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H.1

Introduced by Representative McFaun of Barre Town

Referred to Committee on

Date:

Subject: Taxation; income tax; exemption

Statement of purpose of bill as introduced: This bill proposes to exempt fully from State taxation payments made under the Social Security Act.

An act relating to the exemption from State taxation of Social Security payments

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

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

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

(i) income from U.S. government obligations;

(ii) with respect to adjusted net capital gain income as defined in

26 U.S.C. § 1(h):

(I) if the taxpayer is ~~aged~~ 70 years of age or older as of the last day of the tax year, or for adjusted net capital gain income from the sale of a farm or from the sale of standing timber, each as defined in subdivision (27) of this section, 40 percent of adjusted net capital gain income but the total amount

1 of decrease under this subdivision (ii)(I) shall not exceed 40 percent of federal
2 taxable income; provided, however, that a taxpayer ~~aged 70~~ years of age or
3 older as of the last day of the tax year may elect to subtract his or her adjusted
4 net capital gains pursuant to subdivision (21)(B)(ii)(II) of this section.

5 (II) for taxpayers ~~aged 70~~ years of age or older as of the last
6 day of the tax year who so elect and for all other capital gain income, the first
7 \$2,500.00 of adjusted net capital gain income; ~~and~~

8 (iii) recapture of State and local income tax deductions not taken
9 against Vermont income tax; and

10 (iv) payments received under the federal Social Security Act.

11 Sec. 2. EFFECTIVE DATE

12 This act shall take effect on January 1, 2018 and apply to taxable year 2018
13 and after.