



STATE OF VERMONT DEPARTMENT OF TAXES

2003 – 2004
BIENNIAL REPORT

TOM PELHAM, COMMISSIONER

COMMISSIONERS OF TAXES

W.P. Dillingham.....	1882-1888
J.L. Martin.....	1888-1890
P.K. Gleed.....	1890-1892
J.L. Martin.....	1892-1894
D.J. Foster.....	1894-1898
D.H. Lewis.....	1898-1900
J.E. Cushman.....	1900-1913
Charles A. Plumley.....	1913-1919
John M. Avery.....	1919-1920
Melvin G. Morse.....	1920-1921
Fred B. Thomas.....	1921-1925
Paul A. Chase.....	1925-1925
Erwin M. Harvey.....	1925-1945
George H. Amidon.....	1945-1949
Leonard W. Morrison.....	1949-1958
Austin B. Noble.....	1958-1961
Charles T. Shea.....	1961-1965
Gerald S. Witherspoon.....	1965-1969
Lawrence A. Wright.....	1969-1971
Edward Bartlett.....	1971-1972
Robert Lathrop.....	1972-1977
R. Paul Wickes.....	1977-1978
Harriet A. King.....	1978-1981
Elaine K. Hoiska.....	1981-1984
Norris Hoyt.....	1984-1991
Joyce H. Errecart.....	1991-1994
Betsy Anderson.....	1994-1995
Edward W. Haase.....	1996-1998
Sean P. Campbell.....	1999-2000
Janet Ancel.....	2000-2003
Richard Mallary.....	2003-2003
Tom Pelham.....	2003 - Present

OUR MISSION

*TO COLLECT THE PROPER
AMOUNT OF TAX REVENUE
IN A TIMELY AND EFFICIENT
MANNER TO PAY FOR THE
GOODS AND SERVICES PEOPLE
RECEIVE FROM STATE
GOVERNMENT;*

*ADMINISTER BENEFIT
PROGRAMS THROUGH THE
MOST EFFICIENT MEANS
POSSIBLE;*

*SERVE LOCAL GOVERNMENTS
BY STRIVING TO IMPROVE
LOCAL PROPERTY TAX
ASSESSMENT PRACTICES;*

*TO ASSIST AND SERVICE
TAXPAYERS, LEGISLATORS AND
ALL OTHERS BY ANY MEANS
POSSIBLE.*

TO THE GENERAL ASSEMBLY OF THE STATE OF VERMONT

I am pleased to present the Biennial Report of the Commissioner of Taxes for 2003 and 2004, as required by 32 V.S.A. § 3101(b).

The past two years have been busy with making Vermont's tax system fairer, implementing Act 68 and improving the effectiveness of our tax collection systems.

The Department proposed to the legislature and the legislature adopted a number of changes to our tax laws that make our tax system much fairer. Significant among these are adoption of unitary combined reporting for corporate income tax and the closure of a loophole in the bank franchise tax.



TOM PELHAM
COMMISSIONER OF TAXES

These changes will diminish opportunities for certain aggressive tax management strategies that were available to multi-state corporations and will help create a level playing field with respect to Vermont-based corporations.

Also on the fairness front, the Department has created a new Enhanced Tax Compliance Unit. This Unit, comprised of tax examiners, a statistician, and a systems developer are using their combined skills to leverage information available to the Department from a number of sources, including the IRS and Customs officials, for compliance purposes. This new unit will pursue compliance opportunities for its own account, as well as develop and refine compliance opportunities for other units within the Compliance Department. These compliance measures promote tax fairness for taxpayers who consistently meet their Vermont tax obligations relative to the few that do not.

The passage of Act 68 dramatically altered the administration of Vermont's property tax system. The legislature charged the Department with dividing the education grand lists into two segments for the purpose of imposing two tax rates, one for homesteads and the other for all other types of property. With the invaluable support and cooperation of local listers, town clerks and treasurers, Act 68 was implemented successfully and on schedule. The Department won a major victory in *Killington v. Department of Taxes* when the Supreme Court upheld the Department's grand list equalization study, ruling that the Department's procedures were rational and yielded a reasonably reliable result. This is an important case for the State since equalization is essential to equitable funding of education.

The Tax Department is continually looking for ways to be more effective. In the past year we have instituted VTBizFile, a web-based option for sales, meals and rooms and withholding taxpayers to file and pay tax liabilities. We have also reorganized our hearing process for appeals. One staff attorney is now the Department's hearing officer rather than assigning this responsibility to a number of staff throughout the Department. With this change, we have significantly shortened the appeals queue. Looking forward, we have undertaken a program to improve Vermont's rate of e-filing personal income tax returns. We are currently at 27% and have set a goal to be at 50% which would place us well above the national average. E-filing allows the Department to process returns more quickly as well as significantly reducing the cost of processing the return.

Respectfully submitted,

A handwritten signature in black ink that reads "Tom Pelham". The signature is written in a cursive, flowing style.

Tom Pelham
Commissioner of Taxes

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Organizational Chart
Key Personnel

DEPARTMENT HIGHLIGHTS

Administration

The Administration section includes the Commissioner, Deputy Commissioner, General Counsel, Policy Analysts, Taxpayer Advocate, Business Manager and their immediate staff- a total of 17 permanent, full-time employees. This section has responsibility for overall management of the Tax Department. The Administrative Division sets Department policy, responds to tax policy inquiries from the Governor and Legislature, issues rulings and technical bulletins to implement tax legislation, directs tax appeal hearings and representation of the Department in appellate, civil and criminal litigation. This Division also provides budget preparation and fiscal management services, personnel administration and payroll processing, procurement of all goods and services (including contract administration) and inventory control for all office supplies, furniture, equipment and tax forms.

Administration is also responsible for all mailroom and stockroom operations, including the preparation and distribution of tax forms, refund checks, delinquency notices, bills and any special mailings to taxpayers. It also coordinates all aspects of the substitute forms program.

Information Systems

Information Systems manages automated information processing for the Department. In this role, the division supports not only the Department, but over 500,000 taxpayers and all the municipalities in the State. The unit is staffed by twenty-three technical positions and one support position. The goal of the division is to provide automated solutions that enable the Department to meet the needs of Vermont taxpayers quickly, effectively and correctly.

During 2003 and 2004, many of the Division's resources were focused on meeting the many legislative mandates resulting from changes to the statewide property tax programs.

Vermont's participation in the Fed/State E-file program has increased each year. This program allows Vermont taxpayers to have both their Federal and State personal income tax returns processed electronically. Direct deposit of refunds is available for electronically filed returns.

In support of our goal to improve web-access for taxpayers, three new online applications were implemented. VTPAY allows taxpayers to pay current income tax payments, estimated tax payments and many delinquent tax liabilities using a credit card. Homestead declarations can be filed online. In late 2004, VTBIZFILE was launched. This application allows business trust tax filers to file and pay their taxes via the web.

The Division continues to support the statewide property tax initiative. It provides support to towns and municipalities using the CAPTAP II software for their listing and tax billing needs.

As we go forward into 2005 and 2006, the resources of the Division will be geared toward the continued development and implementation of the Department's integrated tax system as well as toward the goal of converting additional tax types to that system. The Division will also continue to support towns' efforts to meet legislative mandates that arise on an annual basis. Additionally the Division will be involved in the Department's efforts to expand web based filing options for taxpayers.

Revenue Accounting and Returns Processing (RAARP)

The RAARP section consists of 18 permanent, full-time employees and 36 tax-season temporary employees. This Division is responsible for all revenue accounting and revenue and returns processing for the Department. Those duties include: receiving, opening and routing of all incoming mail; tax return validation and control; data capture via traditional key entry or scanning/imaging; daily bank deposits and related cash management functions including credit card payments and electronic funds transfer, direct deposits, refund management, GAAP/Vision reporting, and bank account/general ledger reconciliation.

In 2003 the division processed 338,931 Personal Income Tax returns; 65,755 of those came through the Fed/State E-file program, a 124% increase over 2002. In 2004, there were approximately 341,356 Personal Income returns processed with 89,599 of them coming through the Fed/State E-file system. We anticipate expanded use of the Fed/State E-file program in 2005.

Property Valuation And Review

The Property Valuation and Review Division (PVR) provides administrative and educational support for Vermont's property tax system. It develops property tax policies and administers several State property tax related programs. Most major functions assigned to the Division involve property taxes and programs that are primarily administered by municipal governments; hence PVR works extensively with local governments in the performance of its duties.

Major programs administered by PVR are detailed below. In addition, the Division frequently performs several other functions such as the appraisal of State owned buildings and land and provides staffing for both Executive and Legislative studies and commissions.

Equalization Study. Annually, the Division conducts a study that results in estimates of the fair market value of all taxable property in all Vermont school districts. The main product of the study is the Equalized Education Grand List (EEGL) which is an estimate of the total fair market value of property that is taxable for school purposes. After determining the EEGL, the school district's common level of appraisal (CLA) is determined by calculating the ratio of the municipality's actual grand list to PVR's EEGL estimate. The CLA is used in the calculation of the school tax rates (Homestead and Nonresidential) that all municipalities are required to assess against individual grand list properties on an annual basis. The Equalization Study is a type of "ratio study". Ratio studies are based on the ratios that result from comparing arm's length sales to the corresponding values found on towns' grand lists. The municipality's grand list is then adjusted to reflect the deviation from fair market value. Sales verification to determine the arm's length status of sales involves considerable input from local appraisal officials but the final determination of validity rests with the Division. The Division has conducted Equalization Studies since the early 1970s. In 1997-8, it undertook an extensive review of the methods and procedures used in the Study including an evaluation by an independent consultant. As a result, extensive changes were implemented beginning with the 1999 Study. The major changes involve improvements in the statistics used in the Study and the review of the results that are aimed at increasing the reliability of the fair market value estimates.

Current Use. Current Use, or the Use Value Appraisal program, allows enrolled property owners with eligible land and buildings to have their property taxes assessed on the productive value of their property, as opposed to its fair market value (which is the legal standard for assessment of real property). Enrolled owners agree to keep this property in productive agricultural and forest use. Owners pay property tax based on separate agricultural and forest productive values. The values are a per acre value and are used uniformly throughout the State in the taxation of enrolled land. Farmers who are enrolled can also have their qualified farm buildings taxed at 0.0% of fair market value. All enrolled property is assessed at its respective use value and this reduction in value is reflected in PVR's equalization study which results in lower education property taxes for affected municipalities. The Division administers a "hold harmless" program that reimburses municipalities for the reduction in municipal taxes resulting from this program. A part of the current use program is the Land Use Change Tax. This is a tax imposed on owners of enrolled land who develop their property or choose to discharge the lien by payment of this tax. The tax is computed at variable rates based on the length of time the property remained enrolled in the Current Use program and it is payable to the State's General Fund.

Vermont Mapping Program. The Vermont Mapping program produces and distributes orthophotographic maps, both analog and digital, for the State. Analog maps exist statewide in two vintages. Digital orthophotography has been completed for all 14 counties. Sales of the digital products have surpassed expectations, underscoring the value of our mapping products. The Mapping Program received funding in the fiscal year 2005 Capital Budget to begin a new round of digital production. The 2005 funds will be used beginning in the spring of 2005 to capture new images of Rutland and Windsor counties. These counties were chosen because their digital images were the oldest, having been produced about 12 years ago. If ongoing funding is forthcoming, the intent is to capture new digital images of the entire State over the next several years. The digital format enhances the accuracy of the product and allows for new uses in concert with evolving technologies. For example, the digital elevation model allows contours to be generated that can be used with property maps and digital orthophotography to create a comprehensive view of property. This enhanced technology allows appraisal officials to more accurately value vacant land from a remote site, thus enhancing both tax equity and operational efficiency. The maps are used heavily by an array of public and private sector organizations to aid in their planning and administrative functions.

Computer Assisted Property Tax Administration Program (CAPTAP). To assist local officials and enhance the standardization of assessment practices within the State, PVR has supported computer software for determining property values and administering the property tax. The Division currently supports a software program called CAPTAP-II. While the use by municipalities of the CAPTAP software is elective, it is the Division's goal to provide an effective software product which municipalities will find advantageous. The Tax Department contracts with selected software developers to produce the programs and provides direct support to municipalities for software use. Currently 185 municipalities use the component of CAPTAP that produces assessment values while 245 municipalities use the tax billing and administration components. The Department also provides direct support services for its CAPTAP products to about 100 municipalities.

DEPARTMENT HIGHLIGHTS - CONTINUED

Property Tax Appeals. PVR fulfills several quasi-judicial functions with regard to property taxation. Appeals of property values as set by municipalities are heard by State Appraisers, who serve as independent hearing officers and set values based on the evidence presented at appeals hearings. The Division provides administrative support to the State Appraisers. Typically the State Appraisers hear more than 150 appeals annually. In addition to property assessment appeals, the Director of PVR hears appeals related to the Current Use program and the results of the Equalization Study.

Technical Support of the Property Tax System. The Division has eight District Advisors who offer direct support to local assessment officials (listers and municipal assessors). The Advisors are regionally located to offer legal and technical advice to listers throughout the State. The expertise available from the Advisors is particularly important as many local officials have a limited background in property assessment and the availability of support both enhances the reliability of assessments and results in greater standardization of assessment practices throughout the State. The Division provides additional support to local officials through a Department attorney and other centrally located staff with expertise in property assessment and property tax administration.

State real estate taxes (Real Estate Withholding, Property Transfer and Lands Gains). Vermont law requires that 2.5 percent of the consideration due to an out-of-state seller of Vermont real property be withheld until the non-resident files a Vermont tax return. The withholding is intended to insure that the appropriate amount of tax on any gain resulting from the transfer is paid. PVR staff also review the income tax returns associated with real estate withholding to determine final tax liabilities relative to the withheld amounts. The Property Transfer Tax is an amount due from a buyer of Vermont real property and is based on a percentage of the sale price. Typically, the tax rate is 1.25 percent of the total sales price. For property that is to be used as a principal residence there is a split rate with .5 percent applied to the first \$100,000 and 1.25 percent applied to the remaining value. Land Gains is a tax imposed on the seller of real property held for a relatively short period and resold. The purpose of the tax is to discourage speculative property transactions by imposing a sliding scale rate on gains that is higher for property held for a shorter term. All three of these taxes have exemptions that reduce or eliminate the tax under statutorily defined circumstances.

Data collection and analysis. PVR has the statutory role of collecting and disseminating information about property taxation in Vermont. The primary data collections include property assessments from all municipalities (the grand lists and the summary of the grand lists) and property tax rates. Beyond this, the Division annually collects information about utility values, locally elected municipal officials and property sales. The Division makes this information available to local officials, State government and the public through its Annual Report. The Division also produces and distributes to municipalities a number of forms that are used in the administration of the property tax.

Payment in Lieu of Taxes (PILOT). State-owned property cannot be taxed by municipalities in Vermont. The PILOT program serves to partially compensate municipalities for the reduction in tax base due to the presence of State-owned buildings and land. PILOT payments are made annually and are based on a calculation that considers the value of State-owned property in a municipality and calculates the taxes that would be paid on those properties if they had been on the tax rolls. This calculation is based on the municipal part of the tax rate (as opposed to school taxes). PVR also values ANR land for payments made to municipalities based on 1% of the land value.

Compliance

Compliance is the enforcement division of the Department of Taxes. The Division continues to utilize technological advances to give us greater capabilities for case selection and collection tracking.

Audit Results for the biennium. The compliance division has 25 tax examiners. Audit assessments include all taxes administered by the Department but the predominant tax types examined were: sales and use, meals and rooms, diesel and gasoline, corporate income tax and individual income tax.

We remain very active in the pursuit of income tax non-filers. In 2003, field and office examination resulted in assessment of a total of \$7.2 million dollars. In 2004, assessment totaled \$15.5 million dollars. Audit cases include assessments, refunds, cases that resulted in no assessment to the taxpayer and examinations of refund requests which often result in the reduction of a refund.

Collection results for the biennium. Approximately 14 full-time positions were devoted to the collection of delinquent taxes, including two field collectors who meet with taxpayers at their places of business. In addition to tax collection, the Department offsets income tax refunds for debts owed to other State agencies and the IRS. About \$2 million dollars is collected each year under the debt offset program and sent to the agencies.

The gross amount of tax accounts receivable is approximately \$80 million dollars. Collection of delinquent taxes is approximately \$30 million per year.

DEPARTMENT HIGHLIGHTS - CONTINUED

Taxpayer Services

The Taxpayer Services Division provides taxpayer assistance by responding to taxpayer questions, assisting in completing tax forms and resolving tax problems for taxpayers, distributing educational materials, encouraging voluntary compliance with Vermont tax laws and examining tax document information. These activities help assure that the Department receives accurate information and the appropriate amount of taxes. The Division also distributes applications for the Lifeline and V-Script programs and processes these applications to verify income.

The Division administers 25 taxes, 7 licensing programs and two benefit programs. The telecommunications tax rate was recently changed to conform to the state sales tax rate and its administration was incorporated into the Division's sales tax administration. The freight line and equipment tax is scheduled for repeal in January of 2006.

In this biennium two significant changes affected the Division. A new education finance plan required splitting the grand list into homestead and non-residential properties. Homestead owners are required to file a form attesting that their property is a homestead. A filed homestead declaration ensures that the property is assessed school property tax by a municipality at the homestead rate. The Division expended much effort educating taxpayers on the importance of filing this form.

The Legislature also enacted unitary combined reporting for corporate income tax during this biennium. While not effective until January of 2006, the Division is determining the changes necessary to implement this major initiative. The Division continues to process Economic Advancement Tax Incentive (EATI) credits as it administers corporate and business income taxes.

