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H.791

Introduced by Representatives Gregoire of Fairfield, Hango of Berkshire,
Bancroft of Westford, Batchelor of Derby, Burditt of West
Rutland, Donahue of Northfield, Gamache of Swanton, Goslant
of Northfield, Graham of Williamstown, Higley of Lowell,
LaClair of Barre Town, Martel of Waterford, Mattos of Milton,
McFaun of Barre Town, Morgan of Milton, Morrissey of
Bennington, Myers of Essex, Nicoll of Ludlow, Norris of
Shoreham, Noyes of Wolcott, Page of Newport City, Pajala of
Londonderry, Palasik of Milton, Rosenquist of Georgia, Savage
of Swanton, Seymour of Sutton, Strong of Albany, and Toof of
St. Albans Town

Referred to Committee on

Date:

Subject: Taxation; personal income tax; exemptions

Statement of purpose of bill as introduced: This bill proposes to exempt
military retirement pay from Vermont's personal income tax.

An act relating to exempting military retirement pay from Vermont's
personal income tax

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

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

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

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

6 (ii) with respect to adjusted net capital gain income as defined in
7 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend
8 income: either the first \$5,000.00 of such adjusted net capital gain income; or
9 40 percent of adjusted net capital gain income from the sale of assets held by
10 the taxpayer for more than three years, except not adjusted net capital gain
11 income from:

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

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

20 (iii) recapture of State and local income tax deductions not taken
21 against Vermont income tax; ~~and~~

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

4 (v) any federally taxable military retirement pay; and

5 Sec. 2. 32 V.S.A. § 5813(y) is added to read:

6 (y) The statutory purpose of the exemption of federally taxable military
7 retirement pay in subdivision 5811(21)(B)(v) of this title is to recognize the
8 military service of Vermonters who derive part of their income from military
9 retirement pay.

10 Sec. 3. EFFECTIVE DATE

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