

1 H.911

2 Introduced by Committee on Ways and Means

3 Date:

4 Subject: Taxation; personal income tax; statewide education tax; municipal
5 taxes

6 Statement of purpose of bill as introduced: This bill proposes to make
7 numerous changes to Vermont's personal income tax and its system of
8 education financing.

9 For personal income taxes, the bill would :

- 10 • Create a Vermont personal exemption, standard deduction, and charitable
11 credit to replace Vermont's current reliance on federal definitions and its
12 current treatment of itemized deductions;
- 13 • Lower Vermont's marginal rates for personal income taxes;
- 14 • Exclude certain taxable Social Security benefits from State taxation.

15 In terms of education financing, the bill would:

- 16 • Alter the current structure of the homestead education property tax by:
- 17 ○ Providing each school district with a base payment equal to the
18 amount of per pupil education spending that could be supported by
19 fixed Education Fund revenues.
- 20 ○ For districts that choose to spend above the base amount, an
21 additional homestead tax rate would be equalized across those

- 1 districts, based on a single property tax yield.
- 2 • Create a school income tax surcharge to support education financing;
- 3 • Eliminate the General Fund Transfer and move several Education Fund
- 4 expenses to the General Fund;
- 5 • Commit all the revenue from the sales and use tax and a portion of the
- 6 meals and rooms tax to the Education Fund;
- 7 • Set the education funding parameters for fiscal year 2019, including the
- 8 property dollar equivalent yield and nonresidential property tax rate;
- 9 • Eliminate the excess spending penalty;
- 10 • Provide for separate municipal and statewide education tax billing.

11 An act relating to changes in Vermont's personal income tax and education
12 financing system

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

14 ~~*** Personal Income Tax Changes ***~~

15 ~~*** Taxable Income ***~~

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

17 § 5811. DEFINITIONS

18 ***

19 ~~(21) "Taxable income" means, in the case of an individual, federal~~

1 ~~adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:~~

2 * * *

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

5 (i) income from U.S. government obligations;

6 (ii) with respect to adjusted net capital gain income as defined in
7 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend
8 income: either the first \$5,000.00 of such adjusted net capital gain income; or
9 40 percent of adjusted net capital gain income from the sale of assets held by
10 the taxpayer for more than three years, except not adjusted net capital gain
11 income from:

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

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

20 (iii) recapture of State and local income tax deductions not taken
21 ~~against Vermont income tax, and~~

1 ~~(iv) the portion of federally taxable benefits received under the~~
2 ~~federal Social Security Act that is required to be excluded under section 5830e~~
3 ~~of this chapter; and~~

4 (C) Decreased by the following exemptions and deductions:

5 (i) ~~the amount of personal exemptions taken at the federal level a~~
6 ~~personal exemption of \$4,150.00 per person for the taxpayer, for the spouse or~~
7 ~~the deceased spouse of the taxpayer whose filing status under section 5822 of~~
8 ~~this chapter is married filing a joint return or surviving spouse, and for each~~
9 ~~individual qualifying as a dependent of the taxpayer under 26 U.S.C. § 152,~~
10 ~~provided that no exemption may be claimed for an individual who is a~~
11 ~~dependent of another taxpayer;~~

12 (ii) ~~for taxpayers who do not itemize at the federal level, the~~
13 ~~amount of the a standard deduction taken at the federal level determined as~~
14 ~~follows:~~

15 (I) ~~for taxpayers whose filing status under section 5822 of~~
16 ~~this chapter is unmarried (other than surviving spouses or heads of households)~~
17 ~~or married filing separate returns, \$6,000.00;~~

18 (II) ~~for taxpayers whose filing status under section 5822 of~~
19 ~~this chapter is head of household, \$9,000.00;~~

20 (III) ~~for taxpayers whose filing status under section 5822 of~~
21 ~~this chapter is married filing joint return or surviving spouse, \$12,000, and~~

1 ~~(iii) for taxpayers who itemize at the federal level:~~
2 ~~(I) the amount of federally itemized deductions for medical and~~
3 ~~dental expenses and charitable contributions;~~
4 ~~(II) the total amount of federally itemized deductions, other~~
5 ~~than deductions for State and local income taxes, medical and dental expenses,~~
6 ~~and charitable contributions, deducted from federal adjusted gross income for~~
7 ~~the taxable year, but in no event shall the amount under this subdivision~~
8 ~~exceed two and one-half times the federal standard deduction allowable to the~~
9 ~~taxpayer; and~~
10 ~~(III) in no event shall the total amount of deductions allowed~~
11 ~~under subdivisions (I) and (II) of this subdivision (21)(C)(iii) reduce the total~~
12 ~~amount of itemized deductions below the federal standard deduction allowable~~
13 ~~to the taxpayer an additional deduction of \$1,000.00 for each federal deduction~~
14 ~~for which the taxpayer qualified and received under 26 U.S.C. § 63(f); and~~
15 ~~(iv) the dollar amounts of the personal exemption allowed under~~
16 ~~subdivision (i) of this subdivision (21)(C), the standard deduction allowed~~
17 ~~under subdivision (ii) of this subdivision (21)(C), and the additional deduction~~
18 ~~allowed under subdivision (iii) of this subdivision (21)(C) shall be adjusted~~
19 ~~annually for inflation by the Commissioner of Taxes by using the percentage~~
20 ~~increase in the Consumer Price Index beginning with taxable year 2019 and~~
21 ~~ending with the taxable year in question. As used in this subdivision,~~

1 ~~“consumer price index” means the last Consumer Price Index for All Urban~~
2 ~~Consumers published by the U.S. Department of Labor.~~

3 * * *

4 * * * Personal Income Tax Rates * * *

5 Sec. 2. PERSONAL INCOME TAX RATES

6 (a) 2009 Spec. Sess. Acts and Resolves No. 2, Sec. 20 is repealed.

7 (b) For taxable year 2018 and after, income tax rates under 32 V.S.A.
8 § 5822(a)(1)-(5), after taking into consideration any inflation adjustments to
9 taxable income as required by 32 V.S.A. § 5822(b)(2), shall be as follows:

10 (1) taxable income that without the passage of this act would have been
11 subject to a rate of 3.55 percent shall be taxed at the rate of 3.35 percent
12 instead;

13 (2) taxable income that without the passage of this act would have been
14 subject to a rate of 6.80 percent shall be taxed at the rate of 6.60 percent
15 instead;

16 (3) taxable income that without the passage of this act would have been
17 subject to a rate of 7.80 percent shall be taxed at the rate of 7.60 percent
18 instead;

19 (4) taxable income that without the passage of this act would have been
20 subject to a rate of 8.80 percent or 8.95 percent shall be taxed at the rate of
21 8.60 percent instead, the tax brackets for taxable income taxed at 8.80 percent

1 ~~and 8.95 percent in taxable year 2017 shall be combined to be taxed at a rate~~
2 ~~of 6.60 for taxable year 2018 and after.~~

3 (c) When preparing the Vermont Statutes Annotated for publication, the
4 Office of Legislative Council shall revise the tables in 32 V.S.A. § 5822(a)(1)-
5 (5) to reflect the changes to the tax rates and tax brackets made in this section.

6 * * * Charitable Credit; Earned Income Tax Credit; Social Security Income;
7 Other Adjustments * * *

8 Sec. 3. 32 V.S.A. § 5822 is amended to read:

9 § 5822. TAX ON INCOME OF INDIVIDUALS, ESTATES, AND TRUSTS

10 (a) A tax is imposed for each taxable year upon the taxable income earned
11 or received in that year by every individual, estate, and trust, subject to income
12 taxation under the laws of the United States, in an amount determined by the
13 following tables, and adjusted as required under this section:

14 * * *

15 (b) As used in this section:

16 (1) "Married individuals," "surviving spouse," "head of household,"
17 "unmarried individual," "estate," and "trust" have the same meaning as under
18 the Internal Revenue Code.

19 (2) The amounts of taxable income shown in the tables in this section
20 shall be adjusted annually for inflation by the Commissioner of Taxes, using
21 ~~the Consumer Price Index adjustment percentage, in the manner prescribed for~~

1 ~~inflation adjustment of federal income tax tables for the taxable year by the~~
2 ~~Commissioner of Internal Revenue, beginning with taxable year 2003~~
3 ~~percentage increase in the Consumer Price Index beginning with taxable year~~
4 ~~2019 and ending with the taxable year in question. As used in this~~
5 ~~subdivision, "consumer price index" means the last Consumer Price Index for~~
6 ~~All Urban Consumers published by the U.S. Department of Labor.~~

7 * * *

8 (d)(1) A taxpayer shall be entitled to a credit against the tax imposed
9 under this section of 24 percent of each of the credits allowed against the
10 taxpayer's federal income tax for the taxable year as follows: credit for people
11 who are elderly or permanently totally disabled, investment tax credit
12 attributable to the Vermont-property portion of the investment, and child care
13 and dependent care credits.

