

1 Introduced by Committee on Ways and Means

2 Date:

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

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

8 For personal income taxes, the bill would :

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

14 In terms of education financing, the bill would:

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

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

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

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

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

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

18 (iii) recapture of State and local income tax deductions not taken
19 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 heads of households, \$9,000.00;

20 (III) for taxpayers whose filing status under section 5822 of
21 this chapter is married filing joint returns or surviving spouses, \$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 exceed~~
8 ~~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 the 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 of
2 8.60 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 subdivision,
5 “consumer price index” means the last Consumer Price Index for the all-urban
6 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 under
9 this section of 24 percent of each of the credits allowed against the taxpayer’s
10 federal income tax for the taxable year as follows: credit for people who are
11 elderly or permanently totally disabled, investment tax credit attributable to the
12 Vermont-property portion of the investment, and child care and dependent care
13 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 \$5,000.00 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 or
18 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 or
16 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

1 proportional to the amount of the taxpayer's federal adjusted gross income
2 over \$60,000.00, determined by:

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

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

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

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

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

14 § 5813. STATUTORY PURPOSES

15 * * *

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

1 * * * Education Financing Changes * * *

2 * * * Income Taxes * * *

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

4 § 5822a. SCHOOL INCOME TAX SURCHARGE

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

8 (1) an amount equal to 0.1 percent multiplied by the taxable income of
9 the taxpayer taxed at the rate of 3.35 percent under 32 V.S.A. § 5822(a)(1)-(5);
10 plus

11 (2) an amount equal to 0.5 percent multiplied by the taxable income of
12 the taxpayer taxed at the rate of 6.60 percent under 32 V.S.A. § 5822(a)(1)-(5);
13 plus

14 (3) an amount equal to 0.5 percent multiplied by the taxable income of
15 the taxpayer taxed at the rate of 7.60 percent under 32 V.S.A. § 5822(a)(1)-(5);
16 plus

17 (4) an amount equal to 1.0 percent multiplied by the taxable income of
18 the taxpayer taxed at the rate of 8.60 percent under 32 V.S.A. § 5822(a)(1)-(5).

19 (b) The school income tax shall be assessed and administered in the same
20 manner as the personal income tax imposed under section 5822 of this title.

1 The education income tax shall be assessed against each filer regardless of the
2 filing status under section 5822.

3 * * * Allocation of Education Funds * * *

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

5 § 4025. EDUCATION FUND

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

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

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

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

20 (4) 25 percent of the revenues from the rooms tax imposed by 32 V.S.A.
21 § 9241(a) and from the meals tax imposed by 32 V.S.A. § 9241(b);

1 ~~and 6066(b)~~. The State Treasurer shall withdraw funds from the Education
2 Fund upon warrants issued by the Commissioner of Finance and Management
3 based on information supplied by the Commissioner of Taxes. The
4 Commissioner of Finance and Management may draw warrants for
5 disbursements from the Fund in anticipation of receipts. All balances in the
6 Fund at the end of any fiscal year shall be carried forward and remain a part of
7 the Fund. Interest accruing from the Fund shall remain in the Fund.

8 * * *

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

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

12 * * *

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

16 * * *

17 (7) ~~Meals and rooms taxes levied pursuant to chapter 225 of this title~~
18 75 percent of the rooms tax levied under subsection 9241(a) of this title,
19 75 percent of the meals tax levied under subsection 9241(b) of this title, and all
20 of the alcoholic beverage tax levied under subsection 9241(c) of this title;

21 * * *

1 ~~the denominator is the income dollar equivalent yield for the school year, as~~
2 ~~defined in subdivision (16) of this section. [Repealed.]~~

3 * * *

4 (15) “Property dollar equivalent yield” means the amount of education
5 spending per equalized pupil that would result if the homestead tax rate were
6 \$1.00 per \$100.00 of equalized education property value, and the statutory
7 reserves under 16 V.S.A. § 4026 and section 5402b of this title were
8 maintained, calculated as if total statewide education spending per equalized
9 pupil were equal to the total statewide education spending per equalized pupil
10 minus the total statewide base spending amount per equalized pupil.

