



2020 Legislative Highlights

Administrative Changes

Disclosure of tax information to facilitate the provision of Pandemic Unemployment Benefits, [Act 99](#) (S.341)

- The Commissioner of Taxes may, under certain conditions, disclose confidential tax information to the Commissioner of Labor for the purposes of establishing the identity or liability of employers for unemployment compensation and for verifying earnings in order to determine the amount of Pandemic Unemployment Assistance they may receive pursuant the CARES Act.

Discouraging tax refund fraud, [Act 175](#) (H.954), Sec. 22

- Authorizes the Department to impose penalties for fraudulent requests for refunds, even if fraud was only attempted and a refund is not issued.

Minimum offset, [Act 175](#) (H.954), Sec. 25a

- Reduces the minimum offset amount for other state agency debts from \$50 to \$45.

Interest rates on under and over payment of taxes, [Act 175](#) (H.954), Sec. 28

- Equalizes the interest rates charged by the Department for underpayment and overpayment of taxes.

Business and Corporate Tax

Coronavirus Relief for Businesses

Emergency Economic Recovery Grants (EERG), [Act 115](#) (S.350)

- Appropriation of funds from the State's Coronavirus Relief Fund:
 - Sec. 2 allocates \$50M from the CARES Act to the Vermont Department of Taxes for the purpose of providing assistance to eligible Vermont businesses.
 - Sec. 3 allocates \$20M to the Agency of Commerce and Community Development (ACCD) to provide assistance to additional businesses, including businesses that were not eligible for a grant provided by the Dept. of Taxes.
 - Sec. 4, regarding guidelines and reporting:
 - The Department and ACCD were required to publish guidelines no later than ten days after the effective date of the Act.
 - The Department and ACCD were required to report to the General Assembly weekly.

- On August 15, 2020, the Department and ACCD were required to report to the General Assembly regarding the identity of grant recipients including the amount of each grant.
 - Such information was made available to the public.
- Effective June 19, 2020.

CARES Act funding, including economic relief for businesses, [Act 137](#) (H.966)

- Additional appropriation of funds from the State's Coronavirus Relief Fund:
 - Sec. 6(a)(1) allocated \$82M in additional economic recovery grants:
 - \$56M to ACCD.
 - \$26M to the Department to support Sales and Use Tax and Meals and Rooms Tax account holders who sustained a revenue loss of 50% or more, to be used after the first 50M (going to 75% and over) was exhausted.
 - Sec. 6(a)(2) allocated \$2.5M to ACCD for businesses in the agricultural, food and forest, and wood products industries.
 - Sec. 6(a)(3) allocated \$5M to ACCD for businesses with zero to 5 employees that were 51% owned by women or minority populations.
 - Sec. 6(a)(5) allocated \$5M to ACCD to support nonprofit arts and cultural organizations.
 - Sec. 6(b)(2) allocated \$2.5M to ACCD to create a Restart Vermont business assistance program.
 - Sec. 6(b)(3) allocated \$5M to ACCD to provide assistance to agencies assisting Vermonters experiencing food insecurity due to the public health emergency.
 - Sec. 7 allocated \$13M to the Agency of Administration for issuing grants to units of local government for eligible COVID-19 related expenses, to be administered by the Department's Property, Valuation and Review division.
 - Sec. 8-10 allocate \$2M to the Agency of Administration to provide grants to eligible municipalities to be used for the digitization of land records, to be administered by the Department's Property, Valuation and Review division.
- Effective on passage (July 2, 2020).

Additional funds allocated for various grant programs administered by the Department of Taxes, [Act 154](#) (H.969)

- This bill is primarily concerned with the State's budget and is commonly referred to as the "BIG BILL" or, in 2020, the Fiscal Year 2021 Appropriations Act.
 - Effective on passage, October 2, 2020.
- In addition to supporting the State's budget, this bill also allocated additional federal money from the State's Coronavirus Relief Fund to multiple Vermont State Agencies and Departments for various purposes, including but not limited to the following grants administered by the Department of Taxes or the Department in partnership with other state agencies:
 - Sec. B.1101.2(a)(3) allocated \$10M to the Agency of Administration, to be administered by the Department, for the benefit of Vermont's 11 independent colleges.
 - Sec. B.1102 allocated an additional \$76.7M to ACCD for EERG, that the Department will help administer. Updated eligibility criteria and guidelines included in this section require that the business:
 - Is a private, for-profit, or nonprofit organization that is either domiciled or has its primary place of business in Vermont.

