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*Agency of Administration*

## **2023 LEGISLATIVE HIGHLIGHTS**

### **ADMINISTRATIVE AND TECHNICAL TAX CHANGES**

#### **Annual Adoption of Federal Tax Law, [Act 72 \(H.471\), Sec. 1-2](#)**

- Adopts federal tax laws, basing the Vermont tax code on federal law.
- Effective retroactive to January 1, 2023, and applicable to taxable years beginning on or after January 1, 2022.

### **CANNABIS TAX**

#### **Amendments to the Adult-Use and Medical Cannabis Programs, [Act 65 \(H.270\)](#)**

##### **Sec. 6(f)(1)**

- Any cultivator licensed by the Cannabis Control Board (CCB) who initiates cultivation of cannabis outdoors shall be regulated in the same manner as farming.
- Effective June 14, 2023.

##### **Sec. 6(f)(3)**

- If all other requirements of the Current Use Program are met, agricultural land and buildings used for cannabis cultivation may be enrolled as long as:
  - Cultivation and processing is done by a cultivator licensed by the CCB, and
  - Some amount of cultivation occurs outdoors.
- Effective June 14, 2023.

##### **Sec. 6(f)(4)**

- All outdoor cultivators will be eligible to use the agricultural sales tax exemption.
- Effective June 14, 2023.

##### **Sec. 23**

- Vape cartridges used for delivery of only cannabis are exempt from the Tobacco Products Tax.
  - See also Act 3, (H.145), Sec. 91



- Effective June 14, 2023.

### **Imposition of Tobacco Products Tax on Certain Cannabis Supplies, [Act 3 \(H.145\), Sec. 91](#)**

- The Tobacco Products Tax shall not be applied to cannabis or hemp products that do not contain tobacco.
- Effective July 1, 2023.

### **CHILD CARE CONTRIBUTION (PAYROLL TAX)**

#### **Child Care and Early Education, [Act 76 \(H.217\), Sec. 24](#)**

To fund efforts to improve the availability, quality, and affordability of child care in Vermont, Act 76 tasks the Department of Taxes with the implementation and administration of a new Child Care Contribution, composed of a payroll tax on wages and self-employment income tax.

- Collection of the Child Care Contribution by the Department shall begin on July 1, 2024.
- Regarding wage earners:
  - The contribution rate is set at 0.44 percent of each employee's wages.
  - Employers are required to pay a minimum of 75 percent of the required contribution for each employee based on each employee's wages.
  - An employer may deduct and withhold a maximum of 25 percent of the required contribution from each employee's wages.
  - Employers shall be required to remit the combined contributions to the Department in the same manner as employees' withheld income.
- Regarding self-employed individuals:
  - The contribution rate is set at 0.11 percent of each individual's self-employment income.
  - Self-employed individuals shall remit contributions to the Department as if those contributions were Vermont income tax and shall be paid at such a time and in the same manner as the self-employed individual is required to make estimated payments.
- The Department of Children and Families shall create a Child Care Contribution Special Fund into which collected contributions shall be deposited.
  - Monies in this Fund may be used by the Department of Taxes for administration of the new Child Care Contribution.

## SALES AND USE TAX

### Miscellaneous Tax Administrative and Technical Changes, [Act 72 \(H.471\)](#)

#### Sec. 3-4

- Clarifies that Sales Tax, not Meals Tax, is imposed on alcoholic beverages sold at retail in sealed containers for off-premises consumption in the retail sales sections of breweries, wineries, distilleries, tasting rooms, etc.
- Effective June 19, 2023.

#### Sec. 8

- The existing Sales Tax exemption for advanced wood boilers will be repealed on July 1, 2024, unless additional legislative action is taken to extend that sunset.
- Effective June 30, 2023.
- See also Act 73 (H.472), Sec. 23.

## FUEL TAX

### Changes to the Fuel Tax Form and Disclosure of Tax Information, [Act 3 \(H.145\)](#)

#### Sec. 102

- Allows the Department of Taxes to disclose information related to sales and use tax for aviation jet fuel and natural gas or fuel tax to the Agency of Natural Resources (ANR) and Department of Public Service (DPS), subject to particular confidentiality requirements.

#### Sec. 103

- Requires the Department of Taxes to make specific updates to the Fuel Tax Form, FGR-165, on or before July 1, 2023, in consultation with the ANR.
- This updated form shall provide information sufficient to allow the ANR to understand the amount of each fuel type sold or consumed.
- Effective March 20, 2023.

