

1 H.878

2 Introduced by Representatives Harvey of Castleton, Bosch of Clarendon,

3 Coffin of Cavendish, Goslant of Northfield, Labor of Morgan,

4 Malay of Pittsford, Morgan, M. of Milton, Nielsen of Brandon,

5 North of Ferrisburgh, Pinsonault of Dorset, Powers of

6 Waterford, Tagliavia of Corinth, and Winter of Ludlow

7 Referred to Committee on

8 Date:

9 Subject: Taxation; income tax; Social Security income; tax exemption;

10 property tax

11 Statement of purpose of bill as introduced: This bill proposes to exempt all

12 Social Security benefits from income tax and cap annual property tax increases

13 at one percent.

14 An act relating to Vermont income and education property taxes

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

16 Sec. 1. 32 V.S.A. § 5830e is amended to read:

17 § 5830e. RETIREMENT INCOME; ~~SOCIAL SECURITY INCOME~~

18 (a) ~~Social Security income. The portion of federally taxable Social Security~~

19 ~~benefits excluded from taxable income under subdivision 5811(21)(B)(iv) of~~

20 ~~this chapter shall be as follows:~~

1 (1) For taxpayers whose filing status is single, married filing separately,

2 head of household, or surviving spouse:

3 (A) If the federal adjusted gross income of the taxpayer is less than or
4 equal to \$55,000.00, all federally taxable benefits received under the federal
5 Social Security Act shall be excluded.

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

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

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

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

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

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

5 (B) If the federal adjusted gross income of the taxpayer is greater than
6 \$70,000.00 but less than \$80,000.00, the percentage of federally taxable
7 benefits received under the Social Security Act to be excluded shall be
8 proportional to the amount of the taxpayer's federal adjusted gross income
9 over \$70,000.00, determined by:

10 (i) subtracting the federal adjusted gross income of the taxpayer
11 from \$80,000.00:

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

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

16 (C) If the federal adjusted gross income of the taxpayer is equal to or
17 greater than \$80,000.00, no amount of the federally taxable benefits received
18 under the Social Security Act shall be excluded under this section. [Repealed]

19 * * *

20 (e)(1) Requirement to elect one exclusion. A taxpayer of this State who is
21 eligible during the taxable year for more than one of the exclusions under

1 subsections (a), subsection (b), and or (c) of this section shall elect only one of
2 the exclusions for which the taxpayer is eligible.

8 Sec. 2. 32 V.S.A. § 5811 is amended to read:

9 § 5811. DEFINITIONS

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

11 * * *

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

14 * * *

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

17 * * *

18 (iv) the portion of certain retirement income ~~and federally taxable~~
19 ~~benefits received under the federal Social Security Act~~ that is required to be
20 excluded under section 5830e of this chapter and all federally taxable benefits
21 received under the Social Security Act;

1

* * *

2 Sec. 3. 32 V.S.A. § 5813 is amended to read:

3 § 5813. STATUTORY PURPOSES

4

* * *

5 (w) The statutory purpose of the partial exemption of ~~federally taxable~~
6 ~~benefits under the Social Security Act and~~ certain retirement income in section
7 5830e of this title is to lessen the tax burden on Vermonters with low to
8 moderate income who derive part of their income from ~~Social Security benefits~~
9 and ~~certain~~ retirement income.

10

* * *

11 (bb) The statutory purpose of the exemption of all federally taxable
12 benefits under the Social Security Act in subdivision 5811(21)(B)(iv) of this
13 title is to lessen the tax burden on Vermonters who derive part of their income
14 from Social Security benefits.

15 Sec. 4. 32 V.S.A. § 5402 is amended to read:

16 § 5402. EDUCATION PROPERTY TAX LIABILITY

17

* * *

18 (g) Notwithstanding any other provision of law to the contrary, the property
19 dollar equivalent yield and income dollar equivalent yield established under
20 this section and section 5402b of this chapter shall be calculated so that the

1 average homestead property tax bill in Vermont increases by not more than
2 one percent over the previous year.

3 * * *

4 Sec. 5. EFFECTIVE DATES

5 (a) Notwithstanding 1 V.S.A. § 214, this section, Secs. 1–3 (Social Security
6 income) shall take effect retroactively on January 1, 2026, and apply to taxable
7 years beginning on and after January 1, 2026.

8 (b) Sec. 4 (property tax cap) shall take effect on January 1, 2027.