14 * * *

15 (3) Individuals shall receive a nonrefundable charitable contribution
16 credit against the tax imposed under this section for the taxable year. The
17 credit shall be five percent of the first \$10,000.00 in charitable contributions
18 made during the taxable year that are allowable under 26 U.S.C. § 170. This
19 credit shall be available irrespective of a taxpayer's election not to itemize at
20 the federal level.

21 * * *

1 ~~Sec. 4. 32 V.S.A. § 5828b(a) is amended to read:~~

2 ~~(a) A resident individual or part-year resident individual who is entitled to~~
3 ~~an earned income tax credit granted under the laws of the United States shall~~
4 ~~be entitled to a credit against the tax imposed for each year by section 5822 of~~
5 ~~this title. The credit shall be ~~32~~ 35 percent of the earned income tax credit~~
6 ~~granted to the individual under the laws of the United States, multiplied by the~~
7 ~~percentage which the individual's earned income that is earned or received~~
8 ~~during the period of the individual's residency in this State bears to the~~
9 ~~individual's total earned income.~~

10 Sec. 5. 32 V.S.A. § 5830e is added to read:

11 § 5830e. SOCIAL SECURITY INCOME

12 The portion of federally taxable Social Security benefits excluded from
13 taxable income under subdivision 5811(21)(B)(iv) of this chapter shall be as
14 follows:

15 (1) For taxpayers whose filing status is single, married filing separately,
16 head of household, or qualifying widow or widower:

17 (A) If the federal adjusted gross income of the taxpayer is less than
18 or equal to \$45,000.00, all federally taxable benefits received under the federal
19 Social Security Act shall be excluded.

20 (B) If the federal adjusted gross income of the taxpayer is greater
21 than \$45,000.00 but less than \$55,000.00, the percentage of federally taxable

1 benefits received under the Social Security Act to be excluded shall be

2 proportional to the amount of the taxpayer's federal adjusted gross income

3 over \$45,000.00, determined by:

4 (i) subtracting the federal adjusted gross income of the taxpayer

5 from \$55,000.00;

6 (ii) dividing the value under subdivision (i) of this subdivision (B)

7 by \$10,000.00; and

8 (iii) multiplying the value under subdivision (ii) of this

9 subdivision (B) by the federally taxable benefits received under the Social

10 Security Act.

11 (C) If the federal adjusted gross income of the taxpayer is equal to or

12 greater than \$55,000.00, no amount of the federally taxable benefits received

13 under the Social Security Act shall be excluded under this section.

14 (2) For taxpayers whose filing status is married filing jointly:

15 (A) If the federal adjusted gross income of the taxpayer is less than

16 or equal to \$60,000.00, all federally taxable benefits received under the Social

17 Security Act shall be excluded.

18 (B) If the federal adjusted gross income of the taxpayer is greater

19 than \$60,000.00 but less than \$70,000.00, the percentage of federally taxable

20 benefits received under the Social Security Act to be excluded shall be

21 proportional to the amount of the taxpayer's federal adjusted gross income

1 ~~over \$60,000.00, determined by:~~

2 ~~(i) subtracting the federal adjusted gross income of the taxpayer~~
3 ~~from \$70,000.00;~~

4 ~~(ii) dividing the value under subdivision (i) of this subdivision (B)~~
5 ~~by \$10,000.00; and~~

6 ~~(iii) multiplying the value under subdivision (ii) of this~~
7 ~~subdivision (B) by the federally taxable benefits received under the Social~~
8 ~~Security Act.~~

9 ~~(C) If the federal adjusted gross income of the taxpayer is equal to or~~
10 ~~greater than \$70,000.00, no amount of the federally taxable benefits received~~
11 ~~under the Social Security Act shall be excluded under this section.~~

12 Sec. 6. 32 V.S.A. § 5813 is amended to read:

13 § 5813. STATUTORY PURPOSES

14 * * *

15 ~~(w) The statutory purpose of the partial exemption of federally taxable~~
16 ~~benefits under the Social Security Act in section 5830e of this title is to lessen~~
17 ~~the tax burden on Vermonters with low to moderate income who derive part of~~
18 ~~their income from Social Security payments.~~

19 Sec. 6a. 32 V.S.A. § 5824 is amended to read:

20 § 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

21 ~~The statutes of the United States relating to the federal income tax, as in~~

1 ~~effect for taxable year 2016 2017, but without regard to federal income tax~~
2 rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the
3 tax liability under this chapter.

4 * * * Education Financing Changes * * *

5 * * * Income Taxes * * *

6 Sec. 7. 32 V.S.A. § 5822a is added to read:

7 § 5822a. SCHOOL INCOME TAX SURCHARGE

8 (a) In addition to the income tax assessed under section 5822 of this title,
9 there shall be imposed a school income tax on individual taxpayers calculated
10 as follows:

11 (1) an amount equal to 0.1 percent multiplied by the taxable income of
12 the taxpayer taxed at the rate of 3.35 percent under subdivisions 5822(a)(1)-(5)
13 of this title; plus

14 (2) an amount equal to 0.5 percent multiplied by the taxable income of
15 the taxpayer taxed at the rate of 6.60 percent under subdivisions 5822(a)(1)-(5)
16 of this title; plus

17 (3) an amount equal to 0.5 percent multiplied by the taxable income of
18 the taxpayer taxed at the rate of 7.60 percent under subdivisions 5822(a)(1)-(5)
19 of this title; plus

20 (4) an amount equal to 1.0 percent multiplied by the taxable income of
21 the taxpayer taxed at the rate of 8.60 percent under subdivisions 5822(a)(1)-(5)

1 ~~of this title.~~

2 ~~(b) The school income tax surcharge shall be assessed and administered in~~
3 ~~the same manner as the personal income tax imposed under section 5822 of~~
4 ~~this title. The school income tax surcharge shall be assessed against each filer~~
5 ~~regardless of the filing status under section 5822 of this title.~~

6 ~~*** Allocation of Education Funds ***~~

7 Sec. 8. 16 V.S.A. § 4025 is amended to read:

8 § 4025. EDUCATION FUND

9 (a) The Education Fund is established to comprise the following:

10 (1) ~~All all revenue paid to the State from the statewide education tax on~~
11 ~~nonresidential and homestead property under 32 V.S.A. chapter 135;~~

12 (2) ~~For each fiscal year, the amount of the general funds appropriated~~
13 ~~and transferred to the Education Fund shall be \$305,900,000.00, to be~~
14 ~~increased annually beginning for fiscal year 2018 by the consensus Joint Fiscal~~
15 ~~Office and Administration determination of the National Income and Product~~
16 ~~Accounts (NIPA) Implicit Price Deflator for State and Local Government~~
17 ~~Consumption Expenditures and Gross Investment as reported by the U.S.~~
18 ~~Department of Commerce, Bureau of Economic Analysis through the fiscal~~
19 ~~year for which the payment is being determined, plus an additional one tenth~~
20 ~~of one percent. [Repealed.]~~

21 ~~(3) Revenues revenues from State lotteries under 31 V.S.A. chapter 14;~~

1 ~~and from any multijurisdictional lottery game authorized under that chapter;~~

2 ~~(4) 25 percent of the revenues from the rooms tax imposed by 32 V.S.A.~~
3 ~~§ 9241(a) and from the meals tax imposed by 32 V.S.A. § 9241(b);~~

4 ~~(5) One-third one-third of the revenues raised from the purchase and use~~
5 ~~tax imposed by 32 V.S.A. chapter 219, notwithstanding 19 V.S.A. § 11(1);~~

6 ~~(6) Thirty-six percent of the revenues raised from the sales and use tax~~
7 ~~imposed by 32 V.S.A. chapter 233;~~

8 ~~(7) Medicaid reimbursement funds pursuant to subsection 2959a(f) of~~
9 ~~this title; and~~

10 ~~(8) revenues from the school income tax surcharge imposed by~~
11 ~~32 V.S.A. § 5822a.~~

12 (b) Monies in the Education Fund shall be used for the following:

13 (1) To make payments to school districts and supervisory unions for the
14 support of education in accordance with the provisions of section 4028 of this
15 title, other provisions of this chapter, and the provisions of 32 V.S.A.

