



Week 15 - April 23, 2021

THE VERMONT **STATEHOUSE INSIDER**

Weekly politics & analysis
of the issues in Montpelier



END IN SIGHT?

The Senate Appropriations Committee worked through the week to finalize the FY2022 budget. The committee hoped to approve the bill - H.439 - by Friday but delays in Senate policy committees on a variety of bills that include appropriations resulted in the vote being pushed to Monday, April 26. Once the Senate Appropriations Committee approves the budget it will go to the Senate floor. After the budget passes the full Senate a conference committee will be appointed for the House and Senate to reconcile their respective versions of the bill. When the budget goes to conference, it usually indicates there are two to three weeks until the end of the legislative session. Legislative leaders have set a goal of adjourning

in the middle of May, which should be achievable under the current timeline although it could be closer to Memorial Day when all is said and done.

The Senate Appropriations Committee has approved spending for many big ticket items including the state's transportation and capital programs, emergency housing and childcare funding. The committee has also made most decisions relating to the baseline budget. There are still major decisions to be made relating to the allocation of American Rescue Plan Act (ARPA) dollars for funding higher education, economic development, economic recovery grants, broadband buildout and other large expenditures.

T-BILL

This week the Senate Transportation Committee voted 5-0 to advance H.433, An act relating to the Transportation Program and miscellaneous changes to laws related to transportation. The bill contains the Agency of Transportation annual budget for road and other projects as well as amendments to a number of AOT programs, including a number of EV sales incentive programs. Here is a [side-by-side summary of H.433](#) as it passed the House and the Senate Transportation Committee. The bill was approved by the Senate Appropriations Committee and referred to the Senate Finance Committee on Friday.

DIRECT-TO-CONSUMER MOTOR VEHICLE SALES (S.47)

This week two committees took up S.47, the bill that proposes to allow a “non-franchised zero emissions motor vehicle manufacturer” like Tesla, to become a registered dealer with DMV to sell vehicles and directly own and operate a warranty and service center in Vermont and also contains provisions that strengthen the franchise law to prevent an OEM manufacturer from competing against its dealers. First, the House Commerce and Economic Development Committee reviewed the bill's franchise sections. The Alliance of Automotive

Innovation, after getting no traction on an amendment offered last week to allow **all ZEV manufacturers** to sell their vehicles directly to Vermonters, this week had GM testify to raise new objections focusing on the ban on manufacturers offering subscription programs and selling their parts at retail in Vermont. The House Commerce and Economic Development Committee did not have time to take a full review of the issue so they [adopted an amendment](#) that was identical to the Senate-passed bill except it delayed by one year the ban on manufacturers offering subscription programs or selling their parts at retail in Vermont. On Thursday, the House Transportation Committee, which has possession of S.47, had a lengthy discussion about what to do with the bill. Many House Transportation Committee members believe the franchise sections are not within their committee's jurisdiction and they were uncomfortable passing them without a full review by the House Commerce and Economic Development Committee, others wanted to table the bill until next year and others want to pass only the direct-to-consumer manufacturer provisions. It is unclear at this time what the committee will do with the bill. The committee is scheduled to take up S.47 next Tuesday afternoon.

MISCELLANEOUS TRANSPORTATION BILL

The House Transportation Committee voted Friday to advance S.86, An act relating to miscellaneous changes to laws related to vehicles and vessels. The bill makes miscellaneous changes to Vermont's transportation laws including to in-transit plates, registrations, and motorboats among many others. [Here is a link](#) to the House Transportation Committee version of the bill. The bill will likely be up for action next week on the remote House floor.

PPP TAX

H.315, an economic relief bill enacted last week, includes a provision that would require Paycheck Protection Program (PPP) loans forgiven in tax-year 2021 to be treated as regular income making them subject to state income tax. Last weekend Governor Phil Scott allowed the bill to become law without his signature but publicly opposed the PPP tax provision. He released a statement calling on the

legislature to fix the measure by conforming with federal treatment of the forgiven loans. On Tuesday, the Senate Finance Committee took testimony from businesses and trade associations across sectors, all strongly opposing the measure and asking for a correction before adjournment. A letter was also submitted to the legislature from over 50 organizations, consisting of business and trade associations as well as groups representing the non-profit and medical sectors asking the legislature to reverse course and to conform with federal treatment of the forgiven loans. The intent of the federal PPP program was to provide non-taxable grants to businesses struggling from the economic impacts of the COVID-19 pandemic. By the very nature of the program, these forgiven loans had to be spent on eligible expenses such as payroll in order to be forgiven. Businesses testified this week that they do not have the money in reserve to pay the tax and that imposing it after the fact is unworkable and unfair as nobody planned for this requirement. It's unclear when the legislature will make this correction, if they correct it at all.

CLOUD TAX

Senate leaders this week indicated that they are unlikely to endorse changes the House made to S.53 - a bill that would exempt feminine hygiene products from the sales tax - during the 2021 session. S.53 passed the Senate earlier in the year but was - in the words of Senate President Becca Balint (D - Windham)- turned into a "tax Christmas tree adorned with many baubles" by the House Ways and Means Committee. The committee added a number of significant tax changes, including a tax on cloud software and services, changes to the corporate income tax structure and a provision exempting the first \$10,000 of military pensions from the income tax. In addition to Senator Balint's remarks, Senate Finance Committee Chair Ann Cummings (D - Washington) has also indicated that her committee is unlikely to look seriously at the House changes in 2021. The Senate still strongly supports the original intent of S.53 and will likely move the bill without the other changes or find another vehicle for the hygiene products exemption language.