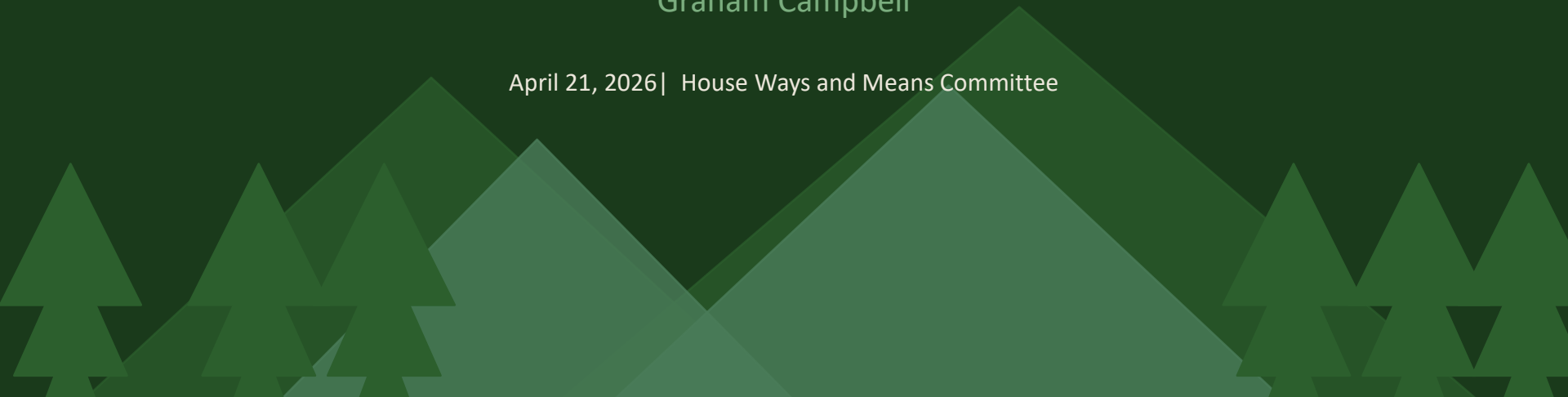


Tax Cuts and Jobs Act: Retrospective and lessons

Graham Campbell

April 21, 2026 | House Ways and Means Committee



The long path to Act 11 of 2018

- **Beginning 2001:** Vermont taxes are 24% of the Federal tax liability
- **2001:** First round of Bush Tax Cuts
- **2002:** Vermont “decouples” the first time
 - 5 rates and brackets based on federal taxable income - 3.6%, 7.2%, 8.5%, 9.0% and 9.5%
- **2003:** Second round of Bush Tax Cuts
- **2005-2017:** Vermont pushes towards decoupling
 - 2009: Limits on state and local tax deduction, capital gains exclusion
 - 2015: Eliminate the state and local tax deduction, cap total itemized deductions at 2.5x the Federal standard deduction except for medical and charitable deductions

DUE DATE: April 15, 2013 Please PRINT in BLUE or BLACK INK

DEPT USE ONLY

2012 VERMONT *Income Tax Return* FORM IN-111

* 1 2 1 1 1 1 1 9 9 *

1 Taxpayer Information

Taxpayer's Social Security Number [] - [] - [] If filing jointly, Spouse or CU Partner Social Security Number [] - [] - [] Check here if using RECOMPUTED Federal Return information

Taxpayer's Last Name [] First Name [] Initial []

Spouse or CU Partner Last Name [] First Name [] Initial []

Mailing Address (Number and Street/ Road or PO Box) []

City/Town [] State [] ZIP Code [] - []

Check here if this is an AMENDED return Check if taxpayer died during 2012 Check if Spouse or CU Partner died during 2012

1. VT School Code [] 2. 911 street address on 12/31/2012 []

Number, street / road name (Do not use "PO Box", "same", or Town name) []

2 Tax Filing Information

FILING STATUS

3 Single 4 Head of Household 5 Married Filing Jointly 6 CU Partner Filing Jointly 7 Qualifying Widow(er) with dependent children

8a Married Filing Separately 8b CU Filing Separately

Enter Spouse or CU Partner full name [] - [] - []

Enter Spouse or CU Partner Social Security Number [] - [] - []