16 ~~chapter 135, to make payments to carry out programs of adult education in~~
17 ~~accordance with section 945 of this title, and to provide funding for the~~
18 ~~community high school of Vermont; however, no payments from the~~

19 ~~Education Fund shall be used to fund initiatives under subchapter 2 of~~
20 ~~chapter 23 of this title.~~

~~(3) To make payments required under 32 V.S.A. § 6066(a)(1) and (2)~~
and only that portion attributable to education taxes, as determined by the
Commissioner of Taxes, of payments required under 32 V.S.A. § 6066(a)~~(3)~~(4)
and ~~6066(b)~~. The State Treasurer shall withdraw funds from the Education
Fund upon warrants issued by the Commissioner of Finance and Management
based on information supplied by the Commissioner of Taxes. The
Commissioner of Finance and Management may draw warrants for
disbursements from the Fund in anticipation of receipts. All balances in the
Fund at the end of any fiscal year shall be carried forward and remain a part of
the Fund. Interest accruing from the Fund shall remain in the Fund.

1 * * *

2 Sec. 9. 32 V.S.A. § 435(b) is amended to read:

3 (b) The General Fund shall be composed of revenues from the following
4 sources:

5 * * *

6 (5) ~~Individual~~ individual income taxes levied pursuant to chapter 151 of
7 this title, except for the individual school income tax surcharge imposed by
8 section 5822a of this title;

9 * * *

10 (7) ~~Meals and rooms taxes levied pursuant to chapter 225 of this title~~
11 75 percent of the rooms tax levied under subsection 9241(a) of this title,

1 ~~75 percent of the meals tax levied under subsection 9241(b) of this title, and~~
2 ~~all of the alcoholic beverage tax levied under subsection 9241(c) of this title;~~

3 * * *

4 (11) ~~54 percent of the revenue from sales and use taxes levied pursuant~~
5 ~~to chapter 233 of this title; [Repealed.]~~

6 * * *

Sec. 9a. REPORT

On or before January 1, 2024, the Joint Fiscal Office shall report to the
House Committees on Appropriations and on Ways and Means and the Senate
Committees on Appropriations and on Finance on the impact of the changes in
Secs. 8 and 9 of this act reallocating the revenues generated for the General
Fund and Education Fund.

7 * * * Calculation of Homestead Property Tax Rates * * *

8 Sec. 10. 32 V.S.A. § 5401 is amended to read:

9 § 5401. DEFINITIONS

10 As used in this chapter:

11 * * *

12 (13)(A)(i) ~~“Education~~ For districts with education spending per
13 equalized pupil that is equal to or in excess of the base spending amount
14 “education property tax spending adjustment” means the greater of: one of a
15 fraction in which the numerator is the district’s education spending plus excess

1 ~~spending per equalized pupil above the base spending amount for the school~~
2 ~~year; and the denominator is the property dollar equivalent yield for the school~~
3 ~~year, as defined in subdivision (15) of this section.~~

4 ~~(ii) For districts with education spending per equalized pupil that~~
5 ~~is less than the base spending amount, the education property tax spending~~
6 ~~adjustment shall be zero.~~

7 ~~(B) "Education income tax spending adjustment" means the greater~~
8 ~~of: one or a fraction in which the numerator is the district's education~~
9 ~~spending plus excess spending, per equalized pupil, for the school year; and~~
10 ~~the denominator is the income dollar equivalent yield for the school year, as~~
11 ~~defined in subdivision (16) of this section. [Repealed.]~~

12 * * *

13 (15) "Property dollar equivalent yield" means the amount of education
14 spending per equalized pupil that would result if the homestead tax rate were
15 \$1.00 per \$100.00 of equalized education property value, and the statutory
16 reserves under 16 V.S.A. § 4026 and section 5402b of this title were
17 maintained, calculated as if total statewide education spending per equalized
18 pupil were equal to the total statewide education spending per equalized pupil
19 minus the total statewide base spending amount per equalized pupil.

20 (16) "Income dollar equivalent yield" means the amount of spending per
21 ~~equalized pupil that would result if the income percentage in subdivision~~

1 ~~6066(a)(2) of this title were 2.0 percent, and the statutory reserves under~~

2 ~~16 V.S.A. § 4026 and section 5402b of this title were maintained. “Base~~
3 ~~income percentage” means a percentage set by the General Assembly each~~
4 ~~year under 32 V.S.A. § 5402b(b).~~

5 ~~(17) “Base spending amount” means the amount that results from the~~
6 ~~following calculation:~~

~~(A) the sum of the total projected Education Fund revenue sources~~
~~under 16 V.S.A. § 4025(a)(1)-(8)(7) for the following fiscal year, plus any~~
~~surplus from the prior fiscal year, minus the total projected amount of revenue~~
~~raised by the statewide education homestead tax in the following fiscal year,~~
~~*without regard to any adjustment under chapter 154 of this title;* minus~~

~~(B) an amount equal to the projected Education Fund expenditures~~
~~for the following fiscal year, minus the projected education payments under~~
~~16 V.S.A. § 4028 for the following fiscal year, and ~~minus~~ *plus* any projected~~
~~transfer to the Education Fund Budget Stabilization Reserve Fund established~~
~~under 16 V.S.A. § 4026; plus~~

7 ~~(C) the projected amount of revenue raised by the statewide~~
8 ~~education homestead tax that would result if the homestead tax rate were \$1.00~~
9 ~~per \$100.00 of equalized education property value in the following fiscal year;~~
10 ~~divided by~~

11 ~~(D) the total projected count of equalized pupils in the following~~

1 ~~fiscal year.~~

2 * * *

3 Sec. 11, 32 V.S.A. § 5402 is amended to read:

4 § 5402. EDUCATION PROPERTY TAX LIABILITY

5 (a) A statewide education tax is imposed on all nonresidential and
6 homestead property at the following rates:

7 (1) The tax rate for nonresidential property shall be \$1.59 per \$100.00.

8 (2) The tax rate for homestead property shall be \$1.00 multiplied by
9 plus the education property tax spending adjustment for the municipality per
10 \$100.00 of equalized education property value as most recently determined
11 under section 5405 of this title. The homestead property tax rate for each
12 municipality ~~which~~ that is a member of a union or unified union school district
13 shall be calculated as required under subsection (e) of this section.

14 (b) The statewide education tax shall be calculated as follows:

15 * * *

16 (2) Taxes assessed under this section shall be assessed and collected in
17 the same manner as taxes assessed under chapter 133 of this title with no tax
18 classification other than as homestead or nonresidential property; provided,
19 however, that the tax levied under this chapter shall be billed to each taxpayer
20 by the municipality separately from any other tax assessed and collected under
21 chapter 133.

1 * * *

2 Sec. 12. 32 V.S.A. § 5402b is amended to read:

3 § 5402b. STATEWIDE EDUCATION TAX YIELDS;

4 RECOMMENDATION OF THE COMMISSIONER

5 (a) Annually, ~~no later than~~ on or before December 1, the Commissioner of
6 Taxes, after consultation with the Secretary of Education, the Secretary of
7 Administration, and the Joint Fiscal Office, shall calculate and recommend a
8 property dollar equivalent yield, ~~an income dollar equivalent yield a base~~
9 income percentage, and a nonresidential property tax rate for the following
10 fiscal year. In making these calculations, the Commissioner shall assume:

11 (1) the homestead base tax rate in subdivision 5402(a)(2) of this title is
12 \$1.00 per \$100.00 of equalized education property value;

(2) ~~the applicable base income percentage in subdivision 6066(a)(2)~~
~~5401(16) of this title is 2.0 the same that was used in the prior fiscal year;~~

[Repealed.]

(3) the statutory reserves under 16 V.S.A. § 4026 and this section ~~were~~
are maintained at five percent; and

13 (4) the percentage change in the ~~median~~ average education tax bill
14 applied to nonresidential property, and the percentage change in the ~~median~~
15 average education tax bill of homestead property, and the percentage change in
16 ~~the median average~~ education tax bill for taxpayers who claim an adjustment

1 ~~under subsection 6066(a) of this title are equal~~

2 (b) For each fiscal year, the General Assembly shall set a property dollar
3 equivalent yield and an income dollar equivalent yield, and a base income
4 percentage consistent with the definitions in this chapter.

5 * * *

6 (d) Annually, on or about January 15, the Joint Fiscal Office and Secretary
7 of Administration shall provide to the Emergency Board a calculation of the
8 base spending amount for the upcoming fiscal year. The Emergency Board
9 shall review the calculation at its January meeting and shall adopt a base
10 spending amount for the upcoming fiscal year.

