This act summary is provided for the convenience of the public and members of the General Assembly. It is intended to provide a general summary of the act and may not be exhaustive. It has been prepared by the staff of the Office of Legislative Counsel without input from members of the General Assembly. It is not intended to aid in the interpretation of legislation or to serve as a source of legislative intent.

Act No. 138 (H.510). Taxation; income tax; appropriations; fees

An act relating to tax reductions and other aid for Vermonters

This act does the following:

- Creates a refundable Vermont child tax credit of $1,000.00 for qualifying children who are five years of age and under. The credit phases out for taxpayers whose adjusted gross income exceeds $125,000.00, irrespective of the individual’s filing status.
- Amends the Vermont child and dependent care credit to provide a fully refundable credit that is 72 percent of the federal child and dependent care credit allowed to the taxpayer.
- Increases the Vermont earned income tax credit to 38 percent of the federal earned income tax credit granted to the taxpayer.
- Creates a new deduction from taxable income for the amount of interest paid by a qualified resident taxpayer during the taxable year on a qualified education loan for the costs of attendance at an eligible educational institution. To be eligible for the deduction, a taxpayer must have adjusted gross income equal to or less than $120,000.00 (if the taxpayer is a single filer) or $200,000.00 (if the taxpayer is joint filer).
- Increases the income thresholds for the Social Security income exemption by $5,000.00.
- Creates new $10,000.00 exemptions for retirement income from the federal Civil Service Retirement System, other noncontributory government retirement systems, and the U.S. military. The new exemptions are subject to the same income thresholds as the Social Security income exemption. Only one new exemption or the Social Security exemption may be claimed by a taxpayer each taxable year.
- Increases the annual amount of first-year affordable housing tax credits by $250,000.00 per year. Dedicates that amount to credits used for purchasing and restoring manufactured homes.
- Appropriates $750,000.00 in Global Commitment funds in fiscal year 2023 to increase the payments to eligible individuals in the Aid for the Aged, Blind, and Disabled program.
- Appropriates $1,000,000.00 in fiscal year 2023 from the General Fund to the Department for Children and Families for the early childhood staff and home-based provider retention grant program.
- Increases the annual renewal fee paid by investment companies from $1,500.00 to $1,650.00.

Effective Dates:

- Secs. 1–8 (income tax credits, deduction and exclusions) are effective retroactively on January 1, 2022 and apply to taxable years beginning on and after January 1, 2022.
- Secs. 9–12 (affordable housing tax credit, appropriations, and fees) are effective on July 1, 2022.