We enlarged our telephone call center, already available for use by income taxpayers, to accommodate our withholding, rooms and meals and sales and use taxpayers. The Division responds annually to approximately 155,000 telephone calls. An automated telephone system is also available 24/7 to individual income taxpayers where they can check on the status of their refunds, the status of their homestead declarations, the amount of their prior year education property tax payment and the amount of their estimated income tax payments. Taxpayers may also receive assistance by fax, e-mail, letter or by visiting the office.

The Division provides assistance for businesses through seminars and outreach programs and attends special events such as fairs or craft shows to promote on-site registration. The Division trains volunteer groups such as the Vermont Income Tax Assistance and Tax Counseling for the Elderly (VITA/TCE) that help citizens complete income tax returns. Division staff is also available to assist income taxpayers two days a week from February 1st through April 15th at the IRS in Burlington.

During this biennium, the Division increased its presence on the internet. Taxpayers can now electronically pay by credit card individual income tax estimated payments, current year individual income tax due on a filed return as well as individual income and trust tax bills issued by the Department. A new web site was created at which taxpayers could file the new homestead declaration form. The Division received approximately 41,000 electronically filed homestead declarations. We continue to offer fed/state e-filing to individual income taxpayers with approximately 88,000 taxpayers participating in 2004.

ACTIVE TRUST TAX ACCOUNTS

	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004
Sales and Use Tax			
Monthly	7,600	6,910	7,552
Quarterly	7,337	4,066	5,605
Annual	19,764	20,061	21,467
Meals and Rooms Tax			
Monthly	3,722	3,451	4,213
Quarterly	1,077	619	629
Withholding			
Monthly	3,801	2,474	2,786
Quarterly	23,094	20,485	22,951
Semi-Weekly	1,501	1,587	1,662

RETURNS EXAMINED

	<i>Tax Year 2003</i>	<i>Tax Year 2004</i>
Personal Income Tax	106,885	104,193
Renter Rebate	7,660	6,790
Education Property Tax Payment	38,150	41,923
Homeowner Property Tax Rebate	20,295	21,764
Homestead Declarations		84,159

	<i>Fiscal Year</i>	<i>Fiscal Year</i>
Sales and Use Tax	10,674	36,640 ^a
Meals and Rooms Tax	2,977	8,799
Withholding Tax	16,744	15,609
Corporate/Business Entity Taxes ^{b,c}	36,425	36,479
Estate and Fiduciary Tax ^c	8,267	7,833

During the biennium, the Taxpayer Services Division examined the following volume of tax returns from the worklists. The Division examines many other returns during the year as a result of appeals, large refunds, etc.

^a Increase due to addition of FY2004 multiple returns with payment worklist.

^b Number of accounts.

^c Corporate/Business Entity Taxes and Estate and Fiduciary Tax are not yet on the automated system and are manually reviewed.

INTEREST RATES

<i>Year</i>	<i>Annual Rate</i>	<i>Monthly Rate</i>
1995	7.2	0.6
1996	9.6	0.8
1997	9.6	0.8
1998	9.6	0.8
1999	9.6	0.8
2000	8.4	0.7
2001	9.6	0.8
2002	8.4	0.7
2003	6.0	0.5
2004	6.0	0.5
2005	6.0	0.5

"When a taxpayer fails to pay a tax liability imposed by this title (except the motor vehicle purchase and use tax) on the date prescribed therefor, the commissioner may assess and the taxpayer shall then pay, a sum of interest computed at the rate per annum established by the commissioner pursuant to section 3108 of this title on the unpaid amount of that tax liability for the period from the prescribed date to the date of full payment of the liability." 32 V.S.A. § 3202(a)

REVENUE PER UNIT OF TAX – SELECTED TAXES

<i>Revenue Source</i>	<i>Tax Rate</i>	<i>Yield/Unit of Tax (dollars in millions)</i>
Personal Income	--	NA ¹
Sales & Use ²	6%	\$ 211.1
Meals & Rooms	9%	117.1
Bank Franchise	.0096%	9.9
Gasoline	0.19	66.7
Diesel	0.25	18.1
Purchase and Use	6%	91.0

These simple yield rates assume no change in demand in response to the price change that would accompany a given tax rate change.

Source: Joint Fiscal estimates based on January 2004 Official E-Board Forecast for FY2006.

¹ The personal income tax was restructured in tax year 2002; any estimate of revenue change depends upon bracket, rate and taxable income parameters.

² Includes Telecommunications Tax, which is no longer reported separately.

HIGHLIGHTS OF TAX LEGISLATION PASSED IN 2003

Education Property Tax

Beginning in fiscal year 2005 (July 1, 2004 - June 30, 2005), the statewide education and local share property taxes are replaced with a new statewide property tax imposed at the rate of \$1.59 per hundred dollars of value on nonresidential property and \$1.10 per hundred dollars of value on homesteads for per pupil spending of \$6800, the “base education payment”. H. 480, §§ 1 - 4. For fiscal year 2004, before the new provisions took effect, the statewide education property tax was \$1.10 per \$100 of value and the State support grant was \$5810. H. 480, §§ 76,77.

A homestead includes the entire parcel of land surrounding the dwelling regardless of whether a road intersects the land. If there are 2 or more homesteads on a single parcel, the value of the parcel allocated to each homestead shall be the total parcel value divided by the number of principal dwellings, unless a different ownership of record is established. H. 480, § 3.

The homestead rate increases proportionately for per-pupil spending in excess of \$6800. In towns that spend in excess of 125 percent (135 percent in fiscal year 2005 and 130 percent in fiscal year 2006) of the statewide average per equalized pupil spending, the excess spending is double-weighted. The base education payment grows by an inflation index in 2006 and after. H. 480, §§ 3, 4, 15.

The commissioner of taxes determines how much education tax is to be collected by each municipality based on these rates times the most recent equalized nonresidential and homestead values. Towns may retain one-eighth of one percent of the total tax collected if timely remitted to the State. H. 48, § 4.

The new law requires each resident individual to file an annual homestead declaration on or before April 15 and imposes a penalty in the amount of 3 percent of the education tax for the failure to file a timely declaration if the municipality’s nonresidential tax rate is higher than its homestead tax rate. If the nonresidential tax rate is the same or lower, the penalty is 8 percent of the education tax liability. The penalty is imposed and collected by the municipalities. Effective January 1, 2004. H. 480, § 6.

The exemption for ski lifts and snowmaking equipment from education property tax applies to grand lists for 2004 and after. The value shall be excluded from the calculation of the municipality’s education tax liability for purposes of determining equalized education grand lists for January 2004. H. 464, § 289b.

Property Tax Payments

The property that is eligible for a property tax adjustment is now described as the “housesite” to distinguish it from the homestead which has no acreage limitation. A housesite is the principal residence and up to two acres. Applies to claims filed in 2004 and after. H. 480, § 7.

A claimant whose household income does not exceed \$75,000 is entitled to an additional adjustment amount of \$10.00 per acre, up to a maximum of five acres, for each additional acre of homestead property in excess of the two-acre housesite. Applies to claims filed in 2004 and after. H. 480, § 9.

A “household” now excludes a person who is not related to any member of the household and who is residing in the household under a written homesharing agreement pursuant to a nonprofit homesharing program. Similarly, “rent constituting property taxes” does not include payments made under such an agreement. Applies to claims filed in 2004 and after. H. 480, § 7.

The exclusion from “modified adjusted gross income” for income earned by a dependent child or received by a dependent parent is increased from \$4000 to \$6500. Applies to claims filed in 2004 and after. H. 480, § 8.

Effective for claims filed in 2004 and after, the \$15,000 exclusion from the housesite’s equalized value is limited to claimants with household income of \$47,000 or less. Under former law the exclusion was available to claimants with household income less than \$75,000. Applies to claims filed in 2004 and after. H. 480, § 9.

An owner of a building containing “qualified rental units” is entitled to a reduction of education tax equal to ten percent of the ratio of qualified rental units to total rental units in the building. Qualified rental units are certain units subject to rent restriction under state or federal law. Applies to fiscal years 2005 and after. H. 480, § 4.

HIGHLIGHTS OF TAX LEGISLATION PASSED IN 2003 - CONTINUED

Sales and Use Tax

The sale and use tax rate increases from 5 percent to 6 percent on October 1, 2003. H. 480, § 30.

Telecommunications, which were formerly taxed at the rate of 4.36 percent, are subject to tax at the general rate of 6 percent beginning October 1, 2003. H. 480, § 31.

No sales or use tax is due on sales of personal computers to individuals for personal use from August 9 to August 11, 2003. S. 178, § 25.

Taxpayers are required to attest to the amount of use tax liability on their individual income tax returns. Alternatively, they may elect to report an amount that is .04% of their Vermont adjusted gross income. The Commissioner of Taxes will publish a table showing the alternative amount by income. Use tax liability arising from the purchase of each item with a purchase price in excess of \$1000.00 shall be added to the table amount. Applies to income tax returns for tax years 2003 and after. H. 480, § 35.

The local option tax (for towns that currently qualify) is extended from 2006 to 2008.

Upon Vermont's membership in Streamlined Sales and Use Tax Agreement, a multi-state project to simplify and modernize sales and use tax collection and administration, but no earlier than January 1, 2005, the sales and use tax and the local option tax will be amended in the following respects:

- (1) Conforming definitions and registration and filing provisions are adopted;
- (2) The \$110 ceiling on the exemption for clothing is removed;
- (3) The exemption for beer is repealed, making beer subject to the 6 percent sales tax;
- (4) The \$20 reduction per month per line of residential purchases of telecommunication services is repealed;
- (5) Clothing will become exempt from the local option sales tax and telecommunications will become subject to the local option sale tax. H. 480, §§ 51 - 66.

Income Tax

Capital gains treatment of dividends, enacted as part of the Federal Jobs and Growth Tax Relief Reconciliation Act of 2003, will not pass through to the Vermont income tax return. The dividends are included as ordinary income in Vermont taxable income. Applies to tax years beginning on and after January 1, 2003. H. 480, § 82.

Under the new Angel Venture Capital provision, a qualified taxpayer may subtract from taxable income 60 percent of any capital gain if the gain is invested within two years in an eligible venture capital investment. The gain excluded under this provision is taxable in the year in which the eligible venture capital investment is disposed. Eligible venture capital investment means up to \$200,000.00 of total investment by one person which is equity or at-risk debt investment, in one qualified business, for expenditure by the qualified business on plant, equipment, research, and development as working capital in Vermont. The treatment of capital gain income is available on a pro rata basis to partners, shareholders or members of an eligible partnership, S corporation or limited liability company. Applies to investments made after July 1, 2003. S. 178, § 24.

Two new credits are available to sustainable technology businesses with VEPC approval. The Economic Advancement Sustainable Technology Research and Development Tax Credit is equal to 30 percent of qualified sustainable research and development expenditures. The expenditures must be made within the State of Vermont for the purpose of design, development, or manufacture of computer software, machinery, or equipment used by an industry to generate electricity using biomass, geothermal, methane, solar or wind energy resources. The Economic Advancement Sustainable Technology Export Credit is equal to the difference between calculation of income tax liability using the statutory three factor formula (sales, payroll and property) and using a triple-weighted sales factor that disregards "throwback" of sales shipped to the United States Government or to states in which the company is not doing business. Both credits are available for taxable years beginning on and after January 1, 2003. S. 178, §§ 24b, 24c.

Other changes to VEPC-approved credits include an increase in the Workforce Development Credit from 10 to 20 percent of qualified expenditures and clarification of provisions related to carry-forward of credits, allowance of pass-through of credits to partners, shareholders and members and recapture and disallowance of credits. S. 178, §§ 18, 21, 21a.

HIGHLIGHTS OF TAX LEGISLATION PASSED IN 2003 - CONTINUED

A Vermont resident with federal adjusted gross income less than \$30,000 (or \$40,000 filing jointly) is eligible for a refundable credit against the individual income tax. The credit is equal to 50 percent of the federal child and dependent care credit allowed to the taxpayer for the taxable year for child or dependent care provided in Vermont in a registered home or licensed facility certified by the Agency of Human Services as meeting National Accreditation or National Credential Standards endorsed by the agency. This credit is in lieu of the child care and dependent care credit available under 32 V.S.A. § 5822(d)(24 percent of the federal child care and dependent credit). This was passed last year to apply to taxable years 2003 and after. 2001, No. 144 (Adj. Sess.), §§ 24, 42(8).

For tax year 2003 and after, the military pay exclusion from taxable income is increased from \$1500 to \$2000; eligibility for the exclusion is expanded from taxpayers with federal adjusted gross income less than \$47,000 to taxpayers with federal adjusted gross income of less than \$50,000; and pay received from the United States Reserve is expressly added to the exclusion which had previously referenced only National Guard pay. 2001, No. 144 (Adj. Sess.), secs. 1, 2, 42.

Effective for tax years 2003 and after, the threshold for imposing interest and penalty on underpayment of estimated tax liability is increased from \$250 to \$500. 2001, No. 140 (Adj. Sess.), § 10.

Interest on refunds resulting from amended or late filed returns begins to accrue on the 46th day after the date of filing the amended or late return. Formerly, interest accrued on amended returns from the 46th day after the date of filing the original return. H. 480, § 81.

Beginning with contributions made on and after January 1, 2004, a nonrefundable credit is allowed in the amount of five percent of the first \$2,000 per beneficiary contributed by a taxpayer to a Vermont Higher Education Investment Plan Account. The assets of the plan and income earned on those assets was already exempt from Vermont income tax. H. 141.

Current Use

Farm buildings enrolled in current use are exempt from all property taxes starting in fiscal year 2004 (grand lists for April 1, 2003) and the value of the buildings will be excluded from the calculation of a municipality's education tax liability for fiscal year 2004. Municipalities that have already lodged their grand lists may file an addendum to the grand lists reducing the value of farm building to zero. H. 464, §§ 286, 28, 289a.

Effective with respect to April 1, 2004 grand lists, a dwelling situated on enrolled land and used in the preceding tax year exclusively to house one or more farm employees, as defined in 9 V.S.A. § 4469 and their families, as a nonmonetary benefit of the farm employment, is a "farm building" with a listed value of zero. H. 464, § 286a.

With respect to use changes and development occurring after July 1, 2003, the land use change tax will be paid to the Commissioner of Taxes for deposit into the general fund instead of to the municipality in which the land is located. (The State holds municipalities harmless from the loss of taxes that would otherwise result from the difference between use value and fair market value.) H. 480, § 86.

Fuel Gross Receipts Tax

The fuel gross receipts tax is extended to June 30, 2008. 2003, No. 9.

Cigarette Tax

A directory of cigarette brands will be maintained on the Attorney General's Website based on annual certifications made by cigarette manufacturers. Cigarette brands that are not in the directory may not be sold in Vermont. This legislation is complementary to the Nonparticipating Tobacco Manufacturers Statutes, 33 V.S.A. §1912 et seq., that requires any tobacco manufacturer selling cigarettes in Vermont that is not participating in the Master Settlement Agreement to escrow funds available to satisfy claims against it. 2003, No. 14, eff. May 6, 2003.

HIGHLIGHTS OF TAX LEGISLATION PASSED IN 2004

Corporate Income Tax

Unitary combined reporting is adopted effective with tax years beginning January 1, 2006 and after. This is a corporate income tax system that apportions the taxable income of an entire multistate group of affiliated corporations that is engaged in a unitary business rather than the separate accounting income of only the corporations actually doing business in Vermont. The definition of "affiliated group" excludes corporations with 80% or more of property or payroll overseas and captive insurance companies. H. 784, secs. 2, 7.

Corporate tax rates are reduced for taxable years beginning on or after January 1, 2006 from 7% to 6% (\$0 to \$10,000 income bracket), from 8.10% to 7% (\$10,001 to \$25,000 income bracket), 9.20% to 8.75% (\$25,000 to \$250,000 income bracket) and 9.75% to 8.9% (income of \$250,001 and over). H. 784, sec. 3.

The rates are further reduced for taxable years beginning on or after January 1, 2007 for corporations with Vermont net income of \$25,001 and over, to 8.5%. H. 784, sec. 4.

Vermont's apportionment formula, which currently gives equal weight to sales, property and payroll, in determining the portion of a corporation's multistate income that is Vermont income is modified to double weight the sales factor. This change applies to taxable years beginning on or after January 1, 2006. H. 784, sec. 5.

The law that limited the corporate income tax of holding companies to minimum tax is repealed for taxable years beginning on or after January 1, 2006. A holding company is usually a member of an affiliated group and will be included in the combined return of the group. H. 784, 8.

The financial services development credit statute was clarified to provide that the credit is available only to businesses or the business owners for a pass-through entity, not to an employee who perform these services as part of the job, and is not available for investment services performed for the claimant's family members. Act 70, sec. 43.

Taxpayers that make an eligible cash contribution to an affordable housing project are entitled to a tax credit against their individual income, corporate or bank franchise tax. Formerly, the credit was available only to the owner of the project. The amount of the credit is specified on a "credit certificate" issued by the Vermont Housing Finance Agency. Act 74.

The formation of the Vermont Seed Capital Fund is authorized for the purpose of increasing the amount of investment capital provided to new Vermont firms or to existing Vermont firms for the purpose of expansion. The first \$2 million of capitalization shall be eligible for a credit. The credit may be taken against personal income, corporate income, bank franchise or insurance premiums tax and is the lesser of 20 percent of the taxpayer's contribution or 50 percent of the taxpayer's liability for that taxable year. The credit is available for the year of the investment and the four years following. However, the total credit is limited to 50% of the taxpayer's contribution. The credit applies to contributions made in taxable years 2004 and after. S. 42, sec. 6.

