

1 Introduced by Committee on Ways and Means

2 Date:

3 Subject: Taxation; income tax; personal income tax; tax brackets; investment  
4 income;

5 Statement of purpose of bill as introduced: This bill proposes to create a new  
6 marginal income tax bracket and create a new tax on investment income  
7 imposed on taxpayers with investment income and total income over certain  
8 thresholds.

9 An act relating to income tax brackets and investment income

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

11 Sec. 1. 32 V.S.A. § 5822 is amended to read:

12 § 5822. TAX ON INCOME OF INDIVIDUALS, ESTATES, AND TRUSTS

13 (a) A tax is imposed for each taxable year upon the taxable income earned  
14 or received in that year by every individual, estate, and trust, subject to income  
15 taxation under the laws of the United States, in an amount determined by the  
16 following tables, and adjusted as required under this section:

17 (1) Married individuals filing joint returns and surviving spouses:

18 If taxable income is:	The tax is:
19 Not over <del>\$64,600.00</del> <u>\$84,700.00</u>	3.35% of taxable income
20 Over <del>\$64,600.00</del> <u>\$84,700.00</u> but	<del>\$2,164.00</del> <u>\$2,837.00</u> plus 6.6% of the

1 not over ~~\$156,150.00~~ \$204,750.00 amount of taxable income over  
2 ~~\$64,600.00~~ \$84,700.00  
3 Over ~~\$156,150.00~~ \$204,750.00 but ~~\$8,206.00~~ \$10,761.00 plus 7.6% of  
4 not over ~~\$237,950.00~~ \$312,050.00 the amount of taxable income over  
5 ~~\$156,150.00~~ \$204,750.00  
6 Over ~~\$237,950.00~~ \$312,050.00 but ~~\$14,423.00~~ \$18,916.00  
7 not over \$586,625.00 plus 8.75% of the amount of taxable  
8 income over ~~\$237,950.00~~  
9 \$312,050.00  
10 Over \$586,625.00 ~~\$42,942.00~~ plus **12.7%** of the  
11 amount of taxable income over  
12 \$586,625.00

13 (2) Heads of households:

14 If taxable income is: The tax is:

15 Not over ~~\$51,850.00~~ \$68,000.00 3.35% of taxable income

16 Over ~~\$51,850.00~~ \$68,000.00 but ~~\$1,737.00~~ \$2,278.00 plus 6.6% of the  
17 not over ~~\$133,850.00~~ \$175,500.00 amount of taxable income over  
18 ~~\$51,850.00~~ \$68,000.00

19 Over ~~\$133,850.00~~ \$175,500.00 but ~~\$7,149.00~~ \$9,373.00 plus 7.60% of  
20 not over ~~\$216,700.00~~ \$284,150.00 the amount of taxable income over  
21 ~~\$133,850.00~~ \$175,500.00

1	Over <del>\$216,700.00</del> <u>\$284,150.00</u>	<del>\$13,446.00</del> <u>\$17,630.00</u> plus 8.75% of
2	<u>but not over \$534,175.00</u>	the amount of taxable income over
3		<del>\$216,700.00</del> <u>\$284,150.00</u>
4	<u>Over \$534,175.00</u>	<u>\$39,508.00</u> plus <b>12.7%</b> of the
5		<u>amount of taxable income over</u>
6		<u>\$534,175.00</u>
7	(3) Unmarried individuals (other than surviving spouse or head of	
8	household):	
9	If taxable income is:	The tax is:
10	Not over <del>\$38,700.00</del> <u>\$50,750.00</u>	3.35% of taxable income
11	Over <del>\$38,700.00</del> <u>\$50,750.00</u> but	<del>\$1,296.00</del> <u>\$1,700.00</u> plus 6.6% of the
12	not over <del>\$93,700.00</del> <u>\$122,850.00</u>	amount of taxable income over
13		<del>\$38,700.00</del> <u>\$50,750.00</u>
14	Over <del>\$93,700.00</del> <u>\$122,850.00</u> but	<del>\$4,926.00</del> <u>\$6,459.00</u> plus 7.6% of the
15	not over <del>\$195,450.00</del> <u>\$256,300.00</u>	amount of taxable income over
16		<del>\$93,700.00</del> <u>\$122,850.00</u>
17	Over <del>\$195,450.00</del> <u>\$256,300.00</u> but	<del>\$12,659.00</del> <u>\$16,601.00</u> plus 8.75% of
18	<u>not over \$481,825.00</u>	the amount of taxable income over
19		<del>\$195,450.00</del> <u>\$256,300.00</u>
20	<u>Over \$481,825.00</u>	<u>\$36,335.00</u> plus <b>12.7%</b> of the
21		<u>amount of taxable income over</u>

1 \$481,825.00

2 (4) Married individuals filing separate returns:

3 If taxable income is: The tax is:

4 Not over ~~\$32,300.00~~ \$42,350.00 3.35% of taxable income

5 Over ~~\$32,300.00~~ \$42,350.00 but ~~\$1,082.00~~ \$1,419.00 plus 6.6% of the  
6 not over ~~\$78,075.00~~ \$102,375.00 amount of taxable income over

