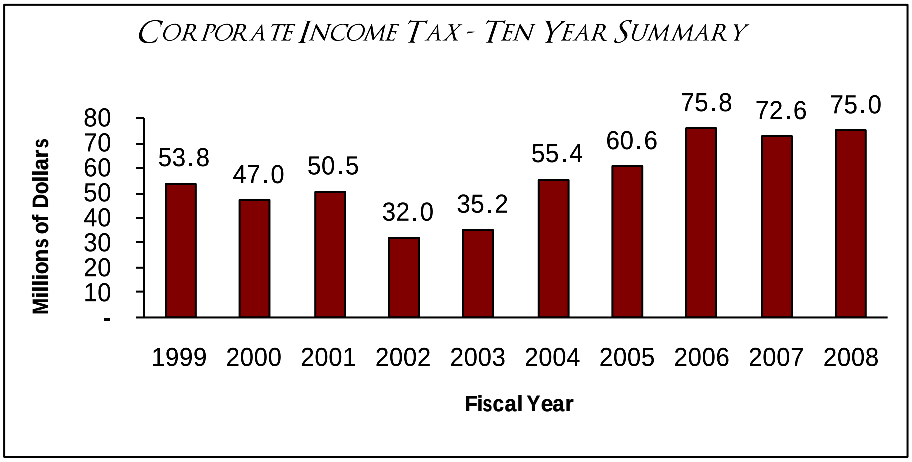


FY	No. of Taxpayers	Tax Receipt Amount	% Change
1999	55	23,716,643	-4.4
2000	55	23,601,559	-0.5
2001	64	24,574,191	4.1
2002	64	24,520,234	-0.2
2003 [a]	44	43,392,703	77.0
2004 [b]	41	49,838,143	14.9
2005	37	46,083,622	-7.5
2006	36	46,203,514	0.3
2007 [c]	48	60,064,083	30.0
2008	62	56,041,452	-6.7

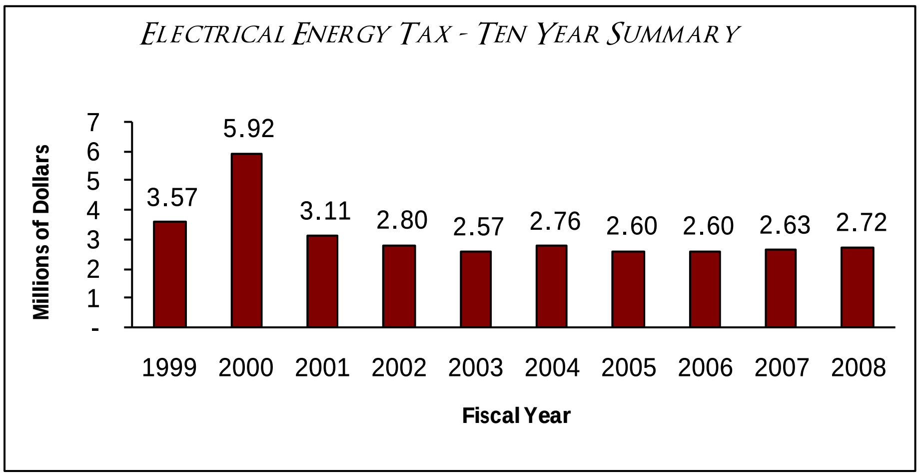
[a] Tax inceased to 46.5 mills per cigarette effective July 1, 2002.

[b] Tax increased to 59.5 mills per cigarette effective July 1, 2003.

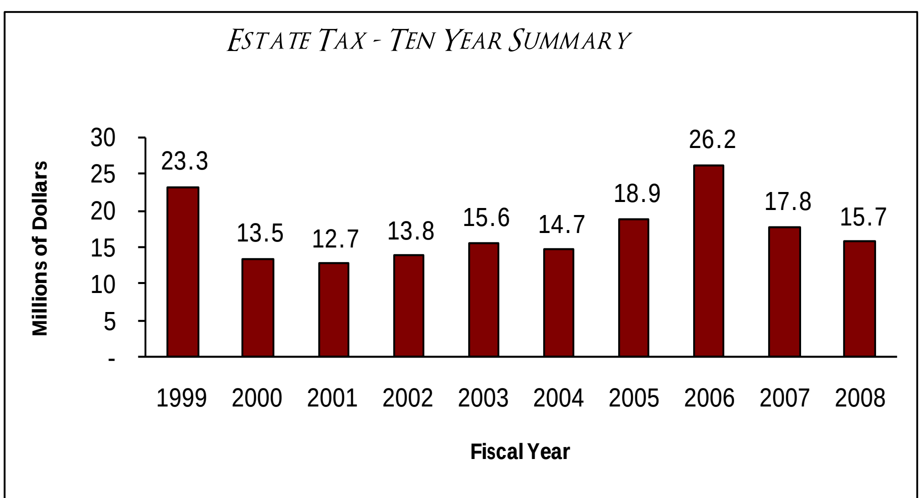
[c] Tax increased to 89.5 mills per cigarette effective July 1, 2006.



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1999	32,800	53,822,706	6.3
2000	33,850	47,094,369	-12.5
2001	34,865	50,537,377	7.3
2002	35,186	32,037,906	-36.6
2003	36,425	35,286,090	10.1
2004	36,479	55,497,257	57.3
2005	35,805	60,604,253	9.2
2006	36,722	75,808,564	25.1
2007	38,391	72,626,283	-4.2
2008	40,458	74,945,164	3.2



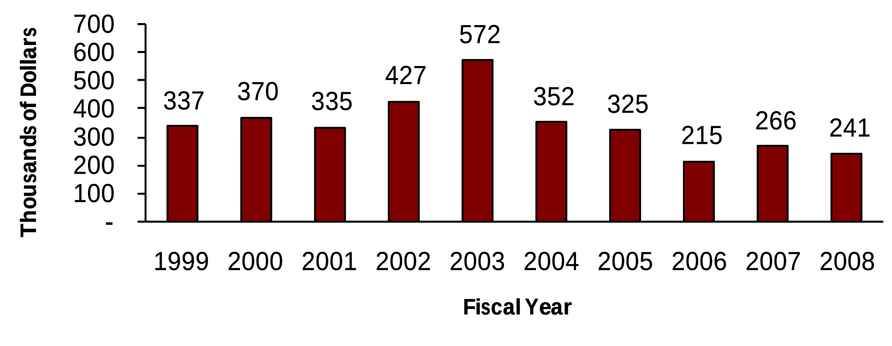
FY	Tax Receipt Amount	% Change
1999	3,575,102	6.7
2000	5,927,676	65.8
2001	3,117,905	-47.4
2002	2,809,859	-9.9
2003	2,577,328	-8.3
2004	2,767,228	7.4
2005	2,600,000	-6.0
2006	2,600,000	0.0
2007	2,631,403	1.2
2008	2,719,186	3.3



FY	No. of Taxpayers [a]	Tax Receipt Amount	% Change
1999	228	23,358,035	21.9
2000	258	13,550,487	-42.0
2001	215	12,714,006	-6.2
2002	236	13,884,881	9.2
2003	244	15,604,678	12.4
2004	209	14,712,136	-5.7
2005	142	18,863,356	28.2
2006	158	26,223,450	39.0
2007	114	17,798,143	-32.1
2008	104	15,696,389	-11.8

[a] Represents number of estate returns with payment. Most estates are either not required to file returns or file returns with no payment due.

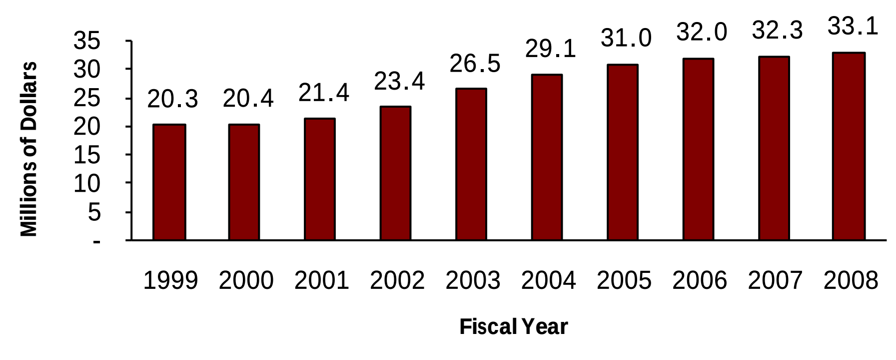
HAZARDOUS WASTE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers [a]	Tax Receipt Amount	% Change
1999	683	337,125	-20.3
2000	705	370,704	10.0
2001	543	335,103	-9.6
2002	609	427,238	27.5
2003	550	572,081	33.9
2004	565	352,317	-38.4
2005	538	325,178	-7.7
2006	558	217,602	-33.1
2007		266,427	22.4
2008		241,031	-9.5

[a] Represents the number of sites which generated a liability. Several taxpayers may have multiple sites.

