VERMONT LEGISLATIVE
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Fiscal Note

April, 2025
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H.483 – An act relating to the expansion of existing income tax credits

As introduced by the House Committee on Ways and Means[1,i]

Bill Summary

This bill proposes to expand the income eligibility or value of three existing personal income tax credits. The bill would increase the age eligibility for the child tax credit (CTC) from five-years old to six-years old, expand the earned income tax credit (EITC) for claimants without children from 38% to 100% of the federal EITC amount, and increase the adjusted gross income (AGI) thresholds used to determine eligibility for the partial exemption on Social Security, military retirement and Civil Service Retirement System (CSRS) benefits by $5,000. These changes are scheduled to take effective retroactively on January 1, 2025 and affect filings starting with the tax year 2025.

Combined, three expansions of existing tax credits are estimated to result in an additional $9.6 million in forgone General Fund revenue annually.

Fiscal Impact

The Joint Fiscal Office estimates that the bill will have the following fiscal impacts:

- Expanding the age eligibility for the CTC will result in approximately $4.5 million in additional forgone revenue.
- Increasing the EITC credit from 38% to 100% of the federal EITC for claimants without children is estimated to result in an additional $3.0 million in forgone revenue.
- Increasing the income thresholds to determine eligibility for the partial exemption on Social Security benefits is estimated to result in approximately $2.1 million in forgone revenue.

Combined, these three changes are estimated to result in $9.6 million in forgone revenue to the General Fund annually.

[1] *The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this fiscal note is meant to provide information for legislative consideration, not to provide policy recommendations.*

Background and Details

The following sections of the bill have a fiscal impact.

Section 2: Child Tax Credit Expansion

Under current law, taxpayers with an AGI of $125,000 or lower who claim a child who is aged five or younger can claim the CTC and receive a $1,000 refundable credit per eligible child. The credit is phased out by 2% per $1,000 of income above $125,000. This bill would increase the age elibility for children from five to six years old.

Currently, it is estimated that 21,296 Vermonter tax filers will claim the CTC in fiscal year 2026 and receive approximately $24.0 million in value from the credit. **This proposed age eligibility expansion would increase this tax expenditure by an estimated $4.5 million** and bring the total tax expenditure of the credit to $28.5 million. This cost may decrease over time since the number of children in the state has been declining.

Section 3: Earned Income Tax Credit

Under current law, Vermont taxpayers who receive the federal EITC are eligible to receive a refundable credit on their Vermont tax return equal to 38% of the value of their federal credit. This bill would increase, for those claimants who do not claim a dependent child, the value of their State EITC from 38% to 100% of the value of their federal EITC.

Table 1 shows the federal maximum credit amount, the existing maximum credits that Vermont claimants can receive from the State, and what those maximum State credits would be if claimants without children were able to receive 100% of their federal credit amount. Despite increasing the State credit amount for claimants without children, the maximum State credit would still be considerably lower than CTC.

Table 1: Earned Income Tax Credit Amounts

Tax Year 2025 Maximum EITC Amounts			
Children or Relatives Claimed	Maximum Federal Credit Amount	Existing Maximum VT Credit Amount	Proposed Maximum VT Credit Amount
Zero	$649	$247	$649
One	$4,328	$1,645	$1,645
Two	$7,152	$2,718	$2,718
Three or more	$8,046	$3,057	$3,057

Under current law, it is estimated that 33,522 Vermonter tax filers will claim the EITC in fiscal year 2026 and receive approximately $26.9 million in credit value. Of these, almost 12,000 will not have a qualifying dependent and would receive a higher State EITC under section 3. **The Joint Fiscal Office (JFO) estimates that expanding the EITC for claimants without children from 38% to 100% of the federal credit will result in an additional $3.0 million in forgone revenue annually.**

Section 4: Social Security, Military Retirement and CSRS Exemption

Under current law, Vermont taxpayers who receive Social Security benefits can fully exempt that income from their taxable income if they are single with an AGI of $50,000 or below, or if they are married and have an AGI of $65,000 or below. The exemption is phased out over the next $10,000 of income so single filers with an AGI of $60,000 and above and married filers with an AGI of $75,000 and above are not eligible. This bill would increase those thresholds by $5,000 each.

The bill would also make the same threshold adjustments for tax filers who receive CSRS or military retirement income. Currently, Vermont taxpayers who receive these types of income may elect to exempt up to $10,000 of military retirement or CSRS income from their taxable income (with the same income thresholds as the Social Security exemption applying). Importantly, if a taxpayer receives two or more of these types of income, they can only elect one of the exemptions.

Under current law, it is estimated that 29,827 Vermonters exempt some of of their retirement income and are estimated to receive approximately $8.2 million in tax savings in fiscal year 2026 from those exemptions. **JFO estimates that increasing the income thresholds for the Social Security, military retirement and CSRS income exemptions will result in an additional $2.1 million in forgone revenue annually.** The cost of this credit may increase over time as the number of Social Security income recipients increases due to Vermont's aging population.

[i] *The full fiscal note history is available on the fiscal tab of the bill page on the General Assembly website and can be pulled up through a bill number search on the JFO page.*