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 \underline{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	<u>follows:</u>
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	* * * Charitable Credit; Earned Income Tax Credit; Social Security Income;
2	Other Adjustments * * *
3	Sec. 3. 32 V.S.A. § 5822 is amended to read:
4	§ 5822. TAX ON INCOME OF INDIVIDUALS, ESTATES, AND TRUSTS
5	(a) A tax is imposed for each taxable year upon the taxable income earned
6	or received in that year by every individual, estate, and trust, subject to income
7	taxation under the laws of the United States, in an amount determined by the
8	following tables, and adjusted as required under this section:
9	* * *
10	(b) As used in this section:
11	(1) "Married individuals," "surviving spouse," "head of household,"
12	"unmarried individual," "estate," and "trust" have the same meaning as under
13	the Internal Revenue Code.
14	(2) The amounts of taxable income shown in the tables in this section
15	shall be adjusted annually for inflation by the Commissioner of Taxes, using
16	the Consumer Price Index adjustment percentage, in the manner prescribed for
17	inflation adjustment of federal income tax tables for the taxable year by the
18	Commissioner of Internal Revenue, beginning with taxable year 2003
19	percentage increase in the Consumer Price Index beginning with taxable year
20	2019 and ending with the taxable year in question. As used in this subdivision,

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 $\frac{32}{35}$ 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	<u>follows:</u>
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;

1	(ii) dividing the value under subdivision (i) of this subdivision (B)
2	by \$10,000.00; and
3	(iii) multiplying the value under subdivision (ii) of this
4	subdivision (B) by the federally taxable benefits received under the Social
5	Security Act.
6	(C) If the federal adjusted gross income of the taxpayer is equal to or
7	greater than \$70,000.00, no amount of the federally taxable benefits received
8	under the Social Security Act shall be excluded under this section.
9	Sec. 6. 32 V.S.A. § 5813 is amended to read:
10	§ 5813. STATUTORY PURPOSES
11	* * *
12	(w) The statutory purpose of the partial exemption of federally taxable
13	benefits under the Social Security Act in section 5830e of this title is to lessen
14	the tax burden on Vermonters with low to moderate income who derive part of
15	their income from Social Security payments.
16	Sec. 7. 32 V.S.A. § 5824 is amended to read:
17	§ 5824. ADOPTION OF FEDERAL INCOME TAX LAWS
18	The statutes of the United States relating to the federal income tax, as in
19	effect for taxable year 2016 2017, but without regard to federal income tax
20	rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the
21	tax liability under this chapter.

1	* * * Education Financing Changes * * *
2	* * * Yield, Applicable Percentage and Nonresidential Rate for
3	Fiscal Year 2019 * * *
4	Sec. 8. PROPERTY DOLLAR EQUIVALENT YIELD AND INCOME
5	DOLLAR EQUIVALENT YIELD FOR FISCAL YEAR 2019
6	(a) Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2019 only, the
7	property dollar equivalent yield shall be \$XXX.
8	(b) Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2019 only, the income
9	dollar equivalent yield shall be \$XXX .
10	Sec. 9. NONRESIDENTIAL PROPERTY TAX RATE FOR FISCAL YEAR
11	2019
12	Notwithstanding any other provision of law, for fiscal year 2019 only, the
13	nonresidential education property tax imposed under 32 V.S.A. § 5402(a)(2)
14	shall be \$XXX per \$100.00.
15	Sec. 10. 32 V.S.A. § 5402b(a)(4) is amended to read:
16	(4) the percentage change in the median average education tax bill
17	applied to nonresidential property, and the percentage change in the median
18	average education tax bill of homestead property, and the percentage change in
19	the median average education tax bill for taxpayers who claim an adjustment
20	under subsection 6066(a) of this title are equal.

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1	* * * Effective Dates; Transition * * *
2	Sec. 11. EFFECTIVE DATES AND TRANSITION
3	(a) This section shall take effect on passage.
4	(b) Notwithstanding 1 V.S.A. § 214, Secs. 1-6 (income tax changes) shall
5	take effect retroactively on January 1, 2018 and apply to taxable year 2018 and
6	after.
7	(c) Notwithstanding 1 V.S.A. § 214, Sec. 7 (income tax link to the IRC)
8	shall take effect retroactively on January 1, 2017 and apply to taxable years
9	beginning on January 1, 2017 and after.
10	(d) Secs. 8-9 (yields; nonresidential rate) shall take effect on July 1, 2018
11	and apply to fiscal year 2019 only.
12	(e) Sec. 10 (Commissioner's recommendation) shall take effect on July 1,
13	<u>2018.</u>
14	
15	
16	
17	(Committee vote:)
18	
19	Senator
20	FOR THE COMMITTEE