7 ~~\$32,300.00~~ \$42,350.00

8 Over ~~\$78,075.00~~ \$102,375.00 but ~~\$4,103.00~~ \$5,380.00 plus 7.6% of the  
9 not over ~~\$118,975.00~~ \$156,025.00 amount of taxable income over

10 ~~\$78,075.00~~ \$102,375.00

11 Over ~~\$118,975.00~~ \$156,025.00 but ~~\$7,212.00~~ \$9,458.00 plus 8.75% of  
12 \$293,325.00 the amount of taxable income over

13 ~~\$118,975.00~~ \$156,025.00

14 Over \$293,325.00 \$21,471.00 plus **12.7%** of the  
15 amount of taxable income over

16 \$293,325.00

17 (5) Estates and trusts:

18 If taxable income is: The tax is:

19 ~~\$2,600.00~~ \$3,400.00 or less 3.35% of taxable income

20 Over ~~\$2,600.00~~ \$3,400.00 but ~~\$87.00~~ \$114.00 plus 6.6% of the  
21 not over ~~\$6,100.00~~ \$8,000.00 amount of taxable income over

1		<del>\$2,600.00</del> <u>\$3,400.00</u>
2	Over <del>\$6,100.00</del> <u>\$8,000.00</u> but	<del>\$318.00</del> <u>\$418.00</u> plus 7.6% of the
3	not over <del>\$9,350.00</del> <u>\$12,250.00</u>	amount of taxable income over
4		<del>\$6,100.00</del> <u>\$8,000.00</u>
5	Over <del>\$9,350.00</del> <u>\$12,250.00</u> but	<del>\$565.00</del> <u>\$741.00</u> plus 8.75% of the
6	<u>not over \$25,500.00</u>	amount of taxable income over
7		<del>\$9,350.00</del> <u>\$12,250.00</u>
8	<u>Over \$25,500.00</u>	<u>\$1,900.00 plus 13.3% of the amount</u>
9		<u>over \$25,500</u>

10 (6) If the federal adjusted gross income of the taxpayer exceeds  
11 \$150,000.00, then the tax calculated under this subsection shall be the greater  
12 of the tax calculated under subdivisions (1)–(5) of this subsection or three  
13 percent of the taxpayer’s federal adjusted gross income.

14 (b) As used in this section:

15 (1) “Married individuals,” “surviving spouse,” “head of household,”  
16 “unmarried individual,” “estate,” and “trust” have the same meaning as under  
17 the Internal Revenue Code.

18 (2) The amounts of taxable income shown in the tables in this section  
19 shall be adjusted annually for inflation by the Commissioner of Taxes using  
20 the Consumer Price Index adjustment percentage, in the manner prescribed for  
21 inflation adjustment of federal income tax tables for the taxable year by the

1 Commissioner of Internal Revenue, beginning with taxable year ~~2003~~ 2026;  
2 provided, however, notwithstanding 26 U.S.C. § 1(f)(3), that as used in this  
3 subdivision, “consumer price index” means the last Consumer Price Index for  
4 All Urban Consumers published by the U.S. Department of Labor.

5 \* \* \*

6 Sec. 2. 32 V.S.A. chapter 149 is added to read:

7 CHAPTER 149. VERMONT INVESTMENT PROCEEDS TAX

8 § 5701. DEFINITIONS

9 As used in this chapter:

10 (1) “Federal modified adjusted gross income” means modified adjusted  
11 gross income as defined in 26 U.S.C. § 1411(d).

12 (2) “Investment income” has the same meaning as net investment  
13 income in 26 U.S.C. § 1411(c) as adjusted by section 5703 of this chapter.

14 (3) “Threshold amount” has the same meaning as in 26 U.S.C.  
15 § 1411(b).

16 § 5702. IMPOSITION OF VERMONT INVESTMENT PROCEEDS TAX

17 (a) A Vermont investment proceeds tax is imposed for each taxable year on  
18 individuals, estates, and trusts subject to the personal income tax under chapter  
19 151 of this title as follows:

20 (1) individuals filing as single or head of household with federal  
21 modified adjusted gross income exceeding \$200,000.00;

1           (2) married individuals filing jointly with federal modified adjusted  
2           gross income exceeding \$250,000.00;

3           (3) individuals filing as married filing separately with federal modified  
4           adjusted gross income exceeding \$125,000.00; and

5           (4) estates and trusts with adjusted gross income, as defined in 26  
6           U.S.C. § 67(e), exceeding the dollar amount at which the highest tax bracket  
7           begins for the taxable year under 26 U.S.C. § 1(e).

8           (b)(1) For individuals, tax is imposed at the rate of four percent of the  
9           lesser of:

10           (A) investment income for the taxable year; or

11           (B) federal modified adjusted gross income for the taxable year,  
12           reduced by the threshold amount.

