

# LEGISLATIVE UPDATE

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Issue 12

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## WEEK 12

Week 12, again, saw the House spend many hours on the floor. The two major issues this week were the Miscellaneous Tax bill, **H-516** and the Budget bill, **H-518**. In the end the Miscellaneous Tax bill was passed on a unanimous vote, something that has not been seen in recent years. The Budget bill had almost the same outcome, the Budget passed on a vote of 143 to 1. The reason for such overwhelming support, both the House Ways and Means committee and the House Appropriation committee submitted bills that did not raise any taxes or fees. The increases seen in the tax bill is from directing the Tax Department to focus on collecting taxes that are due and the Budget proposal balances spending without adding new taxes or fees.

Below is a brief overview of the Budget and the Miscellaneous Tax bill. Both of these bills will now go over to the Senate.

### **H.518: FY 2018 House Appropriations Budget Highlight**

*Overview of House Proposal:*

•  *Protects the Education Fund:*

\* *Limits Education Fund use to allowable education fund expenditures Reinstates the Statutory Education Fund transfer*

\* *Does not remove local decision making for Education Spending*

•  *Lives within existing revenues plus \$5M from added collection efforts:*

*1.8% General Fund growth is below FY 2018 3.7% revenue growth and below 2% projected Gross State Product growth*

•  *Protects & strengthens reserves—Statutory 5% reserves full; proposes to bring Rainy Day Fund from \$6.8M to over \$10M. Caseload Reserve at \$18.26 and 27/53rd reserve at \$5.28M—Overall, GF-like reserves \$111M or over 7%.*

•  *Keeps promise to maintain the FY 2018 rollout of 2% increases to designated agencies and other providers that began September 2016.*

•  *Stabilizes Existing Programs:*

*\* Home Health: Provides increases to Home Health agencies*  
*\* Mental Health: Made investments for crisis beds staffing and more housing through a “housing first” initiative and a geriatric psychiatric patient pilot, intended to reduce pressure and cost in the health care system*

*\* Higher Education: Provides an additional \$2 million in VSC support from the Higher Education Trust Fund and with capital and one time funds provides \$880,000 for the second installment for the transition of Lyndon and Johnson to Northern Vermont University*

*\* Corrections: Expands electronic monitoring to reduce out-of-state beds use; does not reduce in-state work camp capacity.*

*\* Municipal PILOT Funding: Increased payment in lieu of taxes (PILOT) to municipalities that host state buildings to \$7.6 million— funding approximately 76% of estimated PILOT obligations*

*\* State Employees: Funds personal reclassifications, labor contracts and State employee and teacher’s retirement fund obligations*

*•  Continues to Contain Spending:*

*\* Adopts \$4.5 of Administration reductions; Requires another \$1.5 million across agencies from structural changes / Reduces human service grants \$1.25 million in the second half of the year annualized in FY 2019*

*\* Makes additional budgetary reductions throughout government*

*•  Takes several initial steps toward multiyear budgeting including two year budget for the Agency of Agriculture and other initiatives.*

### **H- 516 MISCELLANEOUS TAX BILL**

***SEC 1/ Removes Commissioner of Taxes from requirement to make rules on administration and collection of the tax on spirits and fortified wines.***

***SEC 2/ Requires town clerks to report new listers to PVR electronically, not in writing.***

***SEC 3/ Amends confidentiality section in Title 32 to allow Department of Taxes to share return information with DFR (for surplus lines, insurance premium, and direct placement tax) and ANR (solid waste and hazardous waste tax).***

***SEC 4/ Changes due date of S Corp returns to mirror due date for minimum tax payments under 32 V.S.A. §***

***SEC 5/ No longer requires Commissioner to distribute paper copies of meals and rooms returns, but allows taxpayer to request them. Corrects a gender specific reference in statute.***

***SEC 6/ Restricts the type of information on a property transfer tax return that the Commissioner may disclose. Specifically prohibits disclosure of social security number, federal taxpayer numbers, email addresses or phone numbers.***

***SEC 7/ Adopts federal income tax laws in effect for tax year 2016 for the purpose of computing Vermont tax liability.***

*SEC 8/ Reinserts subsection (c) which was inadvertently deleted in 2016 Acts and Resolves No. 146, Sec. 2 (estate tax). Made effective retroactively to 1/1/16 to be consistent with the effective date in that act.*

*SEC 9/ Clarifies definition of net patient revenue for purposes of calculating the ambulance agency assessment.*

*SEC 10/ Provides a statutory purpose for the property tax exemption for ski lifts and equipment.*

*SEC 11/ Requires the Commissioner to establish a system for background checks for prospective employees and contractors who handle federal tax information*