### Reporting and Disclosure Requirements, [Act 18 \(S.5\), Sec. 5](#)

- Requires the Department to disclose specific information to the Public Utility Commission (PUC) and the DPS.
- Such disclosure will occur only from January 1, 2024, until December 31, 2024.



- Such entities receiving this information from the Department of Taxes shall be subject to penalties for unauthorized redisclosure of information received unless such information cannot identify or be associated with a particular taxpayer.
- Effective May 11, 2023.

## MALT AND VINOUS TAX

### Definition of Hard Cider, [Act 67 \(H.470\)](#)

#### Sec. 1

- Cider containing one to 16 percent alcohol by volume shall now be referred to as “hard cider,” to differentiate between non-alcoholic cider and hard cider containing alcohol.
- Effective July 1, 2023.

#### Sec. 7

- Taxes paid by packagers and wholesale dealers on hard ciders shall be the same as previously paid by such entities on cider.
- Effective July 1, 2023.

## MEALS AND ROOMS TAX

### Miscellaneous Tax Administrative and Technical Changes, [Act 72 \(H.471\)](#), [Sec. 5-6](#)

- To receive a meals and rooms refund from the State an operator must show that the tax, including but not limited to Local Option Tax, was erroneously or illegally collected or computed.
- Operators requesting a refund must also show that the tax has been or will be returned to the purchaser, unless the overpayment was made by the operator.
- A purchaser may also request a refund directly from the Department of Taxes.
- Effective June 19, 2023.

## MISCELLANEOUS TAX CHANGES

### Revenues from Captive Insurance, [Act 12 \(H.76\)](#), [Sec. 2](#)

- Annually, the Department transfers a percentage of the "premium tax revenues collected" to the Department of Financial Regulation (DFR). The percentage of revenues transferred previously was 11% and is now 13%.



- Revenues transferred to DFR are used for the regulation of captive insurance in Vermont.
- Effective July 1, 2023.

**Taxation of Income from Sports Wagering, [Act 63 \(H.127\), Sec. 4](#)**

- In addition to lottery and other winnings, income derived from wagering transactions made within the State of Vermont shall be considered taxable Vermont income regardless of the individual’s residency status. Furthermore, the Department of Taxes may require taxes to be withheld from payments of wagering proceeds.

**MUNICIPALITIES**

**Changes Impacting Reappraisals, [Act 68 \(H.480\)](#)**

Sec. 1

- Immediately removes the Common Level of Appraisal (CLA) as a factor triggering reappraisal orders issued by the Department of Taxes’ Division of Property Valuation and Review (PVR), which historically have been issued when a municipality’s property values are significantly different than fair market value.
- Effective retroactive to April 1, 2022, and applicable to grand lists lodged on or after April 1, 2022.

Sec. 2

- Phases in a reappraisal cycle, requiring that every municipality reappraise at least every six years.
- A municipality will be required to conduct a reappraisal of its grand list properties if it has a Coefficient of Dispersion (COD) greater than 20, *or* if a municipality has not begun the reappraisal process within six years of the date on which its previous reappraisal process began.
- Effective January 1, 2025.

**Studying a possible Statewide Reappraisal System and Distinguishing Between Types and Uses of Properties, [Act 68 \(H.480\), Sec. 4](#)**

As detailed below in "Studies," Act 68 requires the Department to produce two reports, a progress and final report, which focus on:

- Exploring implementation of a statewide reappraisal system housed at PVR and related topics.



- Proposals and recommendations for distinguishing between different types and uses of property through updated property classifications and centralizing existing municipal property data at the state level.

**Training and Certification for Listers and Assessors, [Act 68 \(H.480\)](#)**

Sec. 6

- Requires that certified training includes bias reduction training and education on racial disparities in property valuation outcomes. The Department shall continue to receive an allocation to provide educational opportunities at no cost, and scholarships for attendance at national programs will be available.
- Effective July 1, 2023.

Sec. 7

- Clarifies that individuals or firms employed or contracted by a municipality to do appraisal work or the work of an assessor must meet training requirements established by the Director of PVR.
- Effective July 1, 2023.

Sec. 8

- Clarifies that elected listers or board of listers need approval from the Director of PVR to perform reappraisal work themselves.
- All elected listers must meet PVR training requirements within a year of commencing their duties.
- Effective January 1, 2026.

Sec. 9

- When a town votes to eliminate the office of lister, the selectboard is to notify PVR within 14 days and shall employ or contract with a professionally qualified assessor who must meet the training requirements before they conduct any work.
- Effective July 1, 2023.