11 (16) ~~“Income dollar equivalent yield” means the amount of spending per~~
12 ~~equalized pupil that would result if the income percentage in subdivision~~
13 ~~6066(a)(2) of this title were 2.0 percent, and the statutory reserves under~~
14 ~~16 V.S.A. § 4026 and section 5402b of this title were maintained. [Repealed.]~~

15 (17) “Base spending amount” means the amount that results from the
16 following calculation:

17 (A) the sum of the total projected Education Fund revenue sources
18 under 16 V.S.A. § 4025(a)(1)-(8) for the following fiscal year, plus any surplus
19 from the prior fiscal year, minus the total projected amount of revenue raised
20 by the statewide education homestead tax in the following fiscal year; minus

1 municipality ~~which~~ that is a member of a union or unified union school district
2 shall be calculated as required under subsection (e) of this section.

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

4 * * *

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

11 * * *

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

13 § 5402b. STATEWIDE EDUCATION TAX YIELDS;

14 RECOMMENDATION OF THE COMMISSIONER

15 (a) Annually, ~~no later than~~ on or before December 1, the Commissioner of
16 Taxes, after consultation with the Secretary of Education, the Secretary of
17 Administration, and the Joint Fiscal Office, shall calculate and recommend a
18 property dollar equivalent yield, ~~an income dollar equivalent yield,~~ an income
19 percentage, and a nonresidential property tax rate for the following fiscal year.

20 In making these calculations, the Commissioner shall assume:

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

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

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

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

12 (b) For each fiscal year, the General Assembly shall set a property dollar
13 equivalent yield ~~and an income dollar equivalent yield~~, consistent with the
14 definitions in this chapter.

15 * * *

16 (d) Annually, on or about January 15, the Joint Fiscal Office and Secretary
17 of Administration shall provide to the Emergency Board a calculation of the
18 base spending amount for the upcoming fiscal year. The Emergency Board
19 shall review the calculation at its January meeting and shall adopt a base
20 spending amount for the upcoming fiscal year.

1 (ii) the statewide education tax rate, multiplied by the equalized
2 value of the housesite in the taxable year in excess of ~~\$500,000.00~~
3 \$400,000.00.

4 (C) For a claimant whose household income does not exceed
5 \$47,000.00, the statewide education tax rate, multiplied by the equalized value
6 of the housesite in the taxable year, minus the lesser of:

7 (i) the sum of the income percentage of household income for the
8 taxable year plus the statewide education tax rate, multiplied by the equalized
9 value of the housesite in the taxable year in excess of ~~\$500,000.00~~
10 \$400,000.00; or

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

13 (2) “Income percentage” in this section means two percent, ~~multiplied~~
14 ~~by plus~~ the education income property tax spending adjustment under
15 subdivision 5401(13)(A) of this title for the property tax year which that begins
16 in the claim year for the municipality in which the homestead residence is
17 located.

18 (3) A claimant whose household income does not exceed \$47,000.00
19 shall also be entitled to an additional adjustment amount from the claimant’s
20 municipal taxes for the upcoming fiscal year that is equal to the amount by
21 which the municipal property taxes for the municipal fiscal year ~~which that~~

1 began in the taxable year upon the claimant's housesite, ~~reduced by the~~
2 ~~adjustment amount determined under subdivisions (1) and (2) of this~~
3 ~~subsection~~, exceeds a percentage of the claimant's household income for the
4 taxable year as follows:

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

8	\$0.00 - 9,999.00	2.0 <u>1.50</u>
9	\$10,000.00 - 24,999.00	4.5 <u>3.00</u>
10	\$25,000.00 - 47,000.00	5.0 <u>3.00</u>

11 (4) 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 statewide education tax for the upcoming fiscal year that is equal to the amount
14 by which the education property tax for the municipal fiscal year that began in
15 the taxable year upon the claimant's housesite, reduced by the adjustment
16 amount determined under subdivisions (1) and (2) of this subsection, exceeds a
17 percentage of the claimant's household income for the taxable year as follows:

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

21	<u>\$0.00 - 9,999.00</u>	<u>0.5</u>
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1 penalties associated with the original bill. If the corrected bill is less than the
2 original bill, and there are also no unpaid ~~current-year~~ current-year taxes,
3 interest, or penalties and no ~~past-year~~ past-year delinquent taxes or penalties
4 and interest charges, any overpayment shall be reflected on the corrected tax
5 bill and refunded to the taxpayer.

