

Committee Bill 26-0804

House Committee on Ways and Means

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2024 Vermont Personal Income Tax Returns - Dollars

AGI Income Bracket	Returns	Adjusted Gross Income (AGI)	Vermont Taxable Income	Vermont Tax	Adjusted Vermont Tax	NonRef Credits	Ref Credits	Net Vermont Tax	ETR
Negative	2,126	-129,389,981	2,636,471	180,500	180,500	*	137,403	17,076	NA
0 - 4999	18,940	38,870,065	347,751	16,735	16,733	*	1,046,342	-1,031,319	-2.7%
5000 - 9999	16,585	124,479,360	3,467,351	121,686	120,078	3,512	2,284,834	-2,168,268	-1.8%
10000 - 14999	15,445	192,208,699	20,145,172	680,145	668,890	29,306	3,869,946	-3,230,362	-1.7%
15000 - 19999	13,450	234,373,402	52,287,654	1,735,729	1,692,155	49,351	4,492,741	-2,849,937	-1.2%
20000 - 24999	12,450	279,927,034	85,287,254	2,821,342	2,737,564	78,468	4,800,954	-2,141,858	-0.8%
25000 - 29999	12,248	336,971,511	126,740,490	4,203,048	4,080,134	92,184	4,436,984	-449,034	-0.1%
30000 - 34999	13,147	427,558,506	191,497,531	6,384,419	6,216,771	125,084	4,145,535	1,946,152	0.5%
35000 - 39999	14,138	530,604,530	273,868,027	9,127,919	8,899,880	162,775	3,779,148	4,957,957	1.0%
40000 - 44999	14,601	620,308,108	346,178,374	11,529,229	11,298,726	217,841	3,218,582	7,862,303	1.3%
45000 - 49999	14,589	692,663,677	411,567,216	13,704,017	13,428,397	239,829	2,327,143	10,861,425	1.6%
50000 - 59999	26,246	1,439,857,295	925,709,463	30,899,560	30,362,104	569,731	2,868,080	26,924,293	1.9%
60000 - 74999	30,749	2,062,723,823	1,433,622,210	51,591,620	50,742,939	1,018,147	2,807,854	46,916,938	2.3%
75000 - 99999	34,709	3,008,259,676	2,241,441,772	87,321,534	85,955,698	2,094,773	4,003,225	79,857,700	2.7%
100000 - 124999	24,922	2,792,435,673	2,150,235,715	86,046,946	84,572,984	2,293,332	3,924,212	78,355,440	2.8%
125000 - 149999	18,094	2,473,488,213	1,975,096,896	87,284,845	85,933,383	2,898,333	2,664,250	80,370,800	3.3%
150000 - 199999	20,591	3,540,931,957	2,940,606,768	145,204,312	142,830,786	4,818,685	1,354,314	136,657,787	3.9%
200000 - 299999	14,736	3,527,106,682	3,074,065,649	171,334,716	167,180,769	6,752,265	661,347	159,767,157	4.6%
300000 - 499999	7,561	2,851,559,803	2,595,089,847	169,609,951	164,778,667	8,936,868	316,804	155,524,995	5.6%
500000 - 999999	3,126	2,073,568,609	1,944,863,288	146,035,955	141,795,728	10,824,381	109,644	130,861,703	6.5%
1,000,000 +	1,325	3,706,623,738	3,573,098,393	301,880,798	275,743,184	23,150,495	28,382	252,564,307	7.4%
State Total	329,778	30,825,130,380	24,367,853,292	1,327,715,006	1,279,236,070	64,355,360	53,277,724	1,161,575,255	3.9%
Out of State	52,703	31,858,058,335	30,381,174,560	2,497,118,854	100,511,261	766,486	428,925	99,315,850	NA
All Returns	382,481	62,683,188,715	54,749,027,852	3,824,833,860	1,379,747,331	65,121,846	53,706,649	1,260,891,105	3.9%



Personal income tax data, 2024

- 3,298 returns with AGI of \$586,634 or more represented 8,496 exemptions or individuals
- 3,298 returns with AGI of \$586,634 or more accounted for:
 - 1% of all VT tax returns
 - 16.7% of all VT AGI
 - 29.8% of all net VT personal income tax paid

Personal Income Tax Returns for Top 1%, Tax Year 2024			
All Vermont Resident Returns			
# Returns	% Returns	%VT AGI	% Net VT Tax
3,298	1.0%	16.7%	29.8%