Personal Income Tax

Lottery prizes will no longer be exempt from Vermont income tax for taxable years beginning on or after January 1, 2005. Non residents are taxable on prizes if they purchased the ticket in Vermont. If a lottery winner sells the right to future lottery annuity payments, the lottery winner will be taxable on the proceeds of that sale. H. 784, secs. 13, 14.

See Affordable Housing tax credit above.

See Vermont Seed Capital Fund tax credit above.

Sales and Use Tax

There will be two sales tax holidays - August 7 through 9 and October 9 through 11, 2004 - during which no sales or use tax will be imposed or collected on sales of personal computers to individuals for personal use. As in 2003, the Commissioner will publish a list of personal computers and components thereof that qualify for the exemption. Act 121, sec. 51.

The date that the provisions of the Streamlined Sales and Use Tax Agreement may become effective is move back from no sooner than January 1, 2005 to no sooner than July 1, 2005. H.784, sec. 27.

HIGHLIGHTS OF TAX LEGISLATION PASSED IN 2004 - CONTINUED

Various technical amendments were made to the sale tax laws to conform with Streamlined Agreement provisions. These changes, like those enacted in the 2003 legislative session, will become effective no sooner than July 1, 2005. H. 784, secs. 15-21.

The exemption for agricultural items codified at 32 V.S.A. § 9741(3) is expanded to include sheets of plastic for bunker covers. The requirement that silage bags and wrap be recyclable in order to qualify for sales and use tax exemption is eliminated. Effective on passage. Act 121, sec. 88.

Bulk sale provisions (requiring notification to the department) apply to transfer of business assets structured as a long-term lease as well as a sale. Effective March 1, 2004. Act 70, sec. 34.

Bank Franchise Tax

Banks pay a tax on their deposits in lieu of paying corporate income tax. Current law limits the bank tax to no more than the bank's federal taxable income, but not less than \$5000. This limitation is repealed and banks may not use it to limit their taxes for 2004 or after. H. 784, sec. 6.

Telephone Tax

Certain telephone companies (those with less than \$50 million in annual gross operating revenues within the state in the preceding taxable year) have the option to pay a gross receipts tax in lieu of the personal property tax and the income tax. H. 784 provides that no election to pay the gross receipts tax may be made by a taxpayer that did not make the election in the previous year. Effective upon passage. Sec. 10.

NEW Heating Oil Tax

Beginning July 1, 2004, a tax of one-half cent per gallon of heating oil or kerosene is imposed on every seller receiving more than \$10,000 annually for the retail sale of heating oil or kerosene not used to propel a motor vehicle. Monies from this tax will be deposited into the petroleum cleanup fund to fund cleanup and restoration of contaminated soil and groundwater caused by releases of petroleum from storage tanks and to pay third party claims for compensation. The tax terminates April 1, 2008. H. 412.

Education Property Tax

The education property tax rates are reduced for fiscal year 2005 (property taxes for the 2004-2005 school year) from \$1.10 to \$1.05 on homesteads and from \$1.59 to \$1.54 on nonresidential property (all property other than homestead). This is a one-year reduction. The homestead tax is adjusted for local spending decisions. A correlative change is made to "applicable percentage" (1.9 percent) for income sensitivity. Act 76, sec. 6.

The homestead declaration law is changed in several ways:

- (1) The penalty for not filing a required declaration by April 15 or filing an incorrect declaration is reduced from 3 or 8 percent to 1 percent in all cases.
- (2) Towns may keep any penalties collected. Towns have authority to abate penalties and interest due to late or incorrect homestead declarations in cases of hardship. Hardship is defined in the law.
- (3) Towns will issue new property tax bills reflecting a reduced tax only for late, revised or rescinded declarations filed before December 1 of each year. Any reduction in tax due to a new, revised or rescinded declaration shall be paid to the taxpayer no later than May 15 of the fiscal year. Any additional tax due to the filing of a declaration or failure to file a declaration may be assessed without regard to the December 1 date. This additional tax and interest shall constitute a penalty which the towns may assess and collect in the same manner as a property tax under chapter 133.

Act 76, sec. 2 and H. 756, sec. 18a.

HIGHLIGHTS OF TAX LEGISLATION PASSED IN 2004 - CONTINUED

Income sensitivity adjustment payments will be based on the proper tax, even if the claimant originally forgot to declare a homestead declaration. Act 76, sec. 4.

The method for calculating amounts due from towns to the education fund is simplified. The education tax rates adjusted by common level of appraisal, and for the homestead rate by district education spending, are applied to the town's education grand list. A preliminary calculation of education fund payments will be done based on grand list information given to Property Valuation and Review by August 15 and a final calculation will be done after December 31. This calculation will reflect any change in taxes due to late or incorrect homestead declarations not reflected in the preliminary calculation. Refunds due from a town to a taxpayer on account of the taxpayer's new, revised or rescinded declaration shall be paid no later than May 15 of the fiscal year. Act 76, sec. 6 and Act 107, sec. 18a.

Prior law, dating to 1961, had allowed a town to vote to exempt up to \$15,000 of grand list value of new residential construction. This amount is updated to \$ 75,000. This exemption may be voted for up to three years, but does not affect the education grand list unless approved by Vermont Economic Progress Council. Act 76, sec. 31.

The education tax break for qualified rent-restricted units is retained, but as a grand list value reduction certified by Vermont Housing Finance Agency (instead of as a credit). Act 76, sec.7 and H. 772, sec. 33.

Property Tax Adjustment Payments

Under the debt set-off payments due from Tax Department are diverted to pay a taxpayer's or claimant's debt to another State agency. Effective March 1, 2004, property tax adjustment payments and rebates will be apportioned between the debtor and non-debtor spouse based on homestead ownership (as opposed to income earned which is the rule for income tax refunds). Act 70, sec.45.

Solid Waste Tax

A moratorium on collection of solid waste franchise tax was enacted with respect to tax that could be assessed on the earth material portion of any waste resulting from mining, extraction, or mineral processing operations for any period of time before July 1, 2005. The Secretary of the Agency of Natural Resources shall report to the Legislature by May 1, 2005 on whether the tax applies to such materials, but even if it the report is affirmative, no tax shall be assessed for earth materials from operations prior to July 1, 2005.

Current Use

Agricultural land must be in active use to be eligible for enrollment in the current use program. The definition of "active use" is amended to include otherwise eligible land that is enrolled in a conservation enhancement program for agricultural lands through a contract with the state or federal government. This allows, for example, the portion of land along a river that the owner agrees not to plow for conservation reasons to qualify for enrollment. H. 778, sec. 11.

Miscellaneous Tax Changes

The annual license fee on amusement machines is repealed and the sales tax law is clarified. The sales tax applies to charges for "access to any game or gaming or amusement machine, apparatus or device" but excludes from these categories any "video game, pinball, musical, vocal or visual entertainment machines which are operated by coin, token or bills." Effective upon passage. H. 784, sec.11, 12.

The franchise tax on car and transportation companies is repealed for taxable years beginning on or after January 1, 2006. H 784, sec. 9. These companies continue to be subject to corporate income tax.

Estate tax law is amended to clarify that the special treatment of farm businesses (whereby tax is reduced by the percentage which the value of the farm business bears to the value of the federal adjusted gross estate) is limited to a Vermont farm business. Act 70, sec. 51.

Superior Court Decisions

Hoffer v. Ancel,

Chittenden Superior Court, Docket No. S0352-02 CnC (January 8, 2003).

The Superior Court rejected a Taxpayer's lawsuit under 42 U.S.C. § 1983 that alleged the tax commissioner and a Department attorney violated his Fourteenth Amendment Due Process rights by sending bills which did not contain meaningful notice, and further that they attempted to "cower" him into paying a disputed overpayment. The Court held that Defendants were entitled to qualified immunity.

Hoffer v. Department of Taxes,

Washington Superior Court, Docket No. 45-1-03 Wncv (November 5, 2003).

Taxpayer co-owns his homestead with another person not a member of his household. 32 V.S.A. § 6062(b) provides that in the case of homesteads owned by more than one owner (subject to certain exceptions), a claimant may claim the prebate only in an amount proportionate to the claimant's share of ownership. Taxpayer appealed claiming that since he paid all the property taxes he was entitled to a full prebate on that basis. The Superior Court affirmed the commissioner's determination that the value of the prebate changes depending on the proportion of ownership, not who in fact pays the property taxes, and that this classification is permissible under the due process and equal protection clauses.

Town of Victory v. State,

Essex Superior Court, Docket No. 70-12-00 ExCv (August 22, 2003).

The Court ruled that the Town's objections to the State's decision to enroll some of its relevant property in the current use program for the years 1989 through 1998 were barred because of the Town's failure to comply with the time limits for filing an appeal prescribed by V.R.C.P. 75(c).

Town of Victory v. Department of Taxes,

Essex Superior Court, Docket No. 33-6-99 Excv (January 10, 2003).

The Court found PVR's 1999 valuation of the Victory Forest for determining PILOT payments was arbitrary and capricious and thus invalid, not reflecting the statutory mandate of fair market value under 32 V.S.A. § 3708.

In Re Marlowe Chute, Inc.,

Orleans Superior Court, Docket No. 221-8-01 Oscv (March 26, 2003).

Taxpayer sold an aircraft to another. Although taxpayer used an intermediary, title to the aircraft passed from Taxpayer to the purchaser. Taxpayer later used the same intermediary to purchase another aircraft. Taxpayer structured transaction to qualify for deferral of gain under IRC § 1031. The Superior Court affirmed the commissioner's determination that Taxpayer's subsequent purchase of an aircraft was subject to sales and use tax. The commissioner rejected Taxpayer's arguments that by using the intermediary, Taxpayer was "trading" aircraft because the purchaser of Taxpayer's aircraft was not the vendor -- there were in fact two separate transactions. Therefore, Taxpayer did not qualify for the trade-in provisions of 32 V.S.A. § 9701(4).

Casella Construction, Inc. v. Department of Taxes,

Rutland Superior Court, Docket No. 769-12-00 Rdcv (March 28, 2003; Amended Order, May 7, 2003).

Casella purchased the three tracked vehicles in 1996 which were presumptively taxable under 32 V.S.A. Chapter 233, which imposes the sales and use tax on all tangible personal property unless otherwise exempted. 32 V.S.A. § 9741(12) exempted from the general sales and use tax "[m]otor vehicle purchases and use taxed under chapter 219 of this title..." In 1996, the motor vehicle purchase and use tax was capped at \$750. Casella paid no motor vehicle purchase and use tax, so the Department assessed the full sales and use tax. The Superior Court reversed, stating that Casella was entitled to the exemption, and imposed \$750 tax per vehicle. Appeal taken to Vermont Supreme Court.

In re Appeal of City of Burlington,

Washington Superior Court Docket No. 663-10-02 Wncv (November 6, 2003).

32 V.S.A. § 10103 imposes hazardous waste tax on the shipper of such waste. Burlington shipped 2,444 tons of waste to Canada, and appealed a \$146,652 assessment of the tax. The Court upheld the assessment, rejecting arguments that the tax violated the Import-Export Clause, the Commerce Clause, the Equal Protection and Common Benefits Clauses and the Supremacy Clause.

William Baker v. Department of Taxes,

Washington Superior Court, Docket No. 305-6-04 WnCv (September 21, 2004).

Mr. Baker purchased cigarettes over the internet (and then resold them) without paying Vermont cigarette tax. The Superior Court affirmed the Department's assessment of the cigarette tax.

Amy's Enterprises v. Department of Taxes,

Washington Superior Court, Docket No. 248-4-02 Wncv, March 1, 2004.

Amy's is a licensed distributor of breakopen tickets. Vermont law requires that licensed distributors acquire tickets for resale only from licensed manufacturers. Amy's acquired tickets from a Massachusetts distributor, not licensed as a manufacturer in Vermont. The Court affirmed a penalty of \$2,500.

TAX LITIGATION - CONTINUED

Department of Taxes v. Murphy and Presley,

Lamoille Superior Court, Docket No. 22-2-03 Lecv (July 9, 2004) (currently on appeal to Vermont Supreme Court).

The Superior Court granted a money judgment for land gains tax assessed against Taxpayers due to their failure to timely complete construction of their primary residence. The Court rejected Taxpayers' attempted collateral attack against the adverse decision on the merits of the assessment which was affirmed by the Vermont Supreme Court in *Murphy and Presley v. Department of Taxes*, 173 Vt. 571 (2001).

Supreme Court Decisions

Hoffer v. Ancel,

2004 VT 38 (April 28, 2004)

Taxpayer alleged the tax commissioner and a Department attorney violated his Fourteenth Amendment Due Process rights by sending bills which did not contain meaningful notice, and further that they attempted to "cower" him into paying a disputed overpayment. The Supreme Court rejected Taxpayers lawsuit under 42 U.S.C. § 1983, finding that Defendants were entitled to qualified immunity.

Hoffer v. Department of Taxes,

2004 VT 86 (August 24, 2004)

Taxpayer co-owns his homestead with another person not a member of his household. 32 V.S.A. § 6062(b) provides that in the case of homesteads owned by more than one owner (subject to certain exceptions), a claimant may claim the prebate only in an amount proportionate to the claimant's share of ownership. Taxpayer appealed claiming that since he paid all the property taxes he was entitled to a full prebate on that basis. The Supreme Court affirmed the commissioner's determination that the value of the prebate changes depending on the proportion of ownership, not who in fact pays the property taxes, and that this classification is permissible under the due process and equal protection clauses.

Town of Killington v. Department of Taxes,

2003 VT 88 (October 24, 2003)

The Supreme Court held that the State's calculation of Killington's equalized education grand list in accordance with its established procedures was rational and the State's methodology yielded a reasonably reliable result, rejecting each of the Town's claims and reversing a Rutland Superior Court decision.

UsGen New England, Inc. v. Town of Rockingham,

2003 VT 102 (November 7, 2003)

The Supreme Court upheld a freeze of the grand list value of hydroelectric generating facilities, rejecting a challenge under the Common Benefits and Proportional Contribution clauses of the Vermont Constitution, and the Fourteenth Amendment of the US Constitution. The Court held the freeze had the rational basis of ensuring temporary stability of tax revenues in a number of small Vermont towns in light of recent deregulation.

Casella Construction, Inc. v. Department of Taxes,

2003-269 (Entry Order, March 10, 2004)

Casella purchased the three tracked vehicles in 1996 which were presumptively taxable under 32 V.S.A. Chapter 233, which imposes the sales and use tax on all tangible personal property unless otherwise exempted. 32 V.S.A. § 9741(12) exempted from the general sales and use tax "[m]otor vehicle purchases and use taxed under chapter 219 of this title..." In 1996, the motor vehicle purchase and use tax was capped at \$750. Casella paid no motor vehicle purchase and use tax, so the Department assessed the full sales and use tax. The Superior Court reversed, stating that Casella was entitled to the exemption, and imposed \$750 tax per vehicle. The Supreme Court reversed, finding Casella was not entitled to the exemption, and upheld the full assessment of tax. Casella's Motion for Reargument on the issue of whether the Department's appeal to the Supreme Court was timely filed is currently pending.

Town of Victory v. State,

2004 VT 110 (October 22, 2004)

The State makes annual PILOT (payment in lieu of taxes) payments to towns in which ANR owns land. The payments are based on the appraisal value of the ANR land as set by the Department's director of Property Valuation and Review. If the Town disagrees with the director's appraisal, it may appeal to the Superior Court, and did so in this case. Here, the Superior Court heard the matter *de novo*, found the director's valuation invalid, and set a higher valuation. The Supreme Court concluded that the Superior Court correctly reviewed the decision of the director under the arbitrary and capricious standard, but that the Superior Court could not review the director's appraisal *de novo*. The Supreme Court vacated the Superior Court order setting the value of the land, and remanded the matter to the director of PVR for redetermination of the appraisal.

Jones v. Department of Forests, Parks and Recreation,

2004 VT 49 (June 4, 2004)

The Joneses were found to have violated their forest management plan and their land was removed from the current use program. The Supreme Court held the Superior Court erred when it held the State was equitably estopped from asserting violations of the plan, and that the Joneses were entitled to retroactively remove their parcel from the program. The Supreme Court further upheld the imposition of a land use change tax resulting from the violations.

2003-01:

Taxpayer is a company which provides its customers with reprographic copies of the customers' original documents, produced on Taxpayer's commercial reprographic equipment. The copying process takes place either at Taxpayer's commercial reprographic centers, which are open specific hours and at which the copying equipment is entirely operated by Taxpayer's employees, or at its customers' facilities, where the customers operate the equipment. In some instances, customers provide their own paper for the copies; in others, it is supplied by Taxpayer.

Taxpayer requested a ruling on several issues. First, Taxpayer asked whether the receipts from the sale of the copiers to Taxpayer for use in its commercial reprographic centers are exempt from Vermont sales and use tax under 32 V.S.A. § 9741(14), the manufacturing exemption. The Department ruled that the copying procedures constitute "information processing" as defined in Reg. § 1.9741(14)-2(b), and the copiers are therefore exempt under the manufacturing exemption. In those instances where the customers provide the paper, the process is classified as "fabrication" rather than "manufacturing", and the copiers are exempt pursuant to 32 V.S.A. § 9771(3).

Second, Taxpayer asked whether transactions in which Taxpayer furnishes copiers to its customers which are placed on the customers' premises and operated by the customers constitutes a lease/rental subject to sales and use tax. The Department ruled that the contract is structured as a taxable lease under 32 V.S.A. § 9771(1), with consideration paid for the use of the copiers rather than for the copies themselves, even though charges are ultimately measured by the number of copies provided. Next, Taxpayer asked whether charges for copying services provided at its commercial reprographic centers are subject to tax. The Department ruled that where Taxpayer supplies the paper for copying, the focus of the transaction is on the sale of the copies (tangible personal property), rather than on the provision of services, and the receipts are subject to tax under 32 V.S.A. § 9741(35). Where the customer provides the paper, the copies are likewise taxable, but are taxable under 32 V.S.A. § 9771(3) which imposes sales tax on charges for fabricating tangible personal property for consumers who furnish the materials used in the process. See Reg. § 1.9771(3)-1.

