

# Vermont Society of Certified Public Accountants

2020 Legislative Update

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*Copies of Bills: Access the Legislative Website at [www.leg.state.vt.us](http://www.leg.state.vt.us)*

The Legislature's path to a June recess is becoming a little clearer as the focus and activity on must-pass money bills and COVID-19 response measures increases. Legislative leaders will look to move these by the end of the next couple of weeks, recess until mid-August, and return for a six-week session to pick up where they left off. Importantly, legislative leaders hope to then have the benefit of time and new revenue forecasts to help pass the remaining legislation and further respond to COVID-19.

The primary bills currently receiving attention include the following:

1<sup>st</sup> Quarter FY21 Budget – [H.961](#) was introduced by the House Appropriations Committee and received preliminary approval by the House last Friday. Passage in the House is expected this Tuesday and then the Senate is expected to make quick work of it. The bill appropriates money for only the 1<sup>st</sup> Quarter of FY21 based largely on FY20 appropriation levels. While most agencies are appropriated approximately 25% there are some, such as Transportation and Natural Resources that are receiving more upfront to reflect the construction and outdoor season. No cuts are proposed in this budget bill but are being withheld for the latter FY21 budget bill. Budget writers are hoping for a few things: clarity from updated revenue forecasts in July; additional flexibility from the US Treasury on use of CARES Act funds; and additional federal appropriations to states and municipalities facing budget impacts as a result of COVID-19.

CARES Act Funding – Vermont received \$1.25 billion from Washington to assist in COVID-19 response measures. While the Administration has already spent a portion of that, the lion's share is being discussed by the Governor and the Legislature. The Governor has proposed a [\\$400 million economic package](#) aimed primarily at those businesses mainly impacted by forced closures, as well as significant housing assistance for landlords and tenants. The Governor is also developing a [separate \\$375 million package to stabilize the health care system](#). A move is currently underfoot in the Legislature to [fast-track a \\$70 million business recovery and approximate \\$23 million housing bill](#) to the Governor by this Friday using a portion of the \$400 million targeted for this purpose. The remaining balance, or some portion thereof, will follow soon thereafter.

Legislative leaders, however, have decided to withhold \$400 million from the \$1.25 billion total until the August session. The idea is to again have the benefit of time to help make wiser decisions on COVID-19 response measures but also potentially use that money to address State deficits should guidance from Treasury change to allow that. The Speaker sent a letter last week to each House Committee identifying their share of Phase I and II CARES Act funding with the requirement to get their recommendations to the Appropriations Committee by mid this week. This effort is taking virtually all of House Committee time, as well as most in the

Senate. A bill(s) will then be developed and acted on separately. The withholding of this portion, however, may create some friction with the Governor and his Administration.

The fast-track economic recovery bill has two elements for businesses. The first is \$50,000,000 appropriated to the Department of Taxes to provide grants to eligible businesses as defined in the bill. Eligible businesses may apply for a grant if:

- The business is:
  - a vendor registered to collect sales and use tax; or
  - an operator registered to collect meals and rooms tax, but this does not include operators who are only operators because they conduct business as a booking agent
- The business files its sales and use or meals and room taxes on a monthly or quarterly basis.
- The business experienced a 75 percent or greater reduction in total sales in any one-month period from March 1, 2020 to September 1, 2020 as compared to the same one month period from March 1, 2019 to September 1, 2019

The Department of Taxes is directed to establish a formula for determining the amount of grant awards, which shall include a maximum grant amount. The Department is also directed to consider whether and by how much grant awards should be adjusted based on whether an applicant has received financial assistance from other sources.

The second is \$20,000,000 appropriated to the Agency of Commerce and Community Development to provide grants to eligible businesses, in coordination with the Department of Taxes. These are businesses that do not pay trust taxes like in the previous element.

- The Agency shall identify local, regional, and State economic development organizations with whom it may partner to most efficiently distribute grants.
- An eligible business may apply for a grant for an eligible use if the business experienced a 75 percent or greater reduction in revenue in any one-month period from March 1, 2020 to September 1, 2020 as compared to the same one month period from March 1, 2019 to September 1, 2019.

The Agency shall establish a formula for determining the amount of grant awards, which shall include a maximum grant amount. The Agency shall consider whether and by how much grant awards should be adjusted based on whether an applicant has received financial assistance from another source.

Education Finance – Similar to the initial FY21 budget bill, the Legislature is moving forward with a bill, [H.959](#), setting the property tax rates and yields to support K-12 education funding largely based on decisions made by school districts before the pandemic. In addition, the bill allows the Education Fund in FY21 to incur a deficit and lays out mechanisms to retire that deficit, including use of federal funds and use of reserves, borrowing, and more. The bill authorizes the State Treasurer to use Inter-Fund loan borrowing to manage the deficit, and requires it be repaid no later than 6/30/26. With a looming FY21 Education Fund deficit of \$156 million, putting all of that on property taxes would result in a 22-cent increase. The House has passed the bill and the Senate now gets its turn.

Municipal Assistance – The Senate is poised to consider this week [S.349](#), a bill introduced by the Senate Appropriations Committee last week. The bill proposes to appropriate \$16 million from the federal CARES Act dollars to fund reimbursement of expenses incurred by local government in response to the COVID-19. The lion's share, \$14.85 million is set aside for cities and towns in grants for reimbursement of eligible COVID-19 expenses. Grants are not to exceed \$25.00 per person, provided that any recipient with expenses that exceed \$25.00 per person and \$25,000.00 in total shall receive a minimum payment of \$25,000.00. The Secretary of Administration is to develop grant guidelines for determining eligibility of COVID-19 expenses and requirements for municipalities.

Other must-pass bills, such as the transportation budget bill and capital appropriations and bonding bill, will also be moving forward over the next couple of weeks. There will no doubt be a smattering of other bills also moving forward but the vast majority are these must-pass budget or COVID-related measures.

I'll continue to follow these and other issues as the session progresses. Please do not hesitate to reach out with any questions or comments. Thanks.