- Is either open at the time of application or closed due to the public health emergency with a good-faith plan for reopening.
- Demonstrates need based on economic loss from March 1, 2020 to December 1, 2020.
- May not receive more than \$300,000K in combined grant awards and are prohibited from receiving grant monies from more than one source for the same purpose.
- Grant award amount shall be determined based on receipt of financial assistance from other sources.
- Must be able to show that the grant was used for the intended purposes.

Meals and Rooms Tax (see also **Coronavirus Relief for Businesses**, above)

Short-term rental platform information reporting to the Department, [Act 175](#) (H.954), Sec. 12

- Removes the requirement that the Department collect information on short-term rental platforms.

Miscellaneous Tax Changes

Universal Service Charge, Prepaid Calling Cards, [Act 175](#) (H.954), Sec. 11

- Marketplace facilitators are required to collect the Universal Service Charge on prepaid calling cards at the same time they collect sales tax on behalf of the marketplace sellers and must remit those to the Department.
- Effective July 1, 2021.

Disclosure of tax data related to unclaimed beverage deposit redemption, [Act 175](#) (H.954), Sec. 20-21

- Beverage deposit redemption data reported to the Department can only be disclosed in aggregate with one exception:
 - The Department may provide the Agency of Natural Resources with disaggregated information for administration purposes.

Property Transfer Tax due date, [Act 175](#) (H.954), Sec. 7

- Property Transfer Tax payments are due within 30 days of transferring title to real property (by deed) or of transferring or acquiring controlling interests with title to property for which a deed is not given.

Amends circumstances in which higher education tax credit (529 Plans) must be repaid, [Act 175](#) (H.954), Sec. 19

- In addition to the costs of attendance at a postsecondary education institution, the proceeds of a 529 Plan may also be disbursed, without having to pay back the VT tax credit, under the following circumstances:
 - For expenses associated with a registered apprenticeship program; and,

- After the death or disability of the beneficiary.

Regulation and taxation of cannabis, [Act 164 \(S.54\)](#)

- Prior to commencing business, any retailer or integrated licensee required to collect tax must apply for and receive a cannabis retail tax license from the Commissioner of Taxes for each place of business where cannabis or cannabis products are sold. See Sec. 14.
- Beginning March 1, 2022, a 14% excise tax shall be imposed on each sale in Vermont of cannabis and cannabis products made by a retailer or an integrated licensee, excluding food or beverages. See Sec. 14.
 - In addition to the excise tax, Sales and Use Tax shall be paid on the retail sale of cannabis
 - Taxes collected from the purchaser shall be remitted by the retailer or licensee to the Department.
 - Excise tax shall be itemized separately from the general Sales and Use Tax on the receipt provided to the purchaser.
- Cannabis and cannabis products are not subject to Meals and Rooms Tax. See Sec. 15 & 17a.
- Some exemptions to both the Sales and Use Tax and the Excise Tax apply. For example, Sec. 16-17 indicates that sales by dispensaries for use by registered qualifying patients are exempt.
- The Cannabis Control Board shall have the authority to charge and collect state and local license fees payable at the time of the application or renewal. See Sec. 2.
 - After reduction for costs of administration and collection, the Board shall pay local license fees on a quarterly basis to the municipality in which the fees were collected.
- The Commissioner may require that retailers and integrated licensees shall not remit taxes collected to the Department in cash and may also require that all returns be submitted electronically. See Sec. 15.
- Sec. 12 states that cannabis establishments shall not be regulated as farming under the Required Agricultural Practices. Also, although cannabis products and crops shall not be considered agricultural products or crops, agricultural land and buildings shall not be ineligible for Current Use because they are used to grow or process cannabis. Other requirements apply. Effective March 1, 2022.
- Sec. 18 allows Vermont income tax deductions for individuals and corporations related to cultivation, testing, processing, or sale of cannabis or cannabis products even though such deductions are not allowed federally. Effective June 1, 2021.

Municipalities

Temporary municipal tax rate provisions in response to COVID-19, [Act 105 \(H.947\)](#)

- Authorizes the legislative body of the city, town, or incorporated village to adopt a budget and to set a municipal tax rate provided that a 2020 annual or special meeting with voters has not occurred.
- Effective on passage.

Temporary municipal proceedings provisions in response to COVID-19, [Act 106 \(H.948\)](#)

- Authorizes quasi-judicial municipal proceedings to occur during the declared state of emergency via electronic means.

