

**H.911: AN ACT RELATING TO CHANGES IN VERMONT'S PERSONAL INCOME TAX AND EDUCATION FINANCING SYSTEM**

**As Passed the House and Senate Finance**

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<b>Sec.</b>	<b>As Passed the House</b>	<b>Sec.</b>	<b>Senate Finance</b>
	<b>Personal Income Tax Changes</b>		<b>Personal Income Tax Changes</b>
<b>1</b>	<p>Creates a Vermont personal exemption, a Vermont standard deduction, and eliminates Vermont's subtraction for itemized deductions. These changes replace Vermont's current reliance on federal definitions and its current treatment of itemized deductions.</p> <ul style="list-style-type: none"> <li>• The personal exemption is set at \$4150.</li> <li>• The standard deduction is set at \$12,000 for joint filers, \$9,000 for heads of households, and \$6000 for single filers.</li> <li>• Retains the current CPI index for increasing these amounts, and for Vermont's personal income tax brackets.</li> </ul>	<b>1</b>	<p>Same as the House, but the personal exemption is set at \$4050.</p>
<b>2</b>	<p>Lowers Vermont's marginal rates for personal income taxes and collapses the top two income tax brackets. The brackets and rates would change from:</p> <ul style="list-style-type: none"> <li>• five brackets of 3.55%, 6.8%, 7.8%, 8.8% and 8.95% to</li> <li>• four brackets of 3.35%, 6.6%, 7.6%, and 8.6%.</li> </ul>	<b>2</b>	<p>Lowers Vermont's marginal rates for personal income taxes. The brackets and rates would change from:</p> <ul style="list-style-type: none"> <li>• 3.55%, 6.8%, 7.8%, 8.8%, 8.95% to</li> <li>• 3.35%, 6.6%, 7.6%, 8.7%, 8.85%</li> </ul>
<b>3</b>	<p>Creates a charitable donation tax credit, which is equal to 5% of the first \$10,000 in charitable contributions</p>	<b>3</b>	<p>Same as House, but without the \$10,000.00 cap.</p>

	claimed at the federal level.		
<b>4</b>	Increases the size of Vermont's earned income tax credit. It is increased from 32 percent of the federal credit to 35 percent of the federal credit.	<b>4</b>	Same as House.
<b>1, 5, and 6</b>	Exclude taxable Social Security benefits from State taxation for joint filers with federal adjusted gross income of \$60,000 or less, and single filers with federally adjusted gross income of \$45,000 or less, with phase-outs above those amounts.	<b>1, 5, and 6</b>	Same as the House.
<b>6a</b>	Contains the annual linkage language to the federal statutes for taxable year 2017.	<b>7</b>	Same, with change to a fixed date.
		<b>8</b>	Requires Legislative Council to report on continuing federal and state implementation of recent federal tax reforms.
	<b>Education Financing Changes</b>		<b>Education Financing Changes</b>
<b>7</b>	Creates a school income tax surcharge based on taxable income and dedicated to the Education Fund. The surcharge is equal to: <ul style="list-style-type: none"> <li>• 0.1 percent on income taxed at 3.35 percent;</li> <li>• 0.5 percent on income taxed at 6.6 percent;</li> <li>• 0.5 percent on income taxed at 7.6 percent; and</li> <li>• 1.0 percent on income taxed at 8.6 percent.</li> </ul>	<b>9-10</b>	Sets the parameters for fiscal year 2019: <ul style="list-style-type: none"> <li>• The property dollar equivalent yield is \$9,863.</li> <li>• The income dollar equivalent yield is \$11,920.</li> <li>• The nonresidential property tax rate is \$1.606.</li> </ul>
<b>8-9a</b>	Reallocates certain Education Fund and General Fund revenues. <ul style="list-style-type: none"> <li>• Eliminates the General Fund Transfer and moves several Education Fund expenses to the General Fund, including adult education programs, flexible pathways programs, Community High School of Vermont, and the renter rebate.</li> <li>• Commits all the revenue from the school income</li> </ul>	<b>11</b>	Makes a technical change in how the rates are calculated for purposes of the Commissioner's December 1 recommendations.

	<p>tax surcharge, all the revenue from the sales and use tax, and 25 percent of the meals and rooms tax to the Education Fund.</p> <ul style="list-style-type: none"> <li>• Requires the Joint Fiscal Office to report by 2024 on the impact of the changes in the act related to the General Fund and Education Fund.</li> </ul>		
<b>10-12a</b>	<p>Alters how education property tax rates are calculated and billed by:</p> <ul style="list-style-type: none"> <li>• Providing each school district with a base spending amount equal to the amount of per pupil education spending that can be supported by fixed Education Fund revenues.</li> <li>• For districts that choose to spend above the base spending amount, an additional homestead tax rate would be equalized across those districts, based on a single property tax yield.</li> <li>• Requiring separate bills for the statewide education tax and municipal taxes.</li> <li>• Requiring the Commissioner of Taxes to recommend a yield, a base income percentage, and a nonresidential rate each year.</li> </ul>	<b>12-13</b>	Requires statewide education property tax to be billed separately from any other tax on the municipal tax bills.
<b>13-14a</b>	<p>Changes how income sensitivity adjustments are calculated and billed.</p> <ul style="list-style-type: none"> <li>• Income sensitivity adjustments will be capped at \$400,000.00 of housesite value rather than \$500,000.00 as under current law.</li> <li>• For people below \$47,000.00 in household income the “supercircuit breaker” adjustment is split into an education property tax adjustment and a municipal tax adjustment, and billed separately.</li> </ul>	<b>14</b>	Effective dates.
<b>15-16 and</b>	<p>Sets the parameters for fiscal year 2019:</p> <ul style="list-style-type: none"> <li>• The property dollar equivalent yield is</li> </ul>		Not in Senate proposal.

22	<p>\$8,500.00.</p> <ul style="list-style-type: none"> <li>• The base income percentage is 1.66%.</li> <li>• The nonresidential property tax rate is \$1.591.</li> </ul> <p>The base spending amount is \$11,916.00.</p>		
17-19	Repeals the current excess spending penalty.		Not in Senate proposal.
20	For fiscal year 2020, the definition of “education spending” is changed to include a district’s portion of the normal teacher retirement contribution.		Not in Senate proposal.
21	Removes the Act 46 five percent limitations on tax rates for most districts so that the new lower property tax rates can be effective. For a small number of certain specified districts, the limitations on the amount that tax rates can rise are kept in place.		Not in Senate proposal.
21a	Provides \$200,000.00 in fiscal year 2019 to assist towns with issuing separate municipal and education tax bills.		Not in Senate proposal.
22	<p>Effective dates and transition.</p> <ul style="list-style-type: none"> <li>• Provides that no taxpayer will be penalized for failing to withhold properly for the school income tax surcharge for taxable year 2018 only.</li> <li>• Phases in the base spending amount definition over three years. The bill does so by setting a base spending amount of \$11,916 for fiscal year 2019, which represents 92 percent of what the base spending amount would normally be. For fiscal year 2020, the base spending amount is calculated as 96% of what it would normally be. For fiscal year 2020, the base spending amount is 100% of the statutory definition.</li> </ul>		Not in Senate proposal.