6 * * *

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

8 § 6067. CREDIT LIMITATIONS

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

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

2 Fiscal Year 2019 * * *

3 Sec. 15. PROPERTY DOLLAR EQUIVALENT YIELD AND INCOME

4 PERCENTAGE FOR FISCAL YEAR 2019

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

7 (b) Notwithstanding any other provision of law, for fiscal year 2019 only,
8 the applicable percentage under 32 V.S.A. § 6066(a)(2) shall be 1.66 percent.

9 Sec. 16. NONRESIDENTIAL PROPERTY TAX RATE FOR FISCAL YEAR

10 2019

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

14 * * * Excess Spending * * *

15 Sec. 17. REPEALS

16 The following are repealed:

17 (1) 16 V.S.A. § 4001(6)(B) (definition of education spending for the
18 purpose of excess spending).

19 (2) 32 V.S.A. § 5401(12) (excess spending penalty).

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

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

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

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

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

10 (b) ~~If a reserve fund is established under subsection (a) of this section to~~
11 ~~pay a school district's future school capital construction costs approved under~~
12 ~~16 V.S.A. chapter 123, any funds raised by the district as part of its education~~
13 ~~spending to pay for those future costs shall be considered "approved school~~
14 ~~capital construction spending" in calculating excess spending under 32 V.S.A.~~
15 ~~§ 5401(12).~~ Districts shall submit to the Agency of Education annually a
16 report of deposits into and expenditures from a school capital construction
17 reserve fund. ~~If the Agency of Education determines that any amount in the~~
18 ~~reserve fund has not been used for approved school capital construction within~~
19 ~~five years after deposit into the fund, then 150 percent of that amount shall be~~
20 ~~added to the district's education spending in the then-current year for purposes~~

1 ~~of calculating the excess spending penalty. The definitions in 16 V.S.A.~~
2 ~~chapter 133 shall apply to this subsection.~~

3 * * *Teacher’s Normal Retirement* * *

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

5 § 4001. DEFINITIONS

6 As used in this chapter:

7 * * *

8 (6) “Education spending” means the amount of the school district
9 budget, any assessment for a joint contract school, career technical center
10 payments made on behalf of the district under subsection 1561(b) of this title,
11 ~~and~~ any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) that is
12 paid for by the school district, and the portion of the payments to the Vermont
13 Teachers’ Retirement Fund for the normal contribution made in accordance
14 with subsection 1944(c) of this title, which is attributable to the school district,
15 but excluding any portion of the school budget paid for from any other sources
16 such as endowments, parental fund raising, federal funds, nongovernmental
17 grants, or other State funds such as special education funds paid under chapter
18 101 of this title.

19 * * *

1 * * * Repeal of Act 46 Rate Limitations * * *

2 Sec. 21. REPEAL

3 2017 Acts and Resolves No. 73, Sec. 29c (five percent provision for tax
4 incentives) is repealed.

5 * * * Effective Dates; Transition * * *

6 Sec. 22. EFFECTIVE DATES AND TRANSITION

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

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

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

17 (d) Secs. 8-19 and 21 (education financing changes) shall take effect on
18 July 1, 2019 and apply to fiscal year 2020 and after; except that,

19 (1) for fiscal year 2019 only, the base spending amount under 32 V.S.A.
20 § 5401(17) shall be \$11,916.00;

- 1 (2) for fiscal year 2020 only, the base spending amount under 32 V.S.A.
2 § 5401(17) shall be 96 percent of what it would otherwise be calculated to be.
3 (e) Sec. 21 (teacher’s retirement) shall take effect July 1, 2019 and apply to
4 fiscal year 2020 and after.