Last, pertaining to the prior question, Taxpayer asked how the Department would equate copying to printing if the Department's response was based on the category of printing. Because it was not, the Department simply noted that other states have equated copying with printing.

2004-01:

Taxpayer requested a ruling as to whether the transfer of membership interests in a Delaware LLC (limited liability corporation) which owns real estate in Vermont would trigger the imposition of property transfer tax. The Department ruled that because the property is owned by the LLC and not the individual members, there was no transfer of title to the property which would trigger imposition of the tax. See 32 V.S.A. § 9601 et seq.

2004-02:

Taxpayer provides health and medical records processing services to requesting parties. Taxpayer's employees utilize laptops, scanners and other electronic devices to retrieve and produce the information. Taxpayer provides the data to its customers in one of two ways: it may either electronically transmit the information to its own facility, where it is processed and supplied to the customer in either electronic or hardcopy form, or Taxpayer's employee visits the location where the health and medical records are located and physically photocopies the requested information, mailing it to the customer.

Taxpayer has requested a ruling on two issues. First, Taxpayer asks whether various itemized charges to its customers are subject to sales and use tax: (1) Basic/Retrieval Fee for locating the records; (2) Quickview Delivery Fee for electronic access to the contents of the information on the internet; (3) Per Page Fee for each page scanned or photocopied; (4) Postage Fee; (5) Handling Fee; (6) E-Disclosure Fee to track and confirm the status of the information being delivered; (7) Certification Fee; (8) Notarization Fee; (9) Deposition Fee to affirm that the information may be used in a legal deposition, and (10) Docustore Fee for electronic storage of the information.

The Department ruled that the Basic/Retrieval Fee is subject to sales and use tax when the reports are printed or photocopied onto paper because the reports constitute tangible personal property and the focus of the transaction is the document itself, rather than the service. 32 V.S.A. § 9741(35). The receipt is taxable for sales tax purposes under 32 V.S.A. § 9771(1) and constitutes taxable consideration for use tax purposes under 32 V.S.A. §§ 9773(1) and 9774(c). The Department ruled that the Quickview Delivery Fee is a fee to access a site on the internet, and is not taxable. The Per Page Fee is

essentially a charge for the report, and is taxable under § 9771(1) (sales tax), and §§ 9773(1) and 9774(c) (use tax) when the report is delivered in a tangible medium. It is not subject to sales and use tax when delivered electronically. The Postage Fee is a transportation charge conditionally excluded from sales and use tax under 32 V.S.A. § 9701(4). The Handling Fee, however, does not qualify as a transportation charge and is subject to tax under § 9771(1) (sales tax) and §§ 9773(1) and 9774(c) (use tax). The E-Disclosure fee is a nontaxable service charge. The Certification Fee, Notarization Fee, and Deposition Fee are subject to sales and use tax when the reports are provided on paper because the focus of the transaction is the transfer of tangible personal property, and in the case of Certification and Notarization Fees, the charges are a necessary part of the report production process. In the case of the Deposition Fee, the service is required to produce a report that serves its intended purpose. When the reports are delivered electronically, these fees are not subject to tax. The Docustore Fee is not a charge for the transfer of tangible personal property and is not subject to sales and use tax.

Second, Taxpayer asked whether scanners, laptops, and other similar electronic media it uses in the course of providing services to its customers are exempt under 32 V.S.A. § 9741(14), the manufacturing exemption. The Department ruled that the equipment is not exempt because Taxpayer regularly uses the equipment to produce intangible, as opposed to tangible, personal property, and the exemption applies only when such use is isolated or occasional.

The Department further noted that this ruling will become obsolete, to some extent, when the sales and use statutes enacted in accordance with the streamlined sales tax agreement, become effective.

2004-03:

Taxpayer requested a ruling on whether three items - lancets, alcohol swabs, and glucose tablets - are subject to sales and use tax, or exempt from the tax under 32 V.S.A. § 9741. The Department ruled that both lancets and alcohol swabs are taxable because they are not designed primarily to cure, correct or reduce the severity of a human ailment, injury or disability, but are instead part of a preventative regimen. Glucose tablets, however, used to treat diabetes by raising blood sugar levels, are exempt from the tax.

2004-04:

This ruling could not be edited to sufficiently safeguard the identity of the taxpayer.

2004-05:

Taxpayers, internet software companies located outside of the State, provide access to web-based software products and services to their customers in Vermont which allow their customers to perform payroll, property and sales tax return processing. Taxpayers requested a ruling as to whether the charges for access and use of the online software is subject to sales and use tax. The Department ruled that the online software does not constitute tangible personal property pursuant to 32 V.S.A. § 9701(7) because the information accessed by customers is not delivered in a tangible medium, or by means of a physical item, and is not subject to sales and use tax.

2004-06:

Taxpayers, internet software companies located outside of the State, provide their customers with the ability to make online bill payments to vendors or suppliers. Taxpayers requested a ruling as to whether the charges to customers for accessing an in-state or out-of-state website to utilize these services are subject to sales and use tax. The Department ruled that the provision of services as described does not constitute tangible personal property pursuant to 32 V.S.A. § 9701(7), and is not subject to the sales and use tax.

TB-24:

(October 16, 2003)

Technical Bulletin 24 replaces a previously issued version of TB-24 and Department Opinion 138, and discusses and provides examples of “[i]ncome exempted from state taxation under the laws of the United States” referred to in 32 V.S.A. § 5823(a)(1); “income from United States government obligations” under 32 V.S.A. § 5811(21)(B)(i), and “income which under the laws of the United States is exempt from taxation by states” referred to in 32 V.S.A. § 5811(18).

TB-25:

(June 3, 2003)

Beginning July 1, 2003, charges for rooms, meals and beverages that are subject to state meals and rooms tax are also subject to a 1% local option tax in Williston. (The bulletin does not apply to taxes imposed by the City of Burlington or City of Rutland). The tax must be collected (1) if the charge is subject to meals and rooms tax, and (2) the lodging is in Williston or the meal or beverage is furnished in Williston. Taxpayers should file the local option meals and rooms tax return quarterly, on the 25th day following the end of each quarter.

TB-26:

(June 19, 2003)

Personal computers purchased by individuals for personal use were exempted from Vermont sales tax and from the local option sales tax for a three-day period August 9 through August 11, 2003.

TB-27:

(July 21, 2003)

Nonmonetary or barter transactions are taxable transactions under the sales and use and meals and rooms tax provisions of Title 32 if the item or service given is a type of property, amusement, meal, or occupancy subject to tax. When there is a non-cash receipt, the taxable base of each side of the transaction is the value in money of what was received. If the value of the rooms, meals, goods, services or amusement received is difficult to determine, the taxpayer may make a calculation based upon what has been surrendered if that value is more clearly evident. The transaction should be recorded in an entity’s usual business records; if the taxpayer has not determined the value, or does not keep records in support of the value of items received, the Department may calculate the value. When trade occurs through a barter exchange or third party which awards dollars or exchanges credits, the applicable tax should be calculated at the award date. A taxpayer may report under the safe harbor provision which allows for redeemed tickets, occupied rooms, redeemed meal vouchers and transferred property to be valued at the rate in effect when used (transferred).

TB-28:

(Feb. 6, 2004)

Technical Bulletin 28 details the factors used by the Department to determine when a rental transaction is non arms-length for the purpose of calculating rent constituting property taxes, and the procedures to be used in calculating a taxpayer’s homestead property tax income sensitivity adjustment in such instances. 32 V.S.A. § 6061 et seq.

TB-29:

(March 8, 2004)

Although payments to providers for caring for certain individuals are tax exempt - so-called “difficulty of care” payments - payments received under the Federal Social Security Act must be added to federal adjusted gross income to arrive at “household income” as it pertains to homestead property tax adjustment payments. 32 V.S.A. § 6061(5)(B). Two exceptions apply: Payments made by the State for foster care or to a family for the support of an eligible person with a developmental disability, even if made under the Social Security Act, are not included in household income, 32 V.S.A. § 6061(5)(C). The term “family” does not include a group whose ties depend upon the existence of an economic relationship. 18 V.S.A. § 8722(3).

TB-30:

(July 7, 2004)

Personal computers purchased by individuals for personal use were exempted from Vermont sales tax and from the local option sales tax for a three-day period August 7 through August 9, 2004.

DESCRIPTION OF FY2003 – 2004 TAXES

Amusement Machine License 32 V.S.A. § 7501	Repealed effective June 7, 2004. \$100 per machine, \$75 if placed in operation after July 1, \$50 if placed in operation after October 1	Annual license required for each amusement or gaming machine into which may be inserted a piece of money or other object for which money is paid and which may be operated by the player in attempting to make a score or reach a standard.
Bank Franchise 32 V.S.A. § 5836	.000096 of average monthly deposit	Tax assessed on franchise or privilege of doing business in Vermont on every corporation which is a bank, savings bank, savings institution, trust company, and every savings and loan association or building and loan association that has a business location in Vermont.
Beverage 7 V.S.A. § 421	26.5¢ per gallon malt 55¢ per gallon vinous	Tax is paid by every bottler and wholesaler on each gallon, or its equivalent, or malt or vinous beverages sold by them to retailers in this state.
Cigarette 32 V.S.A. § 7771	\$1.19 per package (59.5 mills per cigarette)	Tax is prepaid by wholesaler when purchasing stamps or meter impressions which must be applied to each pack before sale to retailers. Every wholesale dealer or distributor must be licensed to do business. Licenses are without fee and non-transferable.
Electric Energy 32 V.S.A. § 8661	Graduated tax based on megawatt hour production	Imposed on electric generating plants with a name plate generating capacity of 200,000 kilowatts or more.
Estate 32 V.S.A. § 7442a	Measured by Federal credit for state death taxes as in effect on January 1, 2001	For deaths after January 1, 2002, the estate tax is measured by the amount of the Federal credit for state death taxes allowable under Section 2011 of the Internal Revenue Code, as in effect on January 1, 2001.
Freight Lines & Transportation Companies 32 V.S.A. § 8433	1.25% of appraised value of rolling stock. This tax is repealed for taxable years beginning on or after January 1, 2006.	Tax is assessed on the value of the rights, property and corporate franchise of each car or transportation company, provided that the appraisal of property of any foreign freight line and equipment company shall include only property of such company and not its corporate franchise.
Fuel Gross Receipts 32 V.S.A. § 2503	0.5% on retail sales of fuel.	Tax is on the retail seller of fuels other than motor fuel to fund the home weatherization assistance trust.
Game of Chance Licenses 32 V.S.A. § 10204	Manufacturer's license \$3,000 annually; distributor's license \$2,000 annually	Manufacturers and distributors of break-open tickets for sale in Vermont must be licensed by the Commissioner. Only nonprofit organizations may purchase from distributors, and each ticket sold must bear a unique serial number.
Hazardous Waste Generation 32 V.S.A. § 10103	Rates vary depending on treatment and disposal	Tax is on persons initiating shipment of hazardous waste who are required to file a manifest pursuant to Federal Resource Conservation and Recovery Act; and facilities required to obtain certification under 10 V.S.A. § 6606. Tax is based on the volume and destination of hazardous waste.
Persons initiating shipment:		
Recycled	11¢ per gallon or 1.4¢ per lb.	
Nonrecycled	23.6¢ per gal or 30¢ per lb.	
Certain waste in Vermont for less than 180 days	1.0¢ per lb.	
Facilities as defined in 10 V.S.A. § 6606:		
Recycled	11¢ per gallon or 1.4¢ per lb.	
Treated	15.7¢ per gallon or 2.0 per lb.	
Disposed of in landfill	23.6¢ per gallon or 3.0 per lb.	
Heating Oil Tax	½¢ per gallon on heating oil or kerosene not used to propel a motor vehicle	Imposed on sellers receiving more than \$10,000 annually to fund cleanup and restoration of contaminated soil and groundwater caused by petroleum leaks. Terminates April 1, 2008.

DESCRIPTION OF FY2003 - 2004 TAXES - CONTINUED

Insurance, Captive 8 V.S.A. § 6014	Direct premiums tax ranges from .0038% to .00072%, decreasing as direct premiums increase. Reinsurance premiums tax ranges from .00214% to .00024%, decreasing as the total reinsurance premiums increase.	Captive insurance companies are assessed a .0038% tax on the first \$20 million, .00285% on the next \$20 million, .0019% on the next \$20 million, .00072% on each dollar thereafter on direct premiums; plus .00214% of first \$20 million and .00143% of the next \$20 million and .00048% on the next \$20 million and .00024% of each dollar thereafter on reinsurance premiums. The minimum tax is \$5,000.
Insurance, Surplus 8 V.S.A. § 5035	3% of gross premiums less return premiums	Tax is imposed on gross premiums, less return premiums, for surplus lines coverage placed with nonadmitted insurers.
Land Gains 32 V.S.A. § 10001	5% - 80% of gain on land sold if seller held land less than 6 years	Tax is on the gain made from the sale or exchange of land located in Vermont and held by the seller less than six years. Rate is in inverse proportion to holding period.
Land Use Change 32 V.S.A. § 3757	20% of full fair market value of developed land 10% if the land has been in the program for more than 10 years.	Tax is assessed if agricultural or managed forest land previously appraised under the land use value program is developed.
Local Option (municipally imposed tax) 24 V.S.A. § 138	1% of sales tax excluding tax on telecommunications, 1% meals and alcohol beverages tax and 1% rooms tax	Authorized until 12/31/06 for certain towns impacted by Act 60. Tax is on sales subject to state sales tax (except clothing under \$110 is taxed and telecommunications charges are not taxed). 70% of receipts go to the town and 30% fund PILOT.
Meals and Rooms 32 V.S.A. § 9241	9% on meals and rooms; 10% tax on alcoholic beverages	Tax is on the gross receipts from the rental of rooms and the charge for meals, including alcoholic beverages. A one-time, non-transferable license is required before engaging in serving taxable meals or rental of rooms.
Musical Machine 32 V.S.A. § 7502	\$25 per machine Repeal effective June 7, 2004	Annual license required for coin operated machines which provide musical, vocal or visual entertainment.
Property Transfer 32 V.S.A. § 6902	1.25% of value of the property transferred, except rates for principal residences and Title 7 housing cooperatives is 0.5% of first \$100,000 + 1.25% of amount greater than \$100,000. Land enrolled in use value appraisal programs: 0.5%	Tax is imposed upon the transfer of title by deed to property located in this state.
Railroad 32 V.S.A. § 8211	1% of appraised value	Tax is assessed annually upon the appraised value of property and corporate franchise of each person or corporation owning or operating a railroad located in whole or in part within this state. 50% of the tax is paid to each town where railroad real estate is located.
Sales and Use 32 V.S.A. § 9771 32 V.S.A. § 9773	6% (Rate increase from 5% - and 4.36% on telecommunications - was effective 10/1/03)	Sales tax is on the retail sales price or rental charge of tangible personal property, the charge for amusements, and the retail sale of telecommunications services. Use tax is on the retail sales price of tangible personal property that is used, stored, or consumed within Vermont where no Vermont sales tax was paid.
Solid Waste 32 V.S.A. § 5952	\$6.00 per ton (certain small landfills may pay on volume)	Tax is on public and private certified treatment and waste facilities

DESCRIPTION OF TAX CREDITS AND PROGRAMS - CONTINUED

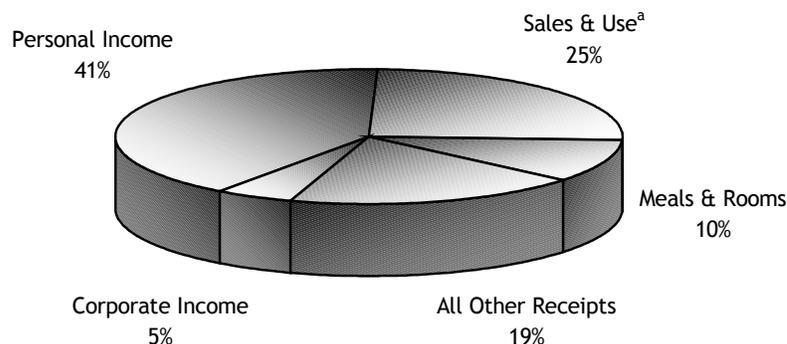
Financial Services Development Credit 32 V.S.A. § 5922	Amount of qualified person's Vermont income tax liability from investment management sources multiplied by certain ratios.	Credit against income tax of persons primarily engaged in business as an investment advisor or in investment management.
Homestead Property Tax Income Sensitivity Adjustment 32 V.S.A. § 6066	a. Statewide education tax in excess of 1.9% of household income (1.9% is adjusted for district spending above base amount of \$6,800 per pupil) b. Statewide education tax in excess of tax that would be due if assessment reduced by \$15,000 c. \$10 per acre for up to 5 acres in excess of 2-acre housesite d. credit against income equal to amount by which adjusted property taxes exceed of percentage of household income: \$ 0 - 4,999 - 3.5% \$ 5,000 - 9,999 - 4.0% \$ 10,000 - 24,999 - 4.5% \$ 25,000 - 47,000 - 5.0%	For claimants with household income of less than \$75,000, (a) and (c) are available; Claimants with household income of \$47,000 or less, may opt for (b) instead of (a); (c) and (d) are also available. For claimants with household income of \$75,000 or more, (a) is available limited as follows: statewide property tax liability is limited to the lesser of 1.9% of household income plus the statewide property tax of the value of the homestead in excess of \$160,000.
Housing Investment Tax Credit 32 V.S.A. § 5830c	Variable, not to exceed 3% of average outstanding balance of investment	A credit against personal or corporate income, bank franchise and insurance gross premiums tax for investment in eligible housing charities.
Mobil Home Park Sale Credit 32 V.S.A. § 5828	7% of taxpayer's gain subject to Federal income tax	Credit for capital gains on sale of mobile home park to majority of park's leaseholders.
Nongame Wildlife Fund 32 V.S.A. § 5862a	N/A	Contributions of designated portion of income tax refund to the Vermont Campaign Fund.
Training Tax Credit 32 V.S.A. § 5930t	Up to \$400 per qualified employee per taxable year	A credit against income tax for training expenses associated with providing training to individual employees.
Vermont Campaign Fund Add-on 32 V.S.A. § 5862c	N/A	Contributions of designated portion of income tax refund to Vermont Campaign Fund.
Vermont Earned Income Tax Credit 32 V.S.A. § 5828(b)	32% of Federal credit	A credit against income tax liability is allowed for resident and part-year resident individuals receiving the Federal Earned Income Tax Credit.

