

1 H.483

2 Introduced by Committee on Ways and Means

3 Date:

4 Subject: Taxation; income tax; tax credits

5 Statement of purpose of bill as introduced: This bill proposes to expand the  
6 eligibility requirement for the Vermont Child Tax Credit to allow a credit for  
7 children six years of age or younger, expand the earned income tax credit for  
8 individuals without qualifying children to 100 percent of the federal credit, and  
9 increase the income thresholds used to determine eligibility for the partial  
10 exemption of Social Security benefits and retirement income.

11 An act relating to the expansion of existing income tax credits

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

13 Sec. 1. PURPOSE

14 The purpose of this act is to:

15 (1) expand the eligibility requirement for the Vermont Child Tax Credit  
16 to allow a credit for children six years of age or younger;

17 (2) expand the earned income tax credit for individuals without  
18 qualifying children to 100 percent of the federal credit; and

19 (3) increase the income thresholds used to determine eligibility for the  
20 partial exemption of Social Security benefits and retirement income.

1     Sec. 2. 32 V.S.A. § 5830f is amended to read:

2     § 5830f. VERMONT CHILD TAX CREDIT

3         (a) A resident individual or part-year resident individual who is entitled to a  
4     child tax credit under the laws of the United States or who would have been  
5     entitled to a child tax credit under the laws of the United States but for the fact  
6     that the individual or the individual's spouse does not have a taxpayer  
7     identification number shall be entitled to a refundable credit against the tax  
8     imposed by section 5822 of this title for the taxable year. The total credit per  
9     taxable year shall be in the amount of \$1,000.00 per qualifying child, as  
10    defined under 26 U.S.C. § 152(c) but notwithstanding the taxpayer  
11    identification number requirements under 26 U.S.C. § 24(e) and (h)(7), who is  
12    ~~five~~ six years of age or younger as of the close of the calendar year in which  
13    the taxable year of the taxpayer begins. For a part-year resident individual, the  
14    amount of the credit shall be multiplied by the percentage that the individual's  
15    income that is earned or received during the period of the individual's  
16    residency in this State bears to the individual's total income. An otherwise  
17    eligible individual shall be entitled to the credit under this section without  
18    regard for the laws of the United States pertaining to the amount of federal  
19    child tax credit that may be refunded.

20                   \* \* \*

1 Sec. 3. 32 V.S.A. § 5828b is amended to read:

2 § 5828b. EARNED INCOME TAX CREDIT

3 (a) A resident individual or part-year resident individual who is entitled to  
4 an earned income tax credit granted under the laws of the United States ~~or who~~  
5 ~~would have been entitled to an earned income tax credit under the laws of the~~  
6 ~~United States but for the fact that the individual, the individual's spouse, or one~~  
7 ~~or more of the individual's children does not have a qualifying taxpayer~~  
8 ~~identification number~~ shall be entitled to a credit against the tax imposed for  
9 each year by section 5822 of this title. The credit shall be for an individual  
10 who claims one or more qualifying children 38 percent or for an individual  
11 who does not claim one or more qualifying children 100 percent of the earned  
12 income tax credit granted to the individual under the laws of the United States  
13 ~~or that would have been granted to the individual under the laws of the United~~  
14 ~~States but for the fact that the individual, the individual's spouse, or one or~~  
15 ~~more of the individual's children does not have a qualifying taxpayer~~  
16 ~~identification number~~, multiplied by the percentage that the individual's  
17 income that is earned or received during the period of the individual's  
18 residency in this State bears to the individual's total income. A resident  
19 individual or part-year resident individual who would have been entitled to or  
20 granted an earned income tax credit under the laws of the United States but for  
21 the fact that the individual, the individual's spouse, or one or more of the

1 individual's children does not have a qualifying taxpayer identification number  
2 shall be entitled to a credit under this section.

3 \* \* \*

4 Sec. 4. 32 V.S.A. § 5830e is amended to read:

5 § 5830e. RETIREMENT INCOME; SOCIAL SECURITY INCOME

6 (a) Social Security income. The portion of federally taxable Social  
7 Security benefits excluded from taxable income under subdivision  
8 5811(21)(B)(iv) of this chapter shall be as follows:

9 (1) For taxpayers whose filing status is single, married filing separately,  
10 head of household, or surviving spouse:

11 (A) If the federal adjusted gross income of the taxpayer is less than or  
12 equal to ~~\$50,000.00~~ \$55,000.00, all federally taxable benefits received under  
13 the federal Social Security Act shall be excluded.

14 (B) If the federal adjusted gross income of the taxpayer is greater than  
15 ~~\$50,000.00~~ \$55,000.00 but less than ~~\$60,000.00~~ \$65,000.00, the percentage of  
16 federally taxable benefits received under the Social Security Act to be  
17 excluded shall be proportional to the amount of the taxpayer's federal adjusted  
18 gross income over ~~\$50,000.00~~ \$55,000.00, determined by:

19 (i) subtracting the federal adjusted gross income of the taxpayer  
20 from ~~\$60,000.00~~ \$65,000.00;

1           (ii) dividing the value under subdivision (i) of this subdivision (B)  
2           by \$10,000.00; and

3           (iii) multiplying the value under subdivision (ii) of this subdivision  
4           (B) by the federally taxable benefits received under the Social Security Act.

