

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~~ \$84,700.00 ~~3.35%~~ 2.95% of taxable income

1 Over ~~\$64,600.00~~ \$84,700.00 but ~~\$2,164.00~~ \$2,499.00 plus 6.6% of the
2 not over ~~\$156,150.00~~ \$204,750.00 amount of taxable income over
3 ~~\$64,600.00~~ \$84,700.00
4 Over ~~\$156,150.00~~ \$204,750.00 but ~~\$8,206.00~~ \$10,422.00 plus 7.6% of
5 not over ~~\$237,950.00~~ \$586,625.00 the amount of taxable income over
6 ~~\$156,150.00~~ \$204,750.00
7 Over ~~\$237,950.00~~ \$586,625.00 ~~\$14,423.00~~ \$39,444.00 plus 8.75%
8 10% of the amount of
9 taxable income over ~~\$237,950.00~~
10 \$586,625.00
11 (2) Heads of households:
12 If taxable income is: The tax is:
13 Not over ~~\$51,850.00~~ \$68,000.00 ~~3.35%~~ 2.95% of taxable income
14 Over ~~\$51,850.00~~ \$68,000.00 but ~~\$1,737.00~~ \$2,006.00 plus 6.6% of the
15 not over ~~\$133,850.00~~ \$175,500.00 amount of taxable income over
16 ~~\$51,850.00~~ \$68,000.00
17 Over ~~\$133,850.00~~ \$175,500.00 but ~~\$7,149.00~~ \$9,101.00 plus 7.60% of
18 not over ~~\$216,700.00~~ \$534,175.00 the amount of taxable income over
19 ~~\$133,850.00~~ \$175,500.00

1 Over ~~\$216,700.00~~ \$534,175.00 ~~\$13,446.00~~ \$36,360.00 plus 8.75%
2 10% of the amount of taxable
3 income over ~~\$216,700.00~~
4 \$534,175.00

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

7	If taxable income is:	The tax is:
8	Not over \$38,700.00 <u>\$68,000.00</u>	3.35% <u>2.95%</u> of taxable income
9	Over \$38,700.00 <u>\$68,000.00</u> but	\$1,296.00 <u>\$2,006.00</u> plus 6.6% of the
10	not over \$93,700.00 <u>\$175,500.00</u>	amount of taxable income over
11		\$38,700.00 <u>\$68,000.00</u>
12	Over \$93,700.00 <u>\$175,500.00</u> but	\$4,926.00 <u>\$9,101.00</u> plus 7.6% of the
13	not over \$195,450.00 <u>\$534,175.00</u>	amount of taxable income over
14		\$93,700.00 <u>\$175,500.00</u>
15	Over \$195,450.00 <u>\$534,175.00</u>	\$12,659.00 <u>\$36,360.00</u> plus 8.75%
16		<u>10%</u> of the amount of taxable
17		income over \$195,450.00
18		<u>\$534,175.00</u>

19 (4) Married individuals filing separate returns:

20	If taxable income is:	The tax is:
21	Not over \$32,300.00 <u>\$42,350.00</u>	3.35% <u>2.95%</u> of taxable income

1	Over \$32,300.00 <u>\$42,350.00</u> but	\$1,082.00 <u>\$1,249.00</u> plus 6.6% of the
2	not over \$78,075.00 <u>\$102,375.00</u>	amount of taxable income over
3		\$32,300.00 <u>\$42,350.00</u>
4	Over \$78,075.00 <u>\$102,375.00</u> but	\$4,103.00 <u>\$5,211.00</u> plus 7.6% of the
5	not over \$118,975.00 <u>\$293,325.00</u>	amount of taxable income over
6		\$78,075.00 <u>\$102,375.00</u>
7	Over \$118,975.00 <u>\$293,325.00</u>	\$7,212.00 <u>\$19,723.00</u> plus 8.75%
8		<u>10%</u> of the amount of taxable
9		income over \$118,975.00
10		<u>\$293,325.00</u>
11	(5) Estates and trusts:	
12	If taxable income is:	The tax is:
13	\$2,600.00 <u>\$3,400.00</u> or less	3.35% <u>2.95%</u> of taxable income
14	Over \$2,600.00 <u>\$3,400.00</u> but	\$87.00 <u>\$100.00</u> plus 6.6% of the
15	not over \$6,100.00 <u>\$8,000.00</u>	amount of taxable income over
16		\$2,600.00 <u>\$3,400.00</u>
17	Over \$6,100.00 <u>\$8,000.00</u> but	\$318.00 <u>\$404.00</u> plus 7.6% of the
18	not over \$9,350.00 <u>\$12,250.00</u>	amount of taxable income over
19		\$6,100.00 <u>\$8,000.00</u>
20	Over \$9,350.00 <u>\$12,250.00</u>	\$565.00 <u>\$727.00</u> plus 8.75% <u>10%</u>

1 of the amount of taxable income over
2 \$9,350.00 \$12,250.00

3 (6) If the federal adjusted gross income of the taxpayer exceeds
4 \$150,000.00, then the tax calculated under this subsection shall be the greater
5 of the tax calculated under subdivisions (1)–(5) of this subsection or three
6 percent of the taxpayer’s federal adjusted gross income.

7 (b) As used in this section:

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

11 (2) The amounts of taxable income shown in the tables in this section
12 shall be adjusted annually for inflation by the Commissioner of Taxes using
13 the Consumer Price Index adjustment percentage, in the manner prescribed for
14 inflation adjustment of federal income tax tables for the taxable year by the
15 Commissioner of Internal Revenue, beginning with taxable year ~~2003~~ 2026;
16 provided, however, notwithstanding 26 U.S.C. § 1(f)(3), that as used in this
17 subdivision, “consumer price index” means the last Consumer Price Index for
18 All Urban Consumers published by the U.S. Department of Labor.

19 * * *

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

21 CHAPTER 149. VERMONT INVESTMENT PROCEEDS TAX

1 § 5701. DEFINITIONS

2 As used in this chapter:

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

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

7 (3) “Threshold amount” has the same meaning as in 26 U.S.C.
8 § 1411(b).

9 § 5702. IMPOSITION OF VERMONT INVESTMENT PROCEEDS TAX

10 (a) A Vermont investment proceeds tax is imposed for each taxable year on
11 individuals, estates, and trusts subject to the personal income tax under chapter
12 151 of this title as follows:

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

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

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

19 (4) estates and trusts with adjusted gross income, as defined in
20 26 U.S.C. § 67(e), exceeding the dollar amount at which the highest tax
21 bracket begins for the taxable year under 26 U.S.C. § 1(e).

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

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

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

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

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

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

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

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

17 **§ 5703. DETERMINATION OF VERMONT INVESTMENT INCOME**

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

21 (1) income from U.S. government obligations; and

1 (2) any amount exempted from state taxation under the laws of the
2 United States.

3 § 5704. ADMINISTRATION

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

9 Sec. 3. 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.