13           (2) For estates and trusts, tax is imposed at the rate of four percent of the  
14           lesser of:

15           (A) undistributed investment income for the taxable year; or

16           (B) the dollar amount at which the highest tax bracket begins for the  
17           taxable year under 26 U.S.C. § 1(e).

18           (c) The tax imposed under this section shall be in addition to any other tax  
19           imposed under this title.

20           (d) For part-year and nonresident individuals, estates, and trusts, the tax  
21           imposed by this section shall be calculated by multiplying a taxpayer's total

1 amount of investment income for the taxable year by the percentage of  
2 investment income allocable to Vermont under section 5823 of this title.

3 **§ 5703. DETERMINATION OF VERMONT INVESMENT INCOME**

4 The Vermont investment income of an individual, estate, or trust means net  
5 investment income, as defined in 26 U.S.C. § 1411(c), and decreased by the  
6 following to the extent they are included in net investment income:

7 (A) income from U.S. government obligations; and

8 (B) any amount exempted from state taxation under the laws of the  
9 United States.

10 **§ 5704. ADMINISTRATION**

11 The tax imposed under this chapter shall be administered and enforced  
12 under this chapter in the same manner as the income tax imposed under section  
13 5822 of this title, including all provisions relating to deficiencies, assessments,  
14 refunds, appeals, enforcement, and collection under chapter 151, subchapters 8  
15 and 9 of this title.

16 Sec. 3. 33 V.S.A. § 1812 is amended to read:

17 **§ 1812. FINANCIAL ASSISTANCE TO INDIVIDUALS**

18 (a)(1) An individual or family eligible for federal premium tax credits  
19 under 26 U.S.C. § 36B with income less than or equal to 300 percent of federal  
20 poverty level shall be eligible for premium assistance from the State of  
21 Vermont.

1           (2) The Department of Vermont Health Access shall establish a  
2 premium schedule on a sliding scale based on modified adjusted gross income  
3 for the individuals and families described in subdivision (1) of this subsection.  
4 The Department shall reduce the premium contribution for these individuals  
5 and families by 1.5 percent below the premium amount established in 26  
6 U.S.C. § 36B.

7           (3) Premium assistance shall be available for the same qualified health  
8 benefit plans for which federal premium tax credits are available.

9           (b)(1) No individual or family, regardless of income, shall be required to  
10 pay more than 10 percent of the individual’s or family’s modified adjusted  
11 gross income for the premium for a qualified health benefit plan in the  
12 individual market based on the cost of the second-lowest cost silver-level plan  
13 offered through the Vermont Health Benefit Exchange.

14           (2) The Department of Vermont Health Access shall provide premium  
15 assistance to affected Vermont residents purchasing a qualified health benefit  
16 plan in the individual market through the Vermont Health Benefit Exchange by  
17 reducing their required premium contribution by an amount equal to the  
18 amount by which the cost of the second-lowest cost silver-level plan offered  
19 through the Vermont Health Benefit Exchange for the applicable household  
20 size exceeds 10 percent of the individual’s or family’s modified adjusted gross  
21 income.



1 (a) The Agency of Human Services shall make the following changes to the  
2 Medicare Savings Programs:

3 (1) increase the Qualified Medicare Beneficiary Program income  
4 threshold to ~~150~~ 200 percent of the federal poverty level; and

5 (2) increase the Qualifying Individual Program income threshold to the  
6 maximum percent of the federal poverty level allowed under federal law based  
7 on the increase to the income threshold for the Qualified Medicare Beneficiary  
8 Program in subdivision (1) of this subsection.

9 Sec. 5. 32 V.S.A. chapter 151, subchapter 11O is added to read:

10 Subchapter 11O. Small Employer Premium Tax Credit

11 § 5930oo. SMALL EMPLOYER PREMIUM TAX CREDIT

12 (a) A qualified taxpayer of this State shall be eligible for a nonrefundable  
13 credit against the tax imposed under this chapter in an amount equal to X  
14 percent of the premium costs paid by the qualified employer for its employees  
15 in the taxable year.

16 (b) As used in this subchapter, “qualified taxpayer” means a qualified  
17 employer, as defined under 33 V.S.A. § 1802(5), that further pays 50 percent  
18 or more of the premium costs for its employees.

19 (c) Any unused credit available under subsection (a) of this section may be  
20 carried forward for up to 10 years.

1           (d) The Commissioner of Vermont Health Access shall provide  
2           information to the Commissioner of Taxes on request for the purpose of  
3           administering the tax credit available under this section.

4           Sec. 6. 32 V.S.A. § 3102(e)(21) is amended to read:

5                   (21) To the Department of Vermont Health Access for purposes of  
6           providing outreach to Vermont residents without minimum essential coverage  
7           pursuant to section 10454 of this title and to administer the tax credit available  
8           under section 5930oo of this title.

9           Sec. 7. EFFECTIVE DATE

10                   This act shall take effect on January 1, 2028, and shall apply to taxable  
11           years beginning on and after January 1, 2028.