

1 H.135

2 Introduced by Representative Canfield of Fair Haven

3 Referred to Committee on

4 Date:

5 Subject: Taxation; income tax; income tax credits; tobacco products tax;

6 property tax hearing officers; flood abatement

7 Statement of purpose of bill as introduced: This bill proposes to make several
8 technical and policy changes to Vermont tax laws, including the annual link up
9 to federal income tax laws, requiring a joint income tax return when taxpayers
10 file jointly at the federal level, changing some definitions used for the tobacco
11 products tax, and increasing the pay for property tax hearing officers. The bill
12 also extends reimbursement to municipalities of State education property taxes
13 that were abated due to flooding.

14 An act relating to administrative and policy changes to Vermont tax laws
15 and extending reimbursement to municipalities for tax abatement due to
16 flooding

17 It is hereby enacted by the General Assembly of the State of Vermont:

18 * * * Personal Income Tax * * *

1 Sec. 3. 32 V.S.A. § 5861(c) is amended to read:

2 (c) Spouses or a surviving spouse ~~may~~ shall file a joint Vermont personal
3 income tax return for any taxable year for which the spouses file or the
4 surviving spouse ~~are permitted to file~~ files a joint federal income tax return
5 under the laws of the United States, unless the Commissioner allows a different
6 filing status.

7 Sec. 4. 32 V.S.A. § 5830f is amended to read:

8 § 5830f. VERMONT CHILD TAX CREDIT

9 (a) A resident individual or part-year resident individual who is entitled to a
10 child tax credit under the laws of the United States or who would have been
11 entitled to a child tax credit under the laws of the United States but for the fact
12 that the individual or the individual's spouse does not have a taxpayer
13 identification number shall be entitled to a refundable credit against the tax
14 imposed by section 5822 of this title for the taxable year. The total credit per
15 taxable year shall be in the amount of \$1,000.00 per qualifying child, as
16 defined under 26 U.S.C. § 152(c) but notwithstanding the taxpayer
17 identification number requirements under 26 U.S.C. § 24(e) and (h)(7), who is
18 ~~five~~ six years of age or younger as of the close of the calendar year in which
19 the taxable year of the taxpayer begins. For a part-year resident individual, the
20 amount of the credit shall be multiplied by the percentage that the individual's

1 income that is earned or received during the period of the individual's
2 residency in this State bears to the individual's total income.

3 * * *

4 Sec. 5. 32 V.S.A. § 5828b is amended to read:

5 § 5828b. EARNED INCOME TAX CREDIT

6 (a) A resident individual or part-year resident individual who is entitled to
7 an earned income tax credit granted under the laws of the United States ~~or who~~
8 ~~would have been entitled to an earned income tax credit under the laws of the~~
9 ~~United States but for the fact that the individual, the individual's spouse, or one~~
10 ~~or more of the individual's children does not have a qualifying taxpayer~~
11 ~~identification number~~ shall be entitled to a credit against the tax imposed for
12 each year by section 5822 of this title. The credit shall be for an individual
13 who claims one or more qualifying children 38 percent or for an individual
14 who does not claim one or more qualifying children 100 percent of the earned
15 income tax credit granted to the individual under the laws of the United States
16 ~~or that would have been granted to the individual under the laws of the United~~
17 ~~States but for the fact that the individual, the individual's spouse, or one or~~
18 ~~more of the individual's children does not have a qualifying taxpayer~~
19 ~~identification number~~, multiplied by the percentage that the individual's
20 income that is earned or received during the period of the individual's
21 residency in this State bears to the individual's total income. A resident

1 individual or part-year resident individual who would have been entitled to or
2 granted an earned income tax credit under the laws of the United States but for
3 the fact that the individual, the individual’s spouse, or one or more of the
4 individual’s children does not have a qualifying taxpayer identification number
5 shall be entitled to a credit under this section.