Top 1% Returns - 2018 to 2024

Top 1% Vermont Resident Filers (2018-2024)						
Year	Count	AGI Start for Percentile	Total AGI	% Share of AGI	Total Net VT Taxes	% Share of Net VT Taxes
2018	3,203	403,561	3,294,823,669	15%	204,771,154	27%
2019	3,250	403,561	3,717,500,195	17%	232,621,175	29%
2020	3,288	432,174	3,686,264,098	16%	228,717,717	28%
2021	3,295	537,687	5,211,559,990	19%	337,067,490	33%
2022	3,281	520,544	4,562,204,855	17%	294,584,203	30%
2023	3,291	527,595	4,322,340,406	15%	283,477,802	28%
2024	3,298	586,634	5,157,021,652	17%	345,905,453	30%



Personal income tax data, 2024

Personal Income Tax Returns for \$500,000+ and Millionaires, Tax Year 2024

All Vermont Resident Returns

# returns	% returns	% VT AGI	% net VT tax
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\$500,000+			
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4,451	1.3%	18.8%	33.0%
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\$1,000,000+			
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1325	0.4%	12.0%	21.7%
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Ages 65+ Only

\$500,000+			
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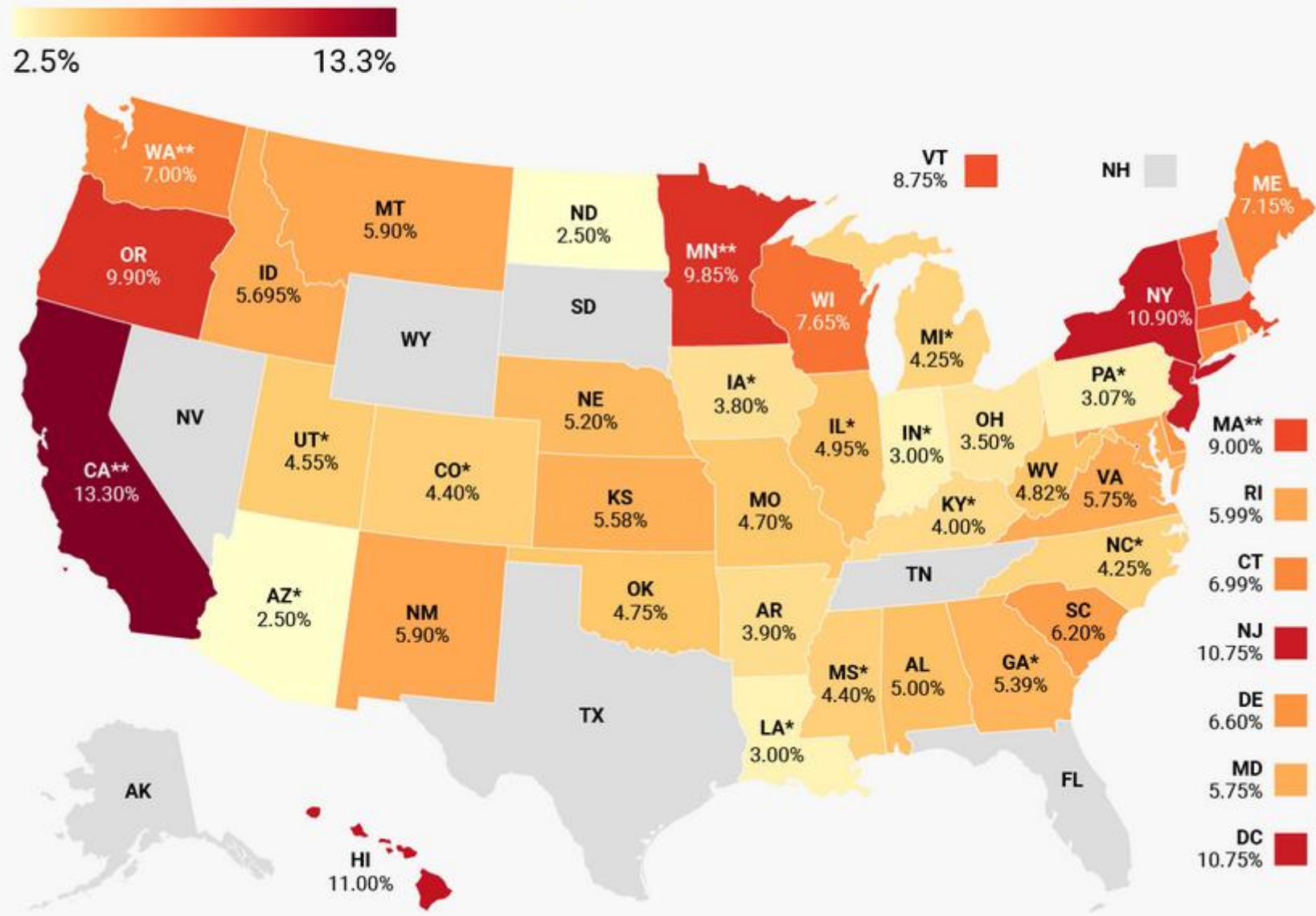
1,421	0.4%	7.5%	12.7%
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\$1,000,000+			
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445	0.1%	5.0%	9.1%
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Top Marginal State Individual Income Tax Rates (as of January 1, 2025)