THREE YEAR COMPARISON OF RECEIPTS BY TAX TYPE

		% Increase (Decrease) over Previous Year		% Increase (Decrease) over Previous Year		% Increase (Decrease) over Previous Year
	FY2002		FY2003		FY2004	
General Fund						
Aviation Jet Fuel	\$ 111,444	14.1	\$ 83,532	-25.0	\$ 111,051	32.9
Bank Franchise	5,325,761	-39.6	6,304,620	18.4	6,503,865	3.2
Beverage (Malt & Wine)	4,992,566	3.1	5,056,134	1.3	5,200,983	2.9
Break-open Ticket License	36,500	1.4	44,000	20.5	51,500	17.0
Captive Insurance	11,518,924	7.7	17,739,820	54.0	19,910,874	12.2
Cigarette & Tobacco	26,669,664	-0.2	45,641,008	17.1	52,287,859	14.6
Corporate Income	32,037,906	-36.6	35,286,090	10.1	55,497,257	57.3
Electric Energy	2,809,859	-9.9	2,577,328	-8.3	2,767,228	7.4
Estate	13,884,881	9.2	15,604,678	12.4	14,712,136	-5.7
Freight Lines & Transport.	80,731	-15.4	49,665	-38.5	62,371	25.6
Fuel Gross Receipts	4,732,476	-3.8	5,195,947	9.8	5,532,603	6.5
Hazardous Waste	427,238	27.5	572,081	33.9	352,317	-38.4
Insurance	23,494,272	9.6	26,508,107	12.8	29,106,121	9.8
Land Gains	1,915,651	-4.7	2,672,174	39.5	4,288,133	60.5
Land Use Change	4,741	121.4	4,842	2.1	404,155	8246.9
Meals and Rooms	99,141,786	2.0	102,074,250	3.0	108,392,469	6.2
Misc. Receipts	7,458,372	-	6,187,307	-17.0	4,576,453	-26.0
Personal Income	372,927,372	-22.7	411,608,896	10.4	429,488,824	4.3
Property Transfer	25,015,561	17.0	27,537,341	10.1	33,951,657	23.3
Sales & Use ^a	228,355,893	0.1	231,291,969	1.3	270,460,752	16.9
Solid Waste	2,732,808	-7.2	3,186,569	16.6	3,240,598	1.7
Telephone Company	177,177	-84.9	170,675	-3.7	257,546	50.9
Telephone Property	10,206,074	10.8	9,939,458	-2.6	10,100,520	1.6
Local Option Sales	1,59,503	0.8	4,180,447	176.9	5,523,144	32.1
Local Option Meals & Rooms	-	-	-	-	181,200	-
Special Interest Funds						
Children's Trust	109,360	143.1	69,343	-36.6	72,956	5.2
Non-Game Wildlife	141,110	119.7	96,999	-31.3	110,556	14.0
Transportation Fund						
Railroad	217,645	32.9	168,009	-22.8	178,006	6.0
TOTAL REVENUES \$ 876,035,275 -12.0 \$ 959,851,289 9.6 \$ 1,063,323,134 10.8						

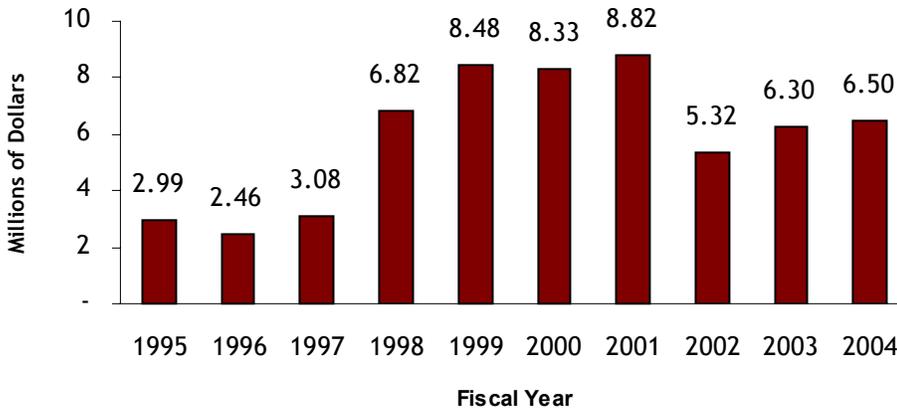
^a Includes sales tax on telecommunications.

2004 TAX REVENUE TOTALS - \$ 1,063,323,134



MAJOR TAX RECEIPTS - TEN YEAR HISTORICAL SUMMARY (FISCAL YEAR)

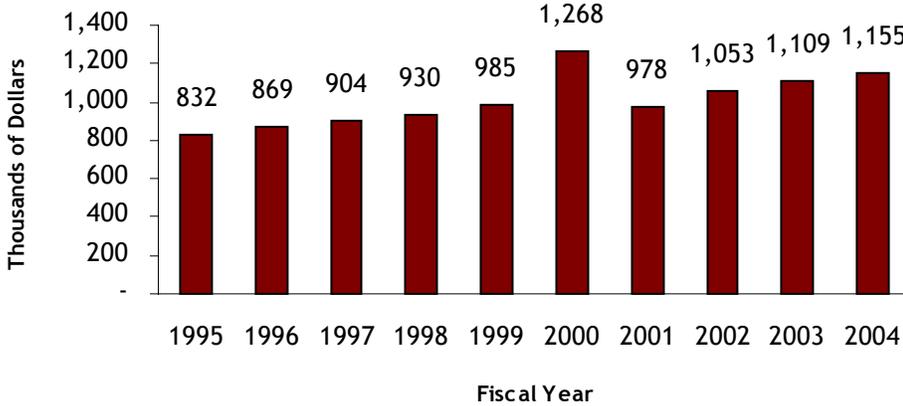
BANK FRANCHISE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1995	29	\$ 2,997,613	11.3
1996	30	2,464,762	-17.8
1997	30	3,089,194	25.3
1998 ^a	32	6,822,083	120.8
1999	34	8,485,221	24.4
2000	36	8,335,660	-1.8
2001	35	8,821,576	5.8
2002	26	5,325,761	-39.6
2003	26	6,304,620	18.4
2004	26	6,503,865	3.2

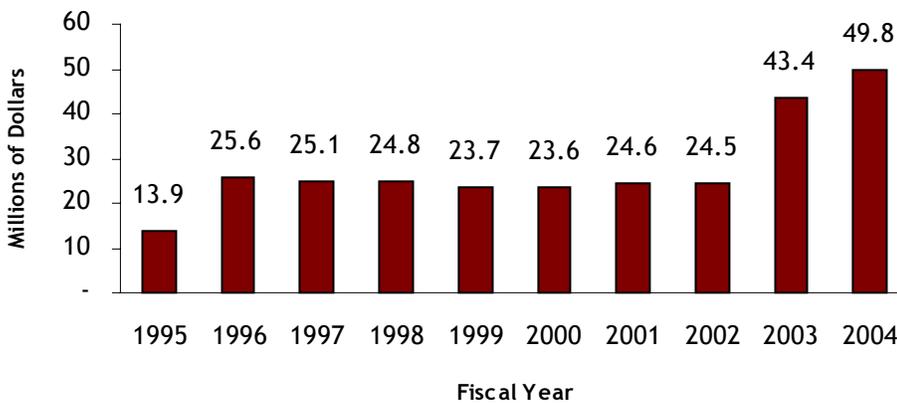
^a Rate increased from .000040 to .000096 effective 8/1/97.

BEVERAGE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1995	20	\$ 4,550,719	1.9
1996	22	4,661,175	2.4
1997	36	4,592,148	-1.5
1998	36	4,699,502	2.3
1999	33	4,714,840	0.3
2000	33	4,818,535	2.2
2001	35	4,843,009	0.5
2002	35	4,992,566	3.0
2003	30	5,056,134	1.3
2004	30	5,200,983	2.9

CIGARETTE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1995	33	\$ 13,877,015	3.6
1996 ^a	37	25,557,873	84.2
1997	33	25,107,464	-1.8
1998	33	24,796,328	-1.2
1999	55	23,716,643	-4.4
2000	55	23,601,559	-0.5
2001	64	24,574,191	4.1
2002	64	24,520,234	-0.2
2003 ^b	44	43,392,703	77.0
2004 ^c	41	49,838,143	14.9

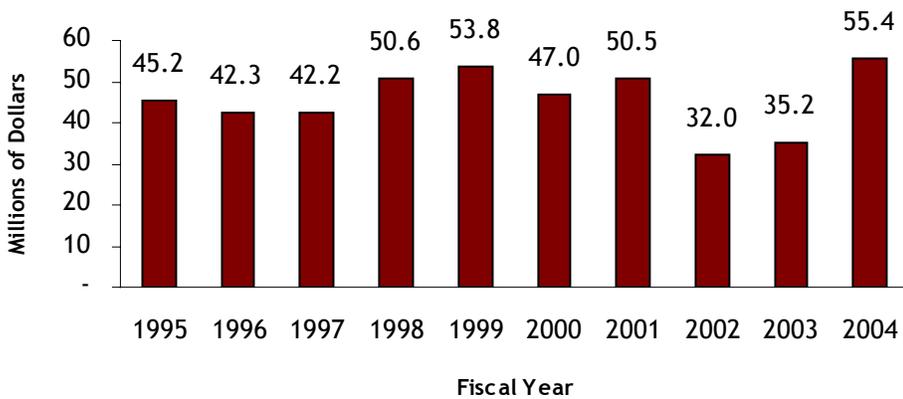
^a Tax increased to 22 mills per cigarette effective July 1, 1995.

^b Tax increased to 46.5 mills per cigarette effective July 1, 2002.

^c Tax increased to 59.5 mills per cigarette effective July 1, 2003.

MAJOR TAX RECEIPTS - TEN YEAR HISTORICAL SUMMARY (FISCAL YEAR) - CONTINUED

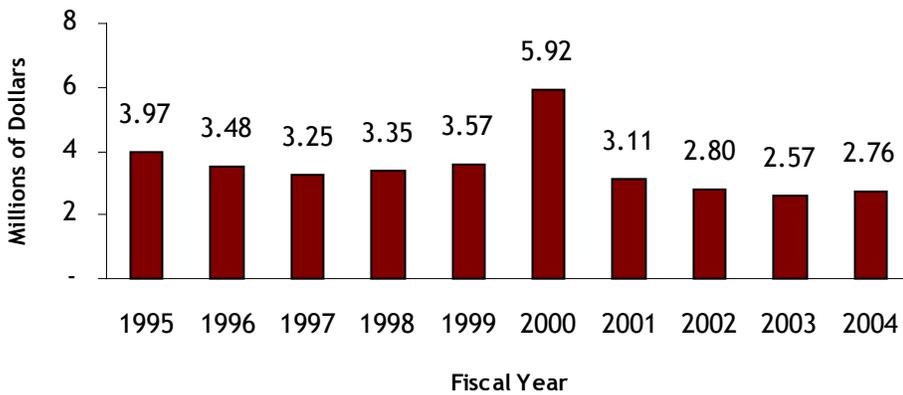
CORPORATE INCOME TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1995	24,448	\$ 45,269,365	10.4
1996	25,346	42,359,835	-6.4
1997	29,188	42,224,647	-0.3
1998 ^a	31,884	50,630,809	19.9
1999	32,800	53,822,706	6.3
2000	33,850	47,094,369	-12.5
2001	34,865	50,537,377	7.3
2002	35,186	32,037,906	-36.6
2003	36,425	35,286,090	10.1
2004	36,479	55,497,257	57.3

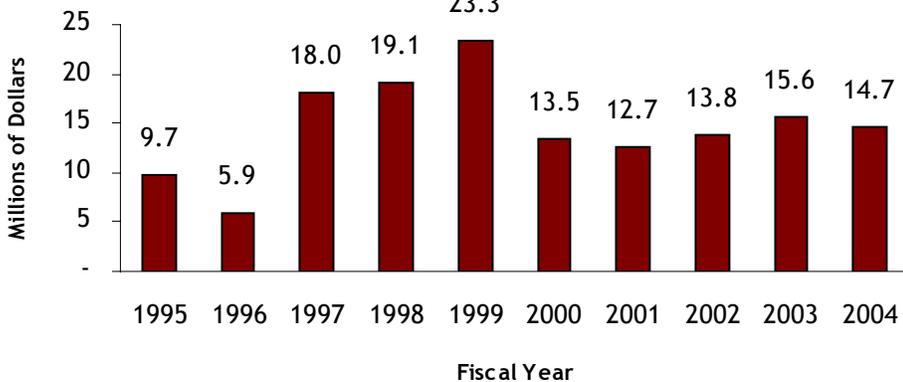
^a Increased minimum tax to \$250 (remains \$75 for small farm corporations) and rates to 7%, 8.10%, 9.2% and 9.75% effective June 26, 1997.

ELECTRICAL ENERGY TAX - TEN YEAR SUMMARY



FY	Tax Receipt Amount	% Change
1995	\$ 3,974,270	-5.5
1996	3,484,492	-12.3
1997	3,258,242	-6.5
1998	3,351,508	2.9
1999	3,575,102	6.7
2000	5,927,676	65.8
2001	3,117,905	-47.4
2002	2,809,859	-9.9
2003	2,577,328	-8.3
2004	2,767,228	7.4

ESTATE TAX - TEN YEAR SUMMARY

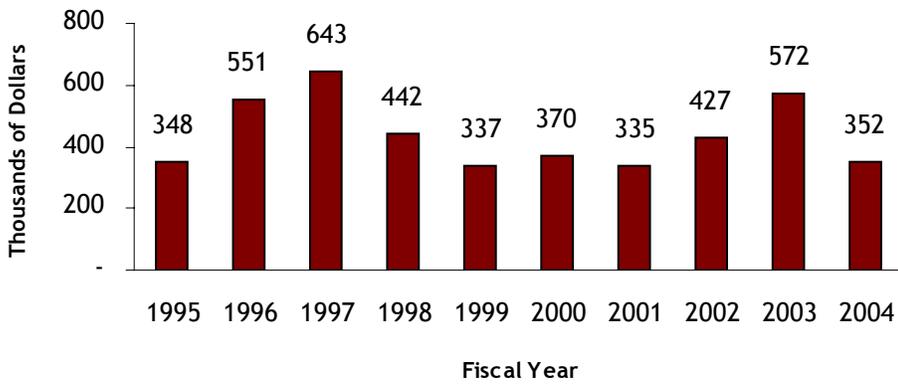


FY	No. of Taxpayers ^a	Tax Receipt Amount	% Change
1995	202	\$ 9,748,327	-57.1
1996	216	5,917,519	-39.3
1997	206	18,014,990	204.4
1998	227	19,157,464	6.3
1999	228	23,358,035	21.9
2000	258	13,550,487	-42.0
2001	215	12,714,006	-6.2
2002	236	13,884,881	9.2
2003	244	15,604,678	12.4
2004	209	14,712,136	-5.7

^a Represents number of estate returns with payment. Most estates are either not required to file returns or file returns with no payment due.

MAJOR TAX RECEIPTS - TEN YEAR HISTORICAL SUMMARY (FISCAL YEAR) - CONTINUED

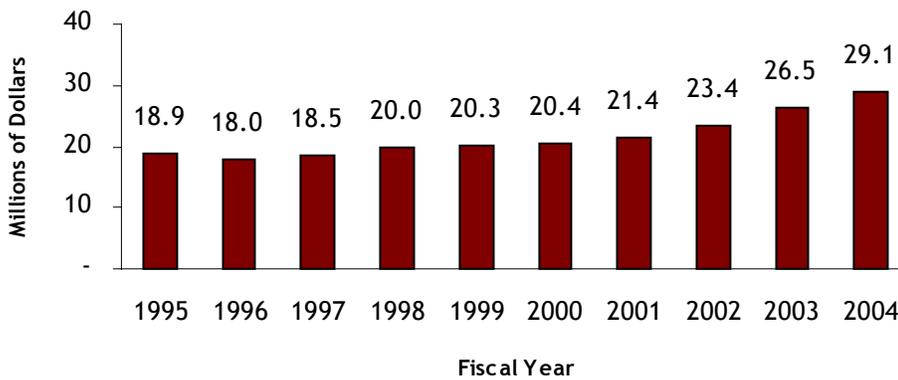
HAZARDOUS WASTE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1995	666 ^a	\$ 348,213	-33.4
1996	604	511,962	47.0
1997	697	643,195	25.6
1998	728	422,946	-34.2
1999	683	337,125	-20.3
2000	705	370,704	10.0
2001	543	335,103	-9.6
2002	609	427,238	27.5
2003	550	572,081	33.9
2004	565	352,317	-38.4

^a The number of taxpayers for 1995 and after represents the number of sites which generated a liability. Several taxpayers may have multiple sites.

