

1 H.373

2 SHORT FORM

3 Introduced by Representative Fisher of Lincoln

4 Referred to Committee on

5 Date:

6 Subject: Taxation; personal income taxes; brackets; rates

7 Statement of purpose: This bill proposes to alter Vermont's structure of  
8 personal income tax brackets and rates to make the personal income tax  
9 simpler and more equitable.

10 (1) Currently, Vermont has five personal income tax brackets based on  
11 income amounts. As a person earns more money, he or she pays a higher rate  
12 on the amount in each bracket.

13 (2) The rate paid on the last dollar a person earns is called his or her  
14 "marginal rate." But not all of a person's income is taxed at his or her  
15 marginal rate. The income a person earns in the lower brackets is taxed at the  
16 lower rates for each bracket. A person's "effective rate" is the weighted  
17 average of the rates he or she pays in all brackets.

18 (3) There is a difference between a person's marginal rate and his or her  
19 effective rate. The effective rate is less than the marginal rate because it  
20 incorporates the lower rates applied at the lower income amounts.

