

**CONFIDENTIAL**  
**AHS LEGISLATIVE BILL REVIEW FORM: 2015**

Bill Number: H.272

Name of Bill: An act relating to current use and technical tax changes

Agency/ Dept: Tax

Author of Bill Review: Devon Green

Date of Bill Review: 3/10/15

Related Bills and Key Players \_\_\_\_\_

Status of Bill: (check one): \_\_\_\_\_ Upon Introduction    ☒ As passed by 1<sup>st</sup> body    \_\_\_\_\_ As passed by both

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**Recommended Position:**

\_\_\_\_\_ Support    \_\_\_\_\_ Oppose    \_\_\_\_\_ Remain Neutral    ☒ Support with modifications identified in #8 below

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**Analysis of Bill**

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

- Ways and Means divided the administration's proposed miscellaneous tax bill into revenue and non-revenue provisions. H. 272 is the nonrevenue tax bill and includes technical changes and clarifications. Most of the administration's nonrevenue provisions are included in this bill. The nonrevenue provisions that were not included are:
  - Excluding parking garages that are built and owned by a municipality from the property tax
  - Requirement that taxpayers notify the Tax Department of changes in income so that Tax can correct the property tax adjustment (parallels income tax notification requirement)
  - The delay of the click through nexus trigger (Amazon bill)
- In addition to the administration's proposed nonrevenue provisions, H. 272 includes the committee's proposal to change the Land Use Change Tax (LUCT) from 20%/10% of the land withdrawn from the program based on a pro-rated value per acre to 10% of the fair market value of the actual parcel removed. Municipal Listers will set the value on the withdrawn land. Local assessors will receive a 50% of the Land Use Change Tax up to \$2,000. This bill includes an "easy out" with the first \$50,000 in LUCT waived for landowners who withdraw their entire parcel by 10/1/15. Owners of the withdrawn parcel will pay the full amount of property taxes for the 2015 tax year. This means the towns will have to re-send bills for those who take the "easy out". The new valuation for the LUCT goes into effect on 10/2/15. Currently all of the revenue from the LUCT goes into the general fund; starting on 7/1/16, the revenue will go into the general fund and education fund at the same ratio as the property tax.
- H. 272 bans lottery products in restaurants and bars.

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

- Yes. This bill includes many necessary technical changes to the tax statute.

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

- The technical changes will not have a fiscal impact. The JFO estimated that the change in the LUCT would yield \$1.6-\$2.0 million annually, approximately 3x the current amount. It would likely take years to see this revenue, since the parcels to which the LUCT would have applied will take the easy out. The JFO estimates that the "easy out" will provide \$900K to the education fund in FY16 and \$500K to the general fund in FY17 as a reduction in payment to municipalities for FY16. JFO has

warned several times that these are soft numbers and Tax agrees that it is difficult to predict revenue with these changes.

**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?**

- The education fund may receive some increased funding through the LUCT changes.
- ACCD advocated for the following nonrevenue provisions that are included in the bill:
  - Removing language related to VCGI from Title 32 and moving it to Title 10 – Sec. 2
  - Extends affordable housing unit exemption for another 10 years—Sec. 14
  - Made technical changes to TIF statute per ACCD’s recommendation – Secs. 15 and 16
  - Expands downtown credits to limited use limited application elevators up to \$40,000—Sec. 20-22
- ACCD advocated for the municipal garage exemption, but it was not included in the bill
- The lottery ban may have a fiscal impact on the Vermont State Lottery. Did not get definite numbers from JFO.

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

- Municipalities would like the parking garage exemption

**6. Other Stakeholders:**

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

- On the LUCT changes: the Current Use Advisory Board has voiced strong support. VLCT and VALA also supported this measure, likely because of the money they will receive from completing the new valuation.
- On the technical tax changes: ACCD and groups affiliated with the programs voiced strong support for these provisions.

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

- Bars and restaurants may oppose the lottery ban.

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

**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.*

- Remove the lottery ban
- Current Use Provisions: Although the Administration might be able to live with this new structure, it will need to be followed closely in the Senate for mischief

**9. Gubernatorial appointments to board or commission?**

N/A

**Secretary/Commissioner has reviewed this document:/s/Mary Peterson\_ Date: 3/17/15**