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S.125

Introduced by Senators Mullin and Collamore

Referred to Committee on

Date:

Subject: Income tax; pension and retirement contributions; prevention of
double taxation

Statement of purpose of bill as introduced: This bill proposes to prevent the
double taxation of retirement benefits from other states.

An act relating to prevention of double taxation of retirement benefits from
other states

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

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

§ 5811. DEFINITIONS

* * *

(21) "Taxable income" means federal taxable income determined
without regard to 26 U.S.C. § 168(k) and:

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

(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

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

9 (i) income from ~~United States~~ U.S. government obligations;

10 (ii) with respect to adjusted net capital gain income as defined in
11 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend
12 income: either the first \$5,000.00 of such adjusted net capital gain income; or
13 40 percent of adjusted net capital gain income from the sale of assets held by
14 the taxpayer for more than three years, except not adjusted net capital gain
15 income from:

16 (I) the sale of any real estate or portion of real estate used by
17 the taxpayer as a primary or nonprimary residence; or

18 (II) the sale of depreciable personal property other than farm
19 property and standing timber; or stocks or bonds publicly traded or traded on
20 an exchange, or any other financial instruments; regardless of whether sold by
21 an individual or business; and provided that the total amount of decrease under

1 this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable
2 income; ~~and~~

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

5 (iv) distributions from a retirement account, the contributions to
6 which were subject to another state's personal income tax in the year the
7 contribution was made.

8 Sec. 2. EFFECTIVE DATE

9 This act shall take effect on January 1, 2016, and shall apply to taxable
10 years beginning on or after January 1, 2016.