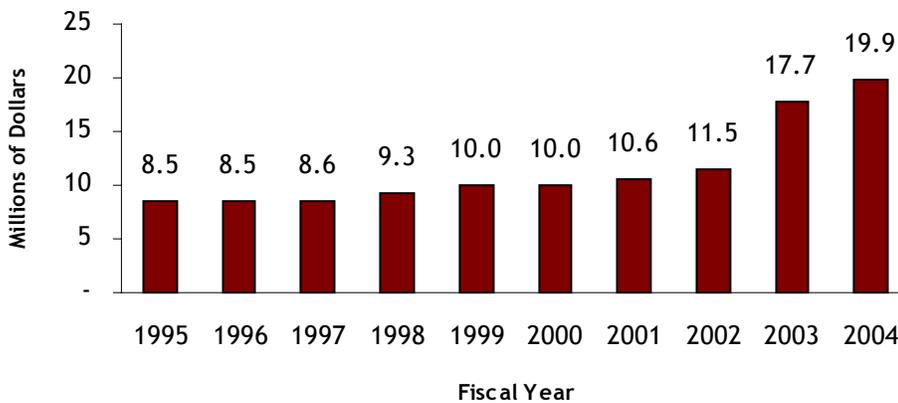
INSURANCE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount ^a	% Change
1995	962	\$ 18,998,249	10.1
1996	981	18,098,972	-4.7
1997	987	18,552,384	2.5
1998	976	20,055,072	8.1
1999	1,000	20,399,766	1.7
2000	1,010	20,400,650	0.0
2001	1,074	21,445,072	5.1
2002	1,115	23,494,272	9.6
2003	954	26,508,107	12.8
2004	1,051	29,106,121	9.8

^a Tax is 2% of gross premiums and assessments. Figures include insurance surplus lines (tax on gross premiums of surplus lines coverage place with non-admitted insurers).

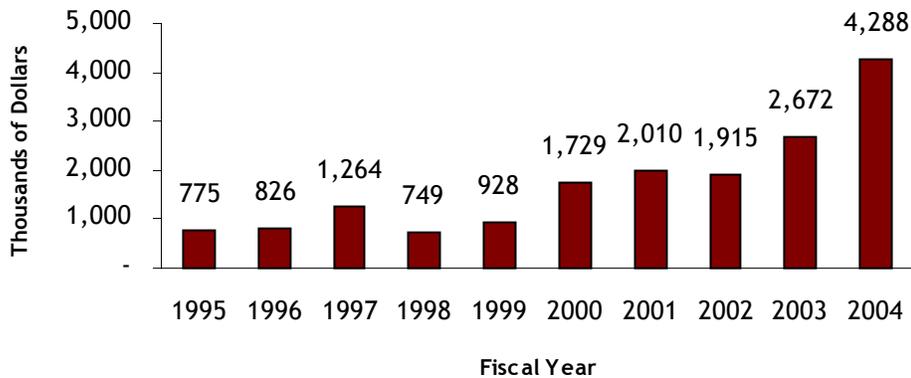
CAPTIVE INSURANCE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1995		\$ 8,556,159	5.0
1996		8,548,033	-0.1
1997		8,627,767	0.9
1998		9,356,490	8.4
1999		10,036,744	7.3
2000		10,001,476	-0.4
2001	426	10,694,853	6.9
2002	455	11,518,924	7.7
2003	596	17,739,820	54.0
2004	587	19,910,874	12.2

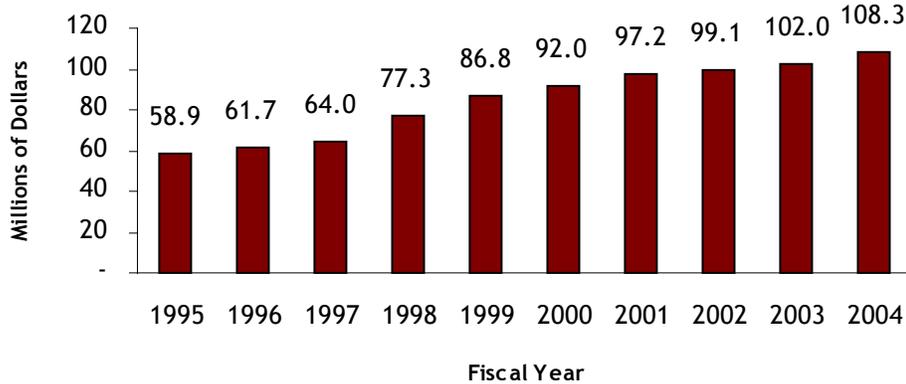
MAJOR TAX RECEIPTS - TEN YEAR HISTORICAL SUMMARY (FISCAL YEAR) - CONTINUED

LAND GAINS TAX - TEN YEAR SUMMARY



FY	No. of Transactions	Tax Receipt Amount	% Change
1995	775	\$ 775,388	-8.3
1996	786	826,376	6.6
1997	901	1,264,693	53.0
1998	600	749,822	-40.7
1999	545	928,744	23.9
2000	1,026	1,729,903	86.3
2001	1,098	2,010,081	16.2
2002	1,143	1,915,651	-4.7
2003	1,428	2,672,174	39.5
2004	1,983	4,288,133	60.5

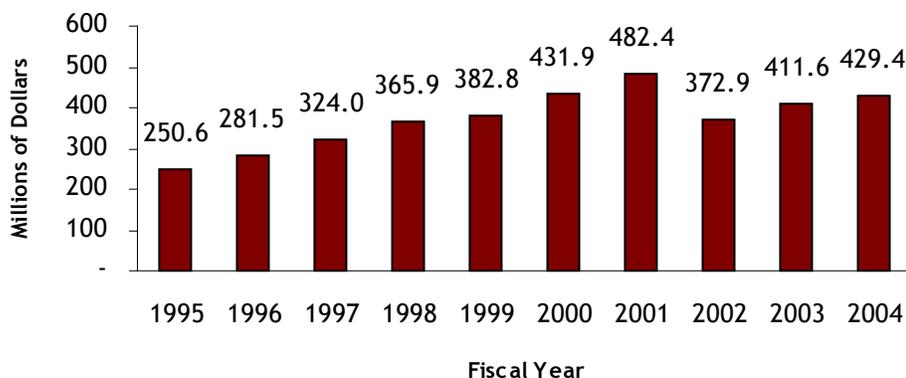
MEALS AND ROOMS TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1995	5,023	\$ 58,942,541	1.6
1996	4,854	61,766,529	4.8
1997	4,910	64,091,990	3.8
1998 ^a	4,837	77,398,408	20.8
1999	4,294	86,899,927	12.3
2000	4,333	92,039,296	5.9
2001	4,600	97,243,229	5.7
2002	4,629	99,141,786	2.0
2003	4,070	102,074,250	3.0
2004	4,842	108,392,469	6.2

^a Rate increase from 7% to 9% effective Oct. 1, 1997.

PERSONAL INCOME TAX - TEN YEAR SUMMARY



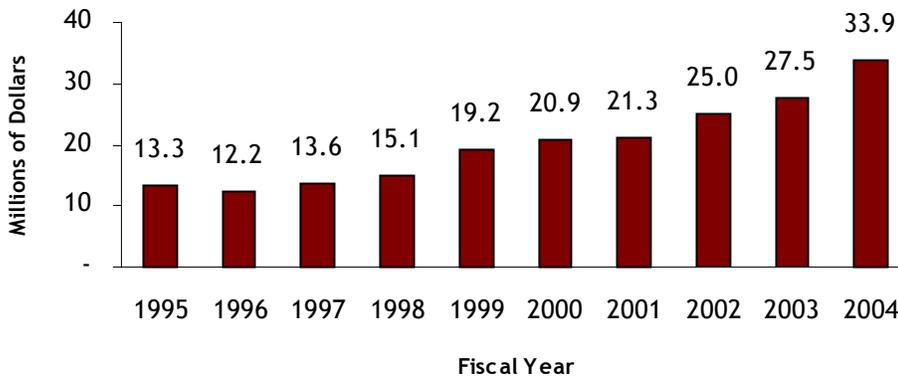
FY	No. of Taxpayers ^a	Tax Receipt Amount	% Change
1995	241,950	\$ 250,694,177	-12.6
1996	245,800	281,594,922	12.3
1997	247,736	324,060,265	15.1
1998	252,629	365,959,020	12.9
1999	259,358	382,824,774	4.6
2000	267,320	431,955,919	12.8
2001 ^b	273,968	482,428,424	11.7
2002	271,068	372,927,372	-22.7
2003	263,527	411,608,896	10.4
2004	265,589	429,488,824	4.3

^a Number of Taxpayers by calendar year, excluding no-liability filers.

^b Change from percentage of Federal Tax Liability to Vermont tax rates on Vermont taxable income.

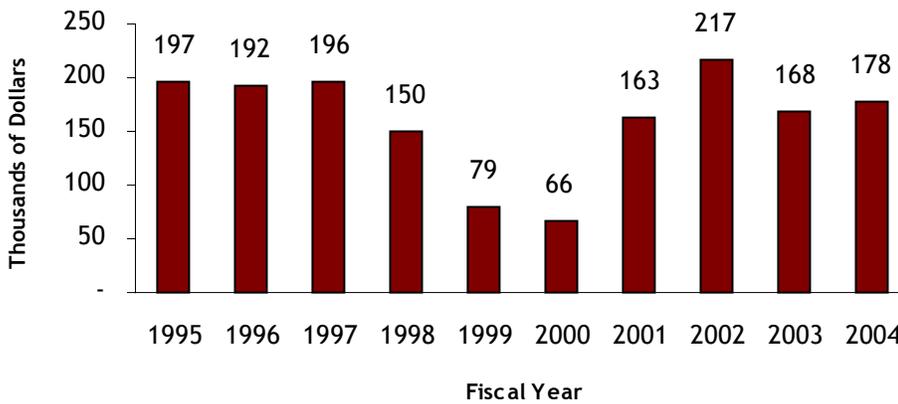
MAJOR TAX RECEIPTS - TEN YEAR HISTORICAL SUMMARY (FISCAL YEAR) - CONTINUED

PROPERTY TRANSFER TAX - TEN YEAR SUMMARY



FY	No. of Transactions	Tax Receipt Amount	% Change
1995	16,600	\$ 13,319,889	4.7
1996	15,922	12,291,357	-7.7
1997	17,027	13,691,994	11.4
1998	16,724	15,142,612	10.6
1999	17,412	19,212,224	26.9
2000	18,898	20,934,847	9.0
2001	19,860	21,377,071	2.1
2002	20,850	25,015,561	17.0
2003	20,418	27,537,341	10.1
2004	22,163	33,951,657	23.3

RAILROAD TAX - TEN YEAR SUMMARY

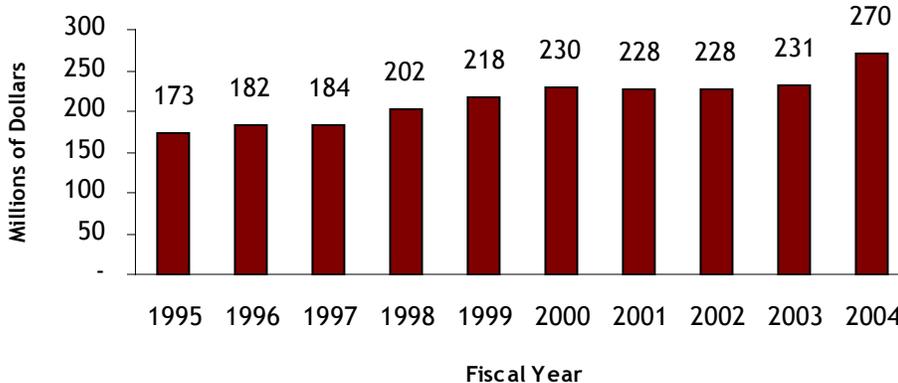


FY	No. of Taxpayers	Tax Receipt Amount ^a	% Change
1995	13	\$ 197,492	-3.0
1996	13	192,896	-2.3
1997	13	196,183	1.7
1998 ^b	13	150,243	-23.4
1999	10	79,156	-47.3
2000	10	66,687	-15.8
2001	12	163,798	145.6
2002	12	217,645	32.9
2003	10	168,009	-22.8
2004	10	178,006	6.0

^a 50% is paid to towns by the State.

^b Decrease due to decline in railroad property appraisal.

SALES AND USE TAX - TEN YEAR SUMMARY

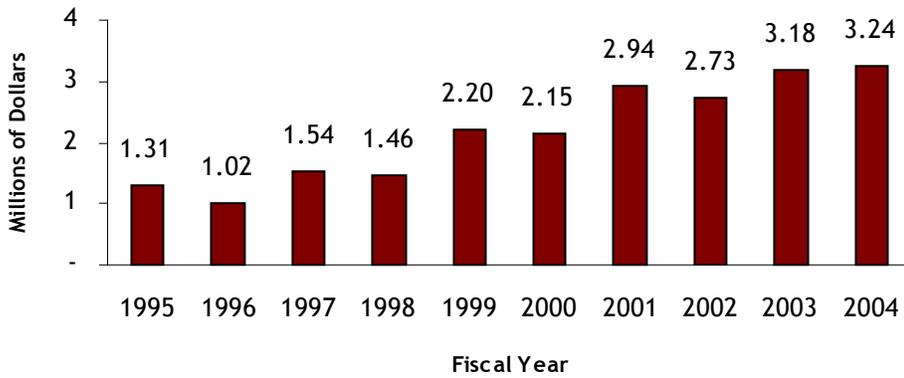


FY	No. of Taxpayers	Tax Receipt Amount	% Change
1995	33,455	\$ 173,758,040	9.2
1996	34,396	182,648,259	5.1
1997	35,382	184,003,930	0.7
1998 ^a	34,179	202,141,718	9.9
1999	28,262	218,570,309	8.1
2000	22,731	230,376,889	5.4
2001	32,132	228,080,534	-0.1
2002	31,750	228,355,893	0.0
2003	31,037	231,291,969	1.3
2004	34,629	270,460,752	16.9

^a For 1998 and after, telecommunications tax receipts added to total revenues.

MAJOR TAX RECEIPTS - TEN YEAR HISTORICAL SUMMARY (FISCAL YEAR) - CONTINUED

SOLID WASTE TAX - TEN YEAR SUMMARY

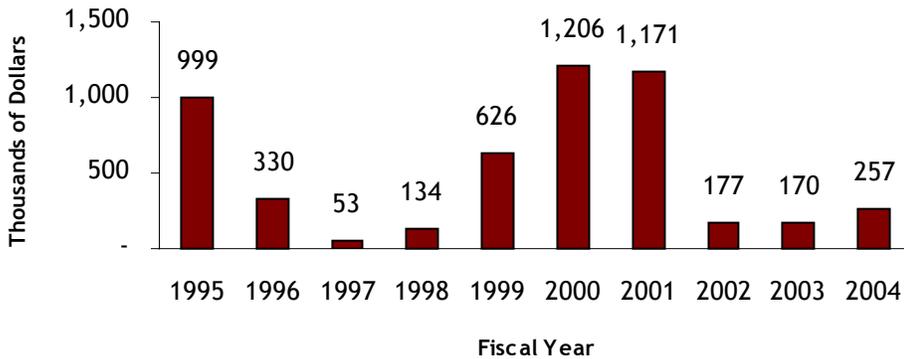


FY	No. of Taxpayers	Tax Receipt Amount	% Change
1995	50	\$ 1,315,120	-5.4
1996 ^a	70	1,025,191	-22.0
1997	50	1,540,148	50.2
1998 ^b	50	1,464,727	-4.9
1999	70	2,207,810	50.7
2000	70	2,159,081	-2.2
2001	51	2,943,521	36.3
2002	51	2,732,808	-7.2
2003	43	3,186,569	16.6
2004	53	3,240,598	1.7

^a Tax increased from \$2.40 to \$2.80 per cubic yard of waste or \$6.00 per ton effective July 1, 1996.

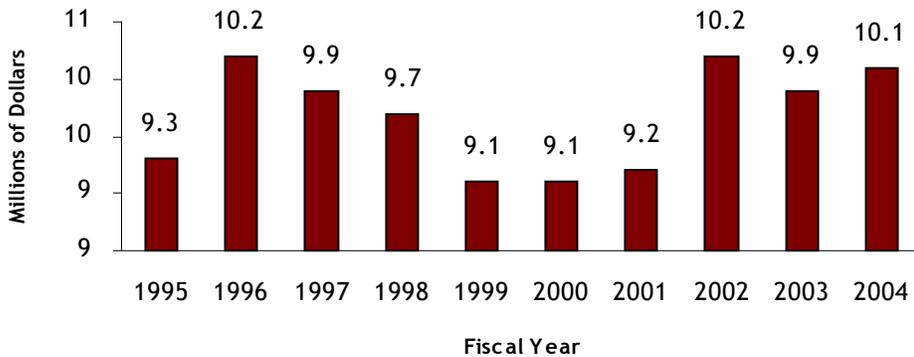
^b Cubic yard option eliminated for all but small landfills effective July 1, 1998.

