

1 TO THE HONORABLE SENATE:

2 The Committee on Finance to which was referred House Bill No. 911  
3 entitled “An act relating to changes in Vermont’s personal income tax and  
4 education financing system” respectfully reports that it has considered the  
5 same and recommends that the Senate propose to the House that the bill be  
6 amended by striking out all after the enacting clause and inserting in lieu  
7 thereof the following:

8 \* \* \* Personal Income Tax Changes \* \* \*

9 \* \* \* Taxable Income \* \* \*

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

11 § 5811. DEFINITIONS

12 \* \* \*

13 (21) “Taxable income” means, in the case of an individual, federal  
14 adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

15 \* \* \*

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

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

19 (ii) with respect to adjusted net capital gain income as defined in

20 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend

21 income: either the first \$5,000.00 of such adjusted net capital gain income; or

1 40 percent of adjusted net capital gain income from the sale of assets held by  
2 the taxpayer for more than three years, except not adjusted net capital gain  
3 income from:

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

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

12 (iii) recapture of State and local income tax deductions not taken  
13 against Vermont income tax; and

14 (iv) the portion of federally taxable benefits received under the  
15 federal Social Security Act that is required to be excluded under section 5830e  
16 of this chapter; and

17 (C) Decreased by the following exemptions and deductions:

18 (i) ~~the amount of personal exemptions taken at the federal level a~~  
19 personal exemption of \$4,150.00 per person for the taxpayer, for the spouse or  
20 the deceased spouse of the taxpayer whose filing status under section 5822 of  
21 this chapter is married filing a joint return or surviving spouse, and for each

1 individual qualifying as a dependent of the taxpayer under 26 U.S.C. § 152,  
2 provided that no exemption may be claimed for an individual who is a  
3 dependent of another taxpayer;

4 (ii) ~~for taxpayers who do not itemize at the federal level, the~~  
5 ~~amount of the a standard deduction taken at the federal level~~ determined as  
6 follows:

7 (I) for taxpayers whose filing status under section 5822 of  
8 this chapter is unmarried (other than surviving spouses or heads of households)  
9 or married filing separate returns, \$6,000.00;

10 (II) for taxpayers whose filing status under section 5822 of  
11 this chapter is head of household, \$9,000.00;

12 (III) for taxpayers whose filing status under section 5822 of  
13 this chapter is married filing joint return or surviving spouse, \$12,000; and

14 (iii) ~~for taxpayers who itemize at the federal level:~~

15 (I) ~~the amount of federally itemized deductions for medical and~~  
16 ~~dental expenses and charitable contributions;~~

17 (II) ~~the total amount of federally itemized deductions, other~~  
18 ~~than deductions for State and local income taxes, medical and dental expenses,~~  
19 ~~and charitable contributions, deducted from federal adjusted gross income for~~  
20 ~~the taxable year, but in no event shall the amount under this subdivision exceed~~

1 ~~two and one half times the federal standard deduction allowable to the~~  
2 ~~taxpayer; and~~

3 (III) ~~in no event shall the total amount of deductions allowed~~  
4 ~~under subdivisions (I) and (II) of this subdivision (21)(C)(iii) reduce the total~~  
5 ~~amount of itemized deductions below the federal standard deduction allowable~~  
6 ~~to the taxpayer~~ an additional deduction of \$1,000.00 for each federal deduction  
7 for which the taxpayer qualified and received under 26 U.S.C. § 63(f); and

8 (iv) the dollar amounts of the personal exemption allowed under  
9 subdivision (i) of this subdivision (21)(C), the standard deduction allowed  
10 under subdivision (ii) of this subdivision (21)(C), and the additional deduction  
11 allowed under subdivision (iii) of this subdivision (21)(C) shall be adjusted  
12 annually for inflation by the Commissioner of Taxes by using the percentage  
13 increase in the Consumer Price Index beginning with taxable year 2019 and  
14 ending with the taxable year in question. As used in this subdivision,  
15 “consumer price index” means the last Consumer Price Index for All Urban  
16 Consumers published by the U.S. Department of Labor.

17 \* \* \*

18 \* \* \* Personal Income Tax Rates \* \* \*

19 Sec. 2. PERSONAL INCOME TAX RATES

20 (a) 2009 Spec. Sess. Acts and Resolves No. 2, Sec. 20 is repealed.

