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5 (4)(A) "Household income" means modified adjusted gross income, but  
6 not less than zero, received in a calendar year by:

7 (i) all persons of a household while members of that household;

8 and

9 (ii) the spouse of the claimant who is not a member of that

10 household and who is not legally separated from the claimant in the taxable  
11 year as defined in subdivision (9) of this section, unless the spouse is at least  
12 62 years of age and has moved to a nursing home or other care facility with no  
13 reasonable prospect of returning to the homestead.

14 (B) “Household income” does not mean:

15 (i) the modified adjusted gross income of the spouse or former  
16 spouse of the claimant for any period that the spouse or former spouse is not a  
17 member of the household, if the claimant is legally separated or divorced from  
18 the spouse in the taxable year as defined in subdivision (9) of this section; or

19 (ii) the modified adjusted gross income of the spouse of the

1       § 1101(5) that is in effect at the time the claimant reports household income to  
2       the Department of Taxes.

3               (5) “Modified adjusted gross income” means “federal adjusted gross  
4       income”:

5                       (A) Before the deduction of any trade or business loss from a sole  
6       proprietorship, loss from a partnership, loss from a limited liability company or  
7       “subchapter S” corporation, loss from a rental property, or capital loss, except  
8       that in the case of a business that sells a business property with respect to  
9       which it is required, under the Internal Revenue Code, to report a capital gain,  
10      a business loss incurred in the same tax year with respect to the same business  
11      may be netted against such capital gain, and except that a business loss from a  
12      sole proprietorship may be netted against a business gain from a sole  
13      proprietorship, as long as the loss and the gain are incurred in the same tax  
14      year with respect to different business.

15                       (B) With the addition of the following, to the extent not included in  
16      adjusted gross income: alimony, support money other than gifts, gifts received  
17      by the household in excess of a total of \$6,500.00 in cash or ~~cash equivalents~~  
18      cash equivalents, cash public assistance and relief (not including relief granted  
19      under this subchapter), ~~cost of living~~ cost-of-living allowances paid to federal  
20      employees, allowances received by dependents of ~~servicemen and women~~  
21      service members, the portion of Roth IRA distributions representing

1 investment earnings and not included in adjusted gross income, railroad  
2 retirement benefits, payments received under the federal Social Security Act  
3 other than Supplemental Security Income payments, all benefits under  
4 Veterans' Acts, federal pension, and annuity benefits not included in adjusted  
5 gross income, nontaxable interest received from the state or federal  
6 government or any of its instrumentalities, workers' compensation, the gross  
7 amount of "loss of time" insurance, and the amount of capital gains excluded  
8 from adjusted gross income, less the net employment and self-employment  
9 taxes withheld from or paid by the individual (exclusive of any amounts  
10 deducted to arrive at adjusted gross income or deducted on account of excess  
11 payment of employment taxes) on account of income included under this  
12 section, less any amounts paid as child support money if substantiated by  
13 receipts or other evidence that the Commissioner may require.

14 (C) Without the inclusion of: any gifts from nongovernmental  
15 sources other than those described in subdivision (B) of this subdivision (5),  
16 surplus food or other relief in kind supplied by a governmental agency, or the  
17 first \$6,500.00 of income earned by a full-time student who qualifies as a  
18 dependent of the claimant under the federal Internal Revenue Code, the first  
19 \$6,500.00 of income received by a person who qualifies as a dependent of the  
20 claimant under the Internal Revenue Code and who is the claimant's parent or  
21 adult child with a disability, any income attributable to cancellation of debt, or

1 payments made by the State pursuant to 33 V.S.A. chapters 49 and 55 for  
2 foster care, or payments made by the State or an agency designated in 18  
3 V.S.A. § 8907 for adult foster care or to a family for the support of a person  
4 who is eligible and who has a developmental disability. If the Commissioner  
5 determines, upon application by the claimant, that a person resides with a  
6 claimant who has a disability or was at least 62 years of age as of the end of  
7 the year preceding the claim, for the primary purpose of providing attendant  
8 care services as defined in 33 V.S.A. § 6321 or homemaker or companionship  
9 services, with or without compensation, which allow the claimant to remain in  
10 ~~his or her~~ the claimant's home or avoid institutionalization, the Commissioner  
11 shall exclude that person's modified adjusted gross income from the claimant's  
12 household income. The Commissioner may require that a certificate in a form  
13 satisfactory to ~~him or her~~ the Commissioner be submitted that supports the  
14 claim.

15 (D) Without the inclusion of adjustments to total income except  
16 certain business expenses of reservists, one-half of self-employment tax paid,  
17 alimony paid, deductions for tuition and fees, health insurance costs of self-  
18 employed individuals, and health savings account deductions.

19 (E) With the addition of an asset adjustment of ~~4~~ one times the sum  
20 of interest and dividend income included in household income above

1       \$10,000.00 for claimants under ~~age~~ 65 years of age, regardless of whether that  
2       dividend or interest income is included in federal adjusted gross income.

3 \* \* \*

4 (18) Notwithstanding subdivisions (4) and (5) of this section, for the  
5 purposes of the renter credit, "income" means federal adjusted gross income  
6 increased by the following:

13 (B) exempt interest received or accrued during the taxable year;

14 (C) 75 percent of the portion of Social Security benefits as defined  
15 under 26 U.S.C. § 86(d) that is excluded from gross income under 26 U.S.C.  
16 § 86 for the taxable year; and

17 (D) to the extent excluded from federal adjusted gross income,  
18 educator expenses; certain business expenses of reservists, performing artists,  
19 and fee-basis government officials; health savings account deductions; moving  
20 expenses for members of the U.S. Armed Forces; the deductible part of self-  
21 employment tax; self-employed SEP, SIMPLE, and qualified plan deductions;

1 self-employed health insurance deductions; the penalty for early withdrawal of  
2 savings; alimony paid; certain IRA retirement savings deductions; student loan  
3 interest deductions; and tuition and fees deductions.

4 \* \* \*

5 Sec. 2. EFFECTIVE DATE

6 Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on  
7 January 1, 2026, and apply to taxable years beginning on or after January 1,  
8 2026.