

Report of Committee of Conference

H.510

TO THE SENATE AND HOUSE OF REPRESENTATIVES:

The Committee of Conference, to which were referred the disagreeing votes of the two Houses upon Senate Bill, entitled:

H.510. An act relating to a Vermont Child Tax Credit and the Vermont Social Security income exclusion.

Respectfully reports that it has met and considered the same and recommends that the Senate recede from its proposals of amendment and that the bill be amended by striking out all after the enacting clause and inserting in lieu thereof the following:

* * * 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 \$1,000.00 per qualifying child, as defined under 26 U.S.C. § 152(c), who is five 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 per child under this section shall be reduced, but not below zero, by \$20.00 for each \$1,000.00, or fraction thereof, by which the individual's adjusted gross income exceeds \$125,000.00, 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, 19, 21, 25, and 26. 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.

* * * Child and Dependent Care Tax Credit * * *

Sec. 2. 32 V.S.A. § 5822(d) is amended to read:

(d)(1) A taxpayer shall be entitled to a credit against the tax imposed under this section of 24 percent of each of the credits allowed against the taxpayer's federal income tax for the taxable year as follows: the credit for people who are elderly or permanently totally disabled; and the investment tax credit attributable to the Vermont-property portion of the investment; ~~and child care and dependent care credits.~~

* * *

Sec. 3. 32 V.S.A. § 5828c is amended to read:

§ 5828c. ~~LOW INCOME CHILD AND DEPENDENT CARE CREDIT~~

A resident of this State ~~with federal adjusted gross income less than \$30,000.00 (or \$40,000.00 for married, filing jointly)~~ shall be eligible for a refundable credit against the tax imposed under section 5822 of this title. The credit shall be equal to ~~50~~ 72 percent of the federal child and dependent care credit allowed to the taxpayer for the taxable year for child or dependent care services provided in this State ~~in a registered home or licensed facility certified by the Agency of Human Services as meeting national accreditation or national credential standards endorsed by the Agency.~~ A credit under this section shall

~~be in lieu of any child and dependent care credit available under subsection 5822(d) of this title.~~

* * * Earned Income Tax Credit * * *

Sec. 4. 32 V.S.A. § 5828b(a) is amended to read:

(a) A resident individual or part-year resident individual who is entitled to an earned income tax credit granted under the laws of the United States shall be entitled to a credit against the tax imposed for each year by section 5822 of this title. The credit shall be ~~36~~ 38 percent of the earned income tax credit granted to the individual under the laws of the United States, multiplied by the percentage that the individual's earned income that is earned or received during the period of the individual's residency in this State bears to the individual's total earned income.

* * * Student Loan Interest Deduction * * *

Sec. 5. 32 V.S.A. § 5811 is amended to read:

§ 5811. DEFINITIONS

~~The following definitions shall apply throughout~~ As used in this chapter unless the context requires otherwise:

* * *

(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):

* * *

(iv) the portion of federally taxable benefits received under the federal Social Security Act that is required to be excluded under section 5830e of this chapter; ~~and~~

* * *

(vi) 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; and

* * *

(29) As used in subdivision (21)(B)(vi) of this section:

(A) “Qualified education loan” and “eligible educational institution” shall have the same meanings as under 26 U.S.C. § 221(d).

(B) “Qualified resident taxpayer” means an individual qualifying for residency as defined under subdivision (11) of this section and whose adjusted gross income is equal to or less than:

(i) \$120,000.00 if the individual’s filing status is single, head of household, or married filing separately; or

(ii) \$200,000.00 if the individual’s filing status is married filing jointly.

* * * Retirement Income Exclusions * * *

Sec. 6. 32 V.S.A. § 5811(21)(B)(iv) is amended to read:

(iv) the portion of certain retirement income and federally taxable benefits received under the federal Social Security Act that is required to be excluded under section 5830e of this chapter; ~~and~~

Sec. 7. 32 V.S.A. § 5830e is amended to read:

§ 5830e. RETIREMENT INCOME; SOCIAL SECURITY INCOME

(a) 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.

