

CONFIDENTIAL
Legislative Bill Review Form: 2016

Bill Number: S.55

Name of Bill: An act relating to Vermont's estate tax

Agency/Dept: Tax

Author(s) of Bill Review: Candace Morgan

Date of Bill Review: 05/12/2016

Related Bills & Key Players: Finance, Ways and Means, LCRCC, Vermont Chamber of Commerce, CPAs

Status of Bill: As passed by both

Recommended Position: Support

Analysis of Bill

1. Summary of bill and issue it addresses. *Describe what the bill is intended to accomplish and why.*

After working on this issue for many years, the legislature has finally passed a update to our terribly outdated estate tax statute. This is the language and proposal that Tax has been working on with key advocates. It decouples us from the 2001 federal statute and creates a new calculation to find the Vermont taxable estate (includes gifts made within two years of gifts). The new language also creates a true exclusion of \$2.75M and eliminates the "backdoor gift tax." The new rate is a flat 16% on anything over \$2.75M.

The Senate decided to concur with the House version, but added in a study asking JFO to report on the impact of moving Vermont's exclusion amount to an amount that matches the federal basic exclusion amount. Since JFO does not have access to estate tax data, we will likely need to assist in this report.

2. Is there a need for this bill? *Please explain why or why not.*

Yes. The estate tax is terribly outdated and this proposal goes a long way to modernizing it and making it simple for folks.

3. What are likely to be the fiscal and programmatic implications of this bill for this department?

Tax will need to create a new form and update any of our other information about the estate tax. It will also require education of the staff that work on this tax - but hopefully the update makes it easier for them to understand and implement. The timing of this change works very well for us around our VTax project because this tax type is scheduled to be added next year. Now we won't need to update something that we just programmed.

4. What might be the fiscal and programmatic implications of this bill for other departments in state government, and what is likely to be their perspective on it?

N/A

5. What might be the fiscal and programmatic implications of this bill for others and what is likely to be their perspective on it? *(e.g., public, municipalities, organizations, business, regulated entities)*

There are some winners and losers with this change. The winners are those with lower value estates (between \$0-\$5M). The amount of estates paying more is minimal, and all occurs for those estates of a value greater than \$10M.

6. Other Stakeholders

6.1 Who else is likely to support the proposal and why?

The Vermont Chamber and Lake Champlain Chamber were both supportive of this change. They felt that it was an important change to make for small business owners would might be right around the \$2.75M threshold - before they would pay on dollar one; under this proposal they only need to pay on the amount over \$2.75M.

6.2 Who else is likely to oppose the proposal and why?

7. Rationale for recommendation: *Justify recommendation stated above.*

This tax type was very much in need of an update. This proposal balances simplicity with revenue neutrality. Folks wanted to ramp up to the federal exclusion, but there was no way to model it without it looking like a revenue loss in out years. This allows the statute to get fixed and creates an easier structure to evaluate potentially moving up the exclusion in later years.

8. Specific modifications that would be needed to recommend support of this bill: *Not meant to rewrite bill, but rather, an opportunity to identify simple modifications that would change recommended position.*

9. Will this bill create a new board or commission AND/OR add or remove appointees to an existing one? If so, which one and how many? *This is simply expanded language to indicate whether the bill would also add or remove appointees to existing board or commission, under the administration's control.*

N/A

Secretary/Commissioner has reviewed this document. Name: Mary Peterson

Date: 05/18/16