

1 Introduced by Committee on Ways and Means

2 Referred to Committee on

3 Date:

4 Subject: Taxation; income tax; capital gains; estate tax; exclusion

5 Statement of purpose of bill as introduced: This bill proposes to lower the

6 Vermont state capital gains exclusion from 40% of certain assets to 20% of

7 certain assets. The bill also would raise the estate tax exclusion from \$2.75 to

8 \$5.0 million by January 1, 2021.

9 An act relating to Vermont’s capital gains exclusion and estate tax
10 exclusion

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

12 * * * Capital Gains Exclusion * * *

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

14 § 5811. DEFINITIONS

15 The following definitions shall apply throughout this chapter unless the
16 context requires otherwise:

17 * * *

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

20 * * *

1 (B) decreased by the following items of income:

2 * * *

3 (ii) with respect to adjusted net capital gain income as defined in
4 26 U.S.C. § 1(h), reduced by the total amount of any qualified dividend
5 income: either the first \$5,000.00 of such adjusted net capital gain income; or
6 ~~40~~ 20 percent of adjusted net capital gain income from the sale of assets held
7 by the taxpayer for more than three years, except not adjusted net capital gain
8 income from:

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

11 (II) the sale of depreciable personal property other than farm
12 property and standing timber; or stocks or bonds publicly traded or traded on
13 an exchange, or any other financial instruments; regardless of whether sold by
14 an individual or business; and provided that the total amount of decrease under
15 this subdivision (28)(B)(ii) shall not exceed ~~40~~ 20 percent of federal taxable
16 income; and

17 * * *

18 * * * Estate Tax Exclusion Amounts * * *

19 Sec. 2. 32 V.S.A. § 7442a(b) is amended to read:

20 (b) The tax shall be computed as follows. The following rates shall be
21 applied to the Vermont taxable estate:

1	Amount of Vermont Taxable Estate	Rate of Tax
2	Under \$2,750,000.00	None
3	\$2,750,000.00 or more	16 percent of the excess
4		over \$2,750,000.00

5 (1) From July 1, 2019 to December 31, 2019:

6	<u>under \$3,500,000.00</u>	<u>None</u>
7	<u>\$3,500,000.00 or more</u>	<u>16 percent of the excess</u>
8		<u>over \$3,500,000.00</u>

9 (2) From January 1, 2020 to December 31, 2020:

10	<u>under \$4,250,000.00</u>	<u>None</u>
11	<u>\$4,250,000.00 or more</u>	<u>16 percent of the excess</u>
12		<u>over \$4,250,000.00</u>

13 The resulting amount shall be multiplied by a fraction not greater than one,
14 where the numerator of which is the value of the Vermont gross estate plus the
15 value of gifts under 32 V.S.A. § 7402(14)(C) with a Vermont situs, and the
16 denominator of which is the federal gross estate plus the value of gifts under
17 subdivision 7402(14)(C) of this title.

18 Sec. 3. 32 V.S.A. § 7442a(b) is amended to read:

19 (b) The tax shall be computed as follows. The following rates shall be
20 applied to the Vermont taxable estate:

1	Amount of Vermont Taxable Estate	Rate of Tax
2	(1) From July 1, 2019 to December 31, 2019:	
3	under \$3,500,000.00	None
4	\$3,500,000.00 or more	16 percent of the excess
5		over \$3,500,000.00
6	(2) From January 1, 2020 to December 31, 2020:	
7	under \$4,250,000.00	None
8	\$4,250,000.00 or more	16 percent of the excess
9		over \$4,250,000.00
10	(3) From January 1, 2021 to December 31, 2021:	
11	under \$5,000,000.00	None
12	\$5,000,000.00 or more	16 percent of the excess
13		over \$5,000,000.00
14	<u>Under \$5,000,000.00</u>	<u>None</u>
15	<u>\$5,000,000.00 or more</u>	<u>16 percent of the excess</u>
16		<u>Over \$5,000,000.00</u>
17	The resulting amount shall be multiplied by a fraction not greater than one,	
18	where the numerator of which is the value of the Vermont gross estate plus the	
19	value of gifts under 32 V.S.A. § 7402(14)(C) with a Vermont situs, and the	
20	denominator of which is the federal gross estate plus the value of gifts under	
21	subdivision 7402(14)(C) of this title.	

1
2
3
4
5
6
7
8

* * * Effective Dates * * *

Sec. 4. EFFECTIVE DATES

(a) This section shall take effect on passage.

(b) Notwithstanding 1 V.S.A. § 214, Sec. 1 (capital gains exclusion) shall take effect retroactively on January 1, 2019 and apply to taxable years 2019 and after.

(c) Sec. 2 (estate tax rates) shall take effect on July 1, 2019.

(d) Sec. 3 (estate tax rates) shall take effect on January 1, 2021.