

1 H.790

2 Introduced by Representatives Gregoire of Fairfield, Donahue of Northfield,  
3 Fegard of Berkshire, Graham of Williamstown, Hango of  
4 Berkshire, Higley of Lowell, Lefebvre of Newark, Martel of  
5 Waterford, Mattos of Milton, McFaun of Barre Town, Morgan  
6 of Milton, Morrissey of Bennington, Nicoll of Ludlow, Norris  
7 of Shoreham, Noyes of Wolcott, Page of Newport City, Palasik  
8 of Milton, Rosenquist of Georgia, Savage of Swanton, Seymour  
9 of Sutton, Strong of Albany, and Toof of St. Albans Town

10 Referred to Committee on

11 Date:

12 Subject: Taxation; personal income tax; exemptions

13 Statement of purpose of bill as introduced: This bill proposes to exempt all  
14 federally taxable social security income from Vermont's personal income tax.

15 An act relating to exempting social security income from Vermont's  
16 personal income tax

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

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

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

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

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

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

10 (II) the sale of depreciable personal property other than farm  
11 property and standing timber; or stocks or bonds publicly traded or traded on  
12 an exchange, or any other financial instruments; regardless of whether sold by  
13 an individual or business; and provided that the total amount of decrease under  
14 this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable  
15 income or \$350,000.00, whichever is less;

16 (iii) recapture of State and local income tax deductions not taken  
17 against Vermont income tax; and

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

1       Sec. 2. REPEAL

2           32 V.S.A. § 5830e is repealed.

3       Sec. 3. 32 V.S.A. § 5813(w) is amended to read:

4           (w) The statutory purpose of the ~~partial~~ exemption of federally taxable  
5       benefits under the Social Security Act in section ~~5830e~~ 5811 of this title is to  
6       lessen the tax burden on Vermonters ~~with low to moderate income~~ who derive  
7       part of their income from Social Security benefits.

8       Sec. 4. EFFECTIVE DATE

9           This act shall take effect on January 1, 2021 and apply to taxable year 2021  
10       and after.