

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 \$64,600.00 <u>\$84,700.00</u>	3.35% of taxable income
20 Over \$64,600.00 <u>\$84,700.00</u> but	\$2,164.00 <u>\$2,837.00</u> plus 6.6% of the

1	not over \$156,150.00 <u>\$204,750.00</u>	amount of taxable income over
2		\$64,600.00 <u>\$84,700.00</u>
3	Over \$156,150.00 <u>\$204,750.00</u> but	\$8,206.00 <u>\$10,761.00</u> plus 7.6% of
4	not over \$237,950.00 <u>\$586,625.00</u>	the amount of taxable income over
5		\$156,150.00 <u>\$204,750.00</u>
6	Over \$237,950.00 <u>\$586,625.00</u>	\$14,423.00 <u>\$39,783.00</u>
7		plus 8.75% <u>12.4%</u> of the amount of
8		taxable income over \$237,950.00
9		<u>\$586,625.00</u>
10	(2) Heads of households:	
11	If taxable income is:	The tax is:
12	Not over \$51,850.00 <u>\$68,000.00</u>	3.35% of taxable income
13	Over \$51,850.00 <u>\$68,000.00</u> but	\$1,737.00 <u>\$2,278.00</u> plus 6.6% of the
14	not over \$133,850.00 <u>\$175,500.00</u>	amount of taxable income over
15		\$51,850.00 <u>\$68,000.00</u>
16	Over \$133,850.00 <u>\$175,500.00</u> but	\$7,149.00 <u>\$9,373.00</u> plus 7.60% of
17	not over \$216,700.00 <u>\$534,175.00</u>	the amount of taxable income over
18		\$133,850.00 <u>\$175,500.00</u>
19	Over \$216,700.00 <u>\$534,175.00</u>	\$13,446.00 <u>\$36,632.00</u> plus 8.75%
20		<u>12.4%</u> of the amount of taxable

1 income over ~~\$216,700.00~~
2 \$534,175.00

3 (3) Unmarried individuals (other than surviving spouse or head of
4 household):

5 If taxable income is:	The tax is:
6 Not over \$38,700.00 <u>\$68,000.00</u>	3.35% of taxable income
7 Over \$38,700.00 <u>\$68,000.00</u> but	\$1,296.00 <u>\$2,278.00</u> plus 6.6% of the
8 not over \$93,700.00 <u>\$175,500.00</u>	amount of taxable income over
9	\$38,700.00 <u>\$68,000.00</u>
10 Over \$93,700.00 <u>\$175,500.00</u> but	\$4,926.00 <u>\$9,373.00</u> plus 7.6% of the
11 not over \$195,450.00 <u>\$534,175.00</u>	amount of taxable income over
12	\$93,700.00 <u>\$175,500.00</u>
13 Over \$195,450.00 <u>\$534,175.00</u>	\$12,659.00 <u>\$33,741.00</u> plus 8.75%
14	<u>12.4%</u> of the amount of taxable
15	income over \$195,450.00
16	<u>\$534,175.00</u>

17 (4) Married individuals filing separate returns:

18 If taxable income is:	The tax is:
19 Not over \$32,300.00 <u>\$42,350.00</u>	3.35% of taxable income
20 Over \$32,300.00 <u>\$42,350.00</u> but	\$1,082.00 <u>\$1,419.00</u> plus 6.6% of the
21 not over \$78,075.00 <u>\$102,375.00</u>	amount of taxable income over

1		\$32,300.00 <u>\$42,350.00</u>
2	Over \$78,075.00 <u>\$102,375.00</u> but	\$4,103.00 <u>\$5,380.00</u> plus 7.6% of the
3	not over \$118,975.00 <u>\$293,325.00</u>	amount of taxable income over
4		\$78,075.00 <u>\$102,375.00</u>
5	Over \$118,975.00 <u>\$293,325.00</u>	\$7,212.00 <u>\$19,893.00</u> plus 8.75%
6		<u>12.4%</u> of the amount of taxable
7		income over \$118,975.00
8		<u>\$293,325.00</u>
9	(5) Estates and trusts:	
10	If taxable income is:	The tax is:
11	\$2,600.00 <u>\$3,400.00</u> or less	3.35% of taxable income
12	Over \$2,600.00 <u>\$3,400.00</u> but	\$87.00 <u>\$114.00</u> plus 6.6% of the
13	not over \$6,100.00 <u>\$8,000.00</u>	amount of taxable income over
14		\$2,600.00 <u>\$3,400.00</u>
15	Over \$6,100.00 <u>\$8,000.00</u> but	\$318.00 <u>\$418.00</u> plus 7.6% of the
16	not over \$9,350.00 <u>\$12,250.00</u>	amount of taxable income over
17		\$6,100.00 <u>\$8,000.00</u>
18	Over \$9,350.00 <u>\$12,250.00</u>	\$565.00 <u>\$741.00</u> plus 8.75% <u>12.4%</u>
19		of the amount of taxable income over
20		\$9,350.00 <u>\$12,250.00</u>

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

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

5 (3) “Threshold amount” has the same meaning as in 26 U.S.C.
6 § 1411(b).

7 § 5702. IMPOSITION OF VERMONT INVESTMENT PROCEEDS TAX

8 (a) A Vermont investment proceeds tax is imposed for each taxable year on
9 individuals, estates, and trusts subject to the personal income tax under chapter
10 151 of this title as follows:

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

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

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

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

20 (b)(1) For individuals, tax is imposed at the rate of 3.45 percent of the
21 lesser of:

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

2 (B) federal modified adjusted gross income for the taxable year,

3 reduced by the threshold amount.

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

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

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

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

11 (d) For part-year and nonresident individuals, estates, and trusts, the tax
12 imposed by this section shall be calculated by multiplying a taxpayer’s total
13 amount of investment income for the taxable year by the percentage of
14 investment income allocable to Vermont under section 5823 of this title.

15 **§ 5703. DETERMINATION OF VERMONT INVESMENT INCOME**

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

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

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

1 § 5704. ADMINISTRATION

2 The tax imposed under this chapter shall be administered and enforced
3 under this chapter in the same manner as the income tax imposed under section
4 5822 of this title, including all provisions relating to deficiencies, assessments,
5 refunds, appeals, enforcement, and collection under chapter 151, subchapters 8
6 and 9 of this title.

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

8 § 1812. FINANCIAL ASSISTANCE TO INDIVIDUALS

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

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

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

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

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

14 (3) The premium assistance described in subdivision (2) of this
15 subsection shall be available only to individuals and families who either:

16 (A) do not have an offer of minimum essential coverage from their
17 employer; or

18 (B) do have an offer of minimum essential coverage from their
19 employer but, pursuant to 26 U.S.C. § 36B(c)(2)(C), the coverage was either
20 unaffordable to the employee or did not provide the required minimum
21 actuarial value.

1 Sec. 5. 32 V.S.A. chapter 151, subchapter 110 is added to read:

2 Subchapter 110. Small Employer Premium Tax Credit

3 § 5930oo. SMALL EMPLOYER PREMIUM TAX CREDIT

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

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

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

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

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

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

1 Sec. 7. EFFECTIVE DATE

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