

1 TO THE HONORABLE SENATE:

2 The Committee on Finance to which was referred House Bill No. 510
3 entitled “An act relating to a Vermont Child Tax Credit and the Vermont
4 Social Security income exclusion” respectfully reports that it has considered
5 the same and recommends that the Senate propose to the House that the bill be
6 amended by striking out all after the enacting clause and inserting in lieu
7 thereof the following:

8 * * * Child Tax Credit * * *

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

10 § 5830f. VERMONT CHILD TAX CREDIT

11 (a) A resident individual or part-year resident individual who is entitled to a
12 child tax credit under the laws of the United States shall be entitled to a
13 refundable credit against the tax imposed by section 5822 of this title for the
14 taxable year. The total credit per taxable year shall be in the amount of
15 \$1,000.00 per qualifying child, as defined under 26 U.S.C. § 152(c), who is
16 five years of age or younger as of the close of the calendar year in which the
17 taxable year of the taxpayer begins. For a part-year resident individual, the
18 amount of the credit shall be multiplied by the percentage that the individual’s
19 income that is earned or received during the period of the individual’s
20 residency in this State bears to the individual’s total income.

1 (b) Notwithstanding subsection (a) of this section, the amount of the credit
2 per child under this section shall be reduced, but not below zero, by \$125.00
3 for each \$10,000.00, or fraction thereof, by which the individual’s adjusted
4 gross income exceeds \$55,000.00, irrespective of the individual’s filing status.
5 For purposes of this subsection, spouses filing jointly shall be considered an
6 individual.

7 (c) Notwithstanding any provision of law to the contrary, the refundable
8 credit and its payment authorized under this section shall be treated in the same
9 manner as the federal Earned Income Tax Credit and shall not be considered as
10 assets, income, or resources to the same extent the credit and its payment
11 would be disregarded pursuant to 26 U.S.C. § 6409 and the general welfare
12 doctrine for purposes of determining eligibility for benefits or assistance, or the
13 amount or extent of those benefits or assistance, under any State or local
14 program, including programs established under 33 V.S.A. § 3512 and chapters
15 11, 17, 21, 25, and 26, for a period of 12 months from receipt. This subsection
16 shall only apply to the extent that it does not conflict with federal law relating
17 to the benefit or assistance program and that any required federal approval or
18 waiver is first obtained for that program.

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

20 (d) The Commissioner shall determine and pay 50 percent of the credit
21 allowed to each individual under this section on or before September 1 of the

1 taxable year, unless the individual elects not to receive the payment. The
2 remaining credit allowed to each individual under this section shall be
3 determined at the time of filing a Vermont personal income tax return for the
4 taxable year pursuant to section 5861 of this title.

5 Sec. 3. REPORT ON MONTHLY CHILD TAX CREDIT PAYMENTS

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

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

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

18 (3) any proposed legislative action.

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

Sec. 4. 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. 5. 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 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

1 ~~be in lieu of any child and dependent care credit available under subsection~~
2 ~~5822(d) of this title.~~

3 * * * Student Loan Interest Deduction * * *

4 Sec. 6. 32 V.S.A. § 5811 is amended to read:

5 § 5811. DEFINITIONS

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

8 * * *

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

11 * * *

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

14 * * *

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

18 * * *

19 (vi) the amount of interest paid by a qualified resident taxpayer
20 during the taxable year on a qualified education loan for the costs of attendance
21 at an eligible educational institution; and

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(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 Exemptions * * *

Sec. 7. 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. 8. 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 (1) For taxpayers whose filing status is single, married filing separately,
2 head of household, or ~~qualifying widow or widower~~ surviving spouse:

3 (A) If the federal adjusted gross income of the taxpayer is less than or
4 equal to ~~\$45,000.00~~ \$50,000.00, all federally taxable benefits received under
5 the federal Social Security Act shall be excluded.

