

1 H.933

2 Senators Cummings, Beck, Brock, Chittenden, Gulick, Hardy, and Mattos
3 move that the report of the Committee on Finance be amended the bill be
4 amended as follows:

5 First: By striking out Sec. 55, income tax decoupling, in its entirety and
6 inserting in lieu thereof a new Sec. 55 to read as follows:

7 Sec. 55. 32 V.S.A. § 5811 is amended to read:

8 § 5811. DEFINITIONS

9 As used in this chapter ~~unless the context requires otherwise~~:

10 * * *

11 (18) “Vermont net income” means, for any taxable year and for any
12 corporate taxpayer:

13 (A) the taxable income of the taxpayer for that taxable year under the
14 laws of the United States, ~~without regard to 26 U.S.C. § 168(k), and~~ excluding
15 income that under the laws of the United States is exempt from taxation by the
16 states:

17 (i) increased by:

18 (I) the amount of any deduction for State and local taxes on or
19 measured by income, franchise taxes measured by net income, franchise taxes
20 for the privilege of doing business and capital stock taxes; ~~and~~

1 (II) to the extent such income is exempted from taxation under
2 the laws of the United States ~~by~~, the amount received by the taxpayer on and
3 after January 1, 1986, as interest income from state and local obligations, other
4 than obligations of Vermont and its political subdivisions, and any dividends
5 or other distributions from any fund to the extent such dividend or distribution
6 is attributable to such Vermont State or local obligations;

7 (III) the amount of any deduction for a federal net operating
8 loss; ~~and~~

9 (IV) an amount equal to the bonus depreciation deduction taken
10 on the taxpayer's federal income tax return for the taxable year under Section
11 168(k) or (n) of the Internal Revenue Code;

12 (V) for any taxpayer that does not qualify as an eligible
13 taxpayer, an amount equal to any deduction taken on the taxpayer's federal
14 income tax return for the taxable year under 26 U.S.C. § 174A and Pub. L. No.
15 119-21, 139 Stat. 72 (2025) § 70302(f)(2). For purposes of this subdivision
16 (V), the term "eligible taxpayer" means any taxpayer (other than a tax shelter
17 prohibited from using the cash receipts and disbursements method of
18 accounting under 26 U.S.C. § 448(a)(3)) that meets the gross receipts test of 26
19 U.S.C. § 448(c) for the taxable year; and

1 (VI) an amount equal to the amount of income deducted under
2 Section 250 of the Internal Revenue Code for the taxable year to the extent
3 deducted from net income; and

4 (ii) decreased by:

5 (I) the “gross-up of dividends” required by the federal Internal
6 Revenue Code to be taken into taxable income in connection with the
7 taxpayer’s election of the foreign tax credit;

8 (II) the amount of income that results from the required
9 reduction in salaries and wages expense for corporations claiming the Targeted
10 Job or WIN credits; ~~and~~

11 (III) any federal deduction or credit that the taxpayer would
12 have been allowed for the cultivation, testing, processing, or sale of cannabis
13 or cannabis products as authorized under 7 V.S.A. chapter 33 or 37, but for 26
14 U.S.C. § 280E;

15 (IV) for the taxable year in which the bonus depreciation
16 deduction is taken on the taxpayer’s federal income tax