6 * * *

7 Sec. 6. 32 V.S.A. § 5811(21) is amended to read:

8 (21) “Taxable income” means, in the case of an individual, federal
9 adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

10 * * *

11 (B) decreased by the following items of income (to the extent such
12 income is included in federal adjusted gross income):

13 * * *

14 (v) the amount of any federal deduction or credit that the taxpayer
15 would have been allowed for the cultivation, testing, processing, or sale of
16 cannabis or cannabis products as authorized under 7 V.S.A. chapter 33 or 37,
17 but for 26 U.S.C. § 280E; ~~and~~

18 * * *

19 (vii) U.S. military retirement income and U.S. military survivor
20 benefit income received by the surviving spouse or dependent of the deceased
21 service member; and

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Sec. 7. 32 V.S.A. § 5830e is amended to read:

§ 5830e. RETIREMENT INCOME; SOCIAL SECURITY INCOME

(a) 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 surviving spouse:

(A) If the federal adjusted gross income of the taxpayer is less than or equal to ~~\$50,000.00~~ \$55,000.00, 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 ~~\$50,000.00~~ \$55,000.00 but less than ~~\$60,000.00~~ \$65,000.00, 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 ~~\$50,000.00~~ \$55,000.00, determined by:

(i) subtracting the federal adjusted gross income of the taxpayer from ~~\$60,000.00~~ \$65,000.00;

(ii) dividing the value under subdivision (i) of this subdivision (B) by \$10,000.00; and

1 (iii) multiplying the value under subdivision (ii) of this subdivision
2 (B) by the federally taxable benefits received under the Social Security Act.

3 (C) If the federal adjusted gross income of the taxpayer is equal to or
4 greater than ~~\$60,000.00~~ \$65,000.00, no amount of the federally taxable
5 benefits received under the Social Security Act shall be excluded under this
6 section.

7 (2) For taxpayers whose filing status is married filing jointly:

8 (A) If the federal adjusted gross income of the taxpayer is less than or
9 equal to ~~\$65,000.00~~ \$70,000.00, all federally taxable benefits received under
10 the Social Security Act shall be excluded.

11 (B) If the federal adjusted gross income of the taxpayer is greater than
12 ~~\$65,000.00~~ \$70,000.00 but less than ~~\$75,000.00~~ \$80,000.00, the percentage of
13 federally taxable benefits received under the Social Security Act to be
14 excluded shall be proportional to the amount of the taxpayer's federal adjusted
15 gross income over ~~\$65,000.00~~ \$70,000.00, determined by:

16 (i) subtracting the federal adjusted gross income of the taxpayer
17 from ~~\$75,000.00~~ \$80,000.00;

18 (ii) dividing the value under subdivision (i) of this subdivision (B)
19 by \$10,000.00; and

20 (iii) multiplying the value under subdivision (ii) of this subdivision
21 (B) by the federally taxable benefits received under the Social Security Act.

1 (C) If the federal adjusted gross income of the taxpayer is equal to or
2 greater than ~~\$75,000.00~~ \$80,000.00, no amount of the federally taxable
3 benefits received under the Social Security Act shall be excluded under this
4 section.

5 (b) Civil Service Retirement System income. The portion of income
6 received from the Civil Service Retirement System excluded from taxable
7 income under subdivision 5811(21)(B)(iv) of this title shall be subject to the
8 limitations under subsection (e) of this section and shall be determined as
9 follows:

10 (1) For taxpayers whose filing status is single, married filing separately,
11 head of household, or surviving spouse:

12 (A) If the federal adjusted gross income of the taxpayer is less than or
13 equal to ~~\$50,000.00~~ \$55,000.00, the first \$10,000.00 of income received from
14 the Civil Service Retirement System shall be excluded.

