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Introduced by Representatives Wright of Burlington, Beck of St. Johnsbury,
Brennan of Colchester, Canfield of Fair Haven, Christie of
Hartford, Condon of Colchester, Jickling of Brookfield, Myers
of Essex, Ode of Burlington, Olsen of Londonderry, Parent of
St. Albans Town, Poirier of Barre City, Scheuermann of Stowe,
and Sibia of Dover

Referred to Committee on

Date:

Subject: Taxation; income tax; exemption

Statement of purpose of bill as introduced: This bill proposes to exempt from
State income taxation payments made under the Social Security Act for
taxpayers with less than \$90,000.00 in federal adjusted gross income. The
exemption is phased in over a ten year-period.

An act relating to the phased-in exemption from State income taxation of
Social Security payments for certain taxpayers

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):

1 (i) income from U.S. government obligations;
2 (ii) with respect to adjusted net capital gain income as defined in
3 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend
4 income: either the first \$5,000.00 of such adjusted net capital gain income; or
5 40 percent of adjusted net capital gain income from the sale of assets held by
6 the taxpayer for more than three years, except not adjusted net capital gain
7 income from:

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

10 (II) the sale of depreciable personal property other than farm
11 property and standing timber; or stocks or bonds publicly traded or traded on
12 an exchange, or any other financial instruments; regardless of whether sold by
13 an individual or business; and provided that the total amount of decrease under
14 this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable
15 income; and

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

18 (iv) the amount of taxable payments received under the federal
19 Social Security Act as calculated under section 5830e of this title.

1 Sec. 2. 32 V.S.A. § 5813(w) is added to read:

2 (w) The statutory purpose of the partial exemption of federally taxable
3 payments under the Social Security Act in section 5830e of this title is to
4 lessen the tax burden on Vermonters who have less than \$90,000.00 in
5 federally adjusted gross income, and who derive part of their income from
6 Social Security payments.

7 Sec. 3. 32 V.S.A. § 5830e is added to read:

8 § 5830e. SOCIAL SECURITY INCOME

9 For taxpayers who have a federal adjusted gross income of less than
10 \$90,000.00, taxable income, as that term is used in 32 V.S.A. § 5811(21), shall
11 not include the following amounts:

12 (1) 10 percent of the federally taxable payments received under the
13 federal Social Security Act, for returns filed for taxable year 2018;

14 (3) 20 percent of the federally taxable payments received under the
15 federal Social Security Act, for returns filed for taxable year 2019;

16 (4) 30 percent of the federally taxable payments received under the
17 federal Social Security Act, for returns filed for taxable year 2020;

18 (5) 40 percent of the federally taxable payments received under the
19 federal Social Security Act, for returns filed for taxable year 2021;

20 (6) 50 percent of the federally taxable payments received under the
21 federal Social Security Act, for returns filed for taxable year 2022;

1 (7) 60 percent of the federally taxable payments received under the
2 federal Social Security Act, for returns filed for taxable year 2023;

3 (8) 70 percent of the federally taxable payments received under the
4 federal Social Security Act, for returns filed for taxable year 2024;

5 (9) 80 percent of the federally taxable payments received under the
6 federal Social Security Act, for returns filed for taxable year 2025;

7 (10) 90 percent of the federally taxable payments received under the
8 federal Social Security Act, for returns filed for taxable year 2026;

9 (11) 100 percent of the federally taxable payments received under the
10 federal Social Security Act, for returns filed for taxable year 2027 and each
11 taxable year thereafter.

12 Sec. 4. EFFECTIVE DATE

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