

1 H.47

2 Introduced by Representative Branagan of Georgia

3 Referred to Committee on

4 Date:

5 Subject: Taxation; income taxes; definitions; taxation of individuals, trusts,

6 and estates; taxation of corporations; repeal of exemptions and

7 credits; reduction of rates; supermajority vote to increase rates

8 Statement of purpose: This bill proposes to repeal exemptions and credits in
9 the personal and corporate income tax laws, reduce tax rates, and require a
10 supermajority vote to increase tax rates.

11 An act relating to income tax exemptions and credits, rates, and
12 supermajority to raise tax rates

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

14 Sec. 1. 32 V.S.A. § 5811(21) is amended to read:

15 (21) "Taxable income" means federal taxable income determined
16 without regard to Section 168(k) of the Internal Revenue Code and:

17 (A) Increased by the following items of income (to the extent such
18 income is excluded from federal adjusted gross income):

19 (i) interest income from ~~non-Vermont~~ state and local obligations;

20 and

1 (ii) dividends or other distributions from any fund to the extent
2 they are attributable to ~~non-Vermont~~ state or local obligations; and

3 (B) Increased by the amount of state and local income taxes deducted
4 from federal adjusted gross income for the taxable year, but only up to the
5 amount which does not reduce total itemized deductions below the standard
6 deduction allowable to the taxpayer; and

7 (C) Decreased by the following items of income (to the extent such
8 income is included in federal adjusted gross income):

9 (i) income from United States government obligations; and

10 (ii) ~~40 percent of adjusted net capital gain income as defined in~~
11 ~~Section 1(h) of the Internal Revenue Code, but the total amount of decrease~~
12 ~~under this subdivision (ii) shall not exceed 40 percent of federal taxable~~
13 ~~income~~ federal recapture of state and local income tax deductions.

14 Sec. 2. 32 V.S.A. § 5822(c) and (d) are amended to read:

15 (c) The amount of tax determined under subsection (a) of this section shall
16 be:

17 (1) increased by 24 percent of the taxpayer's federal tax liability for the
18 taxable year for the following:

19 (A) additional taxes on qualified retirement plans, including
20 individual retirement accounts and medical savings accounts and other tax-
21 favored accounts;

1 (B) ~~recapture of federal investment tax credit and increased by 76~~
2 ~~percent of the Vermont property portion of the business solar energy~~
3 ~~investment tax credit component of the federal investment tax credit recapture~~
4 ~~for the taxable year;~~

5 (C) tax on qualified lump-sum distributions of pension income not
6 included in federal taxable income; and

7 (2) decreased by 24 percent of the reduction in the taxpayer's federal tax
8 liability due to farm income averaging.

9 (d) ~~A taxpayer shall be entitled to a credit against the tax imposed under~~
10 ~~this section of 24 percent of each of the credits allowed against the taxpayer's~~
11 ~~federal income tax for the taxable year as follows: elderly and permanently~~
12 ~~totally disabled credit, investment tax credit, and child care and dependent care~~
13 ~~credits. A taxpayer shall also be entitled to a credit against the tax imposed~~
14 ~~under this section of 76 percent of the Vermont property portion of the~~
15 ~~business solar energy investment tax credit component of the federal~~
16 ~~investment tax credit allowed against the taxpayer's federal income tax for the~~
17 ~~taxable year under Section 48 of the Internal Revenue Code.~~

18 Sec. 3. REPEAL

19 The following sections of Title 32 are repealed, effective for taxable year
20 2010 and after:

- 1 (1) § 5825a (Vermont higher education investment plan contributions
- 2 credit);
- 3 (2) § 5826 (income from commercial film production credit);
- 4 (3) § 5828 (mobile home park sale; capital gain credit);
- 5 (4) § 5828b (earned income tax credit);
- 6 (5) § 5828c (low income child and dependent care credit);
- 7 (6) § 5830b (Vermont seed capital fund credit);
- 8 (7) § 5830c (nonprofit investment in housing credit);
- 9 (8) § 5922 (financial services company credit);
- 10 (9) § 5930b (Vermont employment growth incentive);
- 11 (10) §§ 5930c-k, 5930w, and 5930x (former VEPC credits);
- 12 (11) § 5930u (affordable housing credit);
- 13 (12) § 5930v (angel venture capital credit);
- 14 (13) § 5930y (wood products manufacture credit);
- 15 (14) §§ 5930aa-5930ff (downtown and village center credit program).

