Household Income and Retirement Contributions

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What is household income?

The property tax credit for the prior year's homestead property tax liability is computed based on household income. 32 V.S.A. § 6066.

Household income means modified adjusted gross income, which is federal adjusted gross income (AGI) with certain additions and subtractions intended to capture the amount of income a household has available to pay property taxes. 32 V.S.A. § 6061(5).

Issue for Self-Employed

- For employees, household income starts with wages on form W-2 that already exclude certain pre-tax contributions (e.g., to retirement, health insurance premiums, flexible spending accounts, etc.)
- For self-employed, household income starts with income reported on form 1099-MISC. This income includes contributions to retirement plans and other payments that are subtracted from income as adjustments so as not to be subject to income tax. Not all of these adjustments are allowed to reduce household income.

Household Income Additions to Wages

- Trade or business losses from pass-throughs, rental losses and certain capital losses
- Alimony received
- Support money other than gifts
- Gifts received in excess of \$6,500 in cash or cash-equivalents
- Cash public assistance and relief (not including property tax relief)
- Cost of living allowances paid to federal employees
- Allowances received by dependents of servicemen and women
- Roth IRA distributions representing investment earnings and not included in AGI
- Railroad retirement benefits
- Social Security Act benefits
- Veterans' Acts benefits
- Federal pension and annuity benefits not included in AGI
- Nontaxable interest received from state or federal government or any of its instrumentalities
- Workers' compensation
- Gross amount of "loss of time" insurance
- Amount of capital gains excluded from adjusted gross income
- Interest and dividend relief included in household income above \$10K for claimants under 65, regardless of whether included in AGI

Household Income Subtractions from Wages

- Social Security and Medicare taxes withheld
- Self-employment tax paid
- Child support paid
- Gifts from nongovernmental sources under \$6,500 in cash
- Surplus food or other relief in kind supplied by a governmental agency
- First \$6,500 earned by a full-time student dependent of claimant
- First \$6,500 received by claimant's dependent parent or adult child with a disability
- Income attributable to cancellation of debt
- State payments for foster care, adult foster care, or to a family for the support of a person who is eligible and who has a developmental disability.
- Attendant care services with or without compensation, which allow claimant to remain in home or avoid institutionalization
- 6 adjustments to income

Common federal Adjustments to Income

- Educator expenses
- Certain business expenses of reservists, performing artists, and fee-basis government officials.
- Health savings account deduction
- Moving expenses for members of the Armed Forces
- Deductible part of self-employment tax
- Self-employed SEP, SIMPLE, and qualified plans
- Self-employed health insurance deduction
- Penalty on early withdrawal of savings
- Alimony paid
- IRA deduction
- Student loan interest deduction
- Tuition and fees

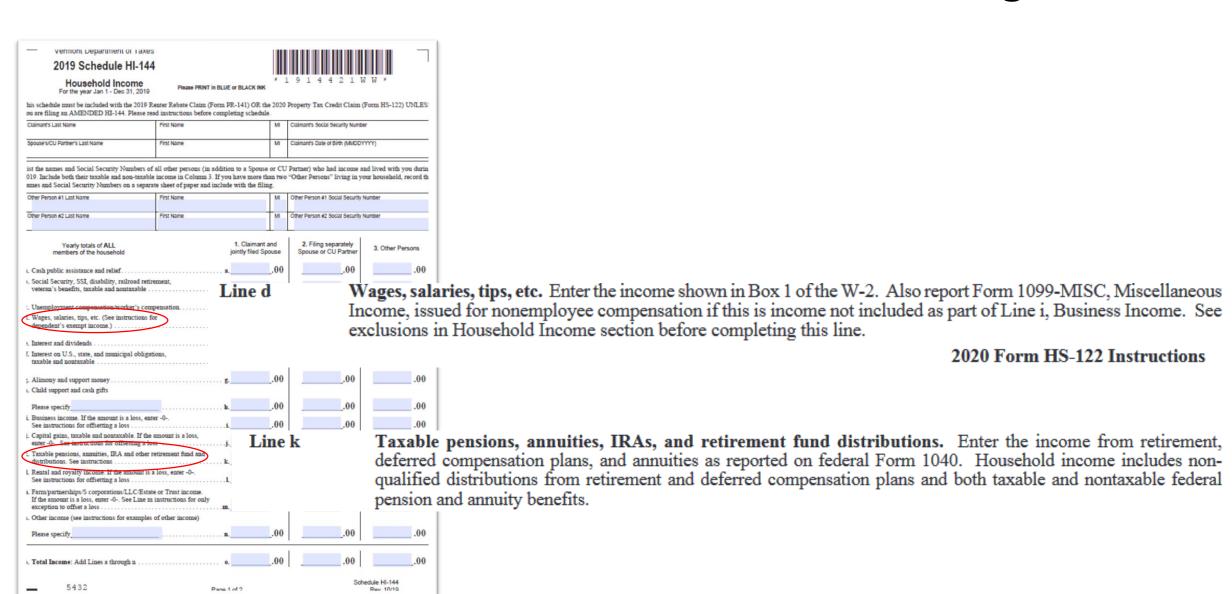
Adjustments that Reduce Household Income