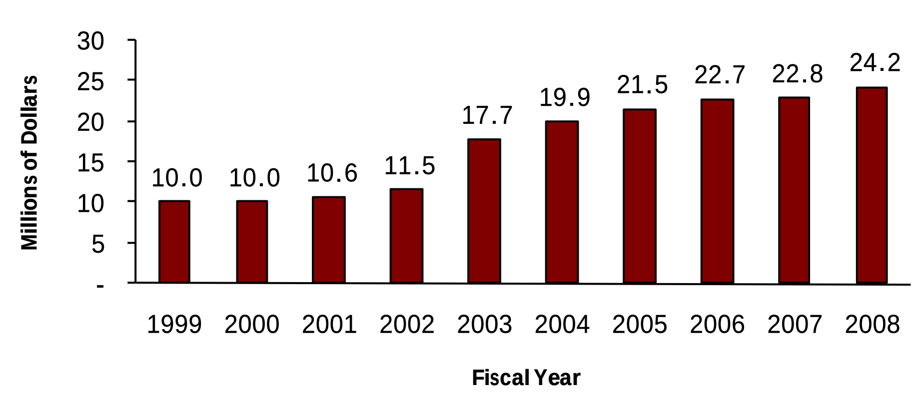
INSURANCE TAX - TEN YEAR SUMMARY



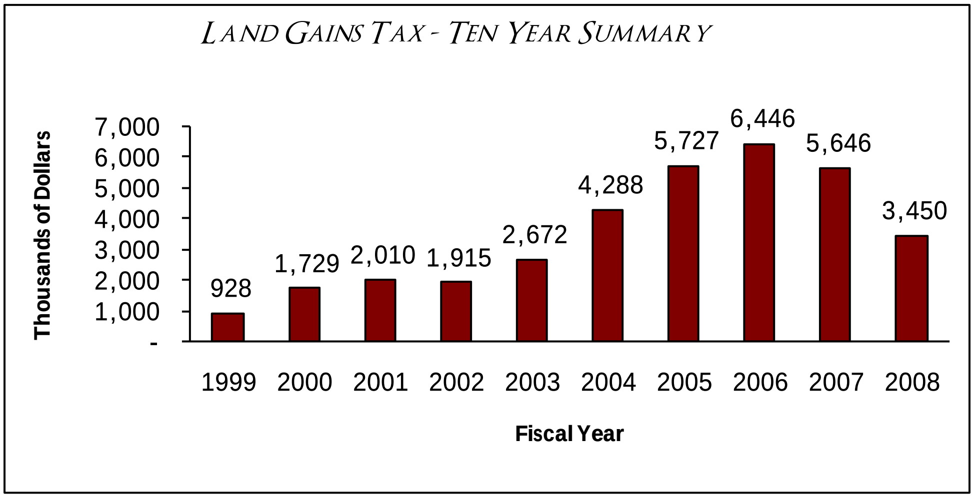
FY	No. of Taxpayers	Tax Receipt Amount [a]	% Change
1999	1,000	20,399,766	1.7
2000	1,010	20,400,650	0.0
2001	1,074	21,445,072	5.1
2002	1,115	23,494,272	9.6
2003	954	26,508,107	12.8
2004	1,051	29,106,121	9.8
2005	985	30,975,544	6.4
2006	1,044	32,026,648	3.4
2007	1,027	32,335,324	1.0
2008	1,051	33,067,651	2.3

[a] Tax is 2% of gross premiums and assessments. Figures include insurance surplus lines (tax on gross premiums of surplus lines coverage placed with non-admitted insurers).

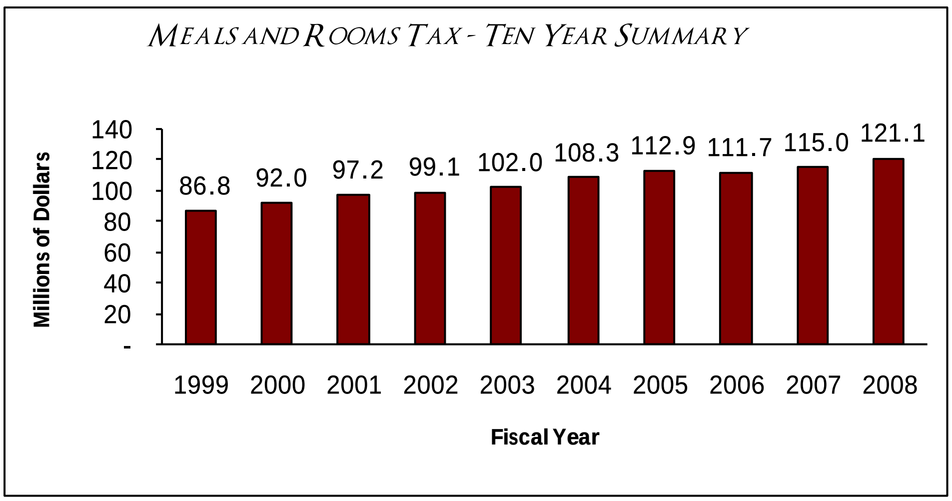
CAPTIVE INSURANCE TAX - TEN YEAR SUMMARY



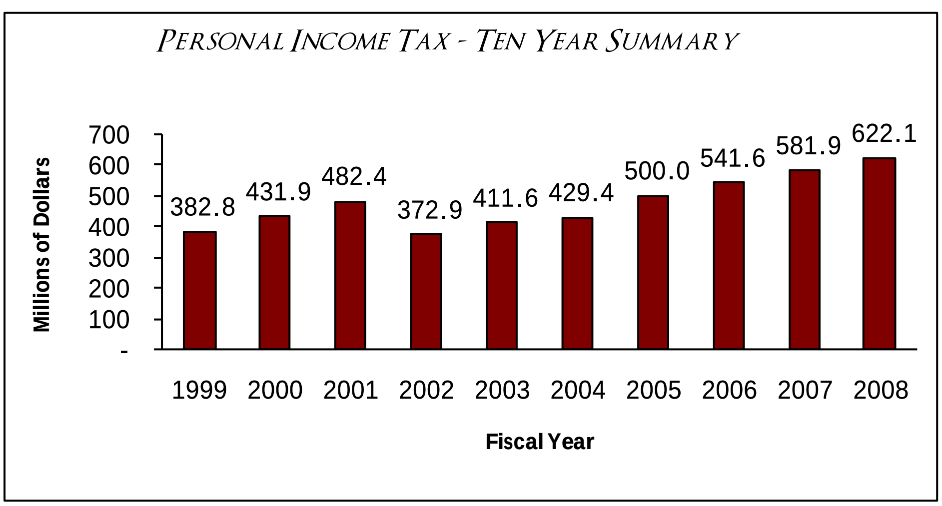
FY	No. of Taxpayers	Tax Receipt Amount	% Change
1999		10,036,744	7.3
2000		10,001,476	-0.4
2001	426	10,694,853	6.9
2002	455	11,518,924	7.7
2003	596	17,739,820	54.0
2004	587	19,910,874	12.2
2005	553	21,487,799	7.9
2006	578	22,694,926	5.6
2007	549	22,807,568	0.5
2008	579	24,187,834	6.5



FY	No. of Transactions	Tax Receipt Amount	% Change
1999	545	928,744	23.9
2000	1,026	1,729,903	86.3
2001	1,098	2,010,081	16.2
2002	1,143	1,915,651	-4.7
2003	1,428	2,672,174	39.5
2004	1,983	4,288,133	60.5
2005	2,101	5,727,234	33.6
2006	2,103	6,445,892	12.5
2007	1,551	5,646,166	-12.4
2008	1,555	3,449,827	-38.9