9. EXEMPTIONS CLAIMED (Federal Form 1040-Line 6d; 1040A-Line 6d; 1040EZ/1040NR-EZ-enter 0, 1, or 2) 9. []

3

10. ADJUSTED GROSS INCOME (Federal Form 1040-Line 37; 1040A-Line 21; 1040EZ-Line 4) [] ← Check to indicate loss 10. [] . 00

11. FEDERAL TAXABLE INCOME (Federal Form 1040-Line 43; 1040A-Line 27; 1040EZ-Line 6) If the Federal amount is zero, see instructions on page 6 11. [] . 00

ADDITIONS:

12a. Income from Non-VT State and Local Obligations (Schedule IN-112, Part I, Line 3) 12a. [] . 00

Blue Ribbon Tax Commission 2011

RECOMMENDATION 1: RESTRUCTURE THE PERSONAL INCOME TAX

- 1A: Shift tax base from federal Taxable Income to federal Adjusted Gross Income.
- 1B: Eliminate standardized and itemized deductions.
- 1C: Implement a lower, flatter rate and bracket structure.
- 1D: Implement a residential credit as a transparent alternative to deductions.
- 1E: Evaluate all remaining personal income tax expenditures for opportunities for removal.
- 1F: Reduce the number of filing statuses from four to two, single and joint.

Source; <https://ljfo.vermont.gov/assets/Subjects/Final-Report/f9d97528dc/2011-Blue-Ribbon-Tax-Structure-Commission-FINAL-REPORT.pdf>

The long path to Act 11 of 2018

- **2017:** Vermont sets AGI as the starting place for personal income taxes but all the deductions still remain
- **Late 2017: Tax Cuts and Jobs Act**
 - Makes major changes to deductions and exemptions at the Federal level
- **Act 11 of 2018: Major decoupling**
 - New Vermont specific personal exemption
 - New Vermont standard deductions
 - New charitable tax credit
 - Removal of other deductions

Vermont Department of Taxes
2025 Form IN-111
 Vermont Income Tax Return

FILE YOUR RETURN ELECTRONICALLY FOR A FASTER REFUND.
 GO TO TAX.VERMONT.GOV FOR MORE INFORMATION.

DEPT USE ONLY * 2 5 1 1 1 1 1 0 0 *

Please PRINT in BLUE or BLACK INK

Taxpayer's Last Name		First Name		MI	Social Security Number		<input type="checkbox"/> Check if Deceased
Spouse's/CU Partner's Last Name		First Name		MI	Social Security Number		<input type="checkbox"/> Check if Deceased
Mailing Address (Number and Street/Road or PO Box)				911/Physical Street Address on 12/31/2025			
City		State	ZIP Code or Foreign Postal Code		Foreign Country		
Vermont School District Code	Vermont Residency Status as of 12/31/2025 (check one)			<input type="checkbox"/> RESIDENT	<input type="checkbox"/> PART-YEAR RESIDENT	<input type="checkbox"/> NONRESIDENT	
Filing Status and Standard Deduction		<input type="checkbox"/> Single (\$7,650)	<input type="checkbox"/> Married/CU Filing Jointly (\$15,300)	<input type="checkbox"/> Married/CU Filing Separately (\$7,650)	<input type="checkbox"/> Head of Household (\$11,450)	<input type="checkbox"/> Qualifying Widow(er) (\$15,300)	
<input type="checkbox"/> Enter Healthcare Coverage Code (See instructions for code options)	<input type="checkbox"/> Check all that apply	<input type="checkbox"/> AMENDED Return	<input type="checkbox"/> CANNABIS With Recomputed Federal Return	<input type="checkbox"/> RECOMPUTED Return	<input type="checkbox"/> EXTENDED Return	<input type="checkbox"/> FARMER / FISHERMAN	

1. Federal Adjusted Gross Income (federal Form 1040, Line 11a)	1.	_____	.00
2. Net Modifications to Federal AGI (Schedule IN-112, Part I, Line 19)	2.	_____	.00
3. Federal AGI with Modifications (ADD Lines 1 and 2)	3.	_____	.00
4. 2025 Vermont Standard Deduction from filing status section above.	4.	_____	.00
Please see instructions if you or your spouse checked any standard deduction boxes on federal Form 1040, page 1.			
5. Personal Exemptions:			
5a. Enter "1" for yourself if no one can claim you as a dependent	5b. Enter "1" for your jointly filed spouse or CU partner if no one can claim them as a dependent	5c. Enter number of OTHER dependents claimed on federal Form 1040	5d. Total Exemptions (ADD Lines 5a through 5c)
5a. _____	+ 5b. _____	+ 5c. _____	= 5d. _____
5e. MULTIPLY Line 5d by \$5,300 (2025 Personal Exemption)	5e.	_____	.00
6. ADD Lines 4 and 5e	6.	_____	.00
7. Vermont Taxable Income (SUBTRACT Line 6 from Line 3. If less than zero, enter -0-)	7.	_____	.00

Why did Vermont make the change?