(b) Civil Service Retirement System income. The portion of income received from the Civil Service Retirement System excluded from taxable income under subdivision 5811(21)(B)(iv) of this title shall be subject to the limitations under subsection (e) of this section and shall be determined as follows:

(1) For taxpayers whose filing status is single, married filing separately, head of household, or surviving spouse:

(A) If the federal adjusted gross income of the taxpayer is less than or equal to \$50,000.00, the first \$10,000.00 of income received from the Civil Service Retirement System shall be excluded.

(B) If the federal adjusted gross income of the taxpayer is greater than \$50,000.00 but less than \$60,000.00, the percentage of the first \$10,000.00 of income received from the Civil Service Retirement System to be excluded shall be proportional to the amount of the taxpayer's federal adjusted gross income over \$50,000.00, determined by:

(i) subtracting the federal adjusted gross income of the taxpayer from \$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 income received from the Civil Service Retirement System.

(C) If the federal adjusted gross income of the taxpayer is equal to or greater than \$60,000.00, no amount of the income received from the Civil Service Retirement System 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 \$65,000.00, the first \$10,000.00 of income received from the Civil Service Retirement System shall be excluded.

(B) If the federal adjusted gross income of the taxpayer is greater than \$65,000.00 but less than \$75,000.00, the percentage of the first

\$10,000.00 of income received from the Civil Service Retirement System to be excluded shall be proportional to the amount of the taxpayer's federal adjusted gross income over \$65,000.00, determined by:

(i) subtracting the federal adjusted gross income of the taxpayer from \$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 income received from the Civil Service Retirement System.

(C) If the federal adjusted gross income of the taxpayer is equal to or greater than \$75,000.00, no amount of the income received from the Civil Service Retirement System shall be excluded under this section.

(c) Other contributory retirement systems; earnings not covered by Social Security. Other retirement income, except U.S. military retirement income pursuant to subsection (d) of this section, received by a taxpayer of this State shall be excluded pursuant to subsection (b) of this section as though the income were received from the Civil Service Retirement System and shall be subject to the limitations under subsection (e) of this section, provided that:

(1) the income is received from a contributory annuity, pension, endowment, or retirement system of:

(A) the U.S. government or a political subdivision or instrumentality of the U.S. government;

(B) this State or a political subdivision or instrumentality of this State; or

(C) another state or a political subdivision or instrumentality of another state; and

(2) the contributory system from which the income is received was based on earnings that were not covered by the Social Security Act.

(d) U.S. military retirement income. U.S. military retirement income received by a taxpayer of this State shall be excluded pursuant to subsection (b) of this section as though the income were received from the Civil Service Retirement System and shall be subject to the limitations under subsection (e) of this section.

(e) Requirement to elect one exclusion. A taxpayer of this State who is eligible during the taxable year for the Social Security income exclusion under subsection (a) of this section and any of the exclusions under subsections (b)–(d) of this section shall elect either one of the exclusions for which the taxpayer is eligible under subsections (b)–(d) of this section or the Social Security income exclusion under subsection (a) of this section, but not both, for the taxable year. A taxpayer of this State who is eligible during the taxable year for more than one of the exclusions under subsections (b)–(d) of this

section shall elect only one of the exclusions for which the taxpayer is eligible for the taxable year.

* * * Statutory Purposes for Tax Expenditures * * *

Sec. 8. 32 V.S.A. § 5813 is amended to read:

§ 5813. STATUTORY PURPOSES

* * *

(c) ~~The statutory purpose of the Vermont credit for child and dependent care in subsection 5822(d) of this title is to provide financial assistance to employees who must incur dependent care expenses to stay in the workforce in the absence of prekindergarten programming. [Repealed.]~~

* * *

(r) The statutory purpose of the Vermont ~~low-income~~ child and dependent care tax credit in section 5828c of this title is to provide cash relief to ~~lower-income~~ employees who incur dependent care expenses ~~in certified centers~~ to enable them to remain in the workforce.

* * *

(w) The statutory purpose of the partial exemption of federally taxable benefits under the Social Security Act and certain retirement income in section 5830e of this title is to lessen the tax burden on Vermonters with low to moderate income who derive part of their income from Social Security benefits and certain retirement income.

* * *

(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.