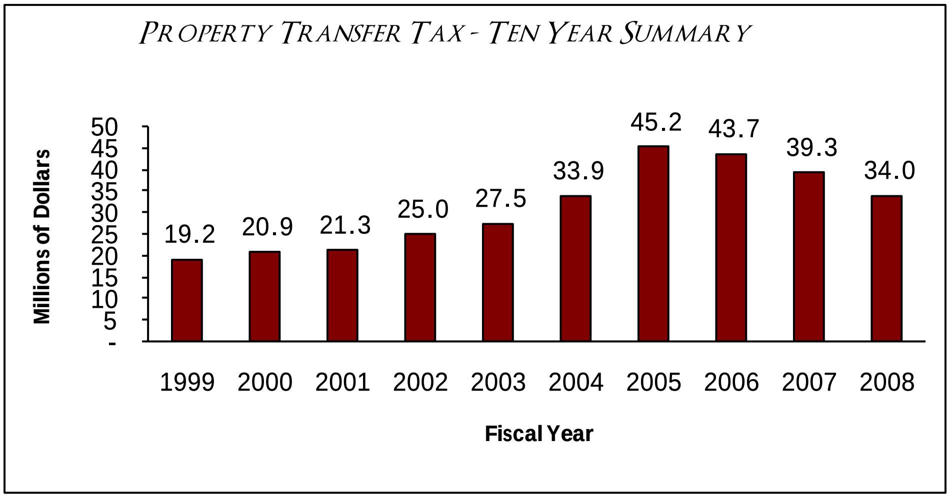
FY	No. of Taxpayers	Tax Receipt Amount	% Change
1999	4,294	86,899,927	12.3
2000	4,333	92,039,296	5.9
2001	4,600	97,243,229	5.7
2002	4,629	99,141,786	2.0
2003	4,070	102,074,250	3.0
2004	4,842	108,392,469	6.2
2005	4,490	112,928,048	4.2
2006	5,158	111,748,266	-1.0
2007	5,518	114,973,861	2.9
2008	5,633	121,140,268	5.4



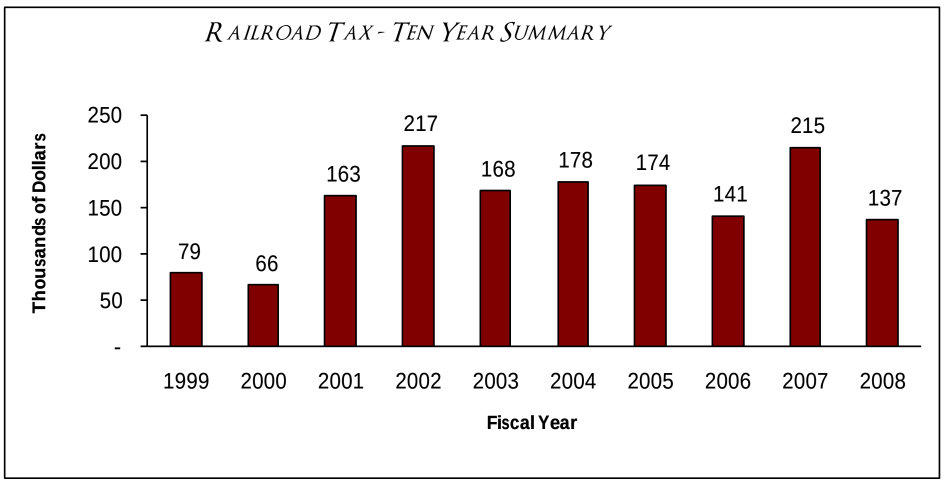
FY	No. of Taxpayers [a]	Tax Receipt Amount	% Change
1999	259,358	382,824,774	4.6
2000	267,320	431,955,919	12.8
2001	273,968	482,428,424	11.7
2002	271,068	372,927,372	-22.7
2003 [b]	265,589	411,608,896	10.4
2004	263,527	429,488,824	4.3
2005	276,893	500,040,745	16.4
2006	274,924	541,561,417	8.3
2007	278,418	581,901,297	7.4
2008	283,275	622,083,042	6.9

[a] Number of Taxpayers by calendar year, excluding no-liability filers. Restated for 2003 through 2006 previous biennial report incorrect

[b] Change from percentage of Federal Tax Liability to Vermont tax rates on Vermont taxable income effective 1/1/2002. Restated – previous report showed FY2001.

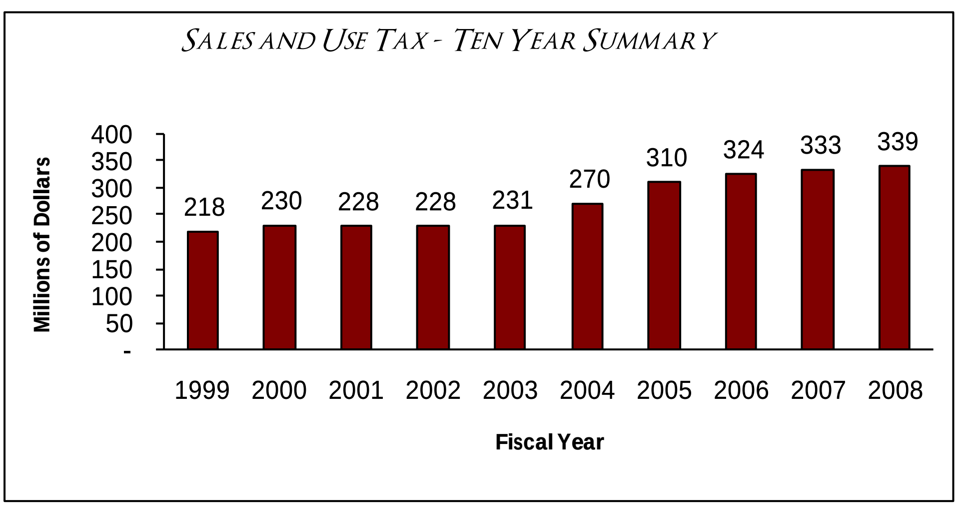


FY	No. of Transactions	Tax Receipt Amount	% Change
1999	17,412	19,212,224	26.9
2000	18,898	20,934,847	9.0
2001	19,860	21,377,071	2.1
2002	20,850	25,015,561	17.0
2003	20,418	27,537,341	10.1
2004	22,163	33,951,657	23.3
2005	20,775	45,213,536	33.2
2006	23,093	43,682,207	-3.4
2007	17,788	39,317,848	-10.0
2008	16,083	33,991,555	-13.5

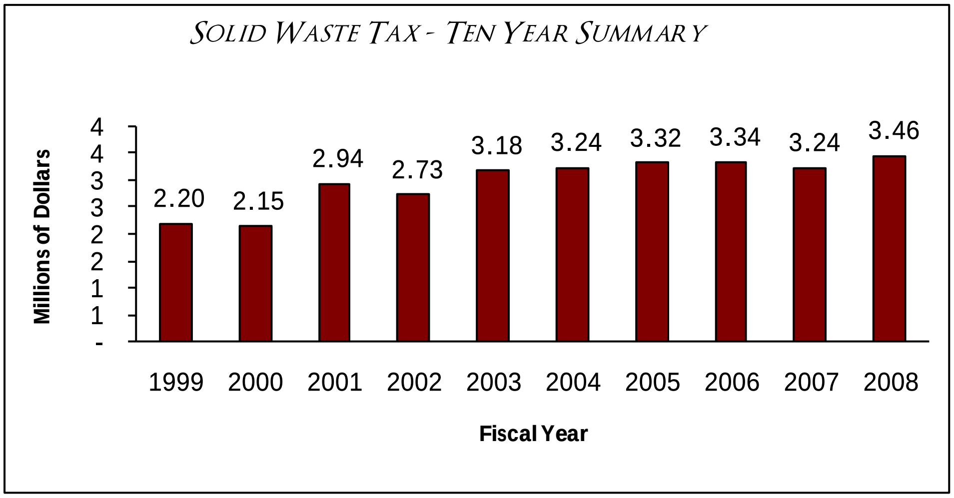


FY	No. of Taxpayers	Tax Receipt Amount [a]	% Change
1999	10	79,156	-47.3
2000	10	66,687	-15.8
2001	12	163,798	145.6
2002	12	217,645	32.9
2003	10	168,009	-22.8
2004	10	178,006	6.0
2005	10	174,965	-1.7
2006	10	141,173	-19.3
2007	10	215,009	52.3
2008	9	136,967	-36.3