16 Sec. 4. 32 V.S.A. § 5822(a) is amended to read:

- 17 (a) A tax is imposed for each taxable year upon the taxable income earned
- 18 or received in that year by every individual, estate, and trust, subject to income
- 19 taxation under the laws of the United States, in an amount determined by the
- 20 following tables, and adjusted as required under this section:

1 (a) A tax is imposed for each taxable year upon the taxable income earned
2 or received in that year by every individual, estate, and trust, subject to income
3 taxation under the laws of the United States, in an amount determined by the
4 following tables, and adjusted as required under this section:

5 (1) Married individuals filing joint returns and surviving spouses:

6	If taxable income is:	The tax is:
7	Not over \$46,700.00 <u>\$53,150.00</u>	3.6 <u>3.0</u> % of taxable
8		income
9	Over \$46,700.00 <u>\$53,150.00</u> but	\$1,681.00 <u>\$1,594.00</u> plus
10	not over \$112,850.00 <u>\$128,500.00</u>	7.2 <u>6.5</u> % of the amount
11		of taxable income over
12		\$46,700.00 <u>\$53,150.00</u>
13	Over \$112,850.00 <u>\$128,500.00</u> but	\$6,444.00 <u>\$6,491.00</u> plus
14	not over \$171,950.00 <u>\$195,850.00</u>	8.5 <u>7.5</u> % of the amount of
15		taxable income over
16		\$112,850.00 <u>\$128,500.00</u>
17	Over \$171,950.00 <u>\$195,850.00</u> but	\$11,468.00 <u>\$11,541.00</u>
18	not over \$307,050.00 <u>\$349,700.00</u>	plus 9.0 <u>8.5</u> % of the
19		amount of taxable income
20		over \$171,950.00
21		<u>\$195,850.00</u>

1 Over ~~\$307,050.00~~ \$349,700.00 ~~\$23,627.00~~ \$24,617.00
2 plus ~~9.5~~ 9.0% of the
3 amount of taxable
4 income over ~~\$307,050.00~~
5 \$349,700.00

6 (2) Heads of households:

7 If taxable income is: The tax is:

8 Not over ~~\$37,450.00~~ \$42,650.00 ~~3.6~~ 3.0% of taxable
9 income

10 Over ~~\$37,450.00~~ \$42,650.00 but ~~\$1,348.00~~ \$1,280.00 plus
11 not over ~~\$96,700.00~~ \$110,000.00 ~~7.2~~ 6.5% of the amount of
12 taxable income over
13 ~~\$37,450.00~~ \$42,650.00

14 Over ~~\$96,700.00~~ \$110,100.00 but ~~\$5,614.00~~ \$5,664.00 plus
15 not over ~~\$156,600.00~~ \$178,350.00 ~~8.5~~ 7.5% of the amount of
16 taxable income over
17 ~~\$96,700.00~~ \$110,110.00

18 Over ~~\$156,600.00~~ \$178,350.00 ~~\$10,706.00~~ \$10,783.00
19 but not over ~~\$307,050.00~~ \$349,700.00 plus ~~9.0~~ 8.5% of the
20 amount of taxable

1 income over ~~\$156,600.00~~
2 \$178,350.00
3 Over ~~\$307,050.00~~ \$349,700.00 ~~\$24,246.00~~ \$25,348.00
4 plus ~~9.59.0%~~ of the
5 amount of taxable
6 income over ~~\$307,050.00~~
7 \$349,700.00
8 (3) Unmarried individuals (other than surviving spouse or head of
9 household):
10 If taxable income is: The tax is:
11 Not over ~~\$27,950.00~~ \$31,850.00 ~~3.63.0%~~ of taxable income
12 Over ~~\$27,950.00~~ \$31,850.00 but ~~\$1,006.00~~ \$956.00 plus
13 not over ~~\$67,700.00~~ \$77,100.00 ~~7.26.5%~~ of the amount of
14 taxable income over
15 ~~\$27,950.00~~ \$31,850.00
16 Over ~~\$67,700.00~~ \$77,100.00 but ~~\$3,868.00~~ \$3,897.00 plus
17 not over ~~\$141,250.00~~ \$160,850.00 ~~8.57.5%~~ of the amount of
18 taxable income over
19 ~~\$67,700.00~~ \$77,100.00
20 Over ~~\$141,250.00~~ \$160,850.00 but ~~\$10,120.00~~ \$10,178.00