15 (B) If the federal adjusted gross income of the taxpayer is greater than
16 ~~\$50,000.00~~ \$55,000.00 but less than ~~\$60,000.00~~ \$65,000.00, the percentage of
17 the first \$10,000.00 of income received from the Civil Service Retirement
18 System to be excluded shall be proportional to the amount of the taxpayer's
19 federal adjusted gross income over ~~\$50,000.00~~ \$55,000.00, determined by:

20 (i) subtracting the federal adjusted gross income of the taxpayer
21 from ~~\$60,000.00~~ \$65,000.00;

1 (ii) dividing the value under subdivision (i) of this subdivision (B)
2 by \$10,000.00; and

3 (iii) multiplying the value under subdivision (ii) of this subdivision
4 (B) by the first \$10,000.00 of income received from the Civil Service
5 Retirement System.

6 (C) If the federal adjusted gross income of the taxpayer is equal to or
7 greater than ~~\$60,000.00~~ \$65,000.00, no amount of the income received from
8 the Civil Service Retirement System shall be excluded under this section.

9 (2) For taxpayers whose filing status is married filing jointly:

10 (A) If the federal adjusted gross income of the taxpayer is less than or
11 equal to ~~\$65,000.00~~ \$70,000.00, the first \$10,000.00 of income received from
12 the Civil Service Retirement System shall be excluded.

13 (B) If the federal adjusted gross income of the taxpayer is greater than
14 ~~\$65,000.00~~ \$70,000.00 but less than ~~\$75,000.00~~ \$80,000.00, the percentage of
15 the first \$10,000.00 of income received from the Civil Service Retirement
16 System to be excluded shall be proportional to the amount of the taxpayer's
17 federal adjusted gross income over ~~\$65,000.00~~ \$70,000.00, determined by:

18 (i) subtracting the federal adjusted gross income of the taxpayer
19 from ~~\$75,000.00~~ \$80,000.00;

20 (ii) dividing the value under subdivision (i) of this subdivision (B)
21 by \$10,000.00; and

1 subsections (b)~~–(d)~~ and (c) of this section shall elect either one of the
2 exclusions for which the taxpayer is eligible under subsections (b)~~–(d)~~ and (c)
3 of this section or the Social Security income exclusion under subsection (a) of
4 this section, but not both, for the taxable year. A taxpayer of this State who is
5 eligible during the taxable year for ~~more than one of the~~ both exclusions under
6 subsections (b)~~–(d)~~ and (c) of this section shall elect only one of the exclusions
7 for which the taxpayer is eligible for the taxable year.

8 * * * Tobacco Products Tax * * *

9 Sec. 8. 32 V.S.A. § 7702 is amended to read:

10 § 7702. DEFINITIONS

11 As used in this chapter unless the context otherwise requires:

12 * * *

13 (15) “Other tobacco products” means any product manufactured from,
14 derived from, or containing tobacco or nicotine, whether natural or synthetic,
15 that is intended for human consumption by smoking, chewing, or in any other
16 manner, including products sold as a tobacco substitute, as defined in 7 V.S.A.
17 § 1001(8), and including any liquids, whether nicotine based or not, or delivery
18 devices sold separately for use with a tobacco substitute, but shall not include
19 cigarettes, little cigars, roll-your-own tobacco, snuff, new smokeless tobacco as
20 defined in this section, or cannabis products as defined in 7 V.S.A. § 831.

21 * * *

1 ~~are held~~ \$38.00 per hour plus a cost-of-living adjustment in an amount equal to
2 any adjustment approved for exempt employees by the Secretary of
3 Administration, together with reasonable expenses as the ~~Director~~
4 Commissioner may determine. A hearing officer may subpoena witnesses,
5 records, and documents in the manner provided by law for serving subpoenas
6 in civil actions and may administer oaths to witnesses.