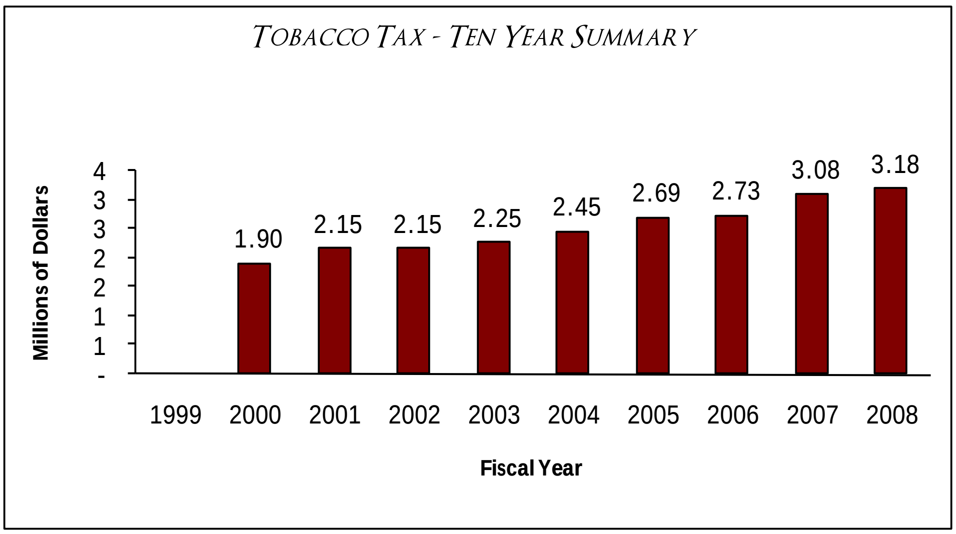
[a] 50% is paid to towns by the State.



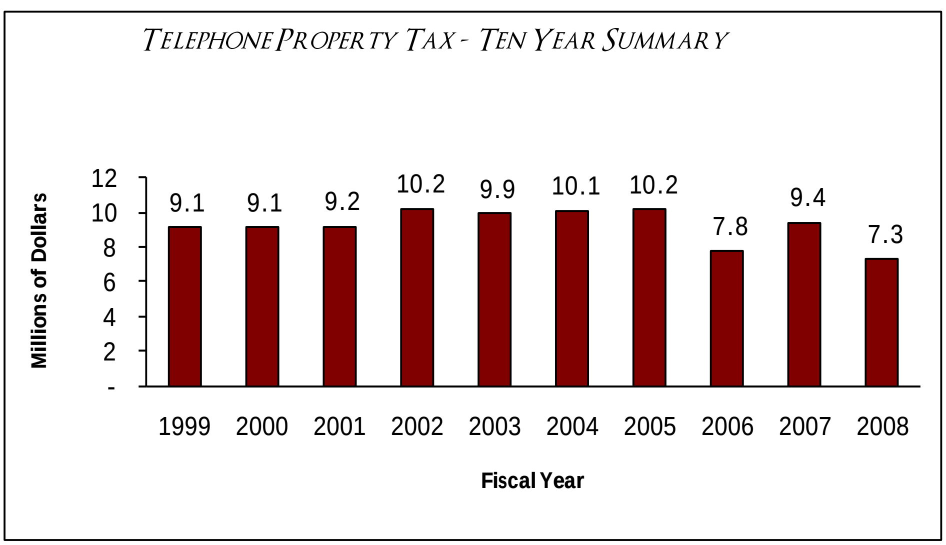
FY	No. of Taxpayers	Tax Receipt Amount	% Change
1999	28,262	218,570,309	8.1
2000	22,731	230,376,889	5.4
2001	32,132	228,080,534	-0.1
2002	31,750	228,355,893	0.0
2003	31,037	231,291,969	1.3
2004	34,629	270,460,752	16.9
2005	31,455	309,685,854	14.5
2006	34.615	324,357,933	4.7
2007	34,054	332,878,522	2.6
2008	33,331	339,350,775	1.9



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1999	70	2,207,810	50.7
2000	70	2,159,081	-2.2
2001	51	2,943,521	36.3
2002	51	2,732,808	-7.2
2003	43	3,186,569	16.6
2004	53	3,240,598	1.7
2005	62	3,318,893	2.4
2006	65	3,339,741	0.6
2007	63	3,236,416	-3.1
2008	76	3,459,955	6.9



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1999			
2000		1,904,050	
2001		2,153,179	13.1
2002		2,149,430	-0.2
2003		2,248,305	4.6
2004	64	2,449,716	9.0
2005	62	2,691,241	9.9
2006	57	2,727,063	1.3
2007	52	3,077,356	12.8
2008	45	3,180,785	3.4



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1999	13	9,126,836	-6.0
2000	13	9,121,213	-0.1
2001	12	9,208,034	1.0
2002	12	10,206,074	10.8
2003	13	9,939,458	-2.6
2004	13	10,100,520	1.6
2005	13	10,150,285	0.5
2006	11	7,770,075	-3.7
2007	16	9,422,248	-3.6
2008	17	7,295,396	-22.6

Sales and Use Tax Statistics – Fiscal Year Summary by County

County	FY 2007	FY 2008	Difference	% Chg
Addison	$ 9,194,406	$ 9,244,541	$ 50,135	0.5%
Bennington	19,530,236	19,044,520	-485,716	-2.5%
Caledonia	8,181,511	8,716,080	534,569	6.5%
Chittenden	95,554,405	95,121,045	-433,360	-0.5%
Essex/Orleans	7,519,385	8,542,386	1,023,001	13.6%
Franklin/Grand Isle	12,367,968	13,389,173	1,021,205	8.3%
Lamoille	11,739,758	12,482,230	742,472	6.3%
Orange	4,791,910	5,008,890	216,980	4.5%
Rutland	34,819,448	35,523,835	704,387	2.0%
Washington	23,175,239	23,509,379	334,140	1.4%
Windham	16,229,091	17,017,804	788,713	4.9%
Windsor	16,351,272	17,112,599	761,327	4.7%
Other[a]	67,280,550	69,484,618	2,204,068	3.3%
TOTAL REVENUES	***$326,735,179***	***$334,197,100***	***$7,461,921***	***2.3%***

[a] Represents taxes collected by filers with no fixed location within Vermont.

Meals and Rooms Tax Statistics - Fiscal Year Summary by County

County	FY 2007	FY 2008	Difference	% Chg
Addison	$ 4,121,011	$ 4,399,197	$ 278,186	6.8%
Bennington	8,742,198	8,738,376	-3,822	0.0%
Caledonia	2,975,235	3,138,498	163,263	5.5%
Chittenden	30,623,188	32,575,837	1,952,649	6.4%
Essex/Orleans	2,989,988	3,334,229	344,241	11.5%
Franklin/Grand Isle	4,063,111	4,200,919	137,808	3.4%
Lamoille	9,262,392	10,144,075	881,683	9.5%
Orange	1,740,707	1,791,904	51,197	2.9%
Rutland	12,954,362	12,873,852	-80,510	-0.6%
Washington	8,990,083	9,692,937	702,854	7.8%
Windham	10,445,907	10,808,425	362,518	3.5%
Windsor	11,365,866	12,433,067	1,067,201	9.4%
Other	5,831,940	5,761,433	-70,507	-1.2%
TOTAL REVENUES	***$114,105,988***	***$119,892,749***	***$5,786,761***	***5.1%***

FY 2007 Sales and Use Statistics - Summary by County

County	Gross Sales	Use	Net Sales	Tax
Addison	$ 829,556,128	$ 4,357,774	$ 148,882,326	$ 9,194,406
Bennington	1,104,124,649	10,308,961	315,194,965	19,530,236
Caledonia	553,394,748	5,390,937	130,967,578	8,181,511
Chittenden	5,793,922,392	74,168,903	1,518,404,509	95,554,405
Essex/Orleans	729,140,366	3,007,393	122,315,684	7,519,385
Franklin/Grand Isle	1,707,342,037	5,324,847	200,807,958	12,367,968
Lamoille	631,083,963	9,240,164	186,422,477	11,739,758
Orange	467,520,284	2,360,586	77,504,583	4,791,910
Rutland	1,900,161,611	21,189,435	559,134,704	34,819,448
Washington	2,013,471,336	22,417,276	363,836,711	23,175,239
Windham	1,646,174,954	18,241,195	252,243,648	16,229,091
Windsor	1,180,595,946	15,065,691	257,455,510	16,351,272
Other	8,874,353,924	62,273,640	1,059,068,868	67,280,550
TOTAL REVENUES	***$27,430,842,237***	***$253,346,802***	***$5,192,239,521***	***$326,735,179***