Sec. 12a. COST CONTAINMENT

The General Assembly intends that the changes to the calculation of
spending adjusted homestead tax rates in this act will lead to cost containment
by increasing the tax cost for each additional dollar of education spending
over the cost under the law prior to this act.

11 * * * Property Tax Adjustments * * *

12 Sec. 13. 32 V.S.A. § 6066 is amended to read:

13 § 6066. COMPUTATION OF ADJUSTMENT

14 (a) An eligible claimant who owned the homestead on April 1 of the year
15 in which the claim is filed shall be entitled to an adjustment amount
16 ~~determined as follows.~~

1 ~~(1)(A) For a claimant with household income of \$90,000.00 or more:~~
2 ~~(i) the statewide education tax rate, multiplied by the equalized~~
3 ~~value of the housesite in the taxable year;~~
4 ~~(ii) minus (if less) the sum of:~~
5 ~~(I) the income percentage of household income for the taxable~~
6 ~~year; plus~~
7 ~~(II) the statewide education tax rate, multiplied by the~~
8 ~~equalized value of the housesite in the taxable year in excess of \$250,000.00.~~
9 ~~(B) For a claimant with household income of less than \$90,000.00~~
10 ~~but more than \$47,000.00, the statewide education tax rate, multiplied by the~~
11 ~~equalized value of the housesite in the taxable year, minus (if less) the sum of:~~
12 ~~(i) the income percentage of household income for the taxable~~
13 ~~year; plus~~
14 ~~(ii) the statewide education tax rate, multiplied by the equalized~~
15 ~~value of the housesite in the taxable year in excess of \$500,000.00~~
16 ~~\$400,000.00.~~
17 ~~(C) For a claimant whose household income does not exceed~~
18 ~~\$47,000.00, the statewide education tax rate, multiplied by the equalized value~~
19 ~~of the housesite in the taxable year, minus the lesser of:~~
20 ~~(i) the sum of the income percentage of household income for the~~
21 ~~taxable year plus the statewide education tax rate, multiplied by the equalized~~

1 ~~value of the housesite in the taxable year in excess of \$500,000.00~~

2 ~~\$400,000.00; or~~

3 ~~(ii) the statewide education tax rate, multiplied by the equalized~~
4 ~~value of the housesite in the taxable year reduced by \$15,000.00.~~

5 ~~(2) "Income percentage" in this section means two percent, the base~~
6 ~~income percentage adopted by the General Assembly for the fiscal year, plus~~
7 ~~the base income percentage multiplied by the education income property tax~~
8 ~~spending adjustment under subdivision 5401(13)(B)(A) of this title for the~~
9 ~~property tax year ~~which~~ that begins in the claim year for the municipality in~~
10 ~~which the homestead residence is located.~~

11 ~~(3) A claimant whose household income does not exceed \$47,000.00~~
12 ~~shall also be entitled to an additional adjustment amount from the claimant's~~
13 ~~municipal taxes for the upcoming fiscal year that is equal to the amount by~~
14 ~~which the municipal property taxes for the municipal fiscal year ~~which~~ that~~
15 ~~began in the taxable year upon the claimant's housesite, ~~reduced by the~~~~
16 ~~~~adjustment amount determined under subdivisions (1) and (2) of this~~~~
17 ~~subsection, exceeds a percentage of the claimant's household income for the~~
18 ~~taxable year as follows:~~

19 ~~If household income (rounded to _____ then the taxpayer is entitled to~~
20 ~~the nearest dollar) is: _____ credit for the reduced property tax in~~
21 ~~_____ excess of this percent of that income.~~

1 \$0.00 - 9,999.00 2.0 1.50

2 \$10,000.00 - 24,999.00 4.5 3.00

3 \$25,000.00 - 47,000.00 5.0 3.00

4 (4) A claimant whose household income does not exceed \$47,000.00

5 shall also be entitled to an additional adjustment amount from the claimant's

6 statewide education tax for the upcoming fiscal year that is equal to the

7 amount by which the education property tax for the municipal fiscal year that

8 began in the taxable year upon the claimant's housesite, reduced by the

9 adjustment amount determined under subdivisions (1) and (2) of this

10 subsection, exceeds a percentage of the claimant's household income for the

11 taxable year as follows:

12 If household income (rounded to then the taxpayer is entitled to

13 the nearest dollar) is: credit for the reduced property tax in

14 excess of this percent of that income:

15 \$0.00 - 9,999.00 0.5

16 \$10,000.00 - 24,999.00 1.5

17 \$25,000.00 - 47,000.00 2.0

(4)(5) In no event shall the credit provided for in subdivision (3) or (4)

of this subsection exceed the amount of the reduced property tax.*The*

adjustments under subdivisions (3) and (4) of this subsection shall be

calculated considering only the tax due on the first \$400,000.00 in equalized

~~housesite value~~

* * *

Sec. 14. 32 V.S.A. § 6066a(f) is amended to read:

(f) Property tax bills.

(1) For taxpayers and amounts stated in the notice to towns on July 1, municipalities shall create and send to taxpayers a homestead property tax bill, instead of the bill required under subdivision 5402(b)(1) of this title, providing the total amount allocated to payment of homestead education property tax liabilities and notice of the balance due. Nothing in this subdivision, however, shall be interpreted as altering the requirement under subdivision 5402(b)(1) of this title that the statewide education homestead tax be billed separately from any other tax. Municipalities shall apply the amount allocated under this chapter to current-year property taxes in equal amounts to each of the taxpayers' property tax installments that include education taxes.

Notwithstanding section 4772 of this title, if a town issues a corrected bill as a result of the November 1 notice sent by the Commissioner under subsection (a) of this section, issuance of such the corrected new bill does not extend the time for payment of the original bill, nor relieve the taxpayer of any interest or penalties associated with the original bill. If the corrected bill is less than the original bill, and there are also no unpaid current-year current-year taxes, interest, or penalties and no past-year past-year delinquent taxes or penalties

1 ~~and interest charges, any overpayment shall be reflected on the corrected tax~~

2 bill and refunded to the taxpayer.

3 * * *

4 Sec. 14a. 32 V.S.A. § 6067 is amended to read:

5 § 6067. CREDIT LIMITATIONS

6 Only one individual per household per taxable year shall be entitled to a
7 benefit under this chapter. An individual who received a homestead exemption
8 or adjustment with respect to property taxes assessed by another state for the
9 taxable year shall not be entitled to receive an adjustment under this chapter.

10 No taxpayer shall receive an adjustment under subsection 6066(b) of this title
11 in excess of \$3,000.00. No taxpayer shall receive ~~total adjustments under this~~
12 ~~chapter in excess of \$8,000.00 related to any one property tax year an~~
13 adjustment under 6066(a)(3) of this title greater than \$2,400.00 or cumulative
14 adjustment under 6066(a)(1)-(2) and (4) of this title greater than \$5,600.00.

15 * * * Yield, Applicable Percentage and Nonresidential Rate for

16 Fiscal Year 2019 * * *

17 Sec. 15. PROPERTY DOLLAR EQUIVALENT YIELD AND BASE

18 INCOME PERCENTAGE FOR FISCAL YEAR 2019

19 (a) Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2019 only, the
20 property dollar equivalent yield shall be \$8,500.00.

21 ~~(b) Notwithstanding any other provision of law, for fiscal year 2019 only,~~

1 ~~the base income percentage under 32 V.S.A. § 5401(16) shall be 1.66 percent.~~

2 Sec. 16. NONRESIDENTIAL PROPERTY TAX RATE FOR FISCAL YEAR
3 2019

4 Notwithstanding any other provision of law, for fiscal year 2019 only, the
5 nonresidential education property tax imposed under 32 V.S.A. § 5402(a)(2)
6 shall be \$1.591 per \$100.00.

7 * * * Excess Spending * * *

8 Sec. 17. REPEALS

9 The following are repealed:

10 (1) 16 V.S.A. § 4001(6)(B) (definition of education spending for the
11 purpose of excess spending).

12 (2) 32 V.S.A. § 5401(12) (excess spending penalty).

13 Sec. 18. 16 V.S.A. § 4011(i) is amended to read:

14 (i) Annually, by on or before October 1, the Secretary shall send to school
15 boards for inclusion in town reports and publish on the Agency website the
16 following information:

17 (1) the statewide average district spending per equalized pupil for the
18 current fiscal year; and 125 percent of that average spending; and

19 (2) a statewide comparison of student-teacher ratios among schools that
20 are similar in number of students and number of grades.

