

PERSONAL INCOME TAX CHANGES ENACTED IN VERMONT IN RESPONSE TO THE FEDERAL TAX CUTS AND JOBS ACT

2018

[Act 11 \(H.16\) \(Spec. Sess.\)](#), Secs. H.1–H.7, included Vermont’s response to the federal Tax Cuts and Jobs Act (TCJA). To note, the year before, [Act 73 of 2017 \(H.516\)](#), Sec. 13a, amended the definition of Vermont taxable income. Previously, the calculation for Vermont taxable income began with federal taxable income. Following Act 73, the calculation started with federal adjusted gross income (AGI). The Act 73 change to AGI first took effect in 2018, coinciding with the changes made in response to the TCJA.

The following changes were made in Act 11:

- In response to the TCJA suspension of personal exemptions at the federal level, Vermont enacted its own personal exemption of \$4,150 for each individual taxpayer, their spouse (including deceased spouses if filing jointly), and qualifying dependents. Sec. H.1.
- Vermont enacted its own standard deduction for each filing status. Sec. H.1.
- Vermont allowed an additional deduction of \$1,000 for filers who are 65 years of age or older or who are visually impaired. To be eligible for the Vermont additional deduction, taxpayers must have qualified and received the deduction at the federal level. Sec. H.1.
- The dollar amounts of the personal exemption, the standard deduction, and the additional deduction are all adjusted annually for inflation. Sec. H.1.
- Act 11 created a 5% nonrefundable credit for charitable contributions that are deductible according to IRS rules. The maximum amount of charitable contributions that are eligible for the credit is \$20,000. Sec. H.3.
- Act 11 lowered the Vermont personal income tax rates and combined the top two tax brackets and subjected them to the same tiered rate. Secs. H.2, H.3, H.6.
- Vermont allowed income-eligible Social Security beneficiaries to claim an exemption for the federally taxable portion of their Social Security benefits. Secs. H.2, H.5, H.6.
- Act 11 increased the amount of the Vermont earned income tax credit from 32% of the federal credit to 36% of the federal credit. Sec. H.4.

2019

[Act 71 \(H.541\)](#), Sec. 2, created a Vermont medical deduction that took effect in 2019. This deduction allowed taxpayers to deduct the amount of their itemized deduction for medical expenses taken at the federal level, minus:

- the amount of the Vermont standard deduction and personal exemptions, and
- any amount deducted at the federal level for entrance fees or monthly payments to a continuing care retirement community that exceeds federal deductibility limits for premiums paid on qualified long-term care insurance contracts.