FY 2008 Sales and Use Statistics - Summary by County

County	Gross Sales	Use	Net Sales	Tax
Addison	$ 826,773,552	$ 5,396,150	$ 148,679,536	$ 9,244,541
Bennington	1,117,245,217	11,341,612	306,067,059	19,044,520
Caledonia	515,869,198	5,889,751	139,378,245	8,716,080
Chittenden	6,201,167,416	75,105,722	1,510,245,022	95,121,045
Essex/Orleans	778,199,654	2,583,166	139,789,935	8,542,386
Franklin/Grand Isle	2,058,812,003	7,844,917	215,307,965	13,389,173
Lamoille	641,577,270	11,888,658	196,148,511	12,482,230
Orange	407,524,867	2,345,939	81,135,565	5,008,890
Rutland	2,197,521,126	49,706,382	542,357,531	35,523,835
Washington	2,174,574,240	18,828,944	372,994,032	23,509,379
Windham	1,653,457,453	17,545,100	266,084,973	17,017,804
Windsor	1,242,335,270	15,424,543	269,785,443	17,112,599
Other	9,274,062,594	57,478,420	1,100,598,543	69,484,618
TOTAL REVENUES	***$29,090,119,585***	***$281,379,304***	***$5,288,572,361***	***$334,197,100***

FY 2007 Meals and Rooms Statistics – Summary by County

County	Meals	Rooms	Alcohol	Tax
Addison	$ 28,616,486	$ 12,077,589	$ 4,585,445	$ 4,121,011
Bennington	52,613,575	32,936,529	10,426,888	8,742,198
Caledonia	23,613,111	6,330,868	2,802,768	2,975,235
Chittenden	221,478,623	73,531,030	40,723,196	30,623,188
Essex/Orleans	20,144,953	9,541,458	3,182,107	2,989,988
30,428,501	30,428,501	10,507,181	3,788,993	4,063,111
Lamoille	42,858,702	49,208,661	9,763,294	9,262,392
Orange	12,754,689	4,490,768	1,886,160	1,740,707
Rutland	80,431,761	44,252,491	17,327,794	12,954,362
Washington	67,004,179	20,409,181	11,228,806	8,990,083
Windham	68,659,784	32,472,226	13,440,263	10,445,907
Windsor	62,832,639	48,373,902	13,572,779	11,365,866
Other	64,799,337			5,831,940
TOTAL REVENUES	***$776,236,340***	***$344,131,883***	***$132,728,493***	***$114,105,988***

FY 2008 Meals and Rooms Statistics – Summary by County

County	Meals	Rooms	Alcohol	Tax
Addison	$ 30,086,210	$ 13,242,767	$ 4,995,887	$ 4,399,197
Bennington	52,772,082	32,713,888	10,446,391	8,738,376
Caledonia	24,283,873	7,329,000	2,933,396	3,138,498
Chittenden	232,663,574	81,607,796	42,914,136	32,575,837
Essex/Orleans	21,368,371	11,889,134	3,410,535	3,334,229
Franklin/Grand Isle	30,854,833	11,646,861	3,757,669	4,200,919
Lamoille	45,608,694	55,614,197	10,340,146	10,144,075
Orange	13,012,167	4,795,566	1,892,081	1,791,904
Rutland	79,711,431	44,998,256	16,499,804	12,873,852
Washington	70,932,098	23,036,089	12,358,004	9,692,937
Windham	68,626,460	36,011,378	13,910,197	10,808,425
Windsor	67,261,817	54,780,610	14,492,484	12,433,067
Other	64,015,924			5,761,433
TOTAL REVENUES	***$801,197,535***	***$377,665,543***	***$137,950,734***	***$119,892,749***

2006 Vermont Personal Income Tax Returns – Counts

AGI Income Class	Returns	Refunds	Exempt	Married Joint	Single	Married Separate	Head of House-hold	Civil Union Joint	Civil Union Separate	Other State Credits	Withheld	Estimate	Adjusted	No Tax	Earned Income Credit
Negative	3,645	5,252	1,231	2,201	77	128	3	5	1	922	206	61	3,569	341	3,645
None/Missing	142	120	21	117	0	4	0	0	0	114	13	0	139	13	142
0.01 - 4999	27,718	19,612	2,134	24,064	214	1,292	2	12	27	17,659	441	322	25,482	5,131	27,718
5000 - 9999	27,299	27,047	2,927	21,849	313	2,193	3	14	537	19,538	621	784	16,439	7,864	27,299
10000 - 14999	23,451	34,599	3,652	16,459	344	2,987	2	7	565	17,343	902	973	7,638	6,070	23,451
15000 - 19999	22,726	35,591	4,530	14,568	425	3,178	9	16	479	18,247	1,218	1,050	4,926	4,586	22,726
20000 - 24999	21,985	35,303	4,624	13,673	500	3,168	5	15	468	18,964	1,390	926	1,839	4,671	21,985
25000 - 29999	20,088	33,461	4,841	11,973	487	2,745	13	29	423	17,747	1,481	717	887	4,282	20,088
30000 - 34999	17,771	30,832	5,014	10,003	403	2,324	9	18	433	15,901	1,496	616	447	2,823	17,771
35000 - 39999	15,172	28,118	5,369	7,730	310	1,714	23	26	442	13,721	1,478	508	314	900	15,172
40000 - 44999	13,157	26,259	5,742	5,841	278	1,263	14	19	444	11,878	1,446	527	236	0	13,157
45000 - 49999	11,748	25,246	5,986	4,375	171	1,178	25	13	426	10,660	1,407	386	179	0	11,748
50000 - 59999	20,179	46,618	12,643	5,863	230	1,379	44	20	776	18,316	2,930	614	271	0	20,179
60000 - 74999	24,001	61,072	18,348	4,387	184	960	90	32	1,175	21,968	3,935	709	240	0	24,001
75000 - 99999	25,586	69,998	21,815	2,835	149	635	137	15	1,587	23,447	5,302	669	215	0	25,586
100000 - 124999	11,779	32,872	10,269	1,115	77	246	68	4	1,069	10,619	3,118	397	97	0	11,779
125000 - 149999	5,789	16,244	5,013	578	33	125	38	2	628	5,058	2,016	229	44	0	5,789
150000 - 199999	5,275	14,800	4,498	587	31	130	27	2	697	4,436	2,335	226	44	0	5,275
200000 - 299999	3,720	10,443	3,201	412	22	77	7	1	648	3,008	1,996	165	38	0	3,720
300000 - 499999	1,867	5,121	1,589	221	24	27	6	0	420	1,421	1,214	87	20	0	1,867
500000 - 999999	881	2,390	705	136	16	23	1	0	278	637	641	36	7	0	881
1,000,000 +	492	1,317	401	67	16	8	0	0	226	306	426	26	6	0	492
State Total	304,471	562,315	124,553	149,054	4,304	25,784	526	250	11,749	251,910	36,012	10,028	63,077	36,681	304,471
Out of State	47,800	91,786	21,402	21,951	1,662	2,755	15	15	547	33,789	6,756	38,037	10,776	502	47,800
All Returns	***352,271***	***654,101***	***145,955***	***171,005***	***5,966***	***28,539***	***541***	***265***	***12,296***	***285,699***	***42,768***	***48,065***	***73,853***	***37,183***	***352,271***

