

1 H.510

2 Introduced by Representatives Ancel of Calais, Beck of St. Johnsbury,

3 Kornheiser of Brattleboro, Ode of Burlington, Pugh of South

4 Burlington, and Webb of Shelburne

5 Referred to Committee on

6 Date:

7 Subject: Taxation; income tax; Vermont child tax credit

8 Statement of purpose of bill as introduced: This bill proposes to create a  
9 refundable Vermont child tax credit of \$1,200.00 per qualifying child who is  
10 six years of age or younger. Half of the credit will be paid in advance monthly  
11 payments, and the other half of the credit will be paid at the time of filing an  
12 income tax return.

~~An act relating to creating a Vermont child tax credit.~~ *An act relating to a  
Vermont Child Tax Credit and the Vermont Social Security income exclusion*

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

14 ~~Sec. 1. 32 V.S.A. § 5830f is added to read:~~

15 § 5830f. VERMONT CHILD TAX CREDIT

16 (a) A resident individual or part-year resident individual who is entitled to

17 a child tax credit under the laws of the United States shall be entitled to a

18 refundable credit against the tax imposed by section 5822 of this title for the

1 ~~taxable year. The total credit per taxable year shall be in the amount of~~  
2 ~~\$1,200.00 per qualifying child, as defined under 26 U.S.C. § 152(c), who is six~~  
3 ~~years of age or younger. For a part-year resident individual, the amount of the~~  
4 ~~credit shall be multiplied by the percentage that the individual's income that is~~  
5 ~~earned or received during the period of the individual's residency in this State~~  
6 ~~bears to the individual's total income.~~

7 ~~(b) Notwithstanding subsection (a) of this section, the annual amount of the~~  
8 ~~credit under this section shall be reduced, but not below zero, by \$50.00 for~~  
9 ~~each \$1,000.00, or fraction thereof, by which the individual's adjusted gross~~  
10 ~~income exceeds the threshold amount. As used in this subsection, "threshold~~  
11 ~~amount" means:~~

12 ~~(1) \$200,000.00 for individuals whose filing status is single, married~~  
13 ~~filing separately, head of household, or surviving spouse; or~~

14 ~~(2) \$400,000.00 for individuals whose filing status is married filing~~  
15 ~~jointly.~~

16 ~~(c)(1) The Commissioner shall establish a program to make advance~~  
17 ~~monthly payments of the credit under this section during the calendar year~~  
18 ~~that, in the aggregate, equal 50 percent of the annual amount of the credit~~  
19 ~~allowed to each individual for the taxable year. The monthly payments made~~  
20 ~~to an individual during the calendar year shall be in equal amounts, except that~~  
21 ~~the Commissioner may modify the monthly amount upon receipt of any~~

1 ~~information furnished by the individual that allows the Commissioner to~~  
2 ~~determine the annual amount. The remaining 50 percent of the annual amount~~  
3 ~~of the credit allowed to each individual shall be determined at the time of~~  
4 ~~filing a Vermont personal income tax return for the taxable year pursuant to~~  
5 ~~section 5861 of this title.~~

6 (2) ~~The Commissioner shall provide a process by which individuals may~~  
7 ~~elect not to receive advance monthly payments under this subsection.~~

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

9 (y) ~~The statutory purpose of the Vermont child tax credit in section 5830f~~  
10 ~~of this title is to provide financial support to families with young children.~~

11 Sec. 3. EFFECTIVE DATE

12 ~~Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on~~  
13 ~~January 1, 2022 and shall apply to taxable years beginning on and after~~  
14 ~~January 1, 2022.~~

*\* \* \* Child Tax Credit \* \* \**

*Sec. 1. 32 V.S.A. § 5830f is added to read:*

*§ 5830f. VERMONT CHILD TAX CREDIT*

*(a) A resident individual or part-year resident individual who is entitled to a child tax credit under the laws of the United States shall be entitled to a refundable credit against the tax imposed by section 5822 of this title for the taxable year. The total credit per taxable year shall be in the amount of*

\$1,200.00 per qualifying child, as defined under 26 U.S.C. § 152(c), who is six years of age or younger as of the close of the calendar year in which the taxable year of the taxpayer begins. For a part-year resident individual, the amount of the credit shall be multiplied by the percentage that the individual's income that is earned or received during the period of the individual's residency in this State bears to the individual's total income.