- Allows temporary suspension of in-person hearing and inspection requirements, including those performed by a board of civil authority and by hearing officers (including those who represent the Department of Taxes) when requested by an appellant.

Emergency statewide education property tax borrowing for municipalities, [Act 108](#) (H.951)

- Establishes a program to assist municipalities required to take short-term loans to manage the cash flow effects of the statewide education property tax deferrals or delays in the receipt of those taxes by the municipalities as a result of the COVID-19 pandemic.
- This program shall be administered in a way that is consistent with CARES Act guidance.

Borrowing authority of municipalities and power of the municipal legislative body, [Act 113](#) (S.345)

- During the declared state of emergency, a municipality may borrow money from property taxes collected by the municipality for voter-approved expenditures of the municipality, as approved by the municipality's legislative body.
- The money must be returned to the fund from which it was borrowed by December 31, 2021.

Charter Change, City of St. Albans, [Act M-10](#) (H.943)

- Amends the charter of City of St. Albans to authorize the City Council to levy of 1% Local Option Tax (LOT) on sales, rooms, meals, and alcoholic beverages.
- Voters approved the amendments on March 3, 2020.
- Effective on passage.

Charter Change, Town of Elmore, [Act M-11](#) (H.946)

- Approves adoption of the charter of the Town of Elmore authorizing town to access a 1% LOT on rooms upon resolution of the Selectboard and by vote of the Town.
- Effective on passage.

Tax Increment Financing (TIF), changes requested by the Town of Hartford, [Act 111](#) (S.283)

- The Town of Hartford is authorized to incur indebtedness for its TIF district for an additional 3-years.
- This time that municipal or education increment may be retained is not extended.

Extension of time to incur debt, for specific TIF districts, [Act 175](#) (H.954), Sec. 29-30

- The period to incur indebtedness is extended for the following existing TIF districts:
 - Barre City Downtown, to March 31, 2023,
 - Bennington City Downtown, to March 31, 2028,
 - Burlington Downtown, to March 31, 2022,
 - Three properties within the Burlington Waterfront District, to June 30, 2022, with specific provisions,
 - Montpelier, to March 31, 2029,
 - South Burlington, to March 31, 2023, and
 - St. Albans City Downtown, to March 31, 2023.

Personal Income Tax

Sections of the Miscellaneous Tax bill affecting Personal Income Tax, [Act 175](#) (H.954)

- Sec. 13-14 provides the annual linkup to federal statutes for tax year 2019.
- Sec. 15 extends the Statute of Limitations for refunds of taxes paid, or when refunds are used to offset other liabilities, when the Department subsequently reverses an assessment.
- Sec. 16 extends the Statute of Limitations for petitions for tax year 2016 refunds from April 15 to July 15, 2020.
- Sec. 17 extends the requirement that a taxpayer amend state income tax returns within 180 days of a federal audit, instead of 60 days.
- Sec. 18 allows for automatic extension of the Vermont income tax filing deadline for both individual and corporate taxpayers upon extension at the federal level and gives corporations one additional month to file.

Property Owners and Renters

Education Property Tax

Setting the yield for education property tax, [Act 122](#) (H.959)

- Establishes the statewide education property tax yields and nonhomestead rate for fiscal year 2021.
- Allows the Education Fund to incur a deficit.
- Returns fiscal year 2019 and 2020 education property tax overpayments to certain school districts in fiscal year 2021.
- Effective July 1, 2020.

Instructions concerning property tax rates in the Commissioner of Taxes' December 1 letter, [Act 154](#) (H.969), Sec. E.111.1

- Recommendations are intended to:
 - Relieve school boards of the responsibility for responding to a projected FY21 deficit through budgeting decisions for FY22;
 - Prevent a significant increase in property tax rates in 2021; and,
 - Allow time and opportunities for the General Assembly to use other methods to address the deficit.
- Instructs the Commissioner to calculate the recommended estimated property tax rates for 2021 by:
 - Disregarding the projected deficit in the Education Fund; and,
 - Assuming the stabilization reserve is maintained for fiscal year 2022 at the fiscal year 2021 amount.

Temporary municipal tax rate provisions in response to COVID-19, [Act 102](#) (S.344)

- During the COVID-19 state of emergency, a municipality's legislative body may:
 - Establish a new time and method of payment for property taxes collected by the municipality.
 - Establish a grace period, waive penalties.

- Reduce the municipal property tax rate.

