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S.227

Introduced by Senators Ram Hinsdale and McCormack

Referred to Committee on

Date:

Subject: Taxation; personal income tax; exemption; federal retirement income

Statement of purpose of bill as introduced: This bill proposes to exempt federal Civil Service Retirement System income from Vermont income tax in the same way that Social Security income is currently exempt.

An act relating to an income tax exemption for federal Civil Service Retirement System income

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

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

(21) “Taxable income” means, in the case of an individual, federal adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

* * *

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

* * *

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

4 * * *

5 Sec. 2. 32 V.S.A. § 5830e is amended to read:

6 § 5830e. CIVIL SERVICE RETIREMENT SYSTEM INCOME; SOCIAL
7 SECURITY INCOME

8 The portion of federally taxable Civil Service Retirement System income
9 and Social Security benefits excluded from taxable income under subdivision
10 5811(21)(B)(iv) of this chapter shall be as follows:

11 (1) For taxpayers whose filing status is single, married filing separately,
12 head of household, or ~~qualifying widow or widower~~ surviving spouse:

13 (A) If the federal adjusted gross income of the taxpayer is less than or
14 equal to \$45,000.00, all federally taxable benefits received from the Civil
15 Service Retirement System and under the federal Social Security Act shall be
16 excluded.

17 (B) If the federal adjusted gross income of the taxpayer is greater
18 than \$45,000.00 but less than \$55,000.00, the percentage of federally taxable
19 benefits received from the Civil Service Retirement System and under the
20 Social Security Act to be excluded shall be proportional to the amount of the
21 taxpayer's federal adjusted gross income over \$45,000.00, determined by:

1 (i) subtracting the federal adjusted gross income of the taxpayer
2 from \$55,000.00;

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

5 (iii) multiplying the value under subdivision (ii) of this
6 subdivision (B) by the federally taxable benefits received from the Civil
7 Service Retirement System and under the Social Security Act.

8 (C) If the federal adjusted gross income of the taxpayer is equal to or
9 greater than \$55,000.00, no amount of the federally taxable benefits received
10 from the Civil Service Retirement System or under the Social Security Act
11 shall be excluded under this section.

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

13 (A) If the federal adjusted gross income of the taxpayer is less than or
14 equal to \$60,000.00, all federally taxable benefits received from the Civil
15 Service Retirement System and under the Social Security Act shall be
16 excluded.

17 (B) If the federal adjusted gross income of the taxpayer is greater
18 than \$60,000.00 but less than \$70,000.00, the percentage of federally taxable
19 benefits received from the Civil Service Retirement System and under the
20 Social Security Act to be excluded shall be proportional to the amount of the
21 taxpayer's federal adjusted gross income over \$60,000.00, determined by:

1 (i) subtracting the federal adjusted gross income of the taxpayer
2 from \$70,000.00;

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

5 (iii) multiplying the value under subdivision (ii) of this
6 subdivision (B) by the federally taxable benefits received from the Civil
7 Service Retirement System and under the Social Security Act.

8 (C) If the federal adjusted gross income of the taxpayer is equal to or
9 greater than \$70,000.00, no amount of the federally taxable benefits received
10 from the Civil Service Retirement System or under the Social Security Act
11 shall be excluded under this section.

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

13 (w) The statutory purpose of the partial exemption of federally taxable
14 benefits from the Civil Service Retirement System and under the Social
15 Security Act in section 5830e of this title is to lessen the tax burden on
16 Vermonters with low to moderate income who derive part of their income from
17 the Civil Service Retirement System and Social Security benefits.

18 Sec. 4. EFFECTIVE DATE

19 Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on
20 January 1, 2022 and shall apply to taxable years beginning on and after
21 January 1, 2022.