(b) Notwithstanding subsection (a) of this section, the amount of the credit under this section shall be reduced, but not below zero, by \$50.00 for each \$1,000.00, or fraction thereof, by which the individual's adjusted gross income exceeds \$200,000.00, irrespective of the individual's filing status. For purposes of this subsection, spouses filing jointly shall be considered an individual.

(c) Notwithstanding any provision of law to the contrary, the refundable credit and its payment authorized under this section shall be treated in the same manner as the federal Earned Income Tax Credit and shall not be considered as assets, income, or resources to the same extent the credit and its payment would be disregarded pursuant to 26 U.S.C. § 6409 and the general welfare doctrine for purposes of determining eligibility for benefits or assistance, or the amount or extent of those benefits or assistance, under any State or local program, including programs established under 33 V.S.A. § 3512 and chapters 11, 17, 21, 25, and 26, for a period of 12 months from receipt.

*This subsection shall only apply to the extent that it does not conflict with federal law relating to the benefit or assistance program and that any required federal approval or waiver is first obtained for that program.*

*Sec. 2. 32 V.S.A. § 5830f(d) is added to read:*

*(d) The Commissioner shall determine and pay 50 percent of the credit allowed to each individual under this section on or before September 1 of the taxable year, unless the individual elects not to receive the payment. The remaining credit allowed to each individual under this section shall be determined at the time of filing a Vermont personal income tax return for the taxable year pursuant to section 5861 of this title.*

*Sec. 3. 32 V.S.A. § 5813(y) is added to read:*

*(y) The statutory purpose of the Vermont child tax credit in section 5830f of this title is to provide financial support to families with young children.*

*Sec. 4. REPORT ON MONTHLY CHILD TAX CREDIT PAYMENTS*

*On or before January 15, 2023, the Commissioner of Taxes, in consultation with the Commissioner for Children and Families, shall report to the House Committees on Human Services and on Ways and Means and the Senate Committees on Finance and on Health and Welfare recommendations and considerations for making advance monthly payments of the child tax credit under 32 V.S.A. § 5830f, including:*

(1) options for administering advance monthly payments during the taxable year;

(2) structuring the advance monthly payments or requesting preliminary approvals or waivers from federal benefit and assistance programs in a manner that will exclude the advance monthly payments from income, assets, or resources used in making benefit and assistance determinations; and

(3) any proposed legislative action.

*\* \* \* Social Security Income Exclusion \* \* \**

*Sec. 5. 32 V.S.A. § 5830e is amended to read:*

*§ 5830e. SOCIAL SECURITY INCOME*

*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~~ surviving spouse:*

*(A) If the federal adjusted gross income of the taxpayer is less than or equal to ~~\$45,000.00~~ \$50,000.00, 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~~ \$50,000.00 but less than ~~\$55,000.00~~ \$60,000.00, 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~~ \$50,000.00, determined by:*

*(i) subtracting the federal adjusted gross income of the taxpayer from ~~\$55,000.00~~ \$60,000.00;*

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

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

*(C) If the federal adjusted gross income of the taxpayer is equal to or greater than ~~\$55,000.00~~ \$60,000.00, no amount of the federally taxable benefits received under the Social Security Act shall be excluded under this section.*

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

*(A) If the federal adjusted gross income of the taxpayer is less than or equal to ~~\$60,000.00~~ \$65,000.00, all federally taxable benefits received under the Social Security Act shall be excluded.*

*(B) If the federal adjusted gross income of the taxpayer is greater than ~~\$60,000.00~~ \$65,000.00 but less than ~~\$70,000.00~~ \$75,000.00, 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 ~~\$60,000.00~~ \$65,000.00, determined by:*

(i) *subtracting the federal adjusted gross income of the taxpayer from ~~\$70,000.00~~ \$75,000.00;*

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

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

(C) *If the federal adjusted gross income of the taxpayer is equal to or greater than ~~\$70,000.00~~ \$75,000.00, no amount of the federally taxable benefits received under the Social Security Act shall be excluded under this section.*

*\* \* \* Effective Dates \* \* \**

*Sec. 6. EFFECTIVE DATES*

*(a) This section and Sec. 4 (report on monthly child tax credit payments) shall take effect on passage.*

*(b) Notwithstanding 1 V.S.A. § 214, Secs. 1 (child tax credit), 3 (child tax credit statutory purpose), and 5 (Social Security income exclusion) shall take effect retroactively on January 1, 2022 and shall apply to taxable years beginning on and after January 1, 2022.*

*(c) Sec. 2 (advance payment of child tax credit) shall take effect on January 1, 2023 and shall apply to taxable years beginning on and after January 1, 2023.*