H.911 House Ways & Means Proposal
Changes to Personal Income Tax and Education Finance System
March 1, 2018

- **Income Tax Changes**
  - Reduces state tax burden on Vermonters who are adversely impacted by the change in Federal Tax Law ($30 million returned to Vermonters)
  - Lowers taxes for Vermonters:
    - Lowers all income tax rates by 0.2% and collapses top two income tax brackets
    - Creates a VT Standard Deduction, equal to $6,000 for single filers and $12,000 for married couples
    - Creates a Vermont Personal Exemption equal to $4,150 per exemption
    - Expands the Vermont Earned Income Tax Credit, from 32% of the Federal EITC to 35%
    - Creates a 5% tax credit for the total amount of charitable contributions up to $10,000. Taxpayers who contribute up to $10,000 will be eligible for a $500 tax credit
  - Provides tax relief to Vermonters receiving Social Security benefits
    - Taxable Social Security benefits below $45,000 for single filers and below $60,000 for married filers will be 100% exempt from State income tax

- **Education Finance System Changes**
  - Adds a School Income Tax Surcharge, built upon the reformed income tax system
    - Rates are 0.1% of lowest bracket, 0.5% for middle brackets, and 1% on highest income brackets
    - Raises approximately $59 million for education
  - Uses the $59 million to reduce average homestead property tax rates (on both property and income) from projected FY19 rates (average reduction of $0.15)
  - Cost containment: future tax rates will rise faster for all spenders
  - Non-residential property tax rate: stays at current law = $1.591
  - Homeowner rebate: split into two components: education and municipal
  - Renter Rebate: maintained and transferred to GF
  - Separates municipal and education tax bills
  - GF transfer to EF repealed in a revenue neutral way
    - Dedicates to the EF: 100% of sales tax and 25% of rooms and meals
    - Transfers adult education, flexible pathways, community high school of VT, renter rebate to GF ($21.5 million)
  - Repeals excess spending penalty
  - Adds the normal cost of teachers’ pensions to each district’s education spending in FY2020