Example 1) Medical Expenses Triggering the Vermont AMT

Jim and Jane have each worked for the State of Vermont for 15 years and have a combined income of $160,000. Their son had a bad snowboarding accident in early 2021 and some of the medical expenses the family incurred over the year were not covered by insurance, totaling $100,000.

AGI: $160,000

2021 Vermont income tax without AMT: $2,010

2021 Vermont AMT tax: $4,800

AMT revenue to state: $2,790

What is "Bonus Depreciation"? A tax feature that allows a business to deduct up the cost of new machinery or equipment in the equipment's first year of service. The federal Tax Cuts and Jobs Act increased the deduction amount in the first year from 50% to 100% of the cost of the item(s). Vermont generally allows a "straight line" 20% per year over five years. In year one, Vermont makes taxpayers addback the difference between the federal and Vermont schedules (100% - 20% = 80%), but in years two through five, taxpayers are allowed to subtract the difference (20% - 0% = 20%).

Example 2) Bonus Depreciation Triggering the Vermont AMT

Kate and Ken and their two kids had been running a successful NEK organic dairy farm. But faced with the loss of their regional milk buyer in 2020, they decided to try to start bottling and selling their own milk. To help facilitate that transition, they spent $200,000 on new equipment that year. In tax year 2020 they added back $160,000 of bonus depreciation when calculating their Vermont taxable income leading to about $10,000 of additional Vermont income tax because of that addback. But in 2021-2024 they are supposed to get to subtract $40,000 from their Vermont income each year as their new business format gets going.

AGI: $150,001

2021 Vermont income tax without AMT: $3,037

2021 Vermont income tax with AMT: $4,500

AMT revenue to state: $1,463

*Ken and Kate will continue to trigger the AMT in 2022-2024 if their AGI in those years is like 2021's