

H.159, SENATORS SIROTKIN AND BROCK AMENDMENT
SALT DEDUCTION CAP WORKAROUND
Section-by-Section Summary – April 20, 2022

Bill Sec.	Summary
First instance of amendment: adds three new sections into H.159	
17a	<p>Adds a new subchapter into the income tax chapter of the title on taxation</p> <p>Definitions 32 V.S.A. § 5921a</p> <ul style="list-style-type: none"> • “Distributive proceeds” means net income, dividends, royalties, interest, rents, guaranteed payments, and gains. • “Pass-through entities” means partnership, S corporation, or limited liability company; no corporations. <p>Creates new tax on pass-through entities 32 V.S.A. § 5921b</p> <ul style="list-style-type: none"> • Creates a new entity-level tax on pass-throughs’ distributive proceeds derived from or connected with Vermont sources. • Rate is second highest marginal individual income tax rate (7.6%) under 32 V.S.A. § 5822. • Only pass-throughs that are made up entirely of individuals (no C corporations) are eligible to make the election. • Election applies for entire year and to every member. • At least one member of the pass-through must be liable for income tax in Vermont. • Election is made by consent of either each member of entity or authorized officer, manager, or member of the entity. <p>Creates new credit against tax on pass-through entities 32 V.S.A. § 5921c</p> <ul style="list-style-type: none"> • Refundable income tax credit for individual members of pass-throughs that elect to pay entity-level tax. • Amount of credit equals 90% of member’s pro rata share of tax paid by pass-through.
17b	<p>Creates new credit against taxes paid to other states on pass-through entities 32 V.S.A. § 5825(c)</p> <ul style="list-style-type: none"> • Creates nonrefundable income tax credit for entity-level taxes paid to other states • Limits credit to 90% of other states’ entity-level taxes paid.
17c	<p>Consensus revenue estimate and report to Joint Fiscal Committee and Emergency Board</p> <ul style="list-style-type: none"> • Requires JFO and Commissioner of Taxes to reach a consensus estimate for revenue impact of new SALT deduction cap workaround. • On or before July 25, 2022, Commissioner must report consensus estimate to Joint Fiscal Committee and EBoard and make a recommendation in favor or against new SALT deduction cap workaround for purposes of the effective date. Recommendation must address whether workaround: <ul style="list-style-type: none"> ○ is projected to be revenue neutral according to consensus estimate; and ○ will be unduly burdensome to administer in filing season 2023.

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Bill Sec.	Summary
Second instance of amendment: amends effective date section	
20	<p>Creates a contingent effective date for the new SALT deduction cap workaround</p> <ul style="list-style-type: none">• If Commissioner’s recommendation to JFC and EBoard is favorable, then new workaround statute takes effect retroactively on January 1, 2022.• Otherwise, default is that new workaround statute takes effect on January 1, 2023. <p>Report under Sec. 17c takes effect on default effective date of bill: July 1, 2022.</p>