

# VERMONT RESPONSE TO TCJA PIT CHANGES IN 2017 AND 2018

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# OUTLINE – VERMONT RESPONSE

- Vermont PIT starting point becomes AGI
- Creation of Vermont personal exemption, standard deduction, and deduction for “aged and blind”
- Creation of Vermont charitable deduction
- Creation of social security exclusion
- Increase to Vermont EITC
- PIT marginal rates adjusted downward

# OUTLINE – VERMONT RESPONSE

All changes were effective starting with tax year 2018

# VERMONT TAXABLE INCOME – ACT 73 OF 2017

The starting point for determining Vermont taxable income was moved from federal taxable income to federal AGI.

Sec. 13a. 32 V.S.A. § 5811 is amended to read:

## § 5811. DEFINITIONS

The following definitions shall apply throughout this chapter unless the context requires otherwise:

(21) “Taxable income” means, in the case of an individual, federal taxable adjusted gross income determined without regard to 26 U.S.C.

§ 168(k) and:

# VERMONT TAXABLE INCOME – ACT 73 OF 2017

- Sec. 13a was passed in 2017 but effective for TY 2018.
- Moving to AGI set the stage for further decoupling.
  - Starting with AGI means below-the-line deductions would no longer flow through.

# ACT 11 OF 2018 SPECIAL SESSION – EFFECTIVE TY 2018

## Sec. H.1 of Act 11, amending 32 V.S.A. § 5811(21)(C)(i)

(C) Decreased by the following exemptions and deductions:

(i) ~~the amount of personal exemptions taken at the federal level a~~  
personal exemption of \$4,150.00 per person for the taxpayer, for the spouse or  
the deceased spouse of the taxpayer whose filing status under section 5822 of  
this chapter is married filing a joint return or surviving spouse, and for each  
individual qualifying as a dependent of the taxpayer under 26 U.S.C. § 152,  
provided that no exemption may be claimed for an individual who is a  
dependent of another taxpayer;

# ACT 11 OF 2018 SPECIAL SESSION

## Sec. H.1 of Act 11, amending 32 V.S.A. § 5811(21)(C)(ii)

~~(ii) for taxpayers who do not itemize at the federal level, the amount of the a standard deduction taken at the federal level determined as follows:~~

(I) for taxpayers whose filing status under section 5822 of this chapter is unmarried (other than surviving spouses or heads of households) or married filing separate returns, \$6,000.00;

(II) for taxpayers whose filing status under section 5822 of this chapter is head of household, \$9,000.00;

(III) for taxpayers whose filing status under section 5822 of this chapter is married filing joint return or surviving spouse, \$12,000.00; and

# ACT 11 OF 2018 SPECIAL SESSION

## Sec. H.1 of Act 11, amending 32 V.S.A. § 5811(21)(C)(iii), (iv)

~~(III) in no event shall the total amount of deductions allowed under subdivisions (I) and (II) of this subdivision (21)(C)(iii) reduce the total amount of itemized deductions below the federal standard deduction allowable to the taxpayer~~ an additional deduction of \$1,000.00 for each federal deduction under 26 U.S.C. § 63(f) that the taxpayer qualified for and received; and

(iv) the dollar amounts of the personal exemption allowed under subdivision (i) of this subdivision (21)(C), the standard deduction allowed under subdivision (ii) of this subdivision (21)(C), and the additional deduction allowed under subdivision (iii) of this subdivision (21)(C) shall be adjusted annually for inflation by the Commissioner of Taxes beginning with taxable year 2018 by using the Consumer Price Index and the same methodology as used for adjustments under 26 U.S.C. § 1(f)(3); provided, however, that as used in this subdivision, “consumer price index” means the last Consumer

# ACT 11 OF 2018 SPECIAL SESSION

## Sec. H.2

- Adjusted the marginal PIT rates:
- 3.55 percent → 3.35 percent
- 6.8 percent → 6.6 percent
- 7.8 percent → 7.6 percent
- 8.8 and 8.95 percent → 8.75 percent

# ACT 11 OF 2018 SPECIAL SESSION

## Sec. H.3

- Decoupled from Federal Deduction and Creation of a Vermont Credit for Charitable Contributions

(3) Individuals shall receive a nonrefundable charitable contribution credit against the tax imposed under this section for the taxable year. The credit shall be five percent of the first \$20,000.00 in charitable contributions made during the taxable year that are allowable under 26 U.S.C. § 170. This credit shall be available irrespective of a taxpayer's election not to itemize at the federal level.

# ACT 11 OF 2018 SPECIAL SESSION

## Sec. H.3 of Act 11

- Credit has an effective maximum of \$1,000 (5% of \$20,000)
- Designed as a credit, not a deduction

# ACT 11 OF 2018 SPECIAL SESSION

Sec. H.4 of Act 11, amending 32 V.S.A. § 5828b(a)

Increased the Vermont EITC from 32 percent of the federal credit to 36 percent of the federal credit.

# ACT 11 OF 2018 SPECIAL SESSION

Sec. H.5 of Act 11, creating 32 V.S.A. § 5830e

Created a Vermont exclusion for Social Security benefits income:

All benefits are excluded for AGIs of \$45,000 (MFJ \$60,000) or less

Phase out for AGIs between \$45,000-\$55,000 (MFJ \$60,000-\$70,000)