Sections of the Miscellaneous Tax bill effecting Education Property Taxes, [Act 175](#) (H.954)

- Sec. 1 allows one additional day for towns to make corrections to the grand list (through December 31).
- Sec. 2 allows towns to request an extension for filing the grand list with the State without having to record the extension with the clerk.
- Sec. 3 requires towns to segregate funds received from the State for preparing the education grand list.
- Sec. 4 requires the Department (in consultation with other interested parties) to submit a report to the Legislature by February 1, 2021 regarding transitioning billing and collection of the education property tax from municipalities to the Department.
- Sec. 5 amends the definition of “owner” for current use to align with the general rule for property taxation.
- Sec. 6 increases per diem pay for property tax hearing officers to \$150 per day.

Renter Rebate

Reforming the Renter Rebate Program, [Act 160](#) (H.934)

- The name of the Renter Rebate shall be changed to Renter Credit.
- Rent shall be based on the monthly fair market rent for the area in which the claimant resides, as determined by the U.S. Department of Housing and Urban Development.
- Although a claimant is required to have been domiciled in Vermont during the entire taxable year, the claimant is required to have rented the specific property for which a credit is requested during at least six calendar months in a taxable year, with exception for claimants receiving a rental subsidy.
 - Credit shall be prorated by the number of calendar months during which claimant rented the property.
 - Months may be non-consecutive.
- More than one renter per household may be entitled to a credit.
- Credit shall be based on the claimant’s income.
- Credit shall be calculated based on other factors that may include:
 - Number of bedrooms; and,
 - Number of personal exemptions claimed by the claimant.
- Credit shall not exceed \$2,500 per year.
- Claimant is no longer required to obtain a Landlord Certificate from the landlord.
 - Landlords are required submit a certificate of rent to the Department on or before January 31 of each year.
- Effective date: January 1, 2021. This shall apply to claims filed in 2022 and after.

Use Value Appraisals (Current Use Program)

Definition of Housesite, [Act 158](#) (H.674), Sec. 1

- For the purposes of enrollment in the Current Use program, the new definition of “housesite” specifies that more than one dwelling may share the same housesite, provided the dwellings are contained within a two-acre area.
- Effective January 1, 2021.

Good standing requirement for enrollees, [Act 158](#) (H.674), Sec. 2

- Enrollees in the Current Use program must be in good standing with the Department.
- Effective January 1, 2021.

Regulation and taxation of cannabis and the impact on Current Use, [Act 164](#) (S.54), Sec. 12

- Sec. 12 states that cannabis establishments shall not be regulated as farming under the Required Agricultural Practices. Also, although cannabis products and crops shall not be considered agricultural products or crops, agricultural land and buildings shall not be ineligible for Current Use because they are used to grow or process cannabis. Other requirements apply. Effective March 1, 2022.

Sales and Use Tax (see also Coronavirus Relief for Businesses, above)

Use Tax Tables adjusted, [Act 175](#) (H.954), Sec. 8

- In light of the 2018 SCOTUS decision regarding Wayfair v. South Dakota, and subsequent 2019 Vermont statute changes regarding remote sellers’ collection requirements, adjustment of the Vermont Use Tax tables was necessary to more accurately estimate Use Tax liability.
 - Only applies to those with AGI greater than \$20,000.
 - Changes maximum calculation to the lesser of \$150 or 0.05% of AGI for taxpayers earning greater than \$100,001.
 - Effective retroactive to January 1, 2020.

Sections of the Miscellaneous Tax bill affecting Sales Tax, [Act 175](#) (H.954)

- Sec. 9 amends the time period for determining whether sales made into Vermont require a remote seller or marketplace facilitator to collect and remit Vermont Sales Tax from any preceding 12-month period to the preceding twelve-month period.
- Sec. 10 repeals the noncollecting vendor reporting requirement to the Department but does not remove the requirement to report to purchasers.

Market-Based Sourcing, effective date, [Act 88](#) (H.760), Sec. 61

- Technical correction to Act 80 (2019):

Market based sourcing took effect on January 1, 2020 and applies to all years starting on or after that date.

Sales Tax on paper bags used by consumers, [Act 150](#) (S.342), Sec. 6

- The fee (10 cents, generally) to the consumer for paper bags used to carry out products shall not be taxable.
 - A retailer’s purchase of the bags in bulk is subject to sales tax and that tax shall be paid by the retailer.
- Effective date: July 1, 2020.