

Governor’s Tax Relief Package Draft Language

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Expand Vermont EITC from 36% of the federal credit to 45%

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~~ 45 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.

Expand Vermont CDCC from 24% non-refundable for most families to 65% refundable

32 V.S.A. § 5822(d)(1) is amended to read:

§ 5822. Tax on income of individuals, estates, and trusts

(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: credit for people who are elderly or permanently totally disabled, investment tax

credit attributable to the Vermont-property portion of the investment, ~~and child care and dependent care credits.~~

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~~ 65 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.~~

Increase the thresholds on Vermont's Social Security Exemption by \$30,000

§ 5830e. 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:

(A) If the federal adjusted gross income of the taxpayer is less than or equal to ~~\$45,000.00~~ \$75,000.00, 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~~ \$75,000.00 but less than ~~\$55,000.00~~ \$85,000.00, 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~~ \$75,000.00, determined by:

- (i) subtracting the federal adjusted gross income of the taxpayer from ~~\$55,000.00~~ \$85,000.00;
- (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~~ \$85,000.00, 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~~ \$90,000.00, 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~~ \$90,000.00 but less than ~~\$70,000.00~~ \$100,000.00, 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~~ \$90,000.00, determined by:

- (i) subtracting the federal adjusted gross income of the taxpayer from ~~\$70,000.00~~ \$100,000.00;
- (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~~ \$100,000.00, no amount of the federally taxable

benefits received under the Social Security Act shall be excluded under this section.

Allow all Vermonters to deduct Student Loan Interest paid

- Currently, [H.527](#) Sec. 1 (referred to HWM on 1/7/2022) contains a version of this proposal that caps additional deductions at \$2,500, but we encourage the Legislature to pursue a full deduction with no additional cap.

Sec. 1. 32 V.S.A. § 5811(21) is amended to read:

(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 in the taxable year by a resident taxpayer as part of qualified student loan payments.

As used in this subdivision:

(I) “Qualified student loan” means indebtedness incurred by the taxpayer to pay educational expenses incurred by the taxpayer at a qualified educational institution; and

(II) “Qualified educational institution” means a college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the Federal

Department of Education; and

Exempt military retirement pay and survivor's benefits from income taxes

- Currently, [H.597](#) as introduced would create this exemption.
- Referred to HWM on 1/13/2022

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

(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) federally taxable U.S. military retirement income; and
(vii) federally taxable U.S. military survivor benefit income
received by the surviving spouse of a deceased service member; and

Sec. 2. 32 V.S.A. § 5813(y) is added to read:

(y) The statutory purpose of the exemptions for U.S. military retirement income and U.S. military survivor benefits in subdivisions 5811(21)(B)(vi) and (21)(B)(vii) of this title is to recognize the military service of Vermonters.

EFFECTIVE DATE

Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on January 1, 2022 and shall apply to taxable years beginning on and after January 1, 2022.

Create a new nursing and childcare worker tax credit

- [H.527](#) was referred to HWM on 1/7/2022
- The language presently included in [H.527](#) Sec. 6 creates these new credits.

32 V.S.A. § 5830f is added to read:

§ 5830f. CREDIT FOR WORKFORCE SHORTAGES

(a) A taxpayer of this State who qualifies as a Vermont nurse or nursing assistant or Vermont child care worker shall be eligible for a refundable credit equal to \$1,000.00 against the tax imposed under section 5822 of this title

(b) As used in this section:

(1) “Vermont nurse or nursing assistant” means:

(A) a resident or part-year resident individual who is licensed under 26 V.S.A. § 1572(2), (3), or (4); 1641(2); or 1642 and received wages:

(i) directly from a Vermont healthcare provider for services constituting registered nursing, licensed practical nursing, advanced practice registered nursing; or

(ii) as a nursing assistant.

(B) “Vermont nurse or nursing assistant” also means nursing program faculty receiving wages from a Vermont nursing education program.

(2) “Vermont child care worker” means:

(A) a resident or part-year resident individual who received wages for services as a prequalified private provider of pre-kindergarten education as defined in 16 V.S.A. § 829(a)(3) in the State;

(B) a resident or part-year resident individual who received wages for services as a child care provider as defined in 33 V.S.A. § 3511(3) in the State;

or

(C) a resident or part-year resident individual who received wages for services constituting child care services as defined in 33 V.S.A. § 3511(4) in the State, excluding individuals who received wages for such services in a

prekindergarten education program operated by a public school in the State.