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S.129

Introduced by Senators Collamore, Benning, Bray, Brock, Hooker, Ingram,  
Mazza, McNeil, Parent, Pollina, Starr and Westman

Referred to Committee on

Date:

Subject: Taxation; personal income tax; exemption; military pay

Statement of purpose of bill as introduced: This bill proposes to exempt  
military retirement pay from Vermont's State income tax. The exemption is  
phased in over two years.

An act relating to exemption military retirement pay from Vermont income  
tax

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:

\* \* \*

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

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

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; ~~and~~

20                           (v) for tax year 2019, one half of the amount of United States  
21                  military retirement pay subject to the federal income tax;

