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H.594

Introduced by Representative Wilson of Lyndon

Referred to Committee on

Date:

Subject: Taxation; income tax; Social Security income; exemption

Statement of purpose of bill as introduced: This bill proposes to exempt Social Security income from Vermont income tax.

An act relating to exempting Social Security income from income tax

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 32 V.S.A. § 5811 is amended to read:

§ 5811. DEFINITIONS

As used in this chapter unless the context requires otherwise:

* * *

(21) “Taxable income” means, in the case of an individual, federal adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

* * *

(B) decreased by the following items of income (to the extent such income is included in federal adjusted gross income):

* * *

1 (iv) ~~the portion of certain retirement income and all~~ federally
2 taxable benefits received under the federal Social Security Act ~~that is required~~
3 ~~to be excluded under section 5830e of this chapter;~~

4 * * *

5 Sec. 2. 32 V.S.A. § 5830e is amended to read:

6 § 5830e. RETIREMENT INCOME; ~~SOCIAL SECURITY INCOME~~

7 (a) ~~Social Security income. The portion of federally taxable Social~~
8 ~~Security benefits excluded from taxable income under subdivision~~
9 ~~5811(21)(B)(iv) of this chapter shall be as follows:~~

10 (1) ~~For taxpayers whose filing status is single, married filing separately,~~
11 ~~head of household, or surviving spouse:~~

12 (A) ~~If the federal adjusted gross income of the taxpayer is less than or~~
13 ~~equal to \$50,000.00, all federally taxable benefits received under the federal~~
14 ~~Social Security Act shall be excluded.~~

15 (B) ~~If the federal adjusted gross income of the taxpayer is greater~~
16 ~~than \$50,000.00 but less than \$60,000.00, the percentage of federally taxable~~
17 ~~benefits received under the Social Security Act to be excluded shall be~~
18 ~~proportional to the amount of the taxpayer's federal adjusted gross income~~
19 ~~over \$50,000.00, determined by:~~

20 (i) ~~subtracting the federal adjusted gross income of the taxpayer~~
21 ~~from \$60,000.00;~~

1 ~~(ii) dividing the value under subdivision (i) of this subdivision (B)~~
2 ~~by \$10,000.00; and~~

3 ~~(iii) multiplying the value under subdivision (ii) of this~~
4 ~~subdivision (B) by the federally taxable benefits received under the Social~~
5 ~~Security Act.~~

6 ~~(C) If the federal adjusted gross income of the taxpayer is equal to or~~
7 ~~greater than \$60,000.00, no amount of the federally taxable benefits received~~
8 ~~under the Social Security Act shall be excluded under this section.~~

9 ~~(2) For taxpayers whose filing status is married filing jointly:~~

10 ~~(A) If the federal adjusted gross income of the taxpayer is less than or~~
11 ~~equal to \$65,000.00, all federally taxable benefits received under the Social~~
12 ~~Security Act shall be excluded.~~

13 ~~(B) If the federal adjusted gross income of the taxpayer is greater~~
14 ~~than \$65,000.00 but less than \$75,000.00, the percentage of federally taxable~~
15 ~~benefits received under the Social Security Act to be excluded shall be~~
16 ~~proportional to the amount of the taxpayer's federal adjusted gross income~~
17 ~~over \$65,000.00, determined by:~~

18 ~~(i) subtracting the federal adjusted gross income of the taxpayer~~
19 ~~from \$75,000.00;~~

20 ~~(ii) dividing the value under subdivision (i) of this subdivision (B)~~
21 ~~by \$10,000.00; and~~

1 ~~(iii) multiplying the value under subdivision (ii) of this~~
2 ~~subdivision (B) by the federally taxable benefits received under the Social~~
3 ~~Security Act.~~

4 ~~(C) If the federal adjusted gross income of the taxpayer is equal to or~~
5 ~~greater than \$75,000.00, no amount of the federally taxable benefits received~~
6 ~~under the Social Security Act shall be excluded under this section. [Repealed.]~~

7 * * *

8 Sec. 3. 32 V.S.A. § 5813(w) is amended to read:

9 (w) The statutory purpose of the partial exemption of ~~federally taxable~~
10 ~~benefits under the Social Security Act and~~ certain retirement income in section
11 5830e of this title is to lessen the tax burden on Vermonters with low to
12 moderate income who derive part of their income from ~~Social Security benefits~~
13 ~~and certain~~ retirement income.

14 Sec. 4. 32 V.S.A. § 5813(aa) is added to read:

15 (aa) The statutory purpose of the exemption of all federally taxable benefits
16 under the Social Security Act in subdivision 5811(21)(B)(iv) of this title is to
17 lessen the burden on Vermonters who derive part of their income from Social
18 Security benefits.

19 Sec. 5. EFFECTIVE DATE

20 Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on
21 January 1, 2024 and apply to taxable years on and after January 1, 2024.