*SEC 18/ Adopts federal adjusted gross income as the base for Vermont's personal income tax, with changes that otherwise retain current law.*

*SEC 20/ Reduces and caps the amount of use tax a taxpayer may elect to pay on their income tax return.*

*SEC 21/ Directs Department of Taxes to take steps to increase use tax compliance.*

*SEC 22/ Adds a State-level reporting requirement for third-party settlement organizations, requiring them to report transactions of greater than \$600, as is currently required of credit card companies*

*SEC 23/ Adds reporting requirement for noncollecting vendors under the sales tax. Under the changes, noncollecting vendors will need to send annual sales tax information to Dept. Of Taxes, as well as consumer.*

*SEC 24/ Directs the Dept. of Taxes to increase tax collections efforts*

*SEC 25/ Requires the Treasures to report on the viability of a revenue bond as a source of clean water funding*

*SEC 26/ Convene a Clean Water Working Group to make recommendations for clean water funding*

*REPEAL/ Repeals the sunset on the surcharge on the property transfer tax that is devoted to the Clean Water Fund*

## **WORKERS COMP**

### **H-374 An act relating to reducing the cost of workers' compensation in high-risk occupations and industries**

The House Economic Development committee has put **H-374** into **S-52**, a bill that came from the Senate and is supported by the administration. There is also language in **S-34**,

the rural economic bill that mimics **H-374**. I believe that there will be a study of the high cost of worker compensation insurance for both forestry and agriculture this year.

The House Commerce Committee continues to consider possible changes to the State's workers' compensation and unemployment insurance statute as it relates to independent contractors. Many businesses have either stopped using sole proprietors or are concerned that their use of these independent businesses might run afoul of Vermont's broad definition of employee. The Committee is expected to have a new draft of possible legislation today and begin hearing testimony on that draft next week. Much of the Committee's discussion has centered about whether businesses should be able to contract with sole proprietors who do "like work".

## **RURAL ECONOMIC DEVELOPMENT**

### **S-34 An act relating to cross-promoting development incentives and State policy goals**

This bill has had some changes. As I stated previously **S-34** contains language that requires a study on high cost of workers comp for high- risk industries, like forestry. The tax-exempt language for timber equipment still remains in the bill. **S-34** passed out of the Senate yesterday and will now go to the House.

## **FORESTRY FRAGMENTATION**

### **H-233 An act relating to protecting working forests and habitat**

This bill proposes to amend the criteria and jurisdiction of the State land use law, known as Act 250, to protect forest resources in order to support the forest economy, water quality, and habitat.

This bill is in House Natural Resources Fish and Wildlife and they have scheduled testimony for next Wednesday at 9:00. The Administration has already testified that they do not support this bill. Many feel that the language in this bill goes to far. I will keep you posted as to the testimony and if they decide to send this bill to the House Agriculture and Forestry committee.

## **RAP'S**

The House Agriculture and Forestry committee will hear from the Agency of Agriculture next Wednesday from 9:00 to 10:30 on the implementation of the RAP's.

## FROM THE LAKE CHAMPLAIN REGIONAL CHAMBER OF COMMERCE

### Senate Economic Development

Below is a brief outline of S-135 (*The "appropriations" section has been removed but parts could be added back to the bill at a later date*):

- Changes to the Vermont Employment Growth Incentive. Enhances incentives for "Qualifying labor markets" and "environmental technology business."
  - Creates the Green Mountain Secure Retirement Plan
    - Would be voluntary.
    - Available to businesses with 50 or less employees that don't already offer a retirement plan and self-employed individuals
    - Creates an interim study of the proposed system with it being implemented on January 15th, 2019
  - Increases penalties for violations of workers' compensation.
  - Lowers rate for workers' compensation insurance
    - From 1.75% to 1.4% of the direct calendar year premium for workers' compensation insurance
  - Creates a study to look at raising the minimum wage and how best to deal with the benefits cliff.
  - Appropriations:
    - \$350,000 from the general fund to Vermont Small Business Development Center (SBDC)
      - \$250,000 for increasing number of business advisors.
      - \$100,000 for SBDC position of technology commercialization advisor
    - \$250,000 from the general fund to the Agency of Commerce and Community Development for economic development marketing.
- A continuation of the airplane parts sales and use tax exemption.

Below is the link to the Vermont Legislative website  
**[Legislature.vermont.gov](http://Legislature.vermont.gov)**

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### Public Hearing

The House Education Committee will hold a public hearing on S.122, regarding increased flexibility for school district mergers, on Tuesday, April 4, 2017 at 5:30 PM.

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Coming together is a beginning, keeping together is progress, staying together is success”

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- Henry Ford

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