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H.290

Introduced by Representatives Stevens of Waterbury, Anthony of Barre City,
Birong of Vergennes, Burke of Brattleboro, Chase of
Colchester, Cina of Burlington, Coffey of Guilford, Colburn of
Burlington, Gonzalez of Winooski, Hashim of Dummerston,
Killacky of South Burlington, Kornheiser of Brattleboro,
McCarthy of St. Albans City, Notte of Rutland City, Potter of
Clarendon, and Rachelson of Burlington

Referred to Committee on

Date:

Subject: Taxation; personal income tax; student loan interest deduction

Statement of purpose of bill as introduced: This bill proposes to provide a
deduction from taxable income for the first \$5,000.00 in employee student loan
payments made by an employer.

An act relating to providing a deduction for student loan payments made by
an employer

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 32 V.S.A. § 5811(21) is amended to read:

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

1 (A) Increased by the following items of income (to the extent such
2 income is excluded from federal adjusted gross income):

3 (i) interest income from non-Vermont state and local obligations;
4 and

5 (ii) dividends or other distributions from any fund to the extent
6 they are attributable to non-Vermont state or local obligations; and

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

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

10 (ii) with respect to adjusted net capital gain income as defined in
11 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend
12 income: either the first \$5,000.00 of such adjusted net capital gain income; or
13 40 percent of adjusted net capital gain income from the sale of assets held by
14 the taxpayer for more than three years, except not adjusted net capital gain
15 income from:

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

18 (II) the sale of depreciable personal property other than farm
19 property and standing timber; or stocks or bonds publicly traded or traded on
20 an exchange, or any other financial instruments; regardless of whether sold by
21 an individual or business; and provided that the total amount of decrease under

1 this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable
2 income;

3 (iii) recapture of State and local income tax deductions not taken
4 against Vermont income tax; ~~and~~

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

8 (v) the amount of employer student loan payments deducted under
9 section 5830f of this chapter; and

10 * * *

11 Sec. 2. 32 V.S.A. § 5830f is added to read:

12 § 5830f. DEDUCTION FOR EMPLOYER PAYMENTS OF STUDENT

13 LOAN DEBT

14 (a) As used in this section:

15 (1) "Institution of higher education" means an institution of
16 postsecondary education that generally limits enrollment to graduates of
17 secondary schools and awards degrees at either the baccalaureate or graduate
18 level. An institution of higher education includes public, private nonprofit, and
19 for-profit institutions of higher education.

1 (2) “Qualified student loan” means a loan incurred to attend and receive
2 a baccalaureate or graduate-level degree from an institution of higher
3 education.

4 (3) “Qualified taxpayer” means a taxpayer who:

5 (A) makes payments on a qualified student loan during the taxable
6 year;

7 (B) for an individual who does not file a joint tax return, has federally
8 adjusted gross income for the taxable year that does not exceed \$200,000.00;

9 (C) for taxpayers filing joint returns, has federally adjusted gross
10 income that does not exceed \$250,000.00.

11 (4) “Employer” means a person who is required to furnish
12 unemployment insurance coverage pursuant to 21 V.S.A. chapter 17.

13 (b) A qualified taxpayer may deduct from taxable income the first
14 \$5,000.00 of payments made toward a qualified student loan on his or her
15 behalf by an employer.

16 Sec. 3. EFFECTIVE DATE

17 This act shall take effect on January 1, 2020 and apply to returns filed for
18 taxable year 2020 and after.