1	not over \$307,050.00 <u>\$349,700.00</u>	plus 9.0 <u>8.5</u> % of the
2		amount of taxable income
3		over \$141,250.00
4		<u>\$160,850.00</u>
5	Over \$307,050.00 <u>\$349,700.00</u>	\$25,042.00 <u>\$26,230.00</u>
6		plus 9.5 <u>9.0</u> % of the
7		amount of taxable income
8		over \$307,050.00
9		<u>\$349,700.00</u>

10 (4) Married individuals filing separate returns:

11	If taxable income is:	The tax is:
12	Not over \$23,350.00 <u>\$26,575.00</u>	3.6 <u>3.0</u> % of taxable
13		income
14	Over \$23,350.00 <u>\$26,575.00</u> but	\$841.00 <u>\$797.00</u> plus
15	not over \$56,425.00 <u>\$64,250.00</u>	7.2 <u>6.5</u> % of the amount of
16		taxable income over
17		\$23,350.00 <u>\$26,575.00</u>
18	Over \$56,425.00 <u>\$64,250.00</u> but	\$3,222.00 <u>\$3,246.00</u> plus
19	not over \$85,975.00 <u>\$97,925.00</u>	8.5 <u>7.5</u> % of the amount of
20		taxable income over
21		\$56,425.00 <u>\$64,250.00</u>

1	Over \$85,975.00 <u>\$97,925.00</u> but	\$5,734.00 <u>\$5,772.00</u> plus
2	not over \$153,525.00 <u>\$174,850.00</u>	9.0 <u>8.5</u> % of the amount
3		of taxable income over
4		\$85,975.00 <u>\$97,925.00</u>
5	Over \$153,525.00 <u>\$174,850.00</u>	\$11,813.00 <u>\$12,311.00</u>
6		plus 9.5 <u>9.0</u> % of
7		the amount of taxable
8		income over \$153,525.00
9		<u>\$174,850.00</u>
10	(5) Estates and trusts:	
11	If taxable income is:	The tax is:
12	\$1,850.00 or less	3.6% of taxable income
13	Over \$1,850.00 but	\$67.00 plus 7.2% of the
14	not over \$4,400.00	amount of taxable income
15		over \$1,850.00
16	Over \$4,400.00 but	\$250.00 plus 8.5% of the
17	not over \$6,750.00	amount of taxable income
18		over \$4,400.00
19	Over \$6,750.00 but	\$450.00 plus 9.0% of the
20	not over \$9,200.00	amount of taxable income
21		over \$6,750.00

1 Over \$9,200.00 \$670.00 plus 9.5% of the
2 amount of taxable income
3 over \$9,200.00

4 Sec. 5. 32 V.S.A. § 5832(1) is amended to read:

5 (1) an amount determined in accordance with the following schedule:

6 Vermont net income of the corporation for
7 the taxable year allocated or apportioned
8 to Vermont under section 5833 of this title

	Tax
9 \$ 0-10,000.00	6.00 <u>5.5%</u>
10 10,001.00-25,000.00	\$600.00 <u>\$550.00</u> plus
11	7.0 <u>6.5%</u> of the excess
12	over \$10,000.00
13 25,001.00 and over	\$1,650.00 <u>\$1,525.00</u> plus
14	8.5 <u>8.0%</u> of the excess
15	over \$25,000.00

16 or

1 Sec. 6. 32 V.S.A. § 5822a is added to read:

2 § 5822a. SUPERMAJORITY VOTE REQUIRED TO INCREASE INCOME

3 TAX RATES

4 The personal and corporate income tax rates under sections 5822 and 5832
5 of this chapter shall not be increased except by action of at least two-thirds of
6 the elected members of the house and at least two-thirds of the elected
7 members of the senate.

8 Sec. 7. EFFECTIVE DATE AND TRANSITION RULES

9 This act shall take effect January 1, 2010, and shall apply to taxable year
10 2010 and after.