

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

§ 5811. DEFINITIONS

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(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;

(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

(v) the amount of U.S. military retirement pay subject to federal income tax; and

(C) Decreased by the following exemptions and deductions:

(i) ~~the amount of personal exemptions taken at the federal level~~ a personal exemption of \$4,000.00 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 heads of households, \$9,000.00;

(III) for taxpayers whose filing status under section 5822 of this chapter is married filing joint returns or surviving spouses, \$12,000; 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;~~

~~(H) 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 using the cost-of-living adjustment determined under 26 U.S.C. § 1(f)(3), beginning with taxable year 2019.

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(28) “Taxable income” means, in the case of an estate or a trust, federal taxable income ~~determined without regard to 26 U.S.C. § 168(k) and:~~

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* * * Personal Income Tax Marginal Rates * * *

Sec. 2. 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:

(1) Married individuals filing joint returns and surviving spouses:

If taxable income is:	The tax is:
Not over \$56,700.00 <u>\$64,600.00</u>	3.55 <u>3.35</u> % of taxable income
Over \$56,700.00 <u>\$64,600.00</u> but not over \$137,050.00 <u>\$156,150.00</u>	\$2,013.00 <u>\$2,293.00</u> plus 7.0 <u>6.60</u> % of the amount of taxable income over \$56,700.00 <u>\$64,600.00</u>
Over \$137,050.00 <u>\$156,150.00</u> but not over \$208,850.00 <u>\$237,950.00</u>	\$7,637.00 <u>\$8,519.00</u> plus 8.25 <u>7.60</u> % of the amount of taxable income over \$137,050.00 <u>\$156,150.00</u>
Over \$208,850.00 <u>\$237,950.00</u> but not over \$372,950.00 <u>\$424,950.00</u>	\$13,561.00 <u>\$14,899.00</u> plus 8.9 <u>8.60</u> % of the amount of taxable income over \$208,850.00 <u>\$237,950.00</u>
Over \$372,950.00 <u>\$424,950.00</u>	\$28,166.00 <u>\$31,355.00</u> plus 9.40 <u>8.75</u> % of the amount of taxable income over \$372,950.00 <u>\$424,950.00</u>

(2) Heads of households:

If taxable income is:	The tax is:
Not over \$45,500.00 <u>\$51,800.00</u>	3.55 <u>3.35</u> % of taxable income
Over \$45,500.00 <u>\$51,800.00</u> but not over \$117,450.00 <u>\$133,800.00</u>	\$1,615.00 <u>\$1,839.00</u> plus 7.0 <u>6.60</u> % of the amount of taxable income over \$45,500.00 <u>\$51,800.00</u>
Over \$117,450.00 <u>\$133,800.00</u> but not over \$190,200.00 <u>\$216,700.00</u>	\$6,652.00 <u>\$7,415.00</u> plus 8.25 <u>7.60</u> % of the amount of taxable income over \$117,450.00 <u>\$133,800.00</u>
Over \$190,200.00 <u>\$216,700.00</u> but not over \$372,950.00 <u>\$424,950.00</u>	\$12,654.00 <u>\$13,881.00</u> plus 8.90 <u>8.60</u> % of the amount of taxable Income <u>income</u> over \$190,200.00 <u>\$216,700.00</u>
Over \$372,950.00 <u>\$424,950.00</u>	\$28,918.00 <u>\$32,207.00</u> plus 9.40 <u>8.75</u> % of the amount of taxable income over \$372,950.00 <u>\$424,950.00</u>

(3) Unmarried individuals (other than surviving spouse or head of household):

Not over \$33,950.00 <u>\$38,650.00</u>	3.55 <u>3.35</u> % of taxable income
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Over ~~\$33,950.00~~ \$38,650.00 but
not over ~~\$82,250.00~~ \$93,700.00
\$1,205.00 \$1,372.00 plus ~~7.0~~ 6.60% of
the amount of taxable
income over ~~\$33,950.00~~ \$38,650.00

Over ~~\$82,250.00~~ \$93,700.00 but
not over ~~\$171,550.00~~ \$195,450.00
\$4,586.00 \$5,115.00 plus ~~8.25~~ 7.60% of
the amount of taxable
income over ~~\$82,250.00~~ \$93,700.00