Proposed New Top Marginal Bracket



Proposed New Brackets from last week

Filing Status: Married Filing Jointly			Filing Status: Married Filing Separately		
AGI		Marginal Tax Rate	AGI		Marginal Tax Rate
-	84,700	3.35%	-	42,350	3.35%
84,700	204,750	6.60%	42,350	102,375	6.60%
204,750	312,050	7.60%	102,375	156,025	7.60%
312,050	586,625	8.75%	156,025	293,313	8.75%
586,625	-	12.70%	293,313	-	12.70%
Filing Status: Single			Filing Status: Head of Household		
AGI		Marginal Tax Rate	AGI		Marginal Tax Rate
-	50,750	3.35%	-	68,000	3.35%
50,750	122,850	6.60%	68,000	175,500	6.60%
122,850	256,300	7.60%	175,500	284,150	7.60%
256,300	481,825	8.75%	284,150	534,175	8.75%
481,825	-	12.70%	534,175	-	12.70%

- These proposed new top marginal tax brackets are estimated to generate approximately \$100 million in additional revenue starting in fiscal year 2028.



Existing Rates and Brackets

Filing Status: Married Filing Jointly			Filing Status: Married Filing Separately		
AGI		Marginal Tax Rate	AGI		Marginal Tax Rate
-	84,700	3.35%	-	42,350	3.35%
84,700	204,750	6.60%	42,350	102,375	6.60%
204,750	312,050	7.60%	102,375	156,025	7.60%
312,050	-	8.75%	156,025	-	8.75%
Filing Status: Single			Filing Status: Head of Household		
AGI		Marginal Tax Rate	AGI		Marginal Tax Rate
-	50,750	3.35%	-	68,000	3.35%
50,750	122,850	6.60%	68,000	175,500	6.60%
122,850	256,300	7.60%	175,500	284,150	7.60%
256,300	-	8.75%	284,150	-	8.75%



Proposed Rates and Brackets

Filing Status: Married Filing Jointly			Filing Status: Married Filing Separately		
AGI		Marginal Tax Rate	AGI		Marginal Tax Rate
0	84,700	2.7%	0	42,350	2.7%
84,700	204,750	6.6%	42,350	102,375	6.6%
204,750	586,625	7.6%	102,375	293,313	7.6%
586,625	-	12.7%	293,313	-	12.7%
Filing Status: Single			Filing Status: Head of Household		
AGI		Marginal Tax Rate	AGI		Marginal Tax Rate
0	50,750	2.7%	0	68,000	2.7%
50,750	122,850	6.6%	68,000	175,500	6.6%
122,850	481,825	7.6%	175,500	534,175	7.6%
481,825	-	12.7%	534,175	-	12.7%

- These proposed new tax brackets and rates are estimated to be revenue neutral and would take effect starting in fiscal year 2028.



Married Filing Jointly Filers

AGI		Returns	Tax Change	Average Tax Change	Rate
\$0	\$84,700	31,036	-\$3.1	(101.17)	2.70%
\$84,700	\$204,750	58,162	-\$30.6	(526.46)	6.60%
\$204,750	\$586,625	27,034	-\$20.4	(752.76)	7.60%
\$586,625	-	3,812	\$74.7	19,599.45	12.70%
Total		120,044	\$20.6		



Single Filers

AGI		Returns	Tax Change	Average Tax Change	Rate
\$0	\$50,750	99,361	-\$6.4	(64.21)	2.70%
\$50,750	\$122,850	68,299	-\$21.7	(316.99)	6.60%
\$122,850	\$481,825	14,474	-\$5.9	(404.86)	7.60%
\$481,825	-	877	\$15.2	17,340.36	12.70%
Total		183,011	-\$18.7		



Married Filing Separately Filers

AGI		Returns	Tax Change	Average Tax Change	Rate
\$0	\$42,350	1,635	-\$0.1	(48.93)	2.70%
\$42,350	\$102,375	3,195	-\$0.8	(262.91)	6.60%
\$102,375	\$293,325	1,261	-\$0.5	(364.79)	7.60%
\$293,325	-	146	\$2.8	19,144.52	12.70%
Total		6,237	\$1.4		



