

Summary 2022 House Bills Containing Certain Tax Proposals

March 24, 2022

H.527 As Introduced

Sec. 1. Creates student loan interest payment exemption

- Exempts up to \$2,500 of payments of interest (not principal) on student loans incurred by taxpayer to pay education expenses incurred by taxpayer at college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by federal DOE.
- 32 V.S.A. § 5811(21)

Sec. 2. Income tax rates and certain tax credits

- Subdiv. (a)(6) repeals alternative minimum tax (3% of AGI), which applies to individuals whose AGI exceeds \$150,000.
- Subdiv. (d)(1) repeals Child Care and Dependent Care Credit that is 24% of federal credit.
- 32 V.S.A. § 5822

Sec. 3. Creates pass-through tax credit; SALT workaround

- Creates an income tax credit for pass-through entities who pay tax in other states as part of a workaround for the \$10,000 federal cap on state and local tax deduction imposed by Tax Cuts and Jobs Act.
- 32 V.S.A. § 5825

Sec. 4. Expansion of Child Care and Dependent Care Credit

- Repeals income limit for Child Care and Dependent Care Credit that is 50% of federal credit. Current law limits 50% credit to taxpayers that are low-income (\$30,000 single filers or \$40,000 for married filing jointly filers).
- 32 V.S.A. § 5828c

Sec. 5. Increases Earned Income Tax Credit

- Increases EITC from 36% to 45% of federal EITC.
- 32 V.S.A. § 5828b(a)

Sec. 6. Creates income tax credit for workforce shortages

- Refundable income tax credit of \$1,000.
- For licensed nurses (not travelling nurses) or nursing assistants and child care workers (for prequalified pre-k providers, and as licensed or registered child care providers).
- 32 V.S.A. § 5830f

Sec. 7. Creates income tax credit for first-time Vermont homebuyers

- Refundable income tax credit of \$3,000.
- For one of the two taxable years following first purchase of a primary residence.
- Limited to purchase of a residence qualifying as a homestead and declared as a homestead for the year in which credit is claimed.
- 32 V.S.A. § 5830g

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Sec. 8. Statutory purposes for tax expenditures

- 32 V.S.A. § 5813

Sec. 9. SALT cap workaround for pass-through entities by creating new pass-through entity income tax

- 32 V.S.A. chapter 151, subchapter 10C

Secs. 10–11. Corporate estimated payment and filing deadlines; underpayment penalties

- Also in H.738, Secs. 4-5, technical and administrative tax bill.
- 32 V.S.A. §§ 3202(b) and 5859(b)

Secs. 12–13. Annual link up to federal tax statutes

- Updates Vermont tax law conformity to federal tax statutes in effect as of Dec. 31, 2021, applied to taxable year 2021.
- Also in H.738, Secs. 6-7, technical and administrative tax bill.
- 32 V.S.A. §§ 5824 and 7402(8):

Secs. 14–16. Property Transfer Tax applied to enhanced life estates as applied to conventional life estates

- Also in H.738, Secs. 1-3, technical and administrative tax bill.
- 27 V.S.A. § 654(d) and 32 V.S.A. §§ 9601 and 9617(h)

Secs. 17–18. Partnership reporting of federal audits and adjustments

- Also in H.738, Secs. 12-13, technical and administrative tax bill.
- 32 V.S.A. § 5866(c) and 5866a

Sec. 19. Sales and Use Tax exemption for manufacturing machinery and equipment

- Also in H.437, Sec. 4, technical and administrative tax bill.
- 32 V.S.A. § 9741(14)

Sec. 20. Effective dates

- Default effective date is retroactive to January 1, 2022
- Sec. 19 (sales tax exemption) takes effect on passage
- Secs. 12-13 (annual link to federal statutes) apply to taxable years beginning on and after January 1, 2021
- Sec. 18 (federal partnership audit reporting) applies to final determinations made on and after July 1, 2022

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H.558 As Introduced

Sec. 1. Expands income tax exemption for Social Security benefit income

- Increases AGI thresholds to be eligible for Social Security benefit income exemption and amounts of exempt income by \$10,000.
- 32 V.S.A. § 5830e

Sec. 2. Effective date

- Bill takes effect retroactively on January 1, 2022 and applies to taxable years 2022 and after.

H.597 As Introduced

Sec. 1. Creates income tax exemptions for U.S. military retirement income and U.S. military survivor benefit income

- Provides full exemption for all such U.S. military retirement and military survivor benefit income, without income thresholds or limits.
- 32 V.S.A. § 5811(21)(B)

Sec. 2. Statutory purpose for tax expenditures

- 32 V.S.A. § 5813(y)

Sec. 3. Effective date

- Bill takes effect retroactively on January 1, 2022 and applies to taxable years 2022 and after.

H. 632 As Introduced

Sec. 1. Expands income tax exemption for Social Security benefit income

- Provides a full exemption for all Social Security benefit income, without income thresholds or limits.
- 32 V.S.A. § 5811(21)(B)(iv)

Sec. 2. Repeal of conditions for Social Security benefit income exemption

- 32 V.S.A. § 5830e

Sec. 3. Statutory purpose for tax expenditure

- 32 V.S.A. § 5813(w)

Sec. 4. Effective date

- Bill takes effect retroactively on January 1, 2023 and applies to taxable years 2023 and after.