21 ~~Sec. 19. 24 V.S.A. § 2804(b) is amended to read.~~

1 ~~(b) If a reserve fund is established under subsection (a) of this section to~~
2 ~~pay a school district's future school capital construction costs approved under~~
3 ~~16 V.S.A. chapter 123, any funds raised by the district as part of its education~~
4 ~~spending to pay for those future costs shall be considered "approved school~~
5 ~~capital construction spending" in calculating excess spending under 32 V.S.A.~~
6 ~~§ 5401(12). Districts shall submit to the Agency of Education annually a~~
7 ~~report of deposits into and expenditures from a school capital construction~~
8 ~~reserve fund. If the Agency of Education determines that any amount in the~~
9 ~~reserve fund has not been used for approved school capital construction within~~
10 ~~five years after deposit into the fund, then 150 percent of that amount shall be~~
11 ~~added to the district's education spending in the then-current year for purposes~~
12 ~~of calculating the excess spending penalty. The definitions in 16 V.S.A.~~
13 ~~chapter 133 shall apply to this subsection.~~

14 * * * Teachers' Normal Retirement * * *

15 Sec. 20. 16 V.S.A. § 4001 is amended to read:

16 § 4001. DEFINITIONS

17 As used in this chapter:

18 * * *

19 (6) "Education spending" means the amount of the school district
20 budget, any assessment for a joint contract school, career technical center
21 payments made on behalf of the district under subsection 1561(b) of this title,

1 ~~and any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) that is~~
2 ~~paid for by the school district, and the portion of the payments to the Vermont~~
3 ~~Teachers' Retirement Fund for the normal contribution made in accordance~~
4 ~~with subsection 1944(c) of this title, which is attributable to the school district,~~
5 ~~but excluding any portion of the school budget paid for from any other sources~~
6 ~~such as endowment, parental fund-raising fund-raising, federal funds,~~
7 ~~nongovernmental grants, or other State funds such as special education funds~~
8 ~~paid under chapter 101 of this title.~~

9 * * *

10 * * * Repeal of Act 46 Rate Limitations * * *

11 Sec. 21. ACT 46 TAX RATE LIMITATIONS

12 (a) “Five percent provision” means collectively the provisions in 2010 Acts
13 and Resolves No. 153, 2012 Acts and Resolves No.156, and 2015 Acts and
14 Resolves No. 46, limiting a town’s equalized homestead property tax rate
15 increase or decrease and related household income percentage adjustments to
16 five percent in a single year during the years in which the corresponding tax
17 rate reductions apply to a new union school district’s equalized unified
18 homestead property tax rate.

19 ~~(b) Notwithstanding any other provision of law, for the Sunderland School~~
20 ~~District, Mt. Tabor School District, and any district that does not operate a~~
21 ~~school, and pays tuition for all resident students in kindergarten through grade~~

1 ~~12. and that merged operations by July 1, 2019 under Act 46 of 2015 into a~~
2 ~~district that does not operate a school, the five percent provision shall not be~~
3 ~~applied to limit any reduction in that district's equalized homestead property~~
4 ~~tax rate or related household income percentage adjustments. For any other~~
5 ~~school district, the five percent provision shall not apply.~~

(b)(1) Notwithstanding any other provision of law, for all of the following districts, the five percent provision shall continue to apply, except that the five percent provision shall not be applied to limit any reduction in that district's equalized homestead property tax rate or related household income percentage adjustments:

(A) any merged district within the Taconic and Green Regional School District;

(B) any merged district within the NEK Choice School District; and

(C) any district that merged operations after the passage of this act, but before July 1, 2019 under 2015 Acts and Resolves No. 46, Sec. 7, and whose first fiscal year of operation is fiscal year 2020.

(2) For any school district not listed in subdivision (1) of this subsection, the five percent provision shall not apply.

**** Billing Assistance for Towns ****

Sec. 21a. BILLING ASSISTANCE FOR TOWNS

~~*For fiscal year 2019, there is appropriated from the equalization and*~~

~~reappraisal account established in the Education Fund under 16 V.S.A. § 4025(c), the amount of \$200,000.00 for the Commissioner of Taxes to assist towns with the costs associated with issuing separate municipal and education tax bills under this act.~~

1 * * * Effective Dates; Transition * * *

2 Sec. 22. EFFECTIVE DATES AND TRANSITION

3 (a) This section shall take effect on passage.

4 (b) Notwithstanding 1 V.S.A. § 214, Secs. 1-6 (income tax changes) shall
5 take effect retroactively on January 1, 2018 and apply to taxable year 2018 and
6 after.

7 (c) Notwithstanding 1 V.S.A. § 214, Sec. 6a (annual update of income tax
8 link to the IRC) shall take effect retroactively on January 1, 2017 and apply to
9 taxable years beginning on January 1, 2017 and after.

10 (d) Notwithstanding 1 V.S.A. § 214, Sec. 7 (school income tax surcharge)
11 shall take effect retroactively on January 1, 2018 and apply to taxable year
12 2018 and after. Notwithstanding any other provision of law, for taxable year
13 2018 only, no interest or penalty shall be assessed for the underpayment of
14 estimated tax for any individual taxpayer resulting from a liability to pay the
15 school income tax surcharge imposed under 32 V.S.A. § 5822a.

16 (e) Secs. 8-19 and 21 (education financing changes) shall take effect on
17 July 1, 2018 and apply to fiscal year 2019 and after, except that,

1 ~~(1) for fiscal year 2019 only, the base spending amount under 32 V.S.A.~~
2 ~~§ 5401(17) shall be \$11,916.00;~~
3 ~~(2) for fiscal year 2020 only, the base spending amount under 32 V.S.A.~~
4 ~~§ 5401(17) shall be 96 percent of what it would otherwise be calculated to be.~~
5 ~~(f) Sec. 20 (teachers' retirement) shall take effect July 1, 2019 and apply to~~
6 ~~fiscal year 2020 and after.~~

** * * Personal Income Tax Changes * * **

** * * Taxable Income * * **

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

§ 5811. DEFINITIONS

** * **

(21) "Taxable income" means, in the case of an individual, federal adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

** * **

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

(i) income from U.S. government obligations;

(ii) with respect to adjusted net capital gain income as defined in 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend income: either the first \$5,000.00 of such adjusted net capital gain income; or 40 percent of adjusted net capital gain income from the sale of assets held by

the taxpayer for more than three years, except not adjusted net capital gain income from:

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

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

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

(iv) the portion of federally taxable benefits received under the federal Social Security Act that is required to be excluded under section 5830e of this chapter; and

(C) Decreased by the following exemptions and deductions:

(i) the amount of personal exemptions taken at the federal level a personal exemption of \$4,150.00 per person for the taxpayer, for the spouse or the deceased spouse of the taxpayer whose filing status under section 5822 of this chapter is married filing a joint return or surviving spouse, and for each individual qualifying as a dependent of the taxpayer under 26 U.S.C. § 152,

provided that no exemption may be claimed for an individual who is a dependent of another taxpayer;

(ii) for taxpayers who do not itemize at the federal level, the amount of the a standard deduction taken at the federal level determined as follows:

(I) for taxpayers whose filing status under section 5822 of this chapter is unmarried (other than surviving spouses or heads of households) or married filing separate returns, \$6,000.00;

(II) for taxpayers whose filing status under section 5822 of this chapter is head of household, \$9,000.00;

(III) for taxpayers whose filing status under section 5822 of this chapter is married filing joint return or surviving spouse, \$12,000.00; and

(iii) for taxpayers who itemize at the federal level:

(I) the amount of federally itemized deductions for medical and dental expenses and charitable contributions;

(II) the total amount of federally itemized deductions, other than deductions for State and local income taxes, medical and dental expenses, and charitable contributions, deducted from federal adjusted gross income for the taxable year, but in no event shall the amount under this subdivision exceed two and one-half times the federal standard deduction allowable to the taxpayer; and

~~(III) in no event shall the total amount of deductions allowed under subdivisions (I) and (II) of this subdivision (21)(C)(iii) reduce the total amount of itemized deductions below the federal standard deduction allowable to the taxpayer an additional deduction of \$1,000.00 for each federal deduction for which the taxpayer qualified and received under 26 U.S.C. § 63(f); and~~

~~(iv) the dollar amounts of the personal exemption allowed under subdivision (i) of this subdivision (21)(C), the standard deduction allowed under subdivision (ii) of this subdivision (21)(C), and the additional deduction allowed under subdivision (iii) of this subdivision (21)(C) shall be adjusted annually for inflation by the Commissioner of Taxes beginning with taxable year 2018 by using the Consumer Price Index and the same methodology as used for adjustments under 26 U.S.C. § 1(f)(3); provided however, that as used in this subdivision "consumer price index" means the last Consumer Price Index for All Urban Consumers published by the U.S. Department of Labor.~~

* * *

* * * *Personal Income Tax Rates* * * *

Sec. 2. PERSONAL INCOME TAX RATES

~~(a) 2009 Spec. Sess. Acts and Resolves No. 2, Sec. 20 is repealed.~~

~~(b) For taxable year 2018 and after, income tax rates under 32 V.S.A. § 5822(a)(1)-(5), after taking into consideration any inflation adjustments to~~

taxable income as required by 32 V.S.A. § 5822(b)(2), shall be as follows:

(1) taxable income that without the passage of this act would have been subject to a rate of 3.55 percent shall be taxed at the rate of 3.35 percent instead;

(2) taxable income that without the passage of this act would have been subject to a rate of 6.80 percent shall be taxed at the rate of 6.60 percent instead;

(3) taxable income that without the passage of this act would have been subject to a rate of 7.80 percent shall be taxed at the rate of 7.60 percent instead;

(4) taxable income that without the passage of this act would have been subject to a rate of 8.80 percent or 8.95 percent shall be taxed at the rate of 8.75 percent instead; the tax brackets for taxable income taxed at 8.80 percent and 8.95 percent in taxable year 2017 shall be combined to be taxed at a rate of 8.75 percent for taxable year 2018 and after.

