

DRAFT

Comparisons of Income Tax Proposals

As of February 27, 2018

Governor's Proposal for Income Tax

- Starts with Federal AGI as base
- Creates a Vermont Standard Deduction
- Creates Vermont Personal Exemptions
 - Equal to \$4000 per exemption
- Introduces a 5% charitable credit for all charitable contributions
- Removes the addback for bonus depreciation
- Expands the Earned Income Tax Credit
 - From 32% to 35% of Federal EITC
- Lowers income tax rates by 0.2% for each bracket
- Creates an exemption for taxable social security benefits
 - 1/3rd of the Governor's Social Security proposal

Proposal X for Income Tax (Differences highlighted in bold)

- Starts with Federal AGI as base
- Creates a Vermont Standard Deduction
- Creates Vermont Personal Exemptions
 - **Equal to \$4150 per exemption**
- Introduces a 5% charitable credit for all charitable contributions
 - **Caps eligible contributions at \$5000**
- **Leaves the addback for bonus depreciation**
- Expands the Earned Income Tax Credit
 - From 32% to 35% of Federal EITC
- **Collapses the top two income tax brackets**
- Lowers income tax rates by 0.2% for each bracket
- Creates an exemption for taxable social security benefits
 - **100% of Governor's Social Security proposal**

Summary: Governor's Proposal vs. Proposal X
Relative to 2018 Current Law (Federal Tax Reform is enacted and Vermont does not change tax code)
 (Note: All estimates are preliminary and on a calendar year basis)

AGI Bracket	Percent of 2014 Taxable Returns	Total Tax Change (In Millions of Dollars)		Average Change in Taxes (Note: Tax changes between \$20,000 and \$75,000 may be slightly lower due to scaling of Social Security exemption)		Change in Effective Tax Rate	
		Governor's Proposal	Proposal X	Governor's Proposal	Proposal X	Governor's Proposal	Proposal X
\$0 - \$5,000	1.8%	-\$0.06	-\$0.06	-\$13.32	-\$12.15	-0.11%	-0.10%
\$5,000 - \$10,000	2.7%	\$0.08	\$0.09	\$6.07	\$7.11	0.02%	0.03%
\$10,000 - \$15,000	5.0%	\$0.50	\$0.47	\$29.42	\$27.56	0.16%	0.15%
\$15,000 - \$20,000	6.9%	\$0.07	-\$0.01	\$3.73	-\$0.39	0.00%	-0.02%
\$20,000 - \$25,000	6.7%	-\$0.20	-\$0.36	-\$10.76	-\$18.51	-0.06%	-0.09%
\$25,000 - \$30,000	6.9%	-\$0.47	-\$0.70	-\$24.76	-\$36.12	-0.10%	-0.14%
\$30,000 - \$35,000	6.7%	-\$0.74	-\$1.04	-\$39.18	-\$53.83	-0.13%	-0.18%
\$35,000 - \$40,000	5.9%	-\$0.95	-\$1.37	-\$54.51	-\$76.18	-0.16%	-0.22%
\$40,000 - \$45,000	5.1%	-\$1.05	-\$1.54	-\$67.10	-\$94.23	-0.17%	-0.24%
\$45,000 - \$50,000	4.5%	-\$1.01	-\$1.55	-\$74.10	-\$109.30	-0.17%	-0.25%
\$50,000 - \$60,000	7.7%	-\$1.56	-\$2.50	-\$67.35	-\$103.42	-0.13%	-0.20%
\$60,000 - \$75,000	9.2%	-\$2.44	-\$3.05	-\$89.92	-\$109.66	-0.14%	-0.18%
\$75,000 - \$100,000	11.4%	-\$4.34	-\$4.49	-\$129.75	-\$134.26	-0.16%	-0.17%
\$100,000 - \$125,000	6.8%	-\$4.56	-\$4.58	-\$203.36	-\$204.14	-0.20%	-0.20%
\$125,000 - \$150,000	3.8%	-\$3.35	-\$3.25	-\$253.56	-\$245.58	-0.21%	-0.20%
\$150,000 - \$200,000	3.6%	-\$4.07	-\$3.69	-\$319.65	-\$289.71	-0.21%	-0.19%
\$200,000 - \$300,000	2.5%	-\$3.43	-\$2.67	-\$392.19	-\$305.26	-0.20%	-0.15%
\$300,000 - \$500,000	1.3%	-\$2.07	-\$0.84	-\$468.21	-\$190.04	-0.16%	-0.06%
\$500,000 - \$1,000,000	0.7%	-\$1.26	-\$0.18	-\$542.88	-\$76.03	-0.12%	-0.01%
\$1,000,000 - Infinity	0.5%	-\$1.33	\$2.96	-\$759.54	\$1,689.12	-0.05%	0.10%
Totals	100%	-\$32.33	-\$28.39	-\$105.37	-\$91.77	-0.15%	-0.13%