TELEPHONE COMPANY (GROSS) TAX RECEIPTS - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1995	6	999,968	-64.8
1996	6	330,983	-66.9
1997	6	53,071	-84.0
1998	3	134,965	154.3
1999	3	626,193	364.0
2000	3	1,206,583	92.7
2001	2	1,171,794	-2.9
2002	2	177,177	-84.9
2003	3	170,675	-3.7
2004	3	257,546	50.9

TELEPHONE PROPERTY TAX - TEN YEAR COMPARISON



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1995	13	\$ 9,353,063	3.6
1996	13	10,230,718	9.4
1997	13	9,938,984	-2.9
1998	13	9,707,876	-2.3
1999	13	9,126,836	-6.0
2000	13	9,121,213	-0.1
2001	12	9,208,034	1.0
2002	12	10,206,074	10.8
2003	13	9,939,458	-2.6
2004	13	10,100,520	1.6

MEALS AND ROOMS / SALES AND USE TAX STATISTICS

Sales and Use Tax Statistics - Fiscal Year Summary by County

County	FY 2003	FY 2004	Difference	% Chg
Addison	\$ 6,272,476	\$ 7,376,903	\$ 1,104,427	17.6%
Bennington	14,751,864	17,736,748	2,984,884	20.2%
Caledonia	5,994,734	7,200,902	1,206,168	20.1%
Chittenden	64,978,255	82,813,808	17,835,553	27.4%
Essex/Orleans	6,081,634	7,274,490	1,192,856	19.6%
Franklin/Grand Isle	8,940,797	10,898,561	1,957,764	21.9%
Lamoille	7,548,643	9,265,971	1,717,328	22.8%
Orange	3,556,381	4,296,270	739,889	20.8%
Rutland	25,089,519	29,882,241	4,792,722	19.1%
Washington	15,585,058	19,413,932	3,828,873	24.6%
Windham	12,185,940	14,501,662	2,315,722	19.0%
Windsor	11,905,159	14,768,047	2,862,888	24.0%
Other	29,069,292	47,432,274	18,362,982	63.2%
TOTAL REVENUES	\$ 211,949,752	\$ 272,861,810	\$ 60,902,057	28.7%

Notes:

Tax rate changed from 5% to 6% effective 10/1/2003

Tax base as of 10/1/2003 includes telecommunications

Meals and Rooms Tax Statistics - Fiscal Year Summary by County

County	FY 2003	FY 2004	Difference	% Chg
Addison	\$ 3,345,820	\$ 3,614,615	\$ 268,795	8.0%
Bennington	7,691,271	7,988,364	297,093	3.9%
Caledonia	2,545,628	2,707,994	162,366	6.4%
Chittenden	24,712,709	26,330,769	1,618,059	6.5%
Essex/Orleans	2,628,010	2,751,120	123,110	4.7%
Franklin/Grand Isle	3,412,939	3,646,438	233,498	6.8%
Lamoille	8,497,525	8,361,126	-136,399	-1.6%
Orange	1,636,864	1,697,320	60,456	3.7%
Rutland	12,210,694	12,254,431	43,737	0.4%
Washington	7,618,759	7,926,659	307,900	4.0%
Windham	10,080,893	10,169,848	88,955	0.9%
Windsor	10,169,771	10,427,900	258,129	2.5%
Other	4,778,428	5,006,547	228,120	4.8%
TOTAL REVENUES	\$ 99,329,311	\$ 102,883,131	\$ 3,553,820	3.6%

MEALS AND ROOMS / SALES AND USE TAX STATISTICS - CONTINUED

FY 2003 Meals and Rooms Statistics - Summary by County

<i>County</i>	<i>Meals</i>	<i>Rooms</i>	<i>Alcohol</i>	<i>Tax</i>
Addison	\$ 23,735,739	\$ 9,242,048	\$ 3,770,562	\$ 3,345,820
Bennington	45,338,694	29,709,760	9,368,897	7,691,271
Caledonia	19,076,615	6,326,829	2,592,933	2,545,628
Chittenden	180,041,400	57,365,156	33,392,846	24,712,709
Essex/Orleans	17,871,201	8,076,487	2,927,106	2,628,010
Franklin/Grand Isle	25,413,879	8,563,492	3,549,738	3,412,939
Lamoille	38,570,393	46,095,918	8,775,486	8,497,525
Orange	12,584,882	3,664,058	1,744,563	1,636,864
Rutland	70,777,359	46,788,882	16,365,666	12,210,694
Washington	55,815,130	18,397,074	9,397,171	7,618,759
Windham	58,923,303	38,983,535	12,685,027	10,080,893
Windsor	54,089,319	46,308,284	11,337,236	10,169,771
Other	52,884,932			4,778,428
TOTAL REVENUES	\$ 655,122,846	\$ 319,521,523	\$ 115,907,230	\$ 99,329,311

FY 2004 Meals and Rooms Statistics - Summary by County

<i>County</i>	<i>Meals</i>	<i>Rooms</i>	<i>Alcohol</i>	<i>Tax</i>
Addison	\$ 25,531,421	\$ 9,987,611	\$ 4,144,066	\$ 3,614,615
Bennington	47,096,867	30,896,015	9,683,693	7,988,364
Caledonia	20,612,837	6,360,820	2,803,446	2,707,994
Chittenden	192,119,285	61,163,797	35,292,840	26,330,769
Essex/Orleans	18,642,438	8,555,128	3,031,404	2,751,120
Franklin/Grand Isle	27,350,680	9,014,931	3,826,932	3,646,438
Lamoille	38,945,754	44,308,840	8,673,380	8,361,126
Orange	13,013,822	4,044,301	1,620,820	1,697,320
Rutland	73,604,506	44,905,857	15,877,597	12,254,431
Washington	57,999,686	18,832,802	10,077,723	7,926,659
Windham	60,622,282	37,927,652	12,984,434	10,169,848
Windsor	56,192,996	46,529,110	11,830,179	10,427,900
Other	55,493,609			5,006,547
TOTAL REVENUES	\$ 687,226,183	\$ 322,526,864	\$ 119,846,513	\$ 102,883,131

2002 VERMONT PERSONAL INCOME TAX RETURNS – COUNTS

<i>AGI Income Class</i>	<i>Returns</i>	<i>Refunds</i>	<i>Exempt</i>	<i>Married Joint</i>	<i>Single</i>	<i>Married Separate</i>	<i>Head of Household</i>	<i>Civil Union Joint</i>	<i>Civil Union Separate</i>	<i>Other State Credits</i>	<i>VT Credits</i>	<i>Withheld</i>	<i>Estimate</i>	<i>Adjusted</i>	<i>No Tax</i>	<i>Earned Income Credit</i>
Negative	2,711	867	3,458	815	1,749	50	92	3	2	1	0	581	218	33	2,656	267
None/Missing	244	229	196	39	195	3	7	0	0	0	0	184	34	2	235	24
0.01 - 4999	28,996	19,982	19,792	2,222	25,140	246	1,377	1	10	31	1	18,167	873	309	25,705	4,660
5000 - 9999	27,518	20,657	28,890	3,224	21,435	400	2,438	7	14	517	2	19,538	1,222	871	14,497	7,248
10000 - 14999	25,644	19,001	36,645	4,819	16,783	476	3,543	3	20	589	0	18,868	2,032	1,143	8,011	5,477
15000 - 19999	24,997	19,647	38,550	5,634	15,325	464	3,543	3	28	531	1	20,390	2,445	1,193	3,214	5,056
20000 - 24999	23,772	19,253	38,539	5,871	13,902	531	3,440	5	23	518	0	20,673	2,260	942	1,169	5,124
25000 - 29999	20,490	16,279	35,137	5,844	11,292	487	2,837	6	24	513	2	18,191	2,163	762	564	4,221
30000 - 34999	17,012	12,983	32,024	6,048	8,505	371	2,045	10	33	482	2	15,238	2,026	661	325	1,524
35000 - 39999	14,575	10,535	29,920	6,654	6,159	234	1,491	10	27	465	0	13,208	1,947	575	225	0
40000 - 44999	13,090	9,036	29,193	7,178	4,507	183	1,188	14	20	478	2	11,899	1,873	524	171	0
45000 - 49999	11,502	7,756	27,511	7,271	3,199	111	886	16	19	435	1	10,497	1,746	409	140	0
50000 - 59999	19,668	13,167	50,492	14,558	3,970	157	914	45	24	816	3	18,056	3,198	630	217	0
60000 - 74999	22,237	14,207	61,164	18,651	2,673	141	684	74	14	1,107	7	20,506	3,979	717	191	0
75000 - 99999	19,310	10,055	55,807	17,022	1,781	81	367	55	4	1,182	14	17,656	4,304	688	177	0
100000 - 124999	7,624	3,601	22,463	6,839	571	26	154	32	2	568	10	6,914	2,328	315	64	0
125000 - 149999	3,659	1,547	10,440	3,223	336	16	74	8	2	345	8	3,180	1,366	181	36	0
150000 - 199999	3,379	1,338	9,939	2,968	316	14	73	7	1	408	8	2,838	1,562	152	36	0
200000 - 299999	2,192	757	6,599	1,969	166	13	39	5	0	362	10	1,780	1,213	102	30	0
300000 - 499999	1,073	345	3,030	916	123	8	23	3	0	212	15	817	701	48	22	0
500000 - 999999	416	141	1,193	350	52	6	8	0	0	122	4	274	307	35	10	0
1,000,000 +	194	74	508	159	27	4	4	0	0	78	8	128	166	10	5	0
State Total	290,303	201,457	541,490	122,274	138,206	4,022	25,227	307	267	9,760	98	239,583	37,963	10,302	57,700	33,601
Out of State	42,333	28,052	81,039	19,394	19,008	1,514	2,398	4	15	809	12	30,227	6,583	32,454	9,347	434
All Returns	332,636	229,509	622,529	141,668	157,214	5,536	27,625	311	282	10,569	110	269,810	44,546	42,756	67,047	34,035

2002 VERMONT PERSONAL INCOME TAX RETURNS – DOLLARS

<i>AGI Income Class</i>	<i>Returns</i>	<i>Adjusted Gross Income</i>	<i>Vermont Adjusted Gross Income</i>	<i>Vermont Tax</i>	<i>Adjusted Vermont Tax</i>	<i>Other State Credits</i>	<i>Vermont Credits</i>	<i>Net Vermont Tax</i>	<i>Earned Income Credit</i>
Negative	2,711	-101,292,455	0	34,266	34,266	9,661	0	24,605	18,727
None/Missing	244	0	0	1,061	1,061	0	0	1,061	1,378
0.01 - 4999	28,996	75,811,854	75,433,931	152,109	149,750	599	196	148,955	812,667
5000 - 9999	27,518	204,546,832	201,504,807	920,117	900,921	21,702	14	879,205	3,074,370
10000 - 14999	25,644	319,931,561	313,328,493	2,935,333	2,839,798	55,716	0	2,784,081	4,674,528
15000 - 19999	24,997	437,521,077	427,789,501	6,032,449	5,843,851	83,486	81	5,760,285	3,984,305
20000 - 24999	23,772	533,436,817	523,765,655	9,365,450	9,154,808	118,471	0	9,036,337	2,738,134
25000 - 29999	20,490	562,248,140	553,091,079	11,220,760	11,012,751	154,784	450	10,857,518	1,163,867
30000 - 34999	17,012	551,316,655	542,236,168	11,782,764	11,559,225	174,314	275	11,384,636	193,468
35000 - 39999	14,575	545,799,877	536,613,841	12,376,420	12,129,462	217,174	0	11,912,288	0
40000 - 44999	13,090	555,535,363	546,623,287	13,390,210	13,125,091	247,920	59	12,877,112	0
45000 - 49999	11,502	545,800,997	538,234,342	13,634,536	13,391,965	287,629	109	13,104,228	0
50000 - 59999	19,668	1,078,739,141	1,063,013,817	27,935,912	27,444,866	598,879	1,838	26,844,148	0
60000 - 74999	22,237	1,488,757,419	1,468,096,772	41,273,869	40,598,481	1,009,011	4,317	39,585,153	0
75000 - 99999	19,310	1,652,777,460	1,624,606,768	54,478,411	53,436,570	1,559,716	19,635	51,857,219	0
100000 - 124999	7,624	845,911,070	829,529,123	32,398,181	31,702,397	1,071,981	14,066	30,616,349	0
125000 - 149999	3,659	498,655,757	484,904,325	21,172,439	20,557,808	848,916	17,622	19,691,271	0
150000 - 199999	3,379	575,746,037	562,343,481	27,078,664	26,368,022	1,179,951	33,035	25,155,035	0
200000 - 299999	2,192	523,896,525	509,803,652	28,570,282	27,748,282	1,686,797	80,646	25,980,839	0
300000 - 499999	1,073	403,293,942	394,664,810	25,481,675	24,847,145	1,418,840	175,974	23,252,331	0
500000 - 999999	416	271,866,026	258,941,420	17,983,961	16,956,196	1,682,823	93,560	15,179,813	0
1,000,000 +	194	504,589,753	495,903,131	33,886,649	32,556,748	3,926,328	529,261	28,101,159	0
State Total	290,303	12,074,889,848	11,950,428,404	392,105,518	382,359,464	16,354,699	971,138	365,033,627	16,661,444
Out of State	42,333	9,523,323,276	3,828,526,116	608,770,197	36,403,108	1,134,344	182,410	35,086,354	119,437
All Returns	332,636	21,598,213,124	15,778,954,520	1,000,875,715	418,762,572	17,489,043	1,153,548	400,119,981	16,780,881

2002 SCHOOL PROPERTY TAX ADJUSTMENTS - CLAIMS PAID AS OF DECEMBER 1, 2003

<i>Household Income Class</i>	<i>Number of Applications</i>	<i>Average Household Income</i>	<i>Median Equalized Homestead Value</i>	<i>Homestead School Tax</i>		<i>Adjusted Homestead School Tax</i>		<i>Reduction in Homestead School Tax (State and Local)</i>		<i>Percent School Tax Relieved</i>
				<i>Average State</i>	<i>Average Local</i>	<i>Average State</i>	<i>Average Local</i>	<i>Average</i>	<i>Total</i>	
0 - 9,999	4,335	6,630	72,214	885.52	492.89	124.01	68.18	1,186.19	5,142,129	86.1%
10,000 - 19,999	12,687	15,365	80,039	941.91	527.21	283.72	158.31	1,027.09	13,030,685	69.9%
20,000 - 29,999	17,538	25,149	87,710	1,030.76	573.41	451.91	251.33	900.93	15,800,425	56.2%
30,000 - 39,999	18,786	35,011	95,347	1,128.20	633.08	615.16	345.64	800.48	15,037,866	45.4%
40,000 - 47,000	12,618	43,414	102,652	1,211.15	685.91	741.94	422.25	732.87	9,247,366	38.6%
47,001 - 59,999	19,158	53,273	111,032	1,303.72	744.08	887.84	508.41	651.54	12,482,262	31.8%
60,000 - 69,999	11,193	64,721	122,219	1,435.51	824.75	1,049.19	604.75	606.32	6,786,543	26.8%
70,000 - 74,999	4,115	72,367	129,971	1,539.36	885.55	1,158.92	666.42	599.57	2,467,249	24.7%
75,000 - 88,000	2,859	80,331	185,494	2,258.55	1,304.88	2,123.30	1,226.24	213.89	611,519	6.0%
Grand Total	103,289	40,108	100,738	1,202.25	680.53	702.62	399.75	780.39	80,606,044	41.4%
<i>Type of Adjustment</i>										
HS Exemption (HEV)	36,920	46,603	70,889	773.18	433.06	612.13	344.08	250.00	9,230,133	20.7%
Income (HIP)	63,510	34,522	118,828	1,404.12	796.28	691.27	394.91	1,114.22	70,764,392	50.6%
Over 75,000	2,859	80,331	185,494	2,258.55	1,304.88	2,123.30	1,226.24	213.89	611,519	6.0%

2002 HOMEOWNER REBATES - CLAIMS PAID AS OF DECEMBER 1, 2003

Household Income Class	Number of Applications	Average Household Income	Median Equalized Homestead Value	State and Local Homestead School Tax		Average Rebate Eligible Taxes		Homeowner Rebate		Percent Tax Relieved	
				Average Total	Average Adjusted	Municipal	Adjusted School + Municipal	Average	Total	School Tax	Remaining Taxes
0 - 9,999	4,008	6,576	76,370	1,388.62	524.53	543.79	1,068.31	725.46	2,907,653	62.2%	67.9%
10,000 - 19,999	10,155	15,212	86,061	1,541.65	694.68	645.02	1,339.71	603.91	6,132,743	54.9%	45.1%
20,000 - 29,999	10,442	24,731	98,638	1,810.06	1,025.63	763.63	1,789.26	577.58	6,031,119	43.3%	32.3%
30,000 - 39,999	7,295	34,713	114,874	2,160.07	1,432.07	891.12	2,323.20	566.49	4,132,568	33.7%	24.4%
40,000 - 47,000	3,500	43,284	131,354	2,516.37	1,789.37	1,004.94	2,794.31	611.80	2,141,283	28.9%	21.9%
Grand Total	35,400	23,836	99,968	1,827.31	1,033.23	754.85	1,788.07	602.98	21,345,365	43.5%	33.7%

2002 RENTER REBATES - CLAIMS PAID AS OF DECEMBER 1, 2003

Household Income Class	Number of Applications	Average Household Income	Average Allowable Rent for Taxes	Average Renter Rebate	Total Renter Rebate	Percent Equivalent Tax Relieved
0 - 9,999	2,806	7,343	761	469	1,315,864	61.6%
10,000 - 19,999	4,869	14,859	1,193	524	2,551,642	43.9%
20,000 - 29,999	2,636	23,884	1,623	506	1,333,243	31.2%
30,000 - 39,999	684	33,846	2,202	510	348,918	23.2%
40,000 - 47,000	136	42,880	2,780	636	86,538	22.9%
Grand Total	11,131	16,611	1,267	506	5,636,205	40.0%

