

2018 Vermont Personal Income Tax Reform Proposal:
Follow-up To 2/6/18 Tax Department Testimony on 2/6/18

What's making the lower rates possible?

	2018 Without Tax Cuts and Jobs Act (TCJA)	Vermont Reform Plan (on top of TCJA)	Base Generated (Residents Only)
AGIs bigger	\$21,845M	\$21,922M TCJA repealed the deduction from AGI for domestic product activities (\$69M) and moving expenses (\$8M)	\$77M
Standard Deduction	Single: \$6,500 MfJ: \$13,000 HoH: \$9,550	Single: \$6,000 MfJ: \$12,000 HoH: \$9,000 (VT would be 6 th highest of states with a state-defined standard deduction out of 21 total)	\$220M
Personal Exemptions (about 650,000 total exemptions claimed in Vermont)	\$4,150 each – phased out (PEP limitation)	\$4,000 each – no phase out (State treatment varies widely, but VT would be 1 st for total exemption available with state-defined exemptions out of 29 total)	\$50M
Repeal all Itemized Deductions (a subtraction)	-\$1,825M	\$0 (The TCJA would have reduced the allowable itemized deductions claimed by Vermont residents from \$1,825M to \$945M and would have reduced the percentage of resident itemizers from 25% to about 8%)	\$1,825M
Eliminate addback of bonus depreciation (an addition)	\$57M	\$0	-\$57M
Total Net Base Change			\$2,115M

How much does the 5% credit for charitable contributions cost (all filers)? About \$24M. This was generated using the charitable contributions amount that is reported on the schedule A if the filer itemizes (or used to itemize), or, if the filer does not itemize, assume all filers donate 1% of their AGI to charity (so \$500 on \$50,000 of income, for example). We are working with JFO to come to consensus on how much charitable giving is done by non-itemizers.

Which itemized deductions do Vermont residents take and how much do they claim (federal level)?

	Pre-TCJA			Post-TCJA		
	Count	Amount(\$M)	Share	Count	Amount(\$M)	Share
Medical	15,309	\$ 185	7%	6,685	\$ 142	14%
State and Local Income Taxes	86,438	\$ 724	27%	20,553	\$ 55	5%
Property Taxes	82,202	\$ 548	20%	25,328	\$ 161	16%
Mortgage Interest	70,969	\$ 620	23%	22,560	\$ 297	29%
Charitable Contributions	63,767	\$ 450	17%	20,481	\$ 362	36%
Other (Casualty, Job, Miscellaneous)	~18,500	\$ 198	7%	-	\$ -	0%
Total	87,631	\$ 2,699	100%	26,776	\$ 1,017	100%

How much will the rates go down? The proposal has marginal rates decreasing by .2% for all tax brackets. The brackets themselves will stay the same. Income in the lowest bracket for each filing status would be taxed at 3.35% instead of 3.55% and the highest bracket would be 8.75% instead of 8.95%, for example.

How much do different taxpayers pay under current law, under the TCJA, and under the proposal?

Example 1: Single, No kids		Example 2: Head of Household, Two Kids	
Filing Status	Single	Filing Status	HoH
Adjusted Gross Income (AGI)	\$ 13,000	Adjusted Gross Income (AGI)	\$ 40,000
Kids	0	Kids	2
Exemptions	1	Exemptions	3
EIC (federal)	\$ 381	EIC (federal)	\$ 1,049
Itemized Deductions	\$ -	Itemized Deductions	\$ -
Charitable Contributions	\$ -	Charitable Contributions	\$ -
VT Taxable Income Pre-TCJA	\$ 2,350	VT Taxable Income Pre-TCJA	\$ 18,000
VT Taxable Income Post-TCJA	\$ 1,000	VT Taxable Income Post-TCJA	\$ 22,000
VT Taxable Income Reform	\$ 3,000	VT Taxable Income Reform	\$ 19,000
VT Tax Pre-TCJA	\$ (38)	VT Tax Pre-TCJA	\$ 303
VT Tax Post-TCJA	\$ (86)	VT Tax Post-TCJA	\$ 445
VT Tax Reform	\$ (33)	VT Tax Reform	\$ 269
Example 3: Married, No Kids, Non-itemizer		Example 4: Married, Two Kids, Itemizer	
Filing Status	Married	Filing Status	Married
Adjusted Gross Income (AGI)	\$ 100,000	Adjusted Gross Income (AGI)	\$ 250,000
Kids	0	Kids	2
Exemptions	2	Exemptions	4
EIC (federal)	\$ -	EIC (federal)	\$ -
Itemized Deductions	\$ -	Itemized Deductions	\$ 25,000
Charitable Contributions	\$ 500	Charitable Contributions	\$ 1,000
VT Taxable Income Pre-TCJA	\$ 78,700	VT Taxable Income Pre-TCJA	\$ 208,400
VT Taxable Income Post-TCJA	\$ 76,000	VT Taxable Income Post-TCJA	\$ 225,000
VT Taxable Income Reform	\$ 80,000	VT Taxable Income Reform	\$ 222,000
VT Tax Pre-TCJA	\$ 4,095	VT Tax Pre-TCJA	\$ 14,192
VT Tax Post-TCJA	\$ 3,912	VT Tax Post-TCJA	\$ 15,652
VT Tax Reform	\$ 3,999	VT Tax Reform	\$ 14,894
Example 5: Head of Household, One Kid		Example 6: Married, both over 65	
Filing Status	HoH	Filing Status	Married
Adjusted Gross Income (AGI)	\$ 100,000	Adjusted Gross Income (AGI)	\$ 30,000
Kids	2	Kids	0
Exemptions	3	Exemptions	2
EIC (federal)	\$ -	EIC (federal)	\$ -
Itemized Deductions	\$ -	Itemized Deductions	\$ -
Charitable Contributions	\$ 200	Charitable Contributions	\$ 200
VT Taxable Income Pre-TCJA	\$ 78,000	VT Taxable Income Pre-TCJA	\$ 6,200
VT Taxable Income Post-TCJA	\$ 82,000	VT Taxable Income Post-TCJA	\$ 3,500
VT Taxable Income Reform	\$ 79,000	VT Taxable Income Reform	\$ 8,000
VT Tax Pre-TCJA	\$ 4,048	VT Tax Pre-TCJA	\$ 220
VT Tax Post-TCJA	\$ 4,320	VT Tax Post-TCJA	\$ 124
VT Tax Reform	\$ 3,948	VT Tax Reform	\$ 258