Over ~~\$171,550.00~~ \$195,450.00 but
not over ~~\$372,950.00~~ \$424,950.00
\$11,953.00 \$13,052.00 plus ~~8.90~~ 8.60% of
the amount of taxable
income over ~~\$171,550.00~~ \$195,450.00

Over ~~\$372,950.00~~ \$424,950.00
\$29,878.00 \$33,248.00 plus ~~9.40~~ 8.75% of
the amount of taxable
income over ~~\$372,950.00~~ \$424,950.00

(4) Married individuals filing separate returns:

Not over ~~\$28,350.00~~ \$32,300.00 3.55 3.35% of taxable income

Over ~~\$28,350.00~~ \$32,300.00 but
not over ~~\$68,525.00~~ \$78,075.00
\$1,006.00 \$1,147.00 plus ~~7.0~~ 6.60% of
the amount of taxable
income over ~~\$28,350.00~~ \$32,300.00

Over ~~\$68,525.00~~ \$78,075.00 but
not over ~~\$104,425.00~~ \$118,975.00
\$3,819.00 \$4,259.00 plus ~~8.25~~ 7.60% of
the amount of taxable
income over ~~\$68,525.00~~ \$78,075.00

Over ~~\$104,425.00~~ \$118,975.00 but
not over ~~\$186,475.00~~ \$212,475.00
~~\$6,780.00~~ \$7,450.00 plus ~~8.90~~ 8.60% of
the amount of taxable
income over ~~\$104,425.00~~ \$118,975.00

Over ~~\$186,475.00~~ \$212,475.00
~~\$14,083.00~~ \$15,678.00 plus ~~9.40~~ 8.75% of
the amount of taxable
income over ~~\$186,475.00~~ \$212,475.00

(5) Estates and trusts:

If taxable income is:

~~\$2,300.00~~ \$2,600.00 or less

The tax is:

3.55% of taxable income

Over ~~\$2,300.00~~ \$2,600.00 but
not over ~~\$5,350.00~~ \$6,050.00

~~\$82.00~~ \$92.00 plus ~~7.0~~ 6.8% of the
amount of taxable income
over ~~\$2,300.00~~ \$2,600.00

Over ~~\$5,350.00~~ \$6,050.00 but
not over ~~\$8,200.00~~ \$9,300.00

~~\$295.00~~ \$327.00 plus ~~8.25~~ 7.8% of
the amount of taxable

	income over \$5,350.00 <u>\$6,050.00</u>
Over \$8,200.00 <u>\$9,300.00</u> but not over \$11,150.00 <u>\$12,700.00</u>	\$530.00 <u>\$580.00</u> plus 8.90 8.8% of the amount of taxable income over \$8,200.00 <u>\$9,300.00</u>
Over \$11,150.00 <u>\$12,700.00</u>	\$793.00 <u>\$880.00</u> plus 9.40 8.95% of the amount of taxable income over \$11,150.00 <u>\$12,700.00</u>

(6) If the federal adjusted gross income of the taxpayer exceeds \$150,000.00, then the tax calculated under this subsection shall be the greater of the tax calculated under subdivisions (1)-(5) of this subsection or three percent of the taxpayer's federal adjusted gross income less any income exempted from State taxation under the laws of the United States.

(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~~ cost-of-living adjustment determined under 26 U.S.C. § 1(f)(3), beginning with taxable year 2019.

(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.

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(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 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.

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Sec. 3. 2009 Acts and Resolves No. 2, Spec. Sess., Sec. 20 is repealed.

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

§ 5828b. Earned income tax credit

(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~~ 35 percent of the earned income tax credit granted to the individual under the laws of the United States, multiplied by the percentage which 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.

* * * Effective Dates * * *

Sec. 5. EFFECTIVE DATES

This act shall take effect on passage except, notwithstanding 1 V.S.A. § 214, Secs. 1 (computation of individual income tax), 2 and 3 (income tax tables) and 4 (earned income tax credit) shall take effect retroactively on January 1, 2018 and apply to taxable years beginning on and after January 1, 2018.

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