

1 S.249

2 Introduced by Senators Galbraith, Hartwell, and Mullin

3 Referred to Committee on

4 Date:

5 Subject: Taxation; statewide education property tax; income tax; itemized  
6 deductions

7 Statement of purpose of bill as introduced: This bill proposes to limit the  
8 amount of itemized deductions a taxpayer can take at the State level, and then  
9 use the money to lower the statewide education property tax rate for towns that  
10 keep their spending below the rate of inflation plus one percent.

11 An act relating to lowering education property tax rates for low  
12 spending towns

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~~ 26 U.S.C.  
17 § 168(k) and:

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

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

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 (iii) ~~the amount in excess of \$5,000.00 of state and local income~~  
4 ~~taxes deducted from federal adjusted gross income for the taxable year, but in~~  
5 ~~no case in an amount that will reduce total itemized deductions below the~~  
6 ~~standard deduction allowable to the taxpayer; and the amount of total itemized~~  
7 ~~deductions in excess of the standard deduction allowable to the taxpayer;~~

8 \* \* \*

9 Sec. 2. 16 V.S.A. § 4025a is added to read:

10 § 4025a. LOW SPENDING FUND

11 There is created a Low Spending Fund to comprise 7.7 percent of the  
12 individual income taxes levied pursuant to 32 V.S.A. chapter 151.

13 Sec. 3. 32 V.S.A. § 435(b) is amended to read:

14 (b) The General Fund shall be composed of revenues from the  
15 following sources:

16 \* \* \*

17 (5) ~~Individual~~ Ninety-two and three-tenths percent of the individual  
18 income taxes levied pursuant to chapter 151 of this title;

19 \* \* \*

1 Sec. 4. 32 V.S.A. § 5401(15) is added to read:

2 (15) “Low spending town” means any municipality that is part of a  
3 supervisory union district or technical center district where the education  
4 spending increased from one fiscal year to the next at a rate less than the  
5 annual increase of the most recent New England economic project cumulative  
6 price index, as of November 15, for State and local government purchases of  
7 goods and services, plus one percent.

8 Sec. 5. 32 V.S.A. § 5402(a)(3) is added to read:

9 (3) Notwithstanding any other provision of law, the homestead property  
10 tax rate for a low spending town shall be the lower of either:

11 (A) the rate under subdivision (2) of this subsection reduced  
12 by \$0.06, or

13 (B) the rate recommended by the Commissioner in subdivision  
14 5402b(a)(5) of this title.

15 Sec. 6. 32 V.S.A. § 5402b(a)(5) is added to read:

16 (5) The amount by which the base homestead property tax rate may be  
17 reduced for low spending towns, based on the balance in the Low  
18 Spending Fund.

19 Sec. 7. 16 V.S.A. § 4025(a)(8) is added to read:

20 (a) An education fund is established to be ~~comprised~~ composed of  
21 the following:

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\* \* \*

(8) The low spending amount transferred from the Low Spending Fund.

As used in this section, the term “low spending amount” is calculated by determining the education property taxes that would have been raised if no towns qualified as low spending towns under 32 V.S.A. §§ 5402(a)(5) and 5410(15) and subtracting from that amount the taxes that were actually raised.

Sec. 8. EFFECTIVE DATES

(a) This section shall take effect on July 1, 2014.

(b) Secs. 1 (itemized deductions), 2 (Low Spending Fund), and 3 (General Fund) shall take effect on January 1, 2015 and apply to tax year 2015 and after.

(c) Secs. 4 (definitions), 5 (education property tax rates), 6 (rate recommendations), and 7 (low spending amount transfer) shall take effect on July 1, 2016 and apply to fiscal year 2016 and after.