**Maintenance of Property Records, [Act 72 \(H.471\), Sec. 10](#)**

- Repeals language regarding maintenance of duplicate property records within the Department of Taxes' Division of Property Valuation and Review.

**Tax Increment Financing (TIF) Changes, [Act 72 \(H.471\), Sec. 33-38](#)**

All changes in these sections are effective June 19, 2023.



Sec. 33

- Amends the definition of “improvements” to include the funding of debt service interest payments for a period of up to two years, beginning on the date on which the first debt service is incurred.
- Amends the definition of “financing” to include an allowance for bond anticipation notes to be used as a method of financing, although they shall not be considered the first incurrence of debt.

Sec. 34

- Specifies that the physical boundary lines of a district shall not be adjusted after approval of the district plan.

Sec. 35

- Annual taxes paid to the Education Fund by a municipality shall not be less than the aggregated tax due on the original taxable value.

Sec. 36

- If a municipality with a TIF has entered into an agreement that reduces the municipality’s education property tax liability, the municipality’s municipal and education tax increment shall be calculated based on the assessed value of properties and not on the stabilized value.
- Eliminates the ability of Vermont Economic Progress Council (VEPC) to apply to the State Emergency Board to increase the six-district limit of allowable TIF districts while the Vermont Legislature is not in session.

Sec. 37

- Per the request of the City of Barre, relative to its TIF district, the ability of the City of Barre to retain municipal and education tax increment is extended to June 30, 2039.

Sec. 38

- Per the request of the Town of Hartford, relative to its TIF district, the ability of the Town of Hartford to incur indebtedness has been extended until March 31, 2026, and to retain municipal and education tax increment has been extended until June 30, 2036.

**Adoption of Local Option Tax by Town of Shelburne, [Act M-11 \(H.489\)](#)**

- Approves an amendment to the charter of the Town of Shelburne authorizing the adoption of a one percent LOT on sales, meals, alcoholic beverages, and rooms.
- Effective June 8, 2023.



### **Adoption of Local Option Tax by City of Rutland, [Act M-13 \(H.505\)](#)**

- This Act approves the amendment to the charter of the City of Rutland authorizing the adoption of a one percent LOT on sales.
- Effective June 8, 2023.

### **Approval of Amendments to Berlin Town Charter, [Act M-12 \(H.504\), Sec. 2](#)**

- Amends the charter of the Town of Berlin to authorize the Town Treasurer, with Selectboard approval, to waive the personal property or inventory tax when the total assessed value of the personal property or inventory is less than or equal to \$1,650.00.
- Effective June 8, 2023.

## **PERSONAL INCOME TAX**

### **Expanded Access to Vermont's Refundable Tax Credits, [Act 72 \(H.471\), Sec. 14-17](#)**

- For part-year Vermont residents claiming the Child and Dependent Care Credit (CDCC) and/or the Earned Income Tax Credit (EITC), creates a simple ratio to apportion the credit amount based on income earned or received while living in Vermont compared to all income.
  - Effective for tax year 2023: the EITC, CDCC, and Vermont Child Tax Credit (CTC) all employ this same simple apportionment ratio when claimed by part-year residents.
- Clarifies that both full and part-year Vermont residents may be eligible to claim the CDCC, and allows claimants to include expenses for care services provided outside of Vermont.
- Makes Vermont's Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) available to all qualifying Vermont residents regardless of whether they, their spouse, or their otherwise qualified dependents have a Social Security number (SSN) or an Individual Taxpayer Identification Number (ITIN).
- Directs the Department to create a process for claiming the CTC and EITC without an ITIN or SSN, specifying that the process shall not include inquiry about citizenship or immigration status.
- Adds protections for records related to individuals filing for the Vermont EITC and/or the Vermont CTC without an ITIN or SSN.



## PROPERTY TAX

### Application of Land Use Change Tax, [Act 72 \(H.471\)](#)

#### Sec. 12

- Creates an exemption from Land Use Change Tax (LUCT) for land owned or acquired by a Native American tribe or a qualified tribal nonprofit.

#### Sec. 22

- Provides for the extension of the deadline for claiming a Property Tax Credit:
  - The credit shall be reduced by \$150 on any claim filed after October 15 but on or before March 15 of the following year.
  - When claims are made after October 15, the credit shall be sent directly to the claimant by the Department of Taxes, and
  - The municipality shall not be required to reissue an adjusted homestead property tax bill.
  - Property Tax Credit claims may not be filed after March 15 of the following year for which the claim is made.

