

## Tax Cuts and Job Act of 2017

- Enacted December 22, 2017.
- Make major changes to three federal taxes; Personal Income, Corporate Income, and Gift/Estate taxes.
- Two types of impact in Vermont:
  - May affect how much individual taxpayers pay, given their particular situation.
  - May affect State revenues.
- How does the federal bill affect State revenues? Vermont is linked to each of these federal taxes through shared definitions for the tax base; to the extent the federal act changes the tax base, there is a chance the changes will fall through to the State tax, and effect State revenues.
- In descending order, the biggest potential for a revenue impact to the State come from changes in the federal tax bases for Personal Income, Corporate Income, and Estate taxes.
  - Vermont Personal Income = \$795 million
  - Vermont Corporate Income = \$87 million
  - Vermont Estate Tax = \$19 million
- Legislative and Executive staff have been working to understand the impact of the federal changes on State revenues.

- Federal personal income taxes:
  - GI (minus certain above the line deductions) =
  - AGI (minus personal exemptions and either the standard deduction or itemized deductions) =
  - TI → (multiplied by a rate) = Liability (minus credits)
- Vermont personal income taxes:
  - AGI (minus) federal personal exemption (minus) either standard deduction or certain itemized deductions
  - In Vermont, you can take:
    - all of your medical and charitable itemized deductions;
    - none of your state income tax deduction;
    - and all your remaining federal deductions are limited to 2.5 times the standard deduction.
- The biggest personal income tax changes are elimination of personal exemptions, doubling of the standard deduction, and the alteration of numerous itemized deductions.
- The biggest corporate tax change is the move from a modified worldwide system to a territorial system, with the simultaneous repatriation of profits
- The biggest estate change is the doubling of the unified gift/estate tax credit from \$5 million/\$10 million to \$10 million/\$20 million, adjusted for inflation to 2011.