

1 **INCOME TAX**

- 2 • *Eliminates itemized deductions for state and local taxes;*
3 • *Caps itemized deductions for home mortgage interest at \$12,000;*
4 • *Replaces itemized deduction for charitable contributions with a more*
5 *focused State credit for charitable contributions;*
6 • *For taxpayers with \$150,000 or more in federal AGI, imposes a*
7 *minimum tax of 3% of federal AGI.*

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

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

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

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

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

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

20 (iv) the amount of charitable contributions deducted from federal
21 adjusted gross income for the taxable year, but in no case in an amount that

1 will reduce total itemized deductions below the standard deduction allowable
2 to the taxpayer;

3 (v) the amount in excess of \$12,000.00 of home mortgage interest
4 deducted from federal adjusted gross income for the taxable year, but in no
5 case in an amount that will reduce total itemized deductions below the standard
6 deduction allowable to the taxpayer; and

7 * * *

8 Sec. B. 32 V.S.A. § 5822(a)(6) is added to read

9 (6) If the federal adjusted gross income of the taxpayer exceeds
10 \$150,000.00, then the tax calculated under this subsection shall be the greater
11 of the tax calculated under subdivisions (1)–(5) of this subsection or three
12 percent of the taxpayer’s federal adjusted gross income.

13 Sec. C. 32 V.S.A. § 5830f is added to read:

14 § 5830f. CHARITABLE CONTRIBUTIONS

15 (a) There is allowed a nonrefundable credit against the tax imposed by
16 section 5822 of this title in the amount of 5% of the charitable contributions in
17 excess of \$5,000, made in a taxable year to one or more qualified donees.

18 (b) As used in this section, “charitable contribution” means a donation that
19 qualifies as a charitable contribution under 26 U.S.C. § 170(c), regardless of
20 whether or not the taxpayer itemizes deductions at the federal level.

1 (c) As used in this section, “qualified donee” means a donee that is located
2 in this State and that provides a benefit to a charitable cause in this State. As
3 used in this subsection, a donee is located in this State if it maintains a physical
4 presence in the State, or has a local affiliate or chapter in this State. In order to
5 be considered a qualified donee, the donee must register with the Department
6 of Taxes and demonstrate how it meets the requirements of this subsection.

7 (d) The Department of Taxes is authorized to adopt procedures and rules to
8 implement this credit.

9 (e) By December 1 of each year, the Department of Taxes shall publicize
10 the list of donees who are considered qualified under this section for the
11 current tax year.

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