(c) When preparing the Vermont Statutes Annotated for publication, the Office of Legislative Council shall revise the tables in 32 V.S.A. § 5822(a)(1)-(5) to reflect the changes to the tax rates and tax brackets made in this section.

** * * Charitable Credit; Earned Income Tax Credit; Social Security Income;*

*Other Adjustments * * **

Sec. 3. 32 V.S.A. § 5822 is amended to read:

§ 5822. TAX ON INCOME OF INDIVIDUALS, ESTATES, AND TRUSTS

(a) A tax is imposed for each taxable year upon the taxable income earned or received in that year by every individual, estate, and trust, subject to income taxation under the laws of the United States, in an amount determined by the following tables, and adjusted as required under this section:

** * **

(b) As used in this section:

(1) “Married individuals,” “surviving spouse,” “head of household,” “unmarried individual,” “estate,” and “trust” have the same meaning as under the Internal Revenue Code.

(2) The amounts of taxable income shown in the tables in this section shall be adjusted annually for inflation by the Commissioner of Taxes, using the Consumer Price Index adjustment percentage, in the manner prescribed for inflation adjustment of federal income tax tables for the taxable year by the Commissioner of Internal Revenue, beginning with taxable year 2003; provided, however, notwithstanding 26 U.S.C. § 1(f)(3), as used in this subdivision, “consumer price index” means the last Consumer Price Index for All Urban Consumers published by the U.S. Department of Labor.

** * **

(d)(1) A taxpayer shall be entitled to a credit against the tax imposed under this section of 24 percent of each of the credits allowed against the

taxpayer's federal income tax for the taxable year as follows: credit for people who are elderly or permanently totally disabled, investment tax credit attributable to the Vermont-property portion of the investment, and child care and dependent care credits.

* * *

(3) Individuals shall receive a nonrefundable charitable contribution credit against the tax imposed under this section for the taxable year. The credit shall be five percent of the first \$20,000.00 in charitable contributions made during the taxable year that are allowable under 26 U.S.C. § 170. This credit shall be available irrespective of a taxpayer's election not to itemize at the federal level.

* * *

Sec. 4. 32 V.S.A. § 5828b(a) is amended to read:

(a) A resident individual or part-year resident individual who is entitled to an earned income tax credit granted under the laws of the United States shall be entitled to a credit against the tax imposed for each year by section 5822 of this title. The credit shall be ~~32~~ 36 percent of the earned income tax credit granted to the individual under the laws of the United States, multiplied by the percentage ~~which~~ that the individual's earned income that is earned or received during the period of the individual's residency in this State bears to the individual's total earned income.

Sec. 5. 32 V.S.A. § 5830e is added to read:

§ 5830e. SOCIAL SECURITY INCOME

The portion of federally taxable Social Security benefits excluded from taxable income under subdivision 5811(21)(B)(iv) of this chapter shall be as follows:

(1) For taxpayers whose filing status is single, married filing separately, head of household, or qualifying widow or widower:

(A) If the federal adjusted gross income of the taxpayer is less than or equal to \$45,000.00, all federally taxable benefits received under the federal Social Security Act shall be excluded.

(B) If the federal adjusted gross income of the taxpayer is greater than \$45,000.00 but less than \$55,000.00, the percentage of federally taxable benefits received under the Social Security Act to be excluded shall be proportional to the amount of the taxpayer's federal adjusted gross income over \$45,000.00, determined by:

(i) subtracting the federal adjusted gross income of the taxpayer from \$55,000.00;

(ii) dividing the value under subdivision (i) of this subdivision (B) by \$10,000.00; and

(iii) multiplying the value under subdivision (ii) of this subdivision (B) by the federally taxable benefits received under the Social Security Act.

(C) If the federal adjusted gross income of the taxpayer is equal to or greater than \$55,000.00, no amount of the federally taxable benefits received under the Social Security Act shall be excluded under this section.

(2) For taxpayers whose filing status is married filing jointly:

(A) If the federal adjusted gross income of the taxpayer is less than or equal to \$60,000.00, all federally taxable benefits received under the Social Security Act shall be excluded.

(B) If the federal adjusted gross income of the taxpayer is greater than \$60,000.00 but less than \$70,000.00, the percentage of federally taxable benefits received under the Social Security Act to be excluded shall be proportional to the amount of the taxpayer's federal adjusted gross income over \$60,000.00, determined by:

(i) subtracting the federal adjusted gross income of the taxpayer from \$70,000.00;

(ii) dividing the value under subdivision (i) of this subdivision (B) by \$10,000.00; and

(iii) multiplying the value under subdivision (ii) of this subdivision (B) by the federally taxable benefits received under the Social Security Act.

(C) If the federal adjusted gross income of the taxpayer is equal to or greater than \$70,000.00, no amount of the federally taxable benefits received under the Social Security Act shall be excluded under this section.

Sec. 6. 32 V.S.A. § 5813 is amended to read:

§ 5813. STATUTORY PURPOSES

** * **

(w) The statutory purpose of the partial exemption of federally taxable benefits under the Social Security Act in section 5830e of this title is to lessen the tax burden on Vermonters with low to moderate income who derive part of their income from Social Security payments.

(x) The statutory purpose of the charitable contribution credit in subdivision 5822(d)(3) of this title is to reduce the tax liability for Vermonters who contribute to charitable causes.

Sec. 7. 32 V.S.A. § 5824 is amended to read:

§ 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

The statutes of the United States relating to the federal income tax, as in effect for ~~taxable year 2016~~ on December 31, 2017, but without regard to federal income tax rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the tax liability under subchapter 2 of this chapter. For purposes of computing the tax liability for any taxable year under subchapter 3 of this chapter, the statutes of the United States relating to the federal income tax in effect for that taxable year, whether enacted before or after this chapter, are hereby adopted, unless otherwise provided.

** * * Allocation of Education Funds * * **

Sec. 8. 16 V.S.A. § 4025 is amended to read:

§ 4025. EDUCATION FUND

(a) The Education Fund is established to comprise the following:

(1) ~~All all revenue paid to the State from the statewide education tax on nonresidential and homestead property under 32 V.S.A. chapter 135;~~

(2) ~~For each fiscal year, the amount of the general funds appropriated and transferred to the Education Fund shall be \$305,900,000.00, to be increased annually beginning for fiscal year 2018 by the consensus Joint Fiscal Office and Administration determination of the National Income and Product Accounts (NIPA) Implicit Price Deflator for State and Local Government Consumption Expenditures and Gross Investment as reported by the U.S. Department of Commerce, Bureau of Economic Analysis through the fiscal year for which the payment is being determined, plus an additional one-tenth of one percent. [Repealed.]~~

(3) ~~Revenues revenues from State lotteries under 31 V.S.A. chapter 14, and from any multijurisdictional lottery game authorized under that chapter;~~

(4) 25 percent of the revenues from the meals and rooms taxes imposed under 32 V.S.A. chapter 225;

(5) ~~One-third one-third of the revenues raised from the purchase and use tax imposed by 32 V.S.A. chapter 219, notwithstanding 19 V.S.A. § 11(1);~~

(6) ~~Thirty-six percent of the revenues raised from the sales and use tax~~

imposed by 32 V.S.A. chapter 233;

(7) Medicaid reimbursement funds pursuant to subsection 2959a(f) of this title.