- Educator expenses
- Certain business expenses of reservists, performing artists, and fee-basis government officials.
- Health savings account deduction (eff. 2012)
- Moving expenses for members of the Armed Forces
- Deductible part of self-employment tax
- Self-employed SEP, SIMPLE, and qualified plans
- Self-employed health insurance deduction (eff. 2012)
- Penalty on early withdrawal of savings
- Alimony paid
- IRA deduction
- Student loan interest deduction
- Tuition and fees

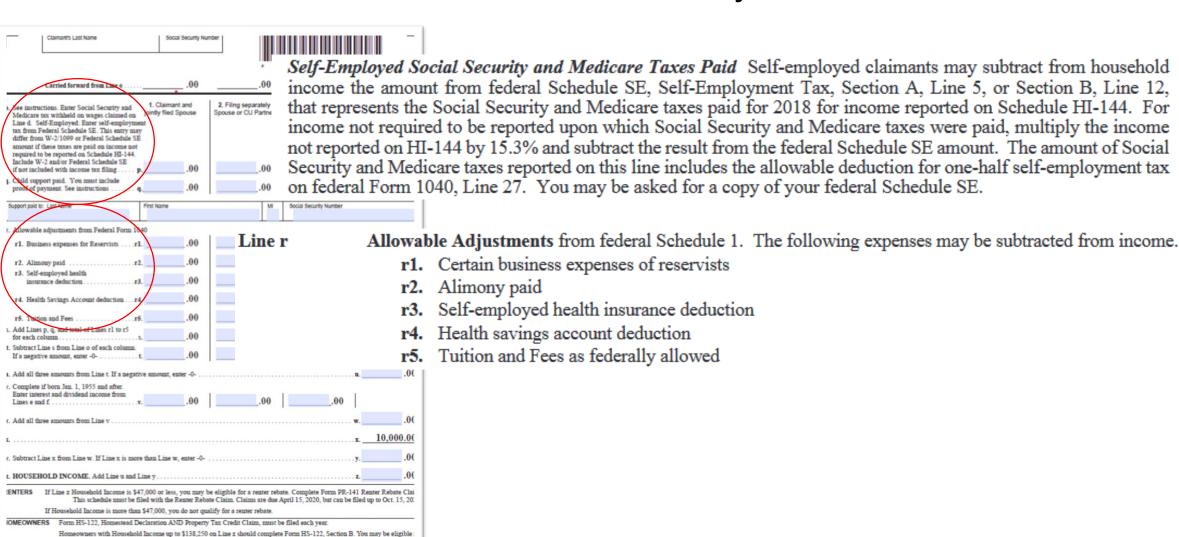
Summary of Household Income

- Household income equals federal total income
 - Plus
 - Nontaxable income
 - Pass-through business losses, certain rental and capital losses
 - Minus
 - FICA taxes (Social Security and Medicare)
 - Self-employment taxes
 - Child support
 - Certain federal adjustments

Household Income Schedule HI-144: Wages



Household Income Schedule HI-144: Adjustments to Income



a property tax credit. This schedule must be filed with Form HS-122.

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Form HS-122 The due date to file is April 15, 2020. Homeowners filing a property tax credit, Form HS-122 and Schedule HI-1between April 16 and Oct. 15, 2020, may still qualify for a Property Tax Credit. A \$15 late filing fee will be deducted for

Schedule HL144