



STATE OF VERMONT

MEMORANDUM

To: Rep. Kornheiser, Chair, House Committee on Ways and Means
From: Kirby Keeton
Date: January 31, 2024
Subject: AGI Surcharge vs. New Tax Bracket

Comparison of AGI Surcharge vs. Creating a New Vermont Tax Bracket

	Surcharge on AGI	New Tax Bracket
Tax Base Includes	Federal Adjusted Gross Income: Items that Vermont exempts or excludes that are part of federal AGI	Vermont Taxable Income: <ul style="list-style-type: none">• Income from non-Vermont State and local obligations• Federal bonus depreciation (taxpayers may deduct additional depreciation on certain property in first year)
Tax Base Excludes	<ul style="list-style-type: none">• Items that Vermont is federally precluded from taxing, such as U.S. government obligations• Credit for taxes paid to another state / allocation to another jurisdiction	Exclusions and Exemptions from Vermont Taxable Income, including: <ul style="list-style-type: none">• SSI/MRI/CSRI/other retirement exemption• VT standard deduction and personal exemption• VT medical deduction• Interest income from U.S. obligations

	<ul style="list-style-type: none"> • Income from non-Vermont State and local obligations • Federal bonus depreciation (taxpayers may deduct additional depreciation on certain property in first year) 	<ul style="list-style-type: none"> • VT capital gains exclusion • VT student loan interest exclusion • VT adjustment for bonus depreciation on prior year property • Credit for taxes paid to another state / allocation to another jurisdiction¹
Filing Status	<ul style="list-style-type: none"> • Imposed on individuals • Not imposed on estates or trusts • Married filing jointly would be considered a single individual. 32 V.S.A. § 5811(6). 	<p>Filing status can alter tax liability:</p> <p>Married filing jointly, head of household, unmarried, married filing separately, estates, and trusts</p>
Tax Brackets	<p>Imposes a three percent surcharge on entire federal AGI if a taxpayer has federal AGI of \$5000,000.00 or more.</p>	<p>A new bracket would only apply an increased rate for the amount exceeding the new threshold</p> <p>The current top bracket starts at \$279,450.00 for MFJ for TY23</p>

¹ Note: Many VT credits and exclusions would nonetheless reduce tax liability because the taxpayer will pay taxes outside of the AGI surcharge.

Potential Clarifications

- Allocation of income to other states and credit for taxes paid to another state.
32 V.S.A. §§ 5822(e) and 5825.
- Items that Vermont is federally precluded from taxing, such as U.S. government obligations.
- Other credits, additions, or exclusions to AGI currently allowed by VT law.