2006 Vermont Personal Income Tax Returns – Dollars

AGI Income Class	Returns	Adjusted Gross Income	Vermont Adjusted Gross Income	Vermont Tax	Adjusted Vermont Tax	Credits	Net Vermont Tax	Earned Income Credit
Negative	3,645	-130,476,219	1,313,069	19,612	19,259	102	19,157	10,815
None/Missing	142	0	0	267	267	0	267	509
0.01 - 4999	27,718	73,753,155	74,833,095	103,160	102,689	362	102,327	811,308
5000 - 9999	27,299	201,999,326	211,095,344	770,485	759,623	20,480	739,143	3,068,055
10000 - 14999	23,451	292,715,112	289,722,449	2,414,765	2,345,272	57,501	2,287,771	4,668,833
15000 - 19999	22,726	397,403,666	388,887,609	4,826,613	4,667,205	80,559	4,586,645	4,433,273
20000 - 24999	21,985	494,318,796	489,008,927	7,914,387	7,706,503	109,617	7,596,886	3,266,940
25000 - 29999	20,088	551,801,954	545,698,461	10,265,064	10,052,541	127,578	9,924,964	1,886,262
30000 - 34999	17,771	576,417,256	569,623,186	11,722,707	11,499,099	157,245	11,341,854	685,632
35000 - 39999	15,172	568,313,395	561,068,634	12,154,543	11,955,620	202,653	11,752,967	91,758
40000 - 44999	13,157	558,501,518	548,305,692	12,693,605	12,430,767	208,996	12,221,771	0
45000 - 49999	11,748	557,661,701	548,894,617	13,323,848	13,080,229	242,637	12,837,592	0
50000 - 59999	20,179	1,107,338,124	1,090,450,861	27,850,458	27,341,964	507,710	26,834,254	0
60000 - 74999	24,001	1,612,134,404	1,587,722,368	42,679,631	41,926,447	940,560	40,985,888	0
75000 - 99999	25,586	2,202,982,643	2,175,940,209	67,748,322	66,718,763	1,729,320	64,989,443	0
100000 - 124999	11,779	1,305,971,804	1,283,761,456	47,399,173	46,477,721	1,522,936	44,954,785	0
125000 - 149999	5,789	789,414,552	776,301,775	31,697,740	31,017,199	1,108,530	29,908,670	0
150000 - 199999	5,275	903,239,024	885,435,969	40,044,380	39,027,838	1,489,225	37,538,613	0
200000 - 299999	3,720	887,329,972	864,624,358	45,183,137	43,946,035	2,296,846	41,649,188	0
300000 - 499999	1,867	705,648,969	685,159,032	41,009,393	39,790,078	2,462,843	37,327,236	0
500000 - 999999	881	594,881,787	579,398,062	37,913,091	36,801,703	3,038,649	33,763,054	0
1,000,000 +	492	1,449,071,082	1,394,892,828	92,567,584	88,725,826	9,308,141	79,417,685	0
State Total	304,471	15,700,422,021	15,552,138,001	550,301,965	536,392,647	25,612,488	510,780,159	18,923,385
Out of State	47,800	20,512,359,757	8,610,690,508	1,320,806,930	43,807,711	741,628	43,066,083	164,003
All Returns	***352,271***	***36,212,781,778***	***24,162,828,508***	***1,871,108,895***	***580,200,358***	***26,354,116***	***553,846,242***	***19,087,388***

2006 School Property Tax Adjustments - Claims Paid as of December 2007

Household Income Class	Total Recipients	Number with Extra Acreage	Number with Circuit Breaker	Average Household Income	Median Equalized Housesite Value	Average Housesite Property Tax: School	Average Housesite Property Tax: Municipal[1]	Reduction in Housesite Taxes: School	Reduction in Housesite Taxes: Extra Acreage	Reduction in Housesite Taxes: Circuit Breaker	Reduction in Housesite Taxes: Total	Percent School Tax Relieved
0 - 9,999	4,220	1,615	4,109	6,612	98,694	1,493	628	5,480,556	69,190	2,697,419	8,247,165	92.1%
10,000 - 19,999	12,421	3,852	10,156	15,317	104,615	1,557	684	14,462,229	162,450	4,823,315	19,447,994	69.9%
20,000 - 29,999	16,667	4,831	9,887	25,185	114,483	1,691	748	17,914,914	199,880	4,365,642	22,480,436	55.3%
30,000 - 39,999	19,018	5,517	7,009	35,002	123,639	1,829	795	18,691,800	224,040	2,715,429	21,631,269	43.3%
40,000 - 47,000	13,524	4,033	3,490	43,485	133,450	1,967	843	12,566,454	165,160	1,369,600	14,101,213	37.1%
47,001 - 59,999	17,617	5,667	0	53,205	160,091	2,400	975	17,937,502	230,930	0	18,168,432	30.6%
60,000 - 74,999	14,859	5,267	0	66,984	182,706	2,767	1,044	15,211,360	215,020	0	15,426,380	27.2%
75,000 - 89,999	9,360	3,527	0	81,900	211,442	3,199	1,179	9,964,805	143,300	0	10,108,105	24.7%
90,000 - 106,000	5,080	0	0	96,858	243,486	3,724	1,286	1,036,046	0	0	1,036,046	4.1%
Grand Total	***110,348***	***34,260***	***34,691***	***44,834***	***176,617***	***2,204***	***935***	***113,989,450***	***1,406,030***	***16,973,707***	***132,369,186***	***37.6%***
Type of Adjustment												
HS Exemption (HEV)	11,791	2,403	1,073	31,996	51,473	705	449	2,233,669	101,660	248,988	2,584,317	19.0%
Income (HIP)	95,895	31,906	33,578	43,940	154,659	2,297	924	109,995,949	1,308,310	15,722,417	127,026,676	41.1%
90,000 +	5,080	0	0	96,858	243,486	3,724	1,286	1,036,046	0	0	1,036,046	4.1%

1. Total municipal tax reported for housesite. Muni taxes enter into property tax adjustment calculation only for circuit breaker.

2006 Homeowner Rebates - Claims Paid as of December 2007

Household Income Class	Total Recipients	Average Household Income	Median Equalized Homestead Value	Average Housesite Property Tax: School	Average Housesite Property Tax: Municipal	Reduction in Housesite Taxes: School	Reduction in Housesite Taxes: Extra Acreage	Reduction in Housesite Taxes: Circuit Breaker	Reduction in Housesite Taxes: Total	Average Adjustment
0 - 9,999	4,109	6,576	100,654	1,524	642	5,445,370	68,640	2,697,419	8,211,430	1,998
10,000 - 19,999	10,156	15,180	114,799	1,734	783	13,496,252	137,180	4,823,315	18,456,747	1,817
20,000 - 29,999	9,887	24,653	134,509	2,032	984	13,744,781	117,040	4,365,642	18,227,463	1,844
30,000 - 39,999	7,009	34,640	155,904	2,358	1,232	10,215,423	77,300	2,715,429	13,008,152	1,856
40,000 - 47,000	3,490	43,265	174,571	2,658	1,438	5,335,729	38,400	1,369,600	6,743,729	1,932
Grand Total	***34,651***	***23,628***	***133,093***	***2,013***	***980***	***48,237,555***	***438,560***	***15,971,405***	***64,647,520***	***1,866***

2006 Renter Rebates - Claims Paid as of December 7, 2007

Household Income Class	Number of Applications	Average Household Income	Average Allowable Rent for Taxes	Average Renter Rebate	Total Renter Rebate	Percent Equivalent Tax Relieved
0 - 9,999	2,603	7,464	739.09	589.98	1,535,705	79.8%
10,000 - 19,999	4,421	14,965	1,292.13	618.77	2,735,568	47.9%
20,000 - 29,999	3,079	24,228	1,734.26	593.78	1,828,260	34.2%
30,000 - 39,999	1,145	34,117	2,272.92	567.07	649,293	24.9%
40,000 - 47,000	281	42,669	2,758.04	624.60	175,514	22.6%
Grand Total	***11,529***	***18,322***	***1,418.48***	***600.60***	***6,924,340***	**42.3%**

2007 Vermont Personal Income Tax Returns – Counts

AGI Income Class	Returns	Exempt	Married Joint	Single	Married Separate	Head of House-hold	Civil Union Joint	Civil Union Separate	VT Credits	Withheld	Estimate	Adjusted	No Tax	Earned Income Credit
Negative	3,433	5,076	1,178	2,029	87	131	4	4	0	939	180	67	3,352	377
None/Missing	155	130	19	127	4	5	0	0	1	107	23	0	149	23
0.01 - 4999	29,875	22,076	2,325	25,929	246	1,358	4	13	36	18,192	431	331	27,393	5,618
5000 - 9999	27,732	27,325	2,853	22,421	315	2,127	5	11	470	19,640	579	762	18,044	8,163
10000 - 14999	23,214	33,980	3,537	16,460	359	2,842	3	13	562	17,109	816	917	7,727	6,475
15000 - 19999	22,369	34,741	4,263	14,666	376	3,036	8	20	525	17,853	1,232	967	5,234	4,497
20000 - 24999	21,607	34,561	4,426	13,514	472	3,169	6	20	444	18,463	1,321	870	2,124	4,536
25000 - 29999	20,187	32,948	4,527	12,353	474	2,791	7	35	433	17,863	1,439	705	931	4,238
30000 - 34999	17,694	30,415	4,806	10,153	411	2,296	7	21	459	15,896	1,343	606	543	3,192
35000 - 39999	15,464	28,109	5,087	8,095	362	1,884	15	21	435	13,965	1,468	502	286	1,359
40000 - 44999	13,208	25,448	5,293	6,262	257	1,359	15	22	461	11,963	1,381	458	231	0
45000 - 49999	11,707	24,132	5,530	4,825	189	1,120	27	16	390	10,601	1,455	367	166	0
50000 - 59999	20,286	45,711	12,064	6,365	260	1,515	55	27	847	18,460	2,792	570	267	0
60000 - 74999	24,579	60,724	18,045	5,090	224	1,104	81	35	1,241	22,433	4,156	631	222	0
75000 - 99999	27,103	72,426	22,735	3,316	173	714	144	21	1,709	24,873	5,517	669	226	0
100000 - 124999	13,440	37,240	11,661	1,332	66	285	89	7	1,199	12,146	3,530	435	104	0
125000 - 149999	6,494	17,913	5,571	696	44	142	39	2	802	5,714	2,241	232	52	0
150000 - 199999	6,083	16,846	5,208	665	40	143	26	1	897	5,142	2,695	230	49	0
200000 - 299999	4,095	11,270	3,478	490	21	90	16	0	748	3,302	2,259	187	23	0
300000 - 499999	2,163	5,993	1,838	264	20	37	4	0	491	1,626	1,407	97	20	0
500000 - 999999	1,040	2,777	857	139	17	24	1	2	297	729	796	52	18	0
1,000,000 +	531	1,425	437	72	14	7	0	1	232	329	468	26	6	0
State Total	312,459	571,266	125,738	155,263	4,431	26,179	556	292	12,679	257,345	37,529	9,681	67,167	38,478
Out of State	49,572	94,035	21,690	23,359	1,606	2,872	16	29	491	35,391	6,593	39,792	11,589	465
All Returns	**362,031**	**665,301**	**147,428**	**178,622**	**6,037**	**29,051**	**572**	**321**	**13,170**	**292,736**	**44,122**	**49,473**	**78,756**	**38,943**

