

H.703

Introduced by Representatives Zuckerman of Burlington, Burke of
Brattleboro, Davis of Washington, Donovan of Burlington,
Edwards of Brattleboro, Fisher of Lincoln, Howard of Rutland
City, Leriche of Hardwick, Milkey of Brattleboro, Moran of
Wardsboro, Ram of Burlington, Sharpe of Bristol, Stevens of
Waterbury and Wizowaty of Burlington

Referred to Committee on

Date:

Subject: Taxation; income taxes; home mortgage interest deduction;
homelessness prevention special fund

Statement of purpose: This bill proposes to limit the amount of home
mortgage interest a taxpayer may deduct, and dedicate the new revenue to a
homelessness prevention special fund.

An act relating to home mortgage interest deduction limitation and
homelessness special fund

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

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

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

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

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

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

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

10 (iv) the amount in excess of \$20,000.00 of home mortgage interest
11 itemized deduction claimed by the taxpayer for federal income tax purposes in
12 the taxable year; and

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

15 (i) income from United States government obligations;

16 (ii) with respect to adjusted net capital gain income as defined in
17 Section 1(h) of the Internal Revenue Code:

18 (I) for adjusted net capital gain income from the sale of a farm
19 or from the sale of standing timber, each as defined in subdivision (27) of this
20 section, 40 percent of adjusted net capital gain income but the total amount of

1 decrease under this subdivision (B)(ii)(I) shall not exceed 40 percent of federal
2 taxable income;

3 (II) for all other capital gain income, the first \$5,000.00 of
4 adjusted net capital gain income; and

5 (iii) recapture of state and local income tax deductions not taken
6 against Vermont income tax.

7 Sec. 2. HOMELESSNESS PREVENTION SPECIAL FUND; CREATION

8 (a) There is created the homelessness prevention special fund in the state
9 treasury to provide financial resources to fund Vermont homelessness
10 prevention programs and other housing services, including homeless shelters
11 and other temporary housing, back rent programs, housing deposits, and rental
12 support consistent with the goal of housing as a basic right.

13 (b) Revenues generated by the home mortgage deduction limitation under
14 32 V.S.A. § 5811(21)(A) as determined by the commissioner of taxes shall be
15 deposited into this fund. Proceeds from grants, donations, contributions,
16 appropriations, and any other sources of revenue that may be provided by
17 statute or rule may also be deposited into the fund.

18 (c) All monies received or generated by the fund shall be used for the
19 purposes described in subsection (a) of this section.

1 Sec. 3. EFFECTIVE DATE

2 This act shall take effect on January 1, 2011, and shall apply to taxable
3 years beginning on and after January 1, 2011.