(b) Monies in the Education Fund shall be used for the following:

(1) To make payments to school districts and supervisory unions for the support of education in accordance with the provisions of section 4028 of this title, other provisions of this chapter, ~~and~~ the provisions of 32 V.S.A. chapter 135, ~~to make payments to carry out programs of adult education in accordance with section 945 of this title, and to provide funding for the community high school of Vermont and the Flexible Pathways Initiative established by 16 V.S.A. § 941, but excluding adult education and literacy programs under 16 V.S.A. § 945.~~

** * **

(3) To make payments required under 32 V.S.A. § 6066(a)(1) ~~and (2)~~ and only that portion attributable to education taxes, as determined by the Commissioner of Taxes, of payments required under 32 V.S.A. § 6066(a)(3) and (4) ~~and 6066(b)~~. The State Treasurer shall withdraw funds from the Education Fund upon warrants issued by the Commissioner of Finance and Management based on information supplied by the Commissioner of Taxes. The Commissioner of Finance and Management may draw warrants for disbursements from the Fund in anticipation of receipts. All balances in the

Fund at the end of any fiscal year shall be carried forward and remain a part of the Fund. Interest accruing from the Fund shall remain in the Fund.

* * *

(c) ~~An equalization and reappraisal account is established within the Education Fund. Monies from this account are to be used by the Division of Property Valuation and Review to assist towns with maintenance or reappraisal on a case-by-case basis; and for reappraisal and grand list maintenance assistance payments pursuant to 32 V.S.A. §§ 4041a and 5405(f).~~

[Repealed.]

Sec. 9. 32 V.S.A. § 435(b) is amended to read:

(b) The General Fund shall be composed of revenues from the following sources:

* * *

(7) Meals 75 percent of the meals and rooms taxes levied pursuant to chapter 225 of this title;

* * *

(11) ~~64 percent of the revenue from sales and use taxes levied pursuant to chapter 233 of this title; [Repealed.]~~

* * *

Sec. 9a. REPORT

On or before January 1, 2024, the Joint Fiscal Office shall report to the

House Committees on Appropriations and on Ways and Means and the Senate
Committees on Appropriations and on Finance on the impact of the changes in
Secs. 8 and 9 of this act reallocating the revenues generated for the General
Fund and Education Fund.

** * * Yield and Nonresidential Rate for Fiscal Year 2019 * * **

Sec. 10. PROPERTY DOLLAR EQUIVALENT YIELD, INCOME

*DOLLAR EQUIVALENT YIELD AND NONRESIDENTIAL
RATE FOR FISCAL YEAR 2019*

(a) Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2019 only, the
property dollar equivalent yield shall be \$10,032.00.

(b) Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2019 only, the income
dollar equivalent yield shall be \$12,135.00.

(c) The nonresidential rate for fiscal year 2019 shall be the statutory default
rate of \$1.59 per \$100.00 of equalized education property value under 32
V.S.A. § 5402(a)(2).

Sec. 11. 32 V.S.A. § 5402b(a)(4) is amended to read:

*(4) the percentage change in the ~~median~~ average education tax bill
applied to nonresidential property, and the percentage change in the ~~median~~
average education tax bill of homestead property, and the percentage change
in the ~~median~~ average education tax bill for taxpayers who claim an
adjustment under subsection 6066(a) of this title are equal.*

** * * Statewide Education Property Tax Bills * * **

Sec. 12. 32 V.S.A. § 5402(b) is amended to read:

(b) The statewide education tax shall be calculated as follows:

** * **

(2) Taxes assessed under this section shall be assessed and collected in the same manner as taxes assessed under chapter 133 of this title with no tax classification other than as homestead or nonresidential property; provided, however, that the tax levied under this chapter shall be billed to each taxpayer by the municipality in a manner that clearly indicates the tax is separate from any other tax assessed and collected under chapter 133, including an itemization of the separate taxes due. The bill may be on a single sheet of paper with the statewide education tax and other taxes presented separately and side by side.

** * **

Sec. 13. 32 V.S.A. § 6066a(f) is amended to read:

(f) Property tax bills.

(1) For taxpayers and amounts stated in the notice to towns on July 1, municipalities shall create and send to taxpayers a homestead property tax bill, instead of the bill required under subdivision 5402(b)(1) of this title, providing the total amount allocated to payment of homestead education property tax liabilities and notice of the balance due. Nothing in this

subdivision, however, shall be interpreted as altering the requirement under subdivision 5402(b)(1) of this title that the statewide education homestead tax be billed in a manner that is stated clearly and separately from any other tax. Municipalities shall apply the amount allocated under this chapter to current-year property taxes in equal amounts to each of the taxpayers' property tax installments that include education taxes. Notwithstanding section 4772 of this title, if a town issues a corrected bill as a result of the November 1 notice sent by the Commissioner under subsection (a) of this section, issuance of ~~such~~ the corrected new bill does not extend the time for payment of the original bill, nor relieve the taxpayer of any interest or penalties associated with the original bill. If the corrected bill is less than the original bill, and there are also no unpaid ~~current-year~~ current-year taxes, interest, or penalties and no ~~past-year~~ past-year delinquent taxes or penalties and interest charges, any overpayment shall be reflected on the corrected tax bill and refunded to the taxpayer.

* * *

* * * *Property Tax Adjustments* * * *

Sec. 14. 32 V.S.A. § 6066 is amended to read:

§ 6066. COMPUTATION OF ADJUSTMENT

(a) An eligible claimant who owned the homestead on April 1 of the year in which the claim is filed shall be entitled to an adjustment amount determined as follows:

(1)(A) For a claimant with household income of \$90,000.00 or more:

(i) the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year;

(ii) minus (if less) the sum of:

(I) the income percentage of household income for the taxable year; plus

(II) the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year in excess of ~~\$250,000.00~~\$200,000.00.

(B) For a claimant with household income of less than \$90,000.00 but more than \$47,000.00, the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year, minus (if less) the sum of:

(i) the income percentage of household income for the taxable year; plus

(ii) the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year in excess of ~~\$500,000.00~~\$400,000.00.

(C) For a claimant whose household income does not exceed \$47,000.00, the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year, minus the lesser of:

(i) the sum of the income percentage of household income for the

taxable year plus the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year in excess of ~~\$500,000.00~~ \$400,000.00; or

(ii) the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year reduced by \$15,000.00.

* * *

(3) A claimant whose household income does not exceed \$47,000.00 shall also be entitled to an additional adjustment amount from the claimant's municipal taxes for the upcoming fiscal year that is equal to the amount by which the municipal property taxes for the municipal fiscal year which that began in the taxable year upon the claimant's housesite, reduced by the adjustment amount determined under subdivisions (1) and (2) of this subsection, exceeds a percentage of the claimant's household income for the taxable year as follows:

If household income (rounded to the nearest dollar) is: then the taxpayer is entitled to credit for the reduced property tax in excess of this percent of that income:

\$0.00 - 9,999.00	2.0 <u>1.50</u>
\$10,000.00 - 24,999.00	4.5
\$25,000.00 - 47,000.00	5.0
<u>\$10,000.00 - 47,000.00</u>	<u>3.00</u>

(4) A claimant whose household income does not exceed \$47,000.00 shall also be entitled to an additional adjustment amount from the claimant's statewide education tax for the upcoming fiscal year that is equal to the amount by which the education property tax for the municipal fiscal year that began in the taxable year upon the claimant's housesite, reduced by the adjustment amount determined under subdivisions (1) and (2) of this subsection, exceeds a percentage of the claimant's household income for the taxable year as follows:

If household income (rounded to the nearest dollar) is: then the taxpayer is entitled to
credit for the reduced property tax in
excess of this percent of that income:

<u>\$0.00 - 9,999.00</u>	<u>0.5</u>
<u>\$10,000.00 - 24,999.00</u>	<u>1.5</u>
<u>\$25,000.00 - 47,000.00</u>	<u>2.0</u>

(4)(5) In no event shall the credit provided for in subdivision (3) or (4) of this subsection exceed the amount of the reduced property tax. The adjustments under subdivisions (3) and (4) of this subsection shall be calculated considering only the tax due on the first \$400,000.00 in equalized housesite value.

* * *

Sec. 14a. 32 V.S.A. § 6067 is amended to read:

§ 6067. CREDIT LIMITATIONS

Only one individual per household per taxable year shall be entitled to a benefit under this chapter. An individual who received a homestead exemption or adjustment with respect to property taxes assessed by another state for the taxable year shall not be entitled to receive an adjustment under this chapter. No taxpayer shall receive an adjustment under subsection 6066(b) of this title in excess of \$3,000.00. No taxpayer shall receive ~~total adjustments under this chapter in excess of \$8,000.00 related to any one property tax year an~~ adjustment under 6066(a)(3) of this title greater than \$2,400.00 or cumulative adjustment under 6066(a)(1)-(2) and (4) of this title greater than \$5,600.00.