AGI Income Class	Returns	Adjusted Gross Income	Vermont Adjusted Gross Income	Vermont Tax	Adjusted Vermont Tax	Credits	Net Vermont Tax	Earned Income Credit
Negative	3,433	-136,990,549	294,196	18,154	16,914	0	16,914	9,940
None/Missing	155	0	0	5,048	5,048	1	5,047	627
0.01 - 4999	29,875	77,396,001	76,984,373	113,938	112,803	741	112,062	870,651
5000 - 9999	27,732	205,224,875	211,467,585	668,531	660,155	19,274	640,881	3,145,254
10000 - 14999	23,214	289,144,247	287,656,516	2,229,911	2,170,869	54,386	2,116,483	4,692,293
15000 - 19999	22,369	390,746,830	384,778,328	4,599,421	4,463,148	84,633	4,378,516	4,703,681
20000 - 24999	21,607	485,890,389	477,633,502	7,503,333	7,313,347	99,957	7,213,389	3,511,945
25000 - 29999	20,187	554,649,420	546,496,961	10,152,868	9,944,437	129,110	9,815,327	2,124,994
30000 - 34999	17,694	573,393,929	564,529,778	11,454,278	11,221,135	166,313	11,054,821	896,802
35000 - 39999	15,464	579,031,177	570,751,911	12,252,328	12,039,300	183,720	11,855,580	195,556
40000 - 44999	13,208	560,306,522	552,573,650	12,506,266	12,274,181	230,602	12,043,580	0
45000 - 49999	11,707	555,639,655	548,843,331	13,118,410	12,905,018	223,412	12,681,606	0
50000 - 59999	20,286	1,112,260,294	1,099,077,704	27,621,429	27,157,931	567,845	26,590,086	0
60000 - 74999	24,579	1,650,923,422	1,640,274,255	43,118,129	42,455,148	993,786	41,461,362	0
75000 - 99999	27,103	2,335,931,657	2,327,897,987	69,866,483	68,822,200	1,746,921	67,075,278	0
100000 - 124999	13,440	1,488,378,511	1,469,489,187	52,616,650	51,705,718	1,538,160	50,167,558	0
125000 - 149999	6,494	884,795,409	868,934,446	34,911,882	34,134,828	1,389,847	32,744,981	0
150000 - 199999	6,083	1,041,693,780	1,021,347,134	45,288,337	44,257,548	1,891,206	42,366,341	0
200000 - 299999	4,095	981,585,239	956,641,399	49,072,243	47,790,390	2,105,411	45,684,979	0
300000 - 499999	2,163	815,770,996	795,397,213	47,356,358	46,146,592	2,801,538	43,345,054	0
500000 - 999999	1,040	700,369,169	678,644,827	43,871,104	42,357,853	3,158,485	39,199,368	0
1,000,000 +	531	1,570,130,187	1,487,212,651	99,980,277	95,024,773	11,943,658	83,081,116	0
State Total	312,459	16,716,271,160	16,566,926,934	588,325,378	572,979,335	29,329,006	543,650,329	20,151,743
Out of State	49,572	29,214,612,431	12,771,239,104	2,035,305,122	45,503,653	818,512	44,685,141	143,858
All Returns	***362,031***	***45,930,883,591***	***29,338,166,038***	***2,623,630,500***	***618,482,987***	***30,147,518***	***588,335,469***	***20,295,601***

2007 School Property Tax Adjustments - Claims Received as of December 2008

Household Income Class	Total Recipients	Number with Extra Acreage	Number with Circuit Breaker	Average Household Income	Median Equalized Housesite Value	Average Housesite Property Tax: School	Average Housesite Property Tax: Municipal[1]	Reduction in Housesite Taxes: School	Reduction in Housesite Taxes: Extra Acreage	Reduction in Housesite Taxes: Circuit Breaker	Reduction in Housesite Taxes: Total	Percent School Tax Relieved
0 - 9,999	3,985	1,493	3,879	6,650	117,580	1,512	650	5,257,210	64,260	2,637,289	7,958,758	92.4%
10,000 - 19,999	11,744	3,676	9,615	15,352	123,517	1,567	713	13,788,980	154,540	4,860,136	18,803,656	70.2%
20,000 - 29,999	16,013	4,688	9,870	25,156	136,585	1,729	785	17,767,969	193,180	4,708,856	22,670,005	56.3%
30,000 - 39,999	18,756	5,435	7,513	35,060	147,142	1,859	830	18,911,511	222,400	3,154,371	22,288,281	44.2%
40,000 - 47,000	13,301	3,912	3,814	43,517	158,374	2,000	881	12,638,983	157,790	1,613,056	14,409,829	37.6%
47,001 - 59,999	17,916	5,873	0	53,250	187,736	2,428	1,034	18,580,757	239,280	0	18,820,037	30.3%
60,000 - 74,999	15,527	5,502	0	67,005	214,391	2,775	1,116	15,931,846	224,950	0	16,156,796	26.7%
75,000 - 89,999	10,118	3,681	0	81,872	246,093	3,215	1,220	10,853,938	149,630	0	11,003,568	24.5%
90,000 - 106,000	2,988	0	0	93,203	268,703	3,518	1,380	258,255	0	0	258,255	1.8%
Grand Total	***110,348***	***34,260***	***34,691***	***44,834***	***176,617***	***2,204***	***935***	***113,989,450***	***1,406,030***	***16,973,707***	***132,369,186***	***38.2%***

Type of Adjustment

HS Exemption (HEV)	11,072	2,176	1,100	31,866	57,569	676	453	1,919,061	91,610	257,774	2,268,446	18.1%
Income (HIP)	96,288	32,084	33,591	44,824	183,870	2,339	976	111,812,133	1,314,420	16,715,932	129,842,486	40.7%
90,000 +	2,988	0	0	93,203	268,703	3,518	1,380	258,255	0	0	258,255	1.8%

1. Total municipal tax reported for housesite. Muni taxes enter into property tax adjustment calculation only for circuit breaker.