Notes:

- Estimates are relative to baseline where Federal Tax Reform is enacted and Vermont does not change its tax code
- Estimates are on a calendar year basis. FY19 may be lower due to withholding and implementation.
- Cost of social security provisions are as follows:
 - Governor's proposal: Approximately \$1.6 million in calendar year 2018
 - Proposal X: Approximately \$4.5 million in calendar year 2018
- Absent any changes to Vermont's tax code, revenues would increase approximately \$30 million for calendar year 2018 (\$28.6 million for FY19).

School Income Tax Surcharge

- Proposal built upon Proposal X from above
- **Creates a new, separate School Income Tax Surcharge on each rate: 0.1%, 0.5%, 0.5%, 1%**
- **Raises approximately \$59 million from surcharge alone**

Education Surcharge

(Note: All estimates are preliminary and on a calendar year basis)

AGI Bracket		Percent of 2014 Taxable Returns	Total Tax Change (in millions of dollars)	Average Change in Taxes	Change in Effective Tax Rate
\$0	\$5,000	1.8%	\$0.00	\$11.63	0.00%
\$5,000	\$10,000	2.7%	\$0.01	\$2.23	0.01%
\$10,000	\$15,000	5.0%	\$0.04	\$3.09	0.01%
\$15,000	\$20,000	6.9%	\$0.09	\$6.09	0.02%
\$20,000	\$25,000	6.7%	\$0.15	\$9.24	0.04%
\$25,000	\$30,000	6.9%	\$0.22	\$12.95	0.04%
\$30,000	\$35,000	6.7%	\$0.29	\$16.97	0.05%
\$35,000	\$40,000	5.9%	\$0.33	\$20.78	0.05%
\$40,000	\$45,000	5.1%	\$0.36	\$24.63	0.06%
\$45,000	\$50,000	4.5%	\$0.37	\$28.56	0.06%
\$50,000	\$60,000	7.7%	\$0.95	\$43.21	0.08%
\$60,000	\$75,000	9.2%	\$1.78	\$66.76	0.11%
\$75,000	\$100,000	11.4%	\$3.23	\$96.72	0.12%
\$100,000	\$125,000	6.8%	\$3.90	\$173.85	0.17%
\$125,000	\$150,000	3.8%	\$3.64	\$275.29	0.22%
\$150,000	\$200,000	3.6%	\$5.28	\$414.21	0.27%
\$200,000	\$300,000	2.5%	\$6.15	\$703.55	0.35%
\$300,000	\$500,000	1.3%	\$6.91	\$1,558.72	0.53%
\$500,000	\$1,000,000	0.7%	\$7.29	\$3,151.66	0.71%
\$1,000,000	Infinity	0.5%	\$18.08	\$10,334.25	0.61%
Totals		100%	\$59.10	\$214.67	0.26%

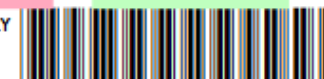
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DUE DATE: April 17, 2018 Please PRINT in BLUE or BLACK INK