6 (B) If the federal adjusted gross income of the taxpayer is greater
7 than ~~\$45,000.00~~ \$50,000.00 but less than ~~\$55,000.00~~ \$60,000.00, the
8 percentage of federally taxable benefits received under the Social Security Act
9 to be excluded shall be proportional to the amount of the taxpayer's federal
10 adjusted gross income over ~~\$45,000.00~~ \$50,000.00, determined by:

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

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

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

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

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

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

5 (B) If the federal adjusted gross income of the taxpayer is greater
6 than ~~\$60,000.00~~ \$65,000.00 but less than ~~\$70,000.00~~ \$75,000.00, the
7 percentage of federally taxable benefits received under the Social Security Act
8 to be excluded shall be proportional to the amount of the taxpayer's federal
9 adjusted gross income over ~~\$60,000.00~~ \$65,000.00, determined by:

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

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

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

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

21 (b) Civil Service Retirement System income. The portion of income

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

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

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

10 (B) If the federal adjusted gross income of the taxpayer is greater
11 than \$50,000.00 but less than \$60,000.00, the percentage of the first
12 \$10,000.00 of income received from the Civil Service Retirement System to be
13 excluded shall be proportional to the amount of the taxpayer's federal adjusted
14 gross income over \$50,000.00, determined by:

15 (i) subtracting the federal adjusted gross income of the taxpayer
16 from \$60,000.00;

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

19 (iii) multiplying the value under subdivision (ii) of this
20 subdivision (B) by the income received from the Civil Service Retirement
21 System.

1 (C) If the federal adjusted gross income of the taxpayer is equal to or
2 greater than \$60,000.00, no amount of the income received from the Civil
3 Service Retirement System shall be excluded under this section.

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

5 (A) If the federal adjusted gross income of the taxpayer is less than or
6 equal to \$65,000.00, the first \$10,000.00 of income received from the Civil
7 Service Retirement System shall be excluded.

8 (B) If the federal adjusted gross income of the taxpayer is greater
9 than \$65,000.00 but less than \$75,000.00, the percentage of the first
10 \$10,000.00 of income received from the Civil Service Retirement System to be
11 excluded shall be proportional to the amount of the taxpayer's federal adjusted
12 gross income over \$65,000.00, determined by:

13 (i) subtracting the federal adjusted gross income of the taxpayer
14 from \$75,000.00;

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

17 (iii) multiplying the value under subdivision (ii) of this
18 subdivision (B) by the income received from the Civil Service Retirement
19 System.

20 (C) If the federal adjusted gross income of the taxpayer is equal to or
21 greater than \$75,000.00, no amount of the income received from the Civil

1 Service Retirement System shall be excluded under this section.

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

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

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

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

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

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

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

1 of this section.

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

9 * * * Statutory Purposes for Tax Expenditures * * *

10 Sec. 9. 32 V.S.A. § 5813 is amended to read:

11 § 5813. STATUTORY PURPOSES

12 * * *

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

17 * * *

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

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(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 tax burden on Vermonters with education loan indebtedness.

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

Sec. 10. 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.

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

5 * * * Effective Dates * * *

6 Sec. 11. EFFECTIVE DATES

7 (a) This section and Sec. 3 (report on monthly child tax credit payments)
8 shall take effect on passage.

9 (b) Notwithstanding 1 V.S.A. § 214, Secs. 1 (child tax credit), 4 (child and
10 dependent care credit), 5 (child and dependent care credit), 6 (student loan
11 interest deduction), 7 (retirement income exemptions), 8 (retirement income
12 exemptions), 9 (statutory purposes tax expenditures), and 10 (affordable
13 housing tax credit) shall take effect retroactively on January 1, 2022 and shall
14 apply to taxable years beginning on and after January 1, 2022.

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

18 and that after passage the title of the bill be amended to read: “An act
19 relating to Vermont Tax Expenditures”

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(Committee vote: _____)

Senator _____

FOR THE COMMITTEE