Short-term: mitigate the revenue impact on Vermonters

Summary of Income Tax Impacts: H.911 (CoC Agreement)						
Relative to 2017 Vermont Tax Law						
(Note: All estimates are on a calendar year basis)						
AGI Bracket		Total Tax Change of H.911 (In Millions of Dollars)	Average Change in Taxes	Change in Effective Tax Rate from H.911		Percent of 2014 Taxable Returns
\$0	\$5,000	-\$0.08	-\$15.48	-0.14%		2.0%
\$5,000	\$10,000	-\$0.23	-\$17.07	-0.15%		4.5%
\$10,000	\$15,000	-\$0.46	-\$25.77	-0.18%		6.1%
\$15,000	\$20,000	-\$0.60	-\$32.52	-0.17%		6.4%
\$20,000	\$25,000	-\$0.72	-\$36.30	-0.16%		6.7%
\$25,000	\$30,000	-\$0.88	-\$43.21	-0.16%		6.6%
\$30,000	\$35,000	-\$0.99	-\$49.06	-0.16%		6.3%
\$35,000	\$40,000	-\$1.12	-\$56.05	-0.16%		5.8%
\$40,000	\$45,000	-\$1.20	-\$64.27	-0.16%		5.0%
\$45,000	\$50,000	-\$1.18	-\$71.92	-0.16%		4.4%
\$50,000	\$60,000	-\$1.56	-\$52.68	-0.11%		7.5%
\$60,000	\$75,000	-\$0.87	-\$23.85	-0.04%		9.0%
\$75,000	\$100,000	-\$0.29	-\$8.36	-0.01%		11.1%
\$100,000	\$125,000	\$0.88	\$37.11	0.03%		6.7%
\$125,000	\$150,000	\$1.03	\$73.96	0.06%		3.7%
\$150,000	\$200,000	\$1.48	\$110.57	0.07%		3.5%
\$200,000	\$300,000	\$2.51	\$274.65	0.13%		2.4%
\$300,000	\$500,000	\$1.05	\$225.59	0.07%		1.3%
\$500,000	Infinity	\$5.06	\$1,187.69	0.05%		1.3%
Totals		\$1.81	\$9.71	0.00%		100%

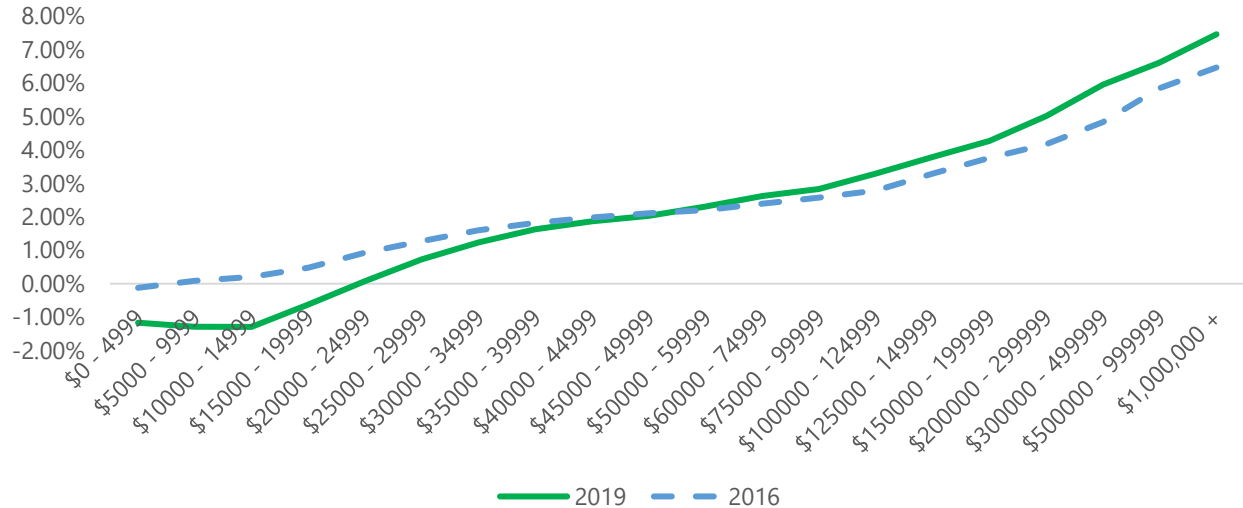
Note: Estimates are based upon 2014 tax year data

<https://ifjo.vermont.gov/assets/docs/education/Proposed-Legislation/5bb55e191b/H.911-income-provision-comparison.pdf>

Why did Vermont make the change?