5           (C) If the federal adjusted gross income of the taxpayer is equal to or  
6           greater than ~~\$60,000.00~~ \$65,000.00, no amount of the federally taxable  
7           benefits received under the Social Security Act shall be excluded under this  
8           section.

9           (2) For taxpayers whose filing status is married filing jointly:

10           (A) If the federal adjusted gross income of the taxpayer is less than or  
11           equal to ~~\$65,000.00~~ \$70,000.00, all federally taxable benefits received under  
12           the Social Security Act shall be excluded.

13           (B) If the federal adjusted gross income of the taxpayer is greater than  
14           ~~\$65,000.00~~ \$70,000.00 but less than ~~\$75,000.00~~ \$80,000.00, the percentage of  
15           federally taxable benefits received under the Social Security Act to be  
16           excluded shall be proportional to the amount of the taxpayer's federal adjusted  
17           gross income over ~~\$65,000.00~~ \$70,000.00, determined by:

18           (i) subtracting the federal adjusted gross income of the taxpayer  
19           from ~~\$75,000.00~~ \$80,000.00;

20           (ii) dividing the value under subdivision (i) of this subdivision (B)  
21           by \$10,000.00; and

1 (iii) multiplying the value under subdivision (ii) of this subdivision  
2 (B) by the federally taxable benefits received under the Social Security Act.

3 (C) If the federal adjusted gross income of the taxpayer is equal to or  
4 greater than ~~\$75,000.00~~ \$80,000.00, no amount of the federally taxable  
5 benefits received under the Social Security Act shall be excluded under this  
6 section.

7 (b) Civil Service Retirement System income. The portion of income  
8 received from the Civil Service Retirement System excluded from taxable  
9 income under subdivision 5811(21)(B)(iv) of this title shall be subject to the  
10 limitations under subsection (e) of this section and shall be determined as  
11 follows:

12 (1) For taxpayers whose filing status is single, married filing separately,  
13 head of household, or surviving spouse:

14 (A) If the federal adjusted gross income of the taxpayer is less than or  
15 equal to ~~\$50,000.00~~ \$55,000.00, the first \$10,000.00 of income received from  
16 the Civil Service Retirement System shall be excluded.

17 (B) If the federal adjusted gross income of the taxpayer is greater than  
18 ~~\$50,000.00~~ \$55,000.00 but less than ~~\$60,000.00~~ \$65,000.00, the percentage of  
19 the first \$10,000.00 of income received from the Civil Service Retirement  
20 System to be excluded shall be proportional to the amount of the taxpayer's  
21 federal adjusted gross income over ~~\$50,000.00~~ \$55,000.00, determined by:

1 (i) subtracting the federal adjusted gross income of the taxpayer  
2 from ~~\$60,000.00~~ \$65,000.00;

3 (ii) dividing the value under subdivision (i) of this subdivision (B)  
4 by \$10,000.00; and

5 (iii) multiplying the value under subdivision (ii) of this subdivision  
6 (B) by the first \$10,000.00 of income received from the Civil Service  
7 Retirement System.

8 (C) If the federal adjusted gross income of the taxpayer is equal to or  
9 greater than ~~\$60,000.00~~ \$65,000.00, no amount of the income received from  
10 the Civil Service Retirement System shall be excluded under this section.

11 (2) For taxpayers whose filing status is married filing jointly:

12 (A) If the federal adjusted gross income of the taxpayer is less than or  
13 equal to ~~\$65,000.00~~ \$70,000.00, the first \$10,000.00 of income received from  
14 the Civil Service Retirement System shall be excluded.

15 (B) If the federal adjusted gross income of the taxpayer is greater than  
16 ~~\$65,000.00~~ \$70,000.00 but less than ~~\$75,000.00~~ \$80,000.00, the percentage of  
17 the first \$10,000.00 of income received from the Civil Service Retirement  
18 System to be excluded shall be proportional to the amount of the taxpayer's  
19 federal adjusted gross income over ~~\$65,000.00~~ \$70,000.00, determined by:

20 (i) subtracting the federal adjusted gross income of the taxpayer  
21 from ~~\$75,000.00~~ \$80,000.00;

1 (ii) dividing the value under subdivision (i) of this subdivision (B)  
2 by \$10,000.00; and

3 (iii) multiplying the value under subdivision (ii) of this subdivision  
4 (B) by the first \$10,000.00 of income received from the Civil Service  
5 Retirement System.

6 (C) If the federal adjusted gross income of the taxpayer is equal to or  
7 greater than ~~\$75,000.00~~ \$80,000.00, no amount of the income received from  
8 the Civil Service Retirement System shall be excluded under this section.

9 \* \* \*

10 Sec. 5. EFFECTIVE DATE

11 Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on  
12 January 1, 2025 and shall apply to taxable years beginning on and after  
13 January 1, 2025.