** * * Vermont Tax Structure Commission * * **

Sec. 15. VERMONT TAX STRUCTURE COMMISSION

(a) There is hereby established the Vermont Tax Structure Commission composed of three to five members to be selected as follows:

(1) the Speaker of the House, the President Pro Tempore of the Senate, and the Governor shall each appoint one member; and

(2) the three members appointed pursuant to subdivision (1) of this subsection may select one or two additional members, based on a majority vote.

(b) The Commission shall be appointed as soon as possible after the effective date of this act. The Commission shall elect a chair and a vice chair

from among its members.

(c) The Commission shall prepare a structural analysis of the State's revenue system and offer recommendations for improvements and modernization and provide a long-term vision for the tax structure. The Commission's analysis shall include a review of Vermont's income taxes, consumption-based taxes, the education financing system, tax expenditures, and property and asset-based taxes. The Commission shall have as its goal a tax system that provides sustainability, appropriateness, and equity. For guidance, the Commission may use the Principles of a High-Quality State Revenue System as prepared by the National Conference of State Legislatures.

A high-quality revenue system:

(1) Comprises elements that are complementary, including the finances of both state and local governments.

(2) Produces revenue in a reliable manner. Reliability involves stability, certainty, and sufficiency.

(3) Relies on a balanced variety of revenue sources.

(4) Treats individuals equitably. Minimum requirements of an equitable system are that it imposes similar tax burdens on people in similar circumstances, it minimizes regressivity, and it minimizes taxes on individuals with low income.

(5) Facilitates taxpayer compliance. It is easy to understand and

minimizes compliance costs.

(6) Promotes fair, efficient, and effective administration. It is as simple as possible to administer, raises revenue efficiently, is administered professionally, and is applied uniformly.

(7) Is responsive to interstate and international economic competition.

(8) Minimizes its involvement in spending decisions and makes any such involvement explicit.

(9) Is accountable to taxpayers.

(d) It is the intent of the General Assembly that the work of the Commission not supplant or delay the normal Legislative and Executive Branch review and alteration of tax and revenue issues under State law.

(e) The Commission shall begin its work by:

(1) updating and incorporating the relevant work of the Blue Ribbon Tax Structure Commission created by the 2009 S.S. Acts and Resolves, No. 1;

(2) updating and incorporating work from the existing studies of Vermont's education finance system since the enactment of the 1998 Acts and Resolves, No. 60 and 2004 Acts and Resolves, No. 68;

(f) The Commission shall submit a two-year work plan and budget to the Joint Fiscal Committee, the Senate Committee on Finance, and the House Committee on Ways and Means by February 15, 2019. The work plan shall outline the work the Commission intends to complete in its review of Vermont's

income taxes, consumption-based taxes, education financing system, tax expenditures, and property and asset-based taxes. The final report of the Commission shall be made to the General Assembly on or before January 15, 2021.

(g) The Commission shall receive technical support from the Department of Taxes, the legislative Joint Fiscal Office, and consultants.

(h) The Joint Fiscal Office with the assistance of the Legislative Council and the Department of Taxes may contract with one or more consultants or hire a limited service position to provide assistance with achieving the goals for the Commission. The consultants shall have extensive experience with state tax systems and shall have participated in at least one other study of a state tax system.

(i) Members of the Commission shall be entitled to compensation as provided under 32 V.S.A. § 1010.

** * * JFO Report * * **

Sec. 16. 24 V.S.A. § 1892(g) is amended to read:

(g) Beginning in 2019 and annually 2021 and every four years thereafter, on or before January 15 of each year, the Joint Fiscal Office, with the assistance of the consulting Legislative Economist, the Department of Taxes, and the Agency of Commerce and Community Development in consultation with the Vermont Economic Progress Council, shall examine the

recommendations and conclusions of the tax increment financing capacity study and report created pursuant to subsection (e) of this section, and shall submit to the Emergency Board and to the House Committees on Commerce and Economic Development and on Ways and Means and the Senate Committees on Economic Development, Housing and General Affairs and on Finance an updated summary report that includes:

** * **

** * * Staff-to-Student Ratios Task Force * * **

Sec. 17. STAFF-TO-STUDENT RATIOS TASK FORCE

(a) Creation. There is created the Staff-to-Student Ratios Task Force, a collaborative effort among government, nonprofit organizations, research experts, and other education stakeholders, that will strive best to ensure education quality while simultaneously ensuring fiscal efficiency in the context of the State's declining student population. Specifically, the Task Force is charged with:

(1) reviewing current staff-to-student count ratios for specific categories of schools and school district configurations, and establishing optimal target ratios for different school district configurations;

(2) identifying barriers that hamper staffing flexibility at the local level, including whether aspects of the regulatory environment, including mandatory staffing requirements and collective bargaining or other contractual

obligations, contribute to lower staff-to-student ratios;

(3) aligning to the greatest extent possible the work of the Task Force with existing research findings and reports, based on studies conducted either nationally or in New England, concerning optimal classroom practices and resources, and class and school sizes for successful learning outcomes, and the impact of population decline on rural schools;

(4) attending to compliance with federal rules and regulations, so as to avoid jeopardizing the State's federal funding;

(5) determining a mechanism or mechanisms that account for the effects of familial and community level poverty and human services need, including student experiences of trauma and familial or community level addiction, on staffing ratios;

(6) considering the impact on staff-to-student ratios due to students' enrollment with independent schools; and

(7) developing recommended strategies for districts to help them meet targets.

(b) Membership. The Task Force shall be composed of the following members:

(1) the Secretary of Education or designee;

(2) the Executive Director of the Vermont Superintendents Association or designee;

(3) the Executive Director of the Vermont School Boards Association or designee;

(4) the Executive Director of the Vermont Principals' Association or designee;

(5) the Executive Director of the Vermont-National Education Association or designee;

(6) one member selected by the Vermont Association of School Business Officials;

(7) two to four members from Vermont postsecondary institutions, selected by the Task Force, who have expertise in areas among the following: multi-age classrooms and teaching strategies, interdisciplinary instruction, school realignment and reconfiguration, and the impact of community poverty, trauma, or addiction on education staffing; and

(8) a national expert in rural education, selected by the Task Force.

(c) The Task Force shall have technical assistance from the Agency of Education.

(d) Report. On or before December 15, 2018, the Task Force shall present to the House and Senate Committees on Education 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.

(e) Meetings.

(1) The Secretary of Education or designee shall call the first meeting of the Task Force to occur on or before July 1, 2018.

(2) The Task Force shall select a chair from among its members at the first meeting.

(3) The Task Force shall cease to exist on December 31, 2018.

(f) Compensation and reimbursement. Members of the Task Force who are not employees of the State of Vermont and who are not otherwise compensated or reimbursed for their attendance shall be entitled to per diem compensation and reimbursement of expenses pursuant to 32 V.S.A. § 1010 for not more than ten meetings. These payments shall be made from monies appropriated to the Agency of Education.

(g) Appropriation. The sum of \$7,320.00 is appropriated from the General Fund to the Agency of Education to provide funding for the purposes set forth in this section.

** * * Effective Dates; Transition * * **

Sec. 18. EFFECTIVE DATES AND TRANSITION

This act shall take effect on passage, except:

(1) Notwithstanding 1 V.S.A. § 214, Secs. 1–6 (income tax changes) shall take effect retroactively on January 1, 2018 and apply to taxable year

2018 and after.

(2) Notwithstanding 1 V.S.A. § 214, Sec. 7 (income tax link to the federal tax statutes) shall take effect retroactively on January 1, 2018 and apply to taxable years beginning on January 1, 2017 and after.

(3) Sec. 8–9 (General Fund and Education Fund revenues) shall take effect July 2, 2018, and apply to fiscal year 2019 and after. It is the intent of the General Assembly that the changes in Secs. 8 and 9 of this Act shall take effect notwithstanding any provisions passed in H.924 to the contrary.

(4) Secs. 10 (yields for fiscal year 2019) and 12–13 (property tax bill requirements) shall take effect on July 1, 2018 and apply to fiscal year 2019.

(5) Notwithstanding 1 V.S.A. § 214, Sec. 14 (calculation of property tax adjustments) shall take effect retroactively to the taxable year starting January 1, 2017 and apply to property tax adjustment claims filed for fiscal year 2019 (claim year 2018) and after.