DEPT USE ONLY



2017 VERMONT Income Tax Return FORM IN-111

1	Taxpayer's Last Name		First Name		Initial	Taxpayer's Social Security Number			
	Spouse's or CU Partner's Last Name		First Name		Initial	Spouse's or CU Partner's Social Security Number			
	Mailing Address (Number and Street/Road or PO Box)					Taxpayer's Driver's License Number		State	
	City			State	ZIP Code		Spouse's/CU's Driver's License Number		State
	<input type="checkbox"/> Check here if this is an AMENDED return		<input type="checkbox"/> Check if taxpayer died during 2017		<input type="checkbox"/> Check if Spouse or CU Partner died during 2017		<input type="checkbox"/> Check here if using RECOMPUTED Federal Return information		
	1. VT School District Code		2. 911 street address on 12/31/2017 - Number, street/road name (Do not use "PO Box," "same," or Town name)						

2	FILING STATUS						
	<input type="checkbox"/> 3. Single	<input type="checkbox"/> 4. Head of Household	<input type="checkbox"/> 5. Married Filing Jointly	<input type="checkbox"/> 6. CU Partner Filing Jointly	<input type="checkbox"/> 7. Qualifying Widow(er) with dependent children	<input type="checkbox"/> 8a. Married Filing Separately	<input type="checkbox"/> 8b. CU Filing Separately
9.	Exemptions Claimed (federal Form 1040-Line 6d; 1040A-Line 6d; 1040EZ/1040NR-EZ-enter 0, 1, or 2) 9. _____						

3	10.	Adjusted Gross Income (Federal Form 1040-Line 37; 1040A-Line 21; 1040EZ-Line 4).....	<input type="checkbox"/> Check to indicate loss	10.	_____	.00	
	11.	Federal Taxable Income (Federal Form 1040-Line 43; 1040A-Line 27; 1040EZ-Line 6) If the federal amount is -0-, see instructions.....	<input type="checkbox"/> Check to indicate loss	11.	_____	.00	
	ADDITIONS:						
	12a.	Income from Non-Vermont State and Local Obligations (Schedule IN-112, Part I, Line 3).....	12a.	_____	_____	.00	
	12b.	Bonus Depreciation Allowed under Federal law for 2017.....	12b.	_____	_____	.00	
	12c.	Addback of Itemized Deductions (Schedule IN-155, Line 11).....	12c.	_____	_____	.00	
	13.	Federal Taxable Income with Additions (Add Lines 11, 12a, 12b, and 12c).....	<input type="checkbox"/> Check to indicate loss	13.	_____	.00	
	SUBTRACTIONS:						
	14a.	Interest Income from U.S. Obligations.....	14a.	_____	_____	.00	
	14b.	Capital Gains Exclusion (Schedule IN-153, Line 21).....	14b.	_____	_____	.00	
14c.	Adjustment for Prior Years' Bonus Depreciation.....	14c.	_____	_____	.00		
14d.	Taxable refunds of state and local income taxes (Federal Form 1040-Line 10).....	14d.	_____	_____	.00		
14e.	Add Lines 14a, 14b, 14c, and 14d.....	14e.	_____	_____	.00		
15.	Vermont Taxable Income (Subtract Line 14e from Line 13. If Line 14e is more than Line 13, enter -0-.).....	15.	_____	_____	.00		

4	16.	Vermont Income Tax from Tax Table or Tax Rate Schedule on Line 15 amount (If Line 10 is greater than \$150,000, see instructions).....	16.	_____	.00
	17.	Additions to Vermont Income Tax (Schedule IN-112, Part II, Line 7).....	17.	_____	.00
	18.	Vermont Income Tax with Additions (Add Lines 16 & 17).....	18.	_____	.00
	19.	Subtractions from Vermont Income Tax (Schedule IN-112, Part II, Line 15).....	19.	_____	.00
	20.	Vermont Income Tax (Subtract Line 19 from Line 18. If Line 19 is more than Line 18, enter -0-.).....	20.	_____	.00
	21.	Income Adjustment (Schedule IN-113, Line 39 OR 100.00%).....	21.	_____	%
22.	Adjusted Vermont Income Tax (Multiply Line 20 by Line 21).....	22.	_____	.00	

School Income Tax Surcharge would be placed between line 16 and 17, separate from regular income tax.

Enclose Form(s) W-2 and Form(s) 1099-K if tax was withheld