(z) The statutory purpose of the exclusion from income of student loan interest paid in subdivision 5811(21)(B)(vi) of this title is to lessen the financial impact of higher education debt on Vermonters.

* * * Affordable Housing Tax Credit; Manufactured Homes * * *

Sec. 9. 32 V.S.A. § 5930u(g) is amended to read:

(g)(1) In any fiscal year, the allocating agency may award up to:

(A) \$400,000.00 in total first-year credit allocations to all applicants for rental housing projects, for an aggregate limit of \$2,000,000.00 over any given five-year period that credits are available under this subdivision (A);

(B) ~~\$425,000.00~~ \$675,000.00 in total first-year credit allocations for loans or grants for owner-occupied unit financing or down payment loans as provided in subdivision (b)(2) of this section consistent with the allocation plan, including for new construction and manufactured housing, for an aggregate limit of ~~\$2,125,000.00~~ \$3,375,000.00 over any given five-year period that credits are available under this subdivision (B). Of the total first-year credit allocations made under this subdivision (B), \$250,000.00 shall be used each fiscal year for manufactured home purchase and replacement.

(2) If the full amount of first-year credits authorized by an award are not allocated to a taxpayer, the Agency may reclaim the amount not allocated and re-award such allocations to other applicants, and such re-awards shall not be subject to the limits set forth in subdivision (1) of this subsection.

* * * Appropriations * * *

Sec. 10. APPROPRIATION; AID FOR THE AGED, BLIND, AND
DISABLED

(a) In fiscal year 2023, in addition to other funds provided to the Department for Children and Families, a total of \$750,000.00 in Global Commitment funds is appropriated to increase the payments to eligible individuals in the Aid for the Aged, Blind, and Disabled program. It is the intent of the General Assembly that this increase should be incorporated into the annual budget funding for the Aid for the Aged, Blind, and Disabled program in fiscal year 2024 and after.

(b) In fiscal year 2023, to fund the Global Commitment investment authorized under subsection (a) of this section, there is appropriated to the Secretary's Office of the Agency of Human Services:

(1) the sum of \$330,000.00 from the General Fund; and

(2) the sum of \$420,000.00 from federal funds.

(c) To the extent permitted under federal law, any increase in payments provided under subsection (a) of this section is intended to be retained by

recipients in residential care settings by increasing the individuals' personal needs allowance.

Sec. 11. FY 2023 APPROPRIATION; CHILD CARE WORKER

RETENTION GRANT PROGRAM

In fiscal year 2023, the sum of \$1,000,000.00 is appropriated from the General Fund to the Department for Children and Families for the early childhood staff and home-based provider retention grant program established in 2021 Acts and Resolves No. 74, Sec. G.300(a)(30), as added by 2022 Acts and Resolves No. 83, Sec. 68 and as may be further amended by the fiscal year 2023 budget act.

* * * Fees * * *

Sec. 12. 9 V.S.A. § 5302(f) is amended to read:

(f) Investment companies subject to 15 U.S.C. § 80a-1 et seq. shall pay to the Commissioner an initial notice filing fee of \$2,000.00 and an annual renewal fee of ~~\$1,500.00~~ \$1,650.00 for each portfolio or class of investment company securities for which a notice filing is submitted.

* * * Effective Dates * * *

Sec. 13. EFFECTIVE DATES

(a) This section shall take effect on passage.

(b) Notwithstanding 1 V.S.A. § 214, Secs. 1–8 (income tax credits, deduction and exclusions) shall take effect retroactively on January 1, 2022 and shall apply to taxable years beginning on and after January 1, 2022.

(c) Secs. 9–12 (affordable housing tax credit, appropriations, and fees) shall take effect on July 1, 2022.

and that after passage the title of the bill be amended to read: “An act relating to tax reductions and other aid for Vermonters”

COMMITTEE ON THE PART OF
THE SENATE

SEN. ANN E. CUMMINGS

SEN. CHRISTOPHER A. PEARSON

SEN. RICHARD A. WESTMAN

COMMITTEE ON THE PART OF
THE HOUSE

REP. JANET ANCEL

REP. EMILIE KORNHEISER

REP. SCOTT L. BECK