

VBA 2024 Legislative Report Week 16

The final gavel fell on the 2024 Legislative session in the early hours of Saturday, May 11th.

Final at least for the moment! Lawmakers are expected to return to Montpelier on June 17th & 18th for a veto session – as a number of priority bills are expected to be vetoed by Governor Scott. Those bills include the annual education fund “Yield Bill,” the housing/Act 250 bill, the overdose prevention center bill, the renewable energy standard bill and others. In the meantime, leadership will be working to ensure enough votes (2/3) to override any veto.

MISCELLANEOUS ALCOHOL BILL

The miscellaneous alcohol bill, H.867, was passed by the House and Senate and will be sent to the Governor for his signature in the next week or so. The [final version](#) of the bill includes the following provisions:

Special Venue Serving Permits. Sections 1-4 expand access to special venue serving permits. Under current law, a special venue serving permit may be granted to an art gallery, bookstore, public library or museum after receiving approval from the local control commission and paying a fee. A special venue serving permit authorizes the holder to serve (not sell) beer, wine or RTDs, purchased directly from a retailer. This proposal replaces the word “bookstore” with “retail establishment” thereby expanding the types of retailers that can access this type of permit. “Retail establishment” *excludes* cannabis stores and 802 stores. In addition, special venue permits are limited to 12 permits/year/location and limited to 6 hours in duration. The addition of “retail establishments” will sunset in two years (2026) so that lawmakers can evaluate whether they want this practice to continue.

Sampling Event Permit. Section 5 allows a sampling event permit holder (used to be called a Festival Permit) to purchase invoiced volumes of alcoholic beverages from wholesale dealers. Under current law, a sampling event permit holder is allowed to purchase invoiced volumes of malt beverages directly from a manufacturer or packager. This change allows a permit holder, like the VBA, to purchase beer directly from a wholesale dealer, in addition to a manufacturer or a packager.

Special Event Permits. Section 6 increases the limit on special event permits that may be acquired by an individual licensee from 10 to 20. Under current law, a manufacturer is allowed to be issued up to 10 special event permits for the same physical location in a year. Each permit is good for the duration of the event or up to 4 days. A special event permit is a permit granted to a licensed manufacturer or rectifier and allows them to sell alcoholic beverages manufactured by the permit holder by the glass or unopened bottle

within the confines of the special event. A special event permit also allows the manufacturer to serve or sell glasses of beverages in quantities of not more than two ounces per product and eight ounces total of malt beverages, vinous beverages, or ready-to-drink spirits beverages and not more than one ounce in total of spirits or fortified wines to each individual. This proposal increases the number of special event permits a manufacturer is allowed to obtain in a year at a specific location from 10 to 20.

Liquor and Lottery Annual Report. Sec. 7 changes the month from January to March on which the DLL annual report is due to be delivered to the legislature.

Liquor Liability Insurance. Sec. 8 extends the date by which liquor licensees are required to have liability insurance from July 1, 2024 to July 1, 2026. This change is intended to allow time for the liability insurance markets to (hopefully) respond to changes made to Vermont dram shop laws in 2023 that were intended to reduce risk exposure and lower policy rates.

Retail Master License Report Sec. 9 requests DLL to report back next year regarding the creation of a retail master license that can be granted to a person that acts as the parent corporation for licensed retail dealers or manufacturers that have merged. The report will include a proposal for legislation to create the license and an appropriate license fee.

Tobacco Retail Audit Sec. 10 requires DLL to collect comprehensive data during their regular audit of tobacco retailers “regarding the physical placement of beverage alcohol products in retail establishments to inform future public policy decisions” by the legislature.

NEW BUSINESS TAXES

In the end, the education fund “[Yield Bill](#)” included a targeted tax that could impact some businesses - a 6% sales tax on prewritten software accessed remotely, or software as a service, also known as the “cloud tax.” The bill also included a 3% surcharge on short-term rentals. The Governor has vowed to veto this bill and it is not clear whether the legislature has the votes to override his veto. If they do not, they will need to make changes to the bill as this annual yield bill is a must-pass bill necessary for the funding of the education system.

Cloud Tax. Under current law, the retail sale of tangible personal property – including prewritten software – is subject to the sales and use tax. However, Act 51 (2015) created an exemption for prewritten software accessed remotely. A provision in the annual education fund “Yield Bill” would repeal the exemption and subject sales of these programs to the 6% Vermont sales and use tax. The repeal of the exemption would primarily apply the sales tax to Software as a Service cloud applications and custom software or IT services would continue to be exempt. Fiscal analysts estimate this would generate \$14.7 million in additional revenue in fiscal year 2025 and \$16.0 million

annualized, beginning in fiscal year 2026. Revenue may increase year over year due to the strong projected growth in the cloud-based services market.

Short Term Rental Surcharge. The Yield Bill also includes a 3% surcharge on short-term rentals, which are defined as a “furnished house, condominium, or other dwelling room or self-contained dwelling unit rented to the transient, traveling, or vacationing public for a period of fewer than 30 consecutive days and for more than 14 days per calendar year.” This includes both entire units and single rooms if the rental is for less than 30 consecutive days. Currently, these rentals are subject to the 9% rooms tax (10% in towns with a local option tax), which is allocated to the General Fund (69%), Education Fund (25%), and the Clean Water Fund (6%). The rooms tax allocation would remain the same but the entirety of the surcharge would go to the Education Fund. Fiscal analysts estimate that 3% of overall revenue from these rentals will generate \$11.8 million for the Education Fund in fiscal year 2025 and \$14.7 million annualized, beginning in fiscal year 2026.

HEADLINES OF NOTE

[Gov. Phil Scott Announces He'll Run for Reelection](#)

[Lawmakers Reach Deals and Adjourn After a Marathon Late-Night Session](#)

[Dean's Potential Run for Governor Buys Dems Eager for a Competitive Race](#)

[Vermont lawmakers reach late-night property tax deal, but bill looks destined for a veto](#)

[At the 11th hour, lawmakers strike compromise on Act 250 reform](#)

[Gov. Phil Scott on plans for reelection, property tax rates and bringing balance to the Statehouse](#)