2007 Homeowner Rebates - Claims Received as of December 2008

Household Income Class	Total Recipients	Average Household Income	Median Equalized Homestead Value	Average Housesite Property Tax: School	Average Housesite Property Tax: Municipal	Reduction in Housesite Taxes: School	Reduction in Housesite Taxes: Extra Acreage	Reduction in Housesite Taxes: Circuit Breaker	Reduction in Housesite Taxes: Total	Average Adjustment
0 - 9,999	3,879	6,630	119,860	1,546	664	5,228,454	63,980	2,637,289	7,929,723	2,044
10,000 - 19,999	9,615	15,242	135,972	1,753	818	12,934,339	131,040	4,860,136	17,925,514	1,864
20,000 - 29,999	9,870	24,718	159,884	2,067	1,023	13,993,175	121,100	4,708,856	18,823,131	1,907
30,000 - 39,999	7,513	34,712	184,943	2,375	1,261	11,031,773	81,100	3,154,371	14,267,244	1,899
40,000 - 47,000	3,814	43,376	205,036	2,656	1,469	5,801,416	38,590	1,613,056	7,453,061	1,954
Grand Total	**34,691**	**24,285**	**159,404**	**2,053**	**1,027**	**48,989,157**	**435,810**	**16,973,707**	**66,398,674**	**1,914**

2007 Renter Rebates - Claims Received as of November 28, 2008

Household Income Class	Number of Applications	Average Household Income	Average Allowable Rent for Taxes	Average Renter Rebate	Total Renter Rebate	Percent Equivalent Tax Relieved
0 - 9,999	2,821	7,762	656.95	501.71	1,415,338	76.4%
10,000 - 19,999	4,606	14,919	1,284.78	613.63	2,826,363	47.8%
20,000 - 29,999	3,282	24,240	1,736.29	594.42	1,950,900	34.2%
30,000 - 39,999	1,352	34,222	2,308.41	597.32	807,582	25.9%
40,000 - 47,000	347	42,959	2,835.09	687.14	238,438	24.2%
Grand Total	**12,408**	**18,645**	**1,416.36**	**583.38**	**7,238,621**	**41.2%**

PROPERTY TAX ADJUSTMENT HISTORICAL SUMMARY

Tax Year	Property Tax Adjustment Claims	Property Tax Adjustment Total Amounts	Homeowner Rebate Claims	Homeowner Rebate Total Amount	Renter Rebate Claims	Renter Rebate Total Amount	Total Claims	Total Benefit Amount
1998	109,046	56,801,515[1]	23,184 [2]	9,843,485 [2]	12,085 [3,4]	5,472,448 [3,4]	121,131	72,117,458
1999	114,954	57,606,156	28,356	8,462,982	11,620	5,257,244	126,574	71,326,382
2000	108,276	57,722,398	29,739	9,435,798	10,324	4,704,796	118,600	71,862,992
2001	112,792	65,723,062	34,464	12,044,504	10,406	4,866,323	123,198	82,633,889
2002	103,289	80,606,044	35,400	21,345,365 [5]	11,131	5,636,205	114,420	107,587,614
2003	92,801	76,584,121	37,843	25,339,068	11,525	6,136,097	104,326	108,059,286
2004	96,306	92,597,558	33,280	22,294,496	11,037	5,913,113	107,343	120,805,167
2005	101,829	106,590,553	33,283	23,881,135	11,251	6,353,863	113,080	136,825,551
2006	112,766	114,675,634	34,651	15,971,405[6]	11,529	6,924,340	124,295	137,571,380
2007	110,348	115,395,480	34,691	16,973,707	12,408	7,238,621	122,756	139,607,808

[1] In 1998 there was no reconciliation of the Act 60 prebate, so this total is just the prebate amount.
[2] Includes 3,123 claims and an estimated $2,047,831 in rebates that could have come from the Act 60 school tax benefit program had the taxpayers applied.
[3] Includes 1,246 mobile home owners with a total rebate of $486,447 grouped with renters. Mobile home owners are grouped with homeowners in subsequent years.
[4] Includes 460 mobile home owner claims and an estimated $102,968 in rebates that could have come from the Act 60 school tax benefit program.
[5] Starting in 2002, calculation of the Homeowner Rebate amount was decoupled from the decision to apply for school property tax adjustments (“prebates”). If a prebate had been issued the previous year, the amount claimed for school and municipal taxes was reduced by that benefit.
[6] Starting in 2006, homeowner property tax adjustments became on number. An “additional adjustment” calculation (previously known as Homeowner Rebate) was done under certain circumstances. This amount has been identified for continuity with previous statistics. The calculation method is more similar to that in 2001 and prior, when the homeowner rebate reflected only the amount in excess of the school property tax adjustment.

FY	Amount	% Change
1969	-0-	
1970 [a]	589,301	--
1971	534,590	-9.3
1972	816,084	52.7
1973	764,129	-6.4
1974 [b]	2,445,911	220.1
1975	4,178,525	111.7
1976	6,326,410	22.2
1977	7,121,040	12.6
1978	7,739,880	8.9
1979	7,802,465	.8
1980	7,900,291	1.3
1981	7,894,696	-.1
1982	7,643,187	-3.2
1983	5,668,003	-34.8
1984	5,469,386	-3.6
1985	5,441,745	-1.0
1986 [c]	6,762,035	24.3
1987 [d]	12,992,965	92.1
1988 [e]	11,084,281	-14.7
1989 [f]	13,726,944	23.8
1990	20,850,708	51.5
1991 [g]	21,201,273	1.7
1992 [h]	23,315,785	10.0
1993 [i]	23,307,707	0.0
1994	24,882,801	6.8
1995	25,303,055	1.7
1996	32,498,686	28.4
1997	34,558,853	6.3

Historical Notes:

[a] Rebate program enacted January 1, 1970, for over age 65 homeowners and renters.

[b] Increased credit and included under age 65 taxpayers.

[c] Eligibility requirements changed to allow household income up to $31,999, and maximum refund increased from $500 to $750.

[d] Eligibility requirements changed to unlimited household income. Renters allowed to claim 24% of their rent versus 20 percent, and no maximum on amount of homeowner and renter rebates.

[e] Household income exclusion of social security/self-employment tax on earned income up to $8,000.

[f] Exclusion of all social security/self-employment tax from household income calculation.

[g] Eligibility requirements changed to allow household income up to $60,000 and maximum rebate set at $2,000. Landlord Certificates of Rent Paid required for renters claims.

[h] Maximum rebate set at $1,350. 1990 rebates to claimants under age 62 paid at 90%. Property Tax Credit Certificate Program allowed to homeowners aged 62 or older. Rent equivalency changed to 20% and household income eligibility changed to allow up to $45,000 effective January 1, 1991.

[i] Claimants under age 62 paid at 96%.

A yearly detail of property tax rebate claims can be found on the Department website at: http://www.state.vt.us/tax/pdf.word.excel/legal/biennial/2002/biennial2002%20pages62-74.doc

KEY PERSONNEL

Administration - 802.828.2505
Tom Pelham, Commissioner of Taxes
Ellen Tofferi, Deputy Commissioner
Molly Bachman, General Counsel
Pamela James, Business Manager
Lorna Carty, Personnel Administrator

Compliance Division - 802.828.2518
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Judith Lambert, Tax Collections Supervisor
Kim Socia, Tax Field Examinations Supervisor
Thomas Phillips, Tax Field Examinations Supervisor

Information Systems Division - 802.828.0264
Tom Buonomo, Director
Shawn Kasulka, Systems Developer

Policy Analyst Division - 802.828.2505
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Kenneth Jones, Policy Analyst
William Smith, Research & Statistical Analyst

Property Valuation And Review - 808.828.5860
William Johnson, Director
Michelle Wilson, Operations Chief
William Snow, Current Use Programs Chief
Harry Roush, Vermont Mapping Program
Mark Paulsen, District Advisor, Supervisor
Property Transfer Tax Information - *802.828.2542*
Land Gains Tax Information - *802.828.2776*

Return And Revenue Processing - 802.828.0146
Rahul Kushwaha, Director

Taxpayer Services Division - 802.828.2524
Vacant, Director
Income Tax Assistance - *802.828.2865*
Business Tax Assistance - *802.828.2551*
Refund Status - *1.866.828.2865*
TDD - *1.800.253.0191*
Forms Orders - *802.828.2515*

MAILING ADDRESSES

Income Tax

Payments
VT Department of Taxes
PO Box 1779
Montpelier, VT 05601-1779

Refund, No Balance Due or No Payment
VT Department of Taxes
PO Box 1881
Montpelier, VT 05601-1881

Business Trust Taxes
(Sales & Use, Meals & Rooms, Employer Withholding)
VT Department of Taxes
PO Box 547
Montpelier, VT 05601-0547

Payment Plan Requests
VT Department of Taxes
Attn: Compliance
PO Box 429
Montpelier, VT 05601-0429

Property Valuation & Review Division
VT Department of Taxes
Property Valuation & Review
PO Box 1577
Montpelier, VT 05601-1577

VT Mapping Program
(Orthophoto Maps)
VT Department of Taxes
Mapping Program
133 State Street
Montpelier, VT 05633-1401

***All Other Tax Returns and General* Correspondence**
VT Department Of Taxes
133 State Street
Montpelier, VT 05633-1401

Or Visit Our Website For More Information At:
www.state.vt.us/tax

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