1        (b) For taxable year 2018 and after, income tax rates under 32 V.S.A.  
2        § 5822(a)(1)-(5), after taking into consideration any inflation adjustments to  
3        taxable income as required by 32 V.S.A. § 5822(b)(2), shall be as follows:

4            (1) taxable income that without the passage of this act would have been  
5        subject to a rate of 3.55 percent shall be taxed at the rate of 3.35 percent  
6        instead;

7            (2) taxable income that without the passage of this act would have been  
8        subject to a rate of 6.80 percent shall be taxed at the rate of 6.60 percent  
9        instead;

10          (3) taxable income that without the passage of this act would have been  
11        subject to a rate of 7.80 percent shall be taxed at the rate of 7.60 percent  
12        instead;

13          (4) taxable income that without the passage of this act would have been  
14        subject to a rate of 8.80 percent or 8.95 percent shall be taxed at the rate of  
15        8.60 percent instead; the tax brackets for taxable income taxed at 8.80 percent  
16        and 8.95 percent in taxable year 2017 shall be combined to be taxed at a rate of  
17        8.60 for taxable year 2018 and after.

18          (c) When preparing the Vermont Statutes Annotated for publication, the  
19        Office of Legislative Council shall revise the tables in 32 V.S.A. § 5822(a)(1)-  
20        (5) to reflect the changes to the tax rates and tax brackets made in this section.



1 “consumer price index” means the last Consumer Price Index for All Urban  
2 Consumers published by the U.S. Department of Labor.

3 \* \* \*

4 (d)(1) A taxpayer shall be entitled to a credit against the tax imposed under  
5 this section of 24 percent of each of the credits allowed against the taxpayer’s  
6 federal income tax for the taxable year as follows: credit for people who are  
7 elderly or permanently totally disabled, investment tax credit attributable to the  
8 Vermont-property portion of the investment, and child care and dependent care  
9 credits.

10 \* \* \*

11 (3) Individuals shall receive a nonrefundable charitable contribution  
12 credit against the tax imposed under this section for the taxable year. The  
13 credit shall be five percent of the first \$10,000.00 in charitable contributions  
14 made during the taxable year that are allowable under 26 U.S.C. § 170. This  
15 credit shall be available irrespective of a taxpayer’s election not to itemize at  
16 the federal level.

17 \* \* \*

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

19 (a) A resident individual or part-year resident individual who is entitled to  
20 an earned income tax credit granted under the laws of the United States shall  
21 be entitled to a credit against the tax imposed for each year by section 5822 of

1 this title. The credit shall be ~~32~~ 35 percent of the earned income tax credit  
2 granted to the individual under the laws of the United States, multiplied by the  
3 percentage which the individual's earned income that is earned or received  
4 during the period of the individual's residency in this State bears to the  
5 individual's total earned income.

6 Sec. 5. 32 V.S.A. § 5830e is added to read:

7 § 5830e. SOCIAL SECURITY INCOME

8 The portion of federally taxable Social Security benefits excluded from  
9 taxable income under subdivision 5811(21)(B)(iv) of this chapter shall be as  
10 follows:

11 (1) For taxpayers whose filing status is single, married filing separately,  
12 head of household, or qualifying widow or widower:

13 (A) If the federal adjusted gross income of the taxpayer is less than or  
14 equal to \$45,000.00, all federally taxable benefits received under the federal  
15 Social Security Act shall be excluded.

16 (B) If the federal adjusted gross income of the taxpayer is greater  
17 than \$45,000.00 but less than \$55,000.00, the percentage of federally taxable  
18 benefits received under the Social Security Act to be excluded shall be  
19 proportional to the amount of the taxpayer's federal adjusted gross income  
20 over \$45,000.00, determined by:



1                   (i) subtracting the federal adjusted gross income of the taxpayer  
2                   from \$55,000.00;

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

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

8                   (C) If the federal adjusted gross income of the taxpayer is equal to or  
9                   greater than \$55,000.00, no amount of the federally taxable benefits received  
10                  under the Social Security Act shall be excluded under this section.

11                  (2) For taxpayers whose filing status is married filing jointly:

12                  (A) If the federal adjusted gross income of the taxpayer is less than or  
13                  equal to \$60,000.00, all federally taxable benefits received under the Social  
14                  Security Act shall be excluded.

15                  (B) If the federal adjusted gross income of the taxpayer is greater  
16                  than \$60,000.00 but less than \$70,000.00, the percentage of federally taxable  
17                  benefits received under the Social Security Act to be excluded shall be  
18                  proportional to the amount of the taxpayer's federal adjusted gross income  
19                  over \$60,000.00, determined by:

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





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\* \* \* Effective Dates; Transition \* \* \*

Sec. 11. EFFECTIVE DATES AND TRANSITION

(a) This section shall take effect on passage.

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

(c) Notwithstanding 1 V.S.A. § 214, Sec. 7 (income tax link to the IRC) shall take effect retroactively on January 1, 2017 and apply to taxable years beginning on January 1, 2017 and after.

(d) Secs. 8-9 (yields; nonresidential rate) shall take effect on July 1, 2018 and apply to fiscal year 2019 only.

(e) Sec. 10 (Commissioner’s recommendation) shall take effect on July 1, 2018.

(Committee vote: \_\_\_\_\_)

\_\_\_\_\_

Senator \_\_\_\_\_

FOR THE COMMITTEE