H.911: AN ACT RELATING TO CHANGES IN VERMONT'S PERSONAL INCOME TAX AND EDUCATION FINANCING SYSTEM

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Sec.	Description
	Personal Income Tax Changes
1-6a	Numerous personal income tax changes based on the federal tax changes and a proposal from the Governor. • Creates a Vermont personal exemption, standard deduction, and charitable credit to replace Vermont's current reliance on federal definitions and its current treatment of itemized deductions. • Lowers Vermont's marginal rates for personal income taxes and collapses the top two income tax brackets. • Excludes certain taxable Social Security benefits from State taxation.
	Education Financing Changes
7	Creates a school income tax surcharge based on taxable income and dedicated to the Education Fund. The surcharge is equal to: • 0.1 percent on income taxed at 3.35 percent; • 0.5 percent on income taxed at 6.6 percent; • 0.5 percent on income taxed at 7.6 percent; and • 1.0 percent on income taxed at 8.6 percent.
8-9	Reallocates certain Education Fund and General Fund revenues. • Eliminates the General Fund Transfer and moves several Education Fund expenses to the General Fund, including adult education programs, flexible pathways programs, and the renter rebate. • Commits all the revenue from the school income tax surcharge, all the revenue from the sales and use tax, and 25 percent of the meals and rooms tax to the Education Fund.
10-12	Alters how education property tax rates are calculated and billed by: • Providing each school district with a base payment equal to the amount of per pupil education spending that can be supported by fixed Education Fund revenues. • For districts that choose to spend above the base amount, an additional homestead tax rate would be equalized across those districts, based on a single property tax yield. • Requiring separate bills for the statewide education tax and municipal taxes. • Requiring the Commissioner of Taxes to recommend a yield, a base income percentage, and a nonresidential rate each year.
13-14a	Changes how income sensitivity adjustments are calculated and billed. • Income sensitivity adjustments for people with more than $47,000.00 in household income will be capped at $400,000.00 of housesite value rather than

	$500,000.00. • 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, and billed separately.
15-16 and 22	Sets the parameters for fiscal year 2019: • The property dollar equivalent yield is $8,500.00. • The base income percentage is 1.66%. • The nonresidential property tax rate is $1.591. • The base spending amount is $11,916.00.
17-19	Repeals the current excess spending penalty.
20	For fiscal year 2020, the definition of “education spending” is changed to include a district’s portion of the normal teacher retirement contribution.
21	Removes the Act 46 five percent limitations on tax rates for most districts so that the new lower property tax rates can be effective. For a small number of certain specified districts, the limitations on the amount that tax rates can rise are kept in place.
22	Effective dates and transition. Provides that no taxpayer will be penalized for failing to withhold properly for the school income tax surcharge for taxable year 2018 only. Sets a base spending amount of $11,916 for fiscal year 2019, and an amount of 96% of what the amount would otherwise be for fiscal year 2020.