2003 VERMONT PERSONAL INCOME TAX RETURNS – COUNTS

AGI Income Class	Returns	Exempt	Married Joint	Single	Married Separate	Head of Household	Civil Union Joint	Civil Union Separate	Other State Credits	VT Credits	Withheld	Estimate	Adjusted	No Tax	Earned Income Credit
Negative	3,877	5,024	1,192	2,479	70	130	2	4			868	253	57	3,807	345
None/Missing	258	209	39	211	4	4					214	24	1	252	32
0.01 - 4999	28,409	20,666	2,387	24,423	204	1,389	1	5	53		18,109	687	338	25,897	4,962
5000 - 9999	27,375	28,768	3,271	21,468	353	2,269	1	13	556		19,488	959	905	15,110	7,510
10000 - 14999	24,894	35,056	4,583	16,689	365	3,232	9	16	548		18,605	1,597	1,090	8,025	5,648
15000 - 19999	24,653	38,300	5,670	15,068	467	3,425	6	17	484	1	20,271	2,018	1,132	4,479	5,067
20000 - 24999	23,102	37,523	5,713	13,454	459	3,445	8	23	502		20,087	2,016	908	1,549	5,125
25000 - 29999	20,413	34,761	5,768	11,375	426	2,806	9	29	480	1	18,178	2,068	791	639	4,300
30000 - 34999	17,073	31,548	5,854	8,747	361	2,068	11	32	483	3	15,409	1,902	671	361	1,731
35000 - 39999	14,629	29,490	6,357	6,368	281	1,584	17	22	437	1	13,252	1,901	545	229	
40000 - 44999	12,867	28,286	6,742	4,678	177	1,225	24	21	465		11,668	1,675	511	197	
45000 - 49999	11,463	26,825	6,982	3,374	118	953	16	20	493	4	10,421	1,678	440	162	
50000 - 59999	19,414	49,276	14,097	4,009	184	1,063	40	21	889	3	17,854	2,994	634	231	
60000 - 74999	22,463	61,220	18,618	2,877	144	724	79	21	1,093	8	20,866	3,838	716	195	
75000 - 99999	20,718	59,344	18,302	1,845	89	393	83	6	1,238	17	19,030	4,417	709	197	
100000 - 124999	8,118	23,547	7,218	673	35	155	34	3	618	5	7,299	2,346	317	88	
125000 - 149999	3,974	11,571	3,476	371	17	91	17	2	401	10	3,469	1,439	175	43	
150000 - 199999	3,667	10,653	3,233	321	26	83	4		392	8	3,116	1,658	166	43	
200000 - 299999	2,322	6,762	2,027	220	22	46	5	2	393	7	1,901	1,277	88	34	
300000 - 499999	1,145	3,221	978	132	8	24	2	1	225	7	897	675	41	14	
500000 - 999999	463	1,285	396	54	5	8			146	10	322	334	29	6	
1,000,000 +	228	610	193	29	2	4			90	8	156	193	12	6	
State Total	291,525	543,945	123,096	138,865	3,817	25,121	368	258	9,986	93	241,480	35,949	10,276	61,564	34,720
Out of State	43,682	83,778	20,137	19,514	1,521	2,477	14	19	772	17	31,132	6,654	33,414	10,116	382
All Returns	335,207	627,723	143,233	158,379	5,338	27,598	382	277	10,758	110	272,612	42,603	43,690	71,680	35,102

2003 VERMONT PERSONAL INCOME TAX RETURNS – DOLLARS

<i>AGI Income Class</i>	<i>Returns</i>	<i>Adjusted Gross Income</i>	<i>Vermont Adjusted Gross Income</i>	<i>Vermont Tax</i>	<i>Adjusted Vermont Tax</i>	<i>Other State Credits</i>	<i>Vermont Credits</i>	<i>Net Vermont Tax</i>	<i>Earned Income Credit</i>
Negative	3,877	-121,840,959	-121,840,959	71,804	32,274			32,274	19,702
None/Missing	258			619	619			619	1,863
0.01 - 4999	28,409	75,120,962	74,709,816	132,942	130,644	12,359		118,285	853,777
5000 - 9999	27,375	203,322,224	200,237,582	861,095	842,554	22,208		820,346	3,076,857
10000 - 14999	24,894	310,431,110	304,182,805	2,796,517	2,711,642	52,520		2,659,122	4,721,693
15000 - 19999	24,653	431,342,827	422,764,962	5,625,423	5,452,492	75,303	175	5,377,015	4,185,611
20000 - 24999	23,102	519,157,473	510,116,172	8,719,236	8,528,672	114,156		8,414,517	2,801,036
25000 - 29999	20,413	560,569,080	551,131,399	10,820,729	10,598,446	137,443	80	10,460,924	1,245,389
30000 - 34999	17,073	553,149,484	544,320,329	11,527,005	11,314,651	176,028	182	11,138,441	251,294
35000 - 39999	14,629	548,261,936	539,968,528	12,117,197	11,889,843	195,899	37	11,693,907	
40000 - 44999	12,867	546,153,570	537,262,971	12,833,440	12,584,092	264,868		12,319,224	
45000 - 49999	11,463	544,236,410	536,433,938	13,395,363	13,158,252	320,128	1,190	12,836,934	
50000 - 59999	19,414	1,065,134,454	1,049,509,223	27,069,931	26,576,670	653,033	2,904	25,920,733	
60000 - 74999	22,463	1,505,263,545	1,483,735,080	41,000,243	40,288,136	987,165	4,515	39,296,456	
75000 - 99999	20,718	1,776,219,824	1,747,617,466	57,934,605	56,876,630	1,587,926	13,945	55,274,759	
100000 - 124999	8,118	900,276,053	883,653,721	34,378,170	33,670,751	1,126,538	2,689	32,541,524	
125000 - 149999	3,974	541,693,222	529,654,035	22,739,396	22,164,314	921,797	9,039	21,233,478	
150000 - 199999	3,667	625,979,420	611,430,015	29,307,325	28,485,152	1,208,552	17,151	27,259,449	
200000 - 299999	2,322	555,002,108	543,752,037	30,049,491	29,321,831	1,597,150	16,174	27,708,507	
300000 - 499999	1,145	426,220,925	418,203,912	26,781,387	26,216,528	1,575,925	62,837	24,577,766	
500000 - 999999	463	306,440,409	293,314,739	20,796,649	19,769,153	1,859,705	173,218	17,736,231	
1,000,000 +	228	457,031,406	445,098,272	32,600,353	31,636,171	4,096,396	549,751	26,990,024	
State Total	291,525	12,329,165,483	12,105,256,043	401,558,920	392,249,520	16,985,097	853,887	374,410,536	17,157,222
Out of State	43,682	9,596,569,950	2,485,605,093	715,884,873	41,981,796	1,341,103	30,738	40,609,954	121,580
All Returns	335,207	21,925,735,433	14,590,861,136	1,117,443,793	434,231,316	18,326,200	884,625	415,020,490	17,278,802

2003 SCHOOL PROPERTY TAX ADJUSTMENTS - CLAIMS RECEIVED AS OF DECEMBER 17, 2004

<i>Household Income Class</i>	<i>Number of Filers</i>	<i>Filers with Extra Acreage</i>	<i>Average Household Income</i>	<i>Median Equalized Homestead Value</i>	<i>Homestead School Tax</i>		<i>Reduction in Homestead School Tax</i>				<i>Percent School Tax Relieved</i>
					<i>Average Total</i>	<i>Average Adjusted</i>	<i>Average</i>	<i>Base</i>	<i>Extra Acreage</i>	<i>Total</i>	
0 - 9,999	4,518	1,457	6,597	79,416	1,259.40	144.52	1,114.89	4,974,934	62,120	5,037,054	88.5%
10,000 - 19,999	12,857	3,432	15,373	86,254	1,319.45	353.59	965.87	12,273,968	144,170	12,418,138	73.2%
20,000 - 29,999	17,430	4,749	25,159	94,687	1,436.43	570.31	866.12	14,900,339	196,160	15,096,499	60.3%
30,000 - 39,999	18,580	5,108	35,018	102,572	1,566.61	786.10	780.51	14,294,701	207,150	14,501,851	49.8%
40,000 - 47,000	12,533	3,528	43,473	111,614	1,703.80	965.30	738.50	9,110,597	145,040	9,255,637	43.3%
47,001 - 59,999	13,223	4,325	53,180	139,958	2,187.81	1,348.47	839.34	10,922,216	176,330	11,098,546	38.4%
60,000 - 69,999	7,181	2,374	64,664	159,024	2,493.96	1,649.90	844.06	5,964,025	97,200	6,061,225	33.8%
70,000 - 74,999	2,612	939	72,419	174,363	2,753.39	1,845.56	907.82	2,333,076	38,160	2,371,236	33.0%
75,000 - 88,000	3,867	1,396	80,632	191,133	3,032.43	2,840.05	192.38	687,045	56,890	743,935	6.3%
Grand Total	92,801	27,308	38,038	116,666	1,766.25	940.99	825.25	75,460,901	1,123,220	76,584,121	46.7%
Type of Adjustment											
HS Exemption (HEV)	15,302	3,229	32,394	50,851	699.42	491.57	207.84	3,046,080	134,340	3,180,420	29.7%
Income (HIP)	73,632	22,683	36,974	125,211	1,921.45	934.66	986.80	71,727,776	931,990	72,659,766	51.4%
Over 75,000	3,867	1,396	80,632	191,133	3,032.43	2,840.05	192.38	687,045	56,890	743,935	6.3%

2003 HOMEOWNER REBATES - CLAIMS RECEIVED AS OF DECEMBER 17, 2004

Household Income Class	Number of Applications	Average Household Income	Median Equalized Homestead Value	State and Local Homestead School Tax		Average Rebate Eligible Taxes		Homeowner Rebate		Percent Tax Relieved	
				Average Total	Average Adjusted	Municipal	Adjusted School + Municipal	Average	Total	School Tax	Remaining Taxes
0 - 9,999	4,329	6,529	81,619	1,487.09	551.59	562.41	1,114.00	767.79	3,323,761	62.9%	68.9%
10,000 - 19,999	10,666	15,196	91,309	1,645.13	735.64	668.70	1,404.33	660.86	7,048,772	55.3%	47.1%
20,000 - 29,999	10,981	24,770	106,035	1,931.30	1,081.93	786.66	1,868.59	647.33	7,108,319	44.0%	34.6%
30,000 - 39,999	7,907	34,774	123,670	2,280.01	1,491.34	917.16	2,408.49	641.14	5,069,529	34.6%	26.6%
40,000 - 47,000	3,960	43,360	139,277	2,615.04	1,855.90	1,038.13	2,894.03	704.21	2,788,687	29.0%	24.3%
Grand Total	37,843	24,021	107,170	1,944.24	1,090.19	781.34	1,871.53	669.58	25,339,068	43.9%	35.8%

2003 RENTER REBATES - CLAIMS RECEIVED AS OF DECEMBER 17, 2004

Household Income Class	Number of Applications	Average Household Income	Average Allowable Rent for Taxes	Average Renter Rebate	Total Renter Rebate	Percent Equivalent Tax Relieved
0 - 9,999	2,863	7,291	757.96	468.08	1,340,118	61.8%
10,000 - 19,999	4,877	14,865	1,230.68	561.81	2,739,934	45.6%
20,000 - 29,999	2,823	24,054	1,665.79	535.94	1,512,950	32.2%
30,000 - 39,999	812	34,010	2,234.78	534.33	433,873	23.9%
40,000 - 47,000	150	42,570	2,856.65	728.15	109,223	25.5%
Grand Total	11,525	16,944	1,311.74	532.42	6,136,097	40.6%

PROPERTY TAX PREBATES AND REBATES HISTORICAL SUMMARY

<i>Tax Year</i>	<i>Act 60 School Tax Benefit Claims</i>	<i>Act 60 School Tax Benefit Total Amounts</i>	<i>Homeowner Rebate Claims</i>	<i>Homeowner Rebate Total Amount</i>	<i>Renter Rebate Claims</i>	<i>Renter Rebate Total Amount</i>	<i>Total Claims</i>	<i>Total Benefit Amount</i>
1998	109,046	56,801,515 ¹	23,184 ²	9,843,485 ²	12,085 ^{3,4}	5,472,448 ^{3,4}	121,131	72,117,458
1999	114,954	57,606,156	28,356	8,462,982	11,620	5,257,244	126,574	71,326,382
2000	108,276	57,722,398	29,739	9,435,798	10,324	4,704,796	118,600	71,862,992
2001	112,792	65,723,062	34,464	12,044,504	10,406	4,866,323	123,198	82,633,889
2002	103,289	80,606,044	35,400	21,345,365 ⁵	11,131	5,636,205	114,420	107,587,614
2003	92,801	76,584,121	37,843	25,339,068	11,525	6,136,097	104,326	108,059,286

¹ In 1998 there was no reconciliation of the Act 60 prebate, so this total is just the prebate amount.

² Includes 3,123 claims and an estimated \$2,047,831 in rebates that could have come from the Act 60 school tax benefit program had the taxpayers applied.

³ Includes 1,246 mobile home owners with a total rebate of \$486,447 grouped with renters. Mobile home owners are grouped with homeowners in subsequent years.

⁴ Includes 460 mobile home owner claims and an estimated \$102,968 in rebates that could have come from the Act 60 school tax benefit program.

⁵ Starting in 2002, calculation of the Homeowner Rebate amount was decoupled from the decision to apply for school property tax adjustments (“prebates”). If a prebate had been issued the previous year, the amount claimed for school and municipal taxes was reduced by that benefit.

HOMEOWNER AND RENTER REBATE HISTORICAL SUMMARY

<i>FY</i>	<i>Amount</i>	<i>% Change</i>	<i>Historical Notes:</i>
1969	-0-		
1970 ^a	589,301	--	^a Rebate program enacted January 1, 1970, for over age 65 homeowners and renters.
1971	534,590	-9.3	
1972	816,084	52.7	^b Increased credit and included under age 65 taxpayers.
1973	764,129	-6.4	
1974 ^b	2,445,911	220.1	^c Eligibility requirements changed to allow household income up to \$31,999, and maximum refund increased from \$500 to \$750.
1975	4,178,525	111.7	
1976	6,326,410	22.2	
1977	7,121,040	12.6	^d Eligibility requirements changed to unlimited household income. Renters allowed to claim 24% of their rent versus 20 percent, and no maximum on amount of homeowner and renter rebates.
1978	7,739,880	8.9	
1979	7,802,465	.8	
1980	7,900,291	1.3	^e Household income exclusion of social security/self-employment tax on earned income up to \$8,000.
1981	7,894,696	-.1	
1982	7,643,187	-3.2	
1983	5,668,003	-34.8	^f Exclusion of all social security/self-employment tax from household income calculation.
1984	5,469,386	-3.6	
1985	5,441,745	-1.0	
1986 ^c	6,762,035	24.3	^g Eligibility requirements changed to allow household income up to \$60,000 and maximum rebate set at \$2,000. Landlord Certificates of Rent Paid required for renters claims.
1987 ^d	12,992,965	92.1	
1988 ^e	11,084,281	-14.7	
1989 ^f	13,726,944	23.8	
1990	20,850,708	51.5	^h Maximum rebate set at \$1,350. 1990 rebates to claimants under age 62 paid at 90%. Property Tax Credit Certificate Program allowed to homeowners aged 62 or older. Rent equivalency changed to 20% and household income eligibility changed to allow up to \$45,000 effective January 1, 1991.
1991 ^g	21,201,273	1.7	
1992 ^h	23,315,785	10.0	
1993 ⁱ	23,307,707	0.0	
1994	24,882,801	6.8	
1995	25,303,055	1.7	
1996	32,498,686	28.4	ⁱ Claimants under age 62 paid at 96%.
1997	34,558,853	6.3	

*A yearly detail of property tax rebate claims can be found on the Department website at:
<http://www.state.vt.us/tax/pdf.word.excel/legal/biennial/2002/biennial2002%20pages62-74.doc>*

KEY PERSONNEL

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Ellen Tofferi, Deputy Commissioner
Molly Bachman, General Counsel
Leo V. Clark, Business Manager
Lorna Carty, Personnel Administrator

Compliance Division - 802.828.2518

Brenda Vovakes, Director
Judith Lambert, Tax Collections Supervisor
Marshall Wheelock, Tax Field Examinations Supervisor
Thomas Phillips, Tax Field Examinations Supervisor
Doug Bessette, Tax Motor Fuels Audit Supervisor
Dennis Gray, Tax Office Examinations Supervisor

Information Systems Division

Robert C.H. Burnett, Sr., Systems Developer
Shawn Kasulka, Systems Developer

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Theresa Knight, Operations Chief
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Property Transfer Tax Information - 802.828.2542
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Return And Revenue Processing

Floyd Dickinson, Director

Taxpayer Services Division

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Business Tax Assistance - 802.828.2551
Refund Status - 1.866.828.2865
TDD - 1.800.253.0191
Forms Orders - 802.828.2515

MAILING ADDRESSES

Income Tax

Payments
VT Department of Taxes
PO Box 1779
Montpelier, VT 05601-1779

Refund, No Balance Due or
No Payment
VT Department of Taxes
PO Box 1881
Montpelier, VT 05601-1881

Business Trust Taxes
(Sales & Use, Meals & Rooms,
Employer Withholding)
VT Department of Taxes
PO Box 547
Montpelier, VT 05601-0547

Payment Plan Requests
VT Department of Taxes
Attn: Compliance
PO Box 429
Montpelier, VT 05601-0429

Property Valuation & Review
Division
VT Department of Taxes
Property Valuation & Review
PO Box 1577
Montpelier, VT 05601-1577

VT Map Program
(Orthophoto Maps)
VT Department of Taxes
Mapping Program
43 ½ Randall Street
Waterbury, VT 05676-1512

All Other Tax Returns and
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VT Department Of Taxes
109 State Street
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