### Setting the Education Property Tax Yield, [Act 52 \(H492\)](#)

- Referred to as the “Yield Bill,” this Act sets the property dollar and income dollar equivalent yields for the purpose of setting the homestead property tax rates and the nonhomestead property tax rate.
- Effective July 1, 2023.

## PROPERTY TRANSFER TAX

### Transfers of Property Between Related Nonprofits, [Act 72 \(H.471\)](#), [Sec. 13](#)

- Transfers of property from one qualifying nonprofit to a related qualifying nonprofit are not subject to the Property Transfer Tax as long as specific conditions exist, including:
  - Controlling interest percentage for at least one of the related organizations is 50 percent or more,
  - Purpose of transfer is not strictly to avoid taxation, based on the Department’s assessment, and
  - Length of time between transfers is less than three years.



## REPORTS, STUDIES, AND COMMITTEES

### Recommendations regarding Notification of Erroneously Collected LOT, [Act 72 \(H.471\), Sec. 7](#)

- The Department of Taxes shall report to committees of the Vermont General Assembly by January 15, 2024, on recommended legislative action to require licensed operators, restaurants, and vendors to notify purchasers of erroneously or illegally collected Local Option and other taxes, and of the purchaser's right to request a refund.

### Progress Report regarding Statewide Reappraisals, [Act 68 \(H.480\), Sec. 4\(a\)](#)

- By December 15, 2023, the Department shall provide a progress report containing:
  - A preliminary statewide reappraisal schedule phasing in full reappraisals for each municipality within six years, with the first municipalities scheduled to complete reappraisal on or before April 1, 2027.
  - A study of existing municipal data that could be used to identify and differentiate between properties on the municipal and statewide education grand lists.
  - Options for implementation of implicit bias reduction training for listers and assessors.
  - Considerations and recommendations for changing the annual date by which grand lists are to be lodged.

### Report regarding Implementation of a Statewide Reappraisal System and Recommendations on How to Distinguish Between Types and Uses of Properties, [Act 68 \(H.480\), Sec. 4\(b\)](#)

- By December 15, 2024, the Department shall provide a report containing:
  - A detailed implementation proposal for creating a statewide system for reappraisals.
  - Recommendations on how to distinguish between different types and uses of property on the grand lists, and a proposal for integration of these beginning January 1, 2026.
  - Regarding the statewide system for reappraisals, the Department shall propose legislative language as needed.
  - A consideration of funding needed, including the possibility of reallocating revenues from the per-parcel fees to operate the system.
  - Administration of reappraisals for each municipality including but not limited to prioritization, scheduling, appeals, and adjustments to the coefficient of dispersion if necessary.

## **Public Safety Communications Task Force, [Act 78 \(H.494\), Sec. C.114](#)**

- This section of the bill, which is commonly known as the Big Bill, or the Budget, creates a Public Safety Communications Task Force to oversee and manage the design and implementation of a statewide public safety communications system.
- The Department of Taxes is to provide access to expertise and data maintained by the Department to the above Task Force, subject to protections otherwise afforded by law to requested information.
- Effective June 20, 2023

## **PROPERTY VALUATION AND REVIEW (PVR)**

The Vermont Department of Taxes' Division of Property Valuation and Review serves Vermonters in many ways. Among them, PVR is responsible for administering the Use Value Appraisal Program, also known as Current Use (CU), and, more recently, has been charged with development of a State Appraisal and Litigation Assistance Program.

### **Current Use**

#### **Current Use Eligibility Notification, [Act 72 \(H.471\), Sec.11](#)**

- Regarding notification of eligibility or ineligibility for participation in Current Use, although U.S. Mail may be used for delivery, notification no longer needs to be sent via Certified Mail.

#### **Amendments to the Adult-Use and Medical Cannabis Programs, [Act 65 \(H.270\)](#)**

- See section pertaining to Cannabis Tax, above.

### **State Appraisal and Litigation Assistance Program**

#### **Authorization for Executive Branch Positions at the Department, [Act 78 \(H.494\)](#)**

##### **Sec. E.100(a)(1)(H)**

- This section of the bill regarding the State budget authorizes the Department to hire one Program Manager in the Division of PVR to manage the State Appraisal and Litigation Assistance Program.
- Effective July 1, 2023.



Sec. E.100(a)(2)(A)

- Authorizes the Department to hire one Staff Attorney to assist in the management of the State Appraisal and Litigation Assistance Program.
- Effective July 1, 2023.