1	S.129
2	Introduced by Senators Collamore, Benning, Bray, Brock, Hooker, Ingram,
3	Mazza, McNeil, Parent, Pollina, Starr and Westman
4	Referred to Committee on
5	Date:
6	Subject: Taxation; personal income tax; exemption; military pay
7	Statement of purpose of bill as introduced: This bill proposes to exempt
8	military retirement pay from Vermont's State income tax. The exemption is
9	phased in over two years.
10 11	An act relating to exemption military retirement pay from Vermont income tax
12	It is hereby enacted by the General Assembly of the State of Vermont:
13	Sec. 1. 32 V.S.A. § 5811(21) is amended to read:
14	(21) "Taxable income" means, in the case of an individual, federal
15	adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:
16	* * *
17	(B) Decreased by the following items of income (to the extent such
18	income is included in federal adjusted gross income):
19	(i) income from U.S. government obligations;

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1	(ii) with respect to adjusted net capital gain income as defined in
2	26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend
3	income: either the first \$5,000.00 of such adjusted net capital gain income; or
4	40 percent of adjusted net capital gain income from the sale of assets held by
5	the taxpayer for more than three years, except not adjusted net capital gain
6	income from:
7	(I) the sale of any real estate or portion of real estate used by
8	the taxpayer as a primary or nonprimary residence; or
9	(II) the sale of depreciable personal property other than farm
10	property and standing timber; or stocks or bonds publicly traded or traded on
11	an exchange, or any other financial instruments; regardless of whether sold by
12	an individual or business; and provided that the total amount of decrease under
13	this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable
14	income;
15	(iii) recapture of State and local income tax deductions not taken
16	against Vermont income tax; and
17	(iv) the portion of federally taxable benefits received under the
18	federal Social Security Act that is required to be excluded under section 5830e
19	of this chapter; <del>and</del>
20	(v) for tax year 2019, one half of the amount of United States
21	military retirement pay subject to the federal income tax;

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1	(vi) for tax year 2020 and after, the amount of United States
2	military retirement pay subject to the federal income tax; and
3	* * *
4	Sec. 2. 32 V.S.A. § 5813(g) is amended to read:
5	(g)(1) The statutory purpose of the exemption for military pay in
6	subdivisions 5823(a)(2) and (b)(3) of this title is to provide additional
7	compensation for military personnel in recognition of their service to Vermont
8	and to the country.
9	(2) The statutory purpose of the exemption for United States military
10	retirement pay subject to the federal income tax in subsection 5811(21)(v) and
11	(vi) of this title is to recognize the military service of Vermonters who derive
12	part of their income in the form of military retirement pay.
13	Sec. 3. EFFECTIVE DATE
14	Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on
15	January 1, 2019 and apply to taxable year 2019 and after.