7 * * * Flooding Abatement Program * * *

8 Sec. 10. 2024 Acts and Resolves No. 82, Sec. 1, as amended by 2024 Acts and
9 Resolves No. 108, Sec. 3, is further amended to read:

10 Sec. 1. REIMBURSEMENT TO MUNICIPALITIES OF STATE

11 EDUCATION PROPERTY TAXES THAT WERE ABATED DUE

12 TO FLOODING

13 (a)(1) The Commissioner of Taxes may approve an application by a
14 municipality for reimbursement of State education property tax payments owed
15 under 32 V.S.A. § 5402(c) and 16 V.S.A. § 426. To be eligible for
16 reimbursement under this section, prior to November 15, ~~2024~~ 2025, a
17 municipality must have abated, in proportion to the abated municipal tax,
18 under 24 V.S.A. § 1535 the State education property taxes that were assessed
19 on eligible property, after application of any property tax credit allowed under
20 32 V.S.A. chapter 154.

1 (2) As used in this subsection, “eligible property” means property lost
2 or destroyed due directly or indirectly to severe storms and flooding in an area
3 that was declared a federal disaster between July 1, 2023 and ~~October 15, 2023~~
4 December 31, 2024, provided the loss or destruction resulted in one or more of
5 the following:

6 (A) a 50 percent or greater loss in value to the primary structure on
7 the property;

8 (B) loss of use by the property owner of the primary structure on the
9 property for 60 days or more;

10 (C) loss of access by the property owner to utilities for the primary
11 structure on the property for 60 days or more; or

12 (D) condemnation of the primary structure on the property under
13 federal, State, or municipal law, as applicable.

14 (b) If a municipality demonstrates that, due to disruption to tax collections
15 resulting from flooding in an area that was declared a federal disaster between
16 July 1, 2023 and ~~October 15, 2023~~ December 31, 2024, the municipality
17 incurred unanticipated interest expenses on funds borrowed to make State
18 education property tax payments owed under 32 V.S.A. § 5402(c) and 16
19 V.S.A. § 426, the municipality may be reimbursed by an amount equal to its
20 reasonable interest expenses under this subsection, provided the amount of
21 reimbursed interest expenses shall not exceed eight percent.

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* * * Property Tax Credit Late Fee * * *

Sec. 11. 32 V.S.A. § 5402(c)(2) is amended to read:

(2) The Secretary of Education shall determine each municipality's net nonhomestead education tax payment and its net homestead education tax payment to the State based on grand list information received by the Secretary not later than the March 15 prior to the June 1 net payment. Payment shall be accompanied by a return prescribed by the Secretary of Education. Each municipality may retain 0.225 of one percent of the total education tax collected, only upon timely remittance of net payment to the State Treasurer or to the applicable school district or districts. ~~Each municipality may also retain \$15.00 for each late property tax credit claim filed after April 15 and before September 2, as notified by the Department of Taxes, for the cost of issuing a new property tax bill.~~

* * * Downtown and Village Center Tax Credit * * *

Sec. 12. 32 V.S.A. § 5930ee is amended to read:

§ 5930ee. LIMITATIONS

Beginning in fiscal year 2010 and thereafter, the State Board may award tax credits to all qualified applicants under this subchapter, provided that:

1 (1) the total amount of tax credits awarded annually, together with sales
2 tax reallocated under section 9819 of this title, does not exceed ~~\$3,000,000.00~~
3 \$5,000,000.00;

4 * * *

5 * * * Effective Dates * * *

6 Sec. 13. EFFECTIVE DATES

7 This act shall take effect on passage except:

8 (1) notwithstanding 1 V.S.A. § 214, Secs. 1 and 2 (annual conformity to
9 federal tax laws) shall take effect retroactively on January 1, 2025 and shall
10 apply to taxable years beginning on and after January 1, 2024;

11 (2) notwithstanding 1 V.S.A. § 214, Sec. 3 (personal income tax filings,
12 credits, and exemptions) shall take effect retroactively on January 1, 2025 and
13 shall apply to taxable years beginning on and after January 1, 2025;

14 (3) Sec. 9 (pay for property valuation hearing officers) shall take effect
15 on July 1, 2025; and

16 (4) notwithstanding 1 V.S.A. § 214, Sec. 10 (flooding abatement
17 reimbursement program) shall take effect retroactively on November 15, 2024.