Head of Household Filers

AGI		Returns	Tax Change	Average Tax Change	Rate
\$0	\$68,000	16,681	-\$1.6	(94.72)	2.70%
\$68,000	\$175,500	9,621	-\$3.9	(402.25)	6.60%
\$175,500	\$534,175	1,210	-\$0.7	(578.51)	7.60%
\$534,175	-	114	\$2.6	22,964.91	12.70%
Total		27,626	-\$3.5		



All Resident Filers

AGI		Returns	Tax Change	Average Tax Change	Rate
\$0	\$84,700	201,843	-\$27.3	(135.20)	2.70%
\$84,700	\$204,750	98,541	-\$44.9	(455.75)	6.60%
\$204,750	\$586,625	32,387	-\$24.0	(739.80)	7.60%
\$586,625	-	4,570	\$95.9	20,993.87	12.70%
Total		337,341	-\$0.2		



Proposed Vermont Investment Proceeds Tax



Federal Net Investment Income Tax

- The federal Net Investment Income Tax (NIIT) was made effective January 1, 2013.
- Was implemented to fund in part the Affordable Care Act.
- The NIIT is a surtax in addition to personal income taxes.
 - Investment income is counted as regular income for personal income taxes.
 - The NIIT is in addition to this.



Federal Net Investment Income Tax

- Federally, a 3.8% tax is levied on the lesser of Net Investment Income or the amount that exceeds MAGI of,
 - \$200,000 for single filers
 - \$250,000 for MFJ filers
 - \$125,000 for MFS filers
- MAGI is defined as AGI plus the foreign earned income exclusion.
 - Individuals living abroad may exclude up to \$130,000 of foreign wages.
 - For individuals without foreign earned income MAGI will equal AGI.



Federal Net Investment Income Tax

- Examples:
 1. A single taxpayer has \$50,000 in net investment income and MAGI of \$300,000 (\$100,000 over the threshold).
 - The net investment income (\$50,000) is less than the amount of MAGI over the threshold (\$100,000).
 - 3.8% tax is applied to the \$50,000 and \$1,900 in tax is due.
 2. A single taxpayer has \$50,000 in net investment income and MAGI of \$225,000 (\$25,000 over the threshold).
 - The net investment income (\$50,000) is more than the amount of MAGI over the threshold (\$25,000).
 - 3.8% tax is applied to the \$25,000 and \$950 in tax is due.



Federal Net Investment Income Tax

- Net investment income includes:
 - Capital gains
 - Dividends
 - Taxable interest
 - Rental and royalty income
 - Passive income from investments
 - Business income from trading financial instruments or commodities
 - Taxable portion of nonqualified annuity payments



Federal Net Investment Income Tax

- Net investment income does not include:
 - Wages
 - Social security benefits
 - Unemployment pay
 - Qualified retirement plan withdrawals (401k or IRA)
 - Traditional defined benefit plan or retirement plan annuity
 - Deferred compensation plans
 - Interest from municipal bonds or funds
 - Income from the sale of your primary home
 - Life insurance
 - Active business income



Minnesota Net Investment Income Tax

- Minnesota is the only state that has a net investment income tax at the state level, but their version is structured differently than what is proposed in this language and the federal NIIT.
- The Minnesota NIIT includes the same types of investment income as the federal version.
- Levies a 1% tax on net investment income over \$1 million in investment income.
 - The income threshold is based on investment income and not AGI or MAGI.
- The Minnesota NIIT does not apply to gains from the sale of class 2a agricultural property located in Minnesota.



Vermonters paying the federal NIIT

Federal Net Investment Income Tax Distribution of Payers:

Adjusted Gross Income	\$100,000 to \$200,000	\$200,000 to \$500,000	\$500,000 to \$1,000,000	\$1,000,000 or more	Total
Estimated Number of NIIT Payers	180	8,820	2,260	970	12,230
Share of Total NIIT Payers	1.5%	72.1%	18.5%	7.9%	100%
Estimated Share of Federal NIIT Paid	0.1%	21.3%	22.4%	56.1%	100%

Source: IRS Individual Income and Tax Data, by State and Size of Adjusted Gross Income, Tax Year 2022



Vermont Investment Proceeds Tax

- JFO estimates that the Vermont Investment Proceeds Tax proposed in this language would generate approximately \$48.6 million in additional revenue starting in fiscal year 2028.
- The tax would apply to roughly 12,000 taxpayers.



Questions?