- **Longer term:**
 - Independence of revenue systems from Federal policy
 - Simplification of Vermont's tax system
- Improving progressivity and equity in the tax code

Effective Tax Rates
2016 vs 2019



Reflections: the Principles of a High-Quality Tax System

**Sustainability and
reliability**

Simplicity

**Economic
Competitiveness**

Fairness

Accountability

Neutrality

Source: https://ljfo.vermont.gov/assets/docs/reports/2745db9898/Principles_of_a_High-Quality_Tax_System.pdf

Reflections: the Principles of a High-Quality Tax System

- **Simplicity versus fairness**

- Act 11 made the PIT much simpler and made the overall system more progressive.
- Since its passage, there has been pressure to improve fairness for certain constituencies
- *Examples:* military exemptions and credits, Social security exemption expansions, pushback on the charitable tax credit in Act 11, calls to expand the medical deduction, student loan interest deduction

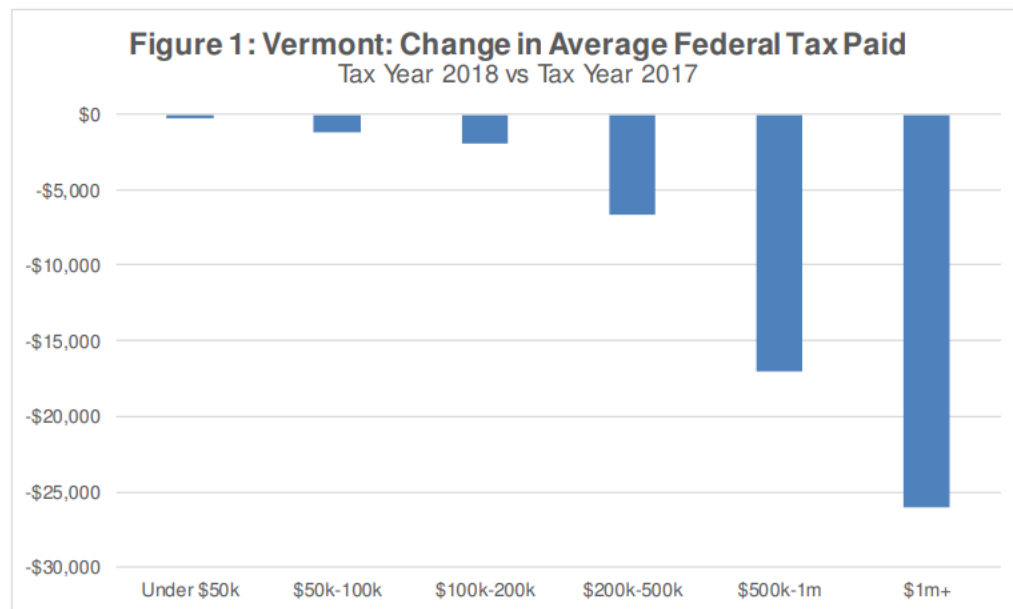
- **Reliability versus fairness**

- Act 11 made the PIT more progressive, but it also potentially made revenue a bit more volatile/harder to forecast, as more revenue is generated from higher income taxpayers.
- Social security exemption also likely to grow significantly as the population ages

Reflections: the Principles of a High-Quality Tax System

- **Fairness versus reliability**

- Act 11 largely made Vermont's revenue system independent of Federal policy.
- Last several major tax changes have reduced progressivity federally.
- Should Vermont tax policy consider *overall* tax liability?
- *Examples:* Discussions during Act 11 to "claw back" tax cuts to high income earners, pass-through entity taxes, high income surcharges



Source: https://ljfo.vermont.gov/assets/Subjects/Issue-Briefs-Relating-to-RevenueTax/da7a1411e3/GENERAL-363854-v1-SALT_Cap_Workaround_Issue_Brief.pdf

Thank You

Questions?

