

**Spec. Sess. H.4: AN ACT RELATING TO CHANGES IN VERMONT'S  
PERSONAL INCOME TAX AND EDUCATION FINANCING SYSTEM**

**Section by Section Summary**

5/23/18

Sec.	Description
	<b>Personal Income Tax Changes</b>
<b>1</b>	<p>Creates a Vermont personal exemption, a Vermont standard deduction, and eliminates Vermont's subtraction for itemized deductions. These changes replace Vermont's current reliance on federal definitions and its current treatment of itemized deductions.</p> <ul style="list-style-type: none"> <li>• The personal exemption is set at \$4150.</li> <li>• The standard deduction is set at \$12,000 for joint filers, \$9,000 for heads of households, and \$6000 for single filers.</li> <li>• Retains the current CPI index for increasing these amounts, and for Vermont's personal income tax brackets.</li> </ul>
<b>2</b>	<p>Lowers Vermont's marginal rates for personal income taxes and collapses the top two income tax brackets. The brackets and rates would change from:</p> <ul style="list-style-type: none"> <li>• five brackets of 3.55%, 6.8%, 7.8%, 8.8% and 8.95% to</li> <li>• four brackets of 3.35%, 6.6%, 7.6%, and 8.75%.</li> </ul>
<b>3</b>	<p>Creates a charitable donation tax credit, which is equal to 5% of the first \$20,000 in charitable contributions claimed at the federal level.</p>
<b>4</b>	<p>Increases the size of Vermont's earned income tax credit. It is increased from 32 percent of the federal credit to 36 percent of the federal credit.</p>
<b>1, 5, and 6</b>	<p>Exclude taxable Social Security benefits from State taxation for joint filers with federal adjusted gross income of \$60,000 or less, and single filers with federally adjusted gross income of \$45,000 or less, with phase-outs above those amounts.</p>
<b>7</b>	<p>Contains the annual linkage language to the federal statutes for in effect on December 31, 2017.</p>
	<b>Education Financing Changes</b>
<b>8-9a</b>	<p>Reallocates certain Education Fund and General Fund revenues.</p> <ul style="list-style-type: none"> <li>• Eliminates the General Fund Transfer and moves several Education Fund expenses to the General Fund, including adult education programs, Community High School of Vermont, and the renter rebate, and reappraisal and listing account.</li> </ul>

	<ul style="list-style-type: none"> <li>• Commits all the revenue from the sales and use tax, and 25 percent of the meals and rooms tax to the Education Fund.</li> <li>• Requires the Joint Fiscal Office to report by 2024 on the impact of the changes in the act related to the General Fund and Education Fund.</li> </ul>
<b>10-11</b>	<p>Sec. 10 sets the parameters for fiscal year 2019:</p> <ul style="list-style-type: none"> <li>• The property dollar equivalent yield is \$10,032.</li> <li>• The income dollar equivalent yield is \$12,135.</li> </ul> <p>The nonresidential property tax rate reverts to the statutory default of \$1.59.</p> <p>Sec. 11 Makes a technical change in how the rates are calculated for purposes of the Commissioner’s December 1 recommendations.</p>
<b>12-13</b>	Requires statewide education property tax to be billed separately from any other tax on the municipal tax bills, and that the bills be able to be separated.
<b>14-14a</b>	<p>Sec. 14 changes how income sensitivity adjustments are calculated.</p> <ul style="list-style-type: none"> <li>• For adjustments for people over \$90,000.00 in household income, the phase out slope is shortened.</li> <li>• Income sensitivity adjustments will be capped at \$400,000.00 of housesite value rather than \$500,000.00 as under current law.</li> <li>• For people below \$47,000.00 in household income the “supercircuit breaker” adjustment is split into an education property tax adjustment and a municipal tax adjustment.</li> </ul> <p>Sec. 14a alters cap on property tax adjustments to recognize the split municipal and education “supercircuit breaker”.</p>
<b>15</b>	Creates a Vermont Tax Structure Commission to analyze Vermont’s tax structure.
<b>16</b>	Alters due dates for a recurring JFO report on tax increment financing districts.
<b>17</b>	<ul style="list-style-type: none"> <li>• Creates the Staff to Student Ratios Task Force to review current public school staff to student count ratios, establish optimal target ratios for different school district configurations, and develop recommended strategies for districts to help them meet targets.</li> <li>• The Task Force report is due December 15, 2018 and shall include its findings concerning optimum staff to student ratios, including optimum ratios for a variety of school and school district sizes and configurations. The Task Force shall include in its report a recommendation as to whether staff to student target ratios should be included in statute for fiscal year 2021.</li> </ul>
<b>18</b>	Effective dates.