

1
2
3
4
5
6
7
8
9
10
11
12

13
14
15
16
17
18
19
20

H.695

Introduced by Representatives Bancroft of Westford, Christie of Hartford,
Batchelor of Derby, Brumsted of Shelburne, Gamache of
Swanton, Goslant of Northfield, Hango of Berkshire, Morgan of
Milton, Myers of Essex, Page of Newport City, Palasik of
Milton, Smith of Derby, and White of Hartford

Referred to Committee on

Date:

Subject: Taxation; personal income tax; exemptions

Statement of purpose of bill as introduced: This bill proposes to include other
federal pension income within the current partial exemption for Social Security
income.

An act relating to the income tax exemption for Social Security

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):

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

* * *

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

Sec. 2. 32 V.S.A. § 5830e is amended to read:

§ 5830e. ~~SOCIAL SECURITY INCOME~~ CERTAIN FEDERAL BENEFITS

(a) The portion of federally taxable Social Security benefits excluded from taxable income under subdivision 5811(21)(B)(iv) of this chapter shall be as follows:

(1) For taxpayers whose filing status is single, married filing separately, head of household, or qualifying widow or widower:

(A) If the federal adjusted gross income of the taxpayer is less than or equal to \$45,000.00, all federally taxable benefits received under the federal Social Security Act shall be excluded.

(B) If the federal adjusted gross income of the taxpayer is greater than \$45,000.00 but less than \$55,000.00, the percentage of federally taxable benefits received under the Social Security Act to be excluded shall be proportional to the amount of the taxpayer's federal adjusted gross income over \$45,000.00, determined by:

(i) subtracting the federal adjusted gross income of the taxpayer from \$55,000.00;

1 (ii) dividing the value under subdivision (i) of this subdivision (B)
2 by \$10,000.00; and

3 (iii) multiplying the value under subdivision (ii) of this
4 subdivision (B) by the federally taxable benefits received under the Social
5 Security Act.

6 (C) If the federal adjusted gross income of the taxpayer is equal to or
7 greater than \$55,000.00, no amount of the federally taxable benefits received
8 under the Social Security Act shall be excluded under this section.

9 (2) For taxpayers whose filing status is married filing jointly:

10 (A) If the federal adjusted gross income of the taxpayer is less than or
11 equal to \$60,000.00, all federally taxable benefits received under the Social
12 Security Act shall be excluded.

13 (B) If the federal adjusted gross income of the taxpayer is greater
14 than \$60,000.00 but less than \$70,000.00, the percentage of federally taxable
15 benefits received under the Social Security Act to be excluded shall be
16 proportional to the amount of the taxpayer's federal adjusted gross income
17 over \$60,000.00, determined by:

18 (i) subtracting the federal adjusted gross income of the taxpayer
19 from \$70,000.00;

20 (ii) dividing the value under subdivision (i) of this subdivision (B)
21 by \$10,000.00; and

1 (iii) multiplying the value under subdivision (ii) of this
2 subdivision (B) by the federally taxable benefits received under the Social
3 Security Act.

4 (C) If the federal adjusted gross income of the taxpayer is equal to or
5 greater than \$70,000.00, no amount of the federally taxable benefits received
6 under the Social Security Act shall be excluded under this section.

7 (b) A portion of federally taxable income received by a taxpayer from
8 either the Civil Service Retirement System or the Federal Employees
9 Retirement System shall be excluded from taxable income under subdivision
10 5811(21)(B)(iv) of this chapter. The portion to be excluded shall be calculated
11 under subsection (a) of this section as if the income received by a taxpayer
12 from either the Civil Service Retirement System or the Federal Employees
13 Retirement System was a federally taxable benefit received under the Social
14 Security Act.

15 Sec. 3. EFFECTIVE DATE

16 Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on
17 January 1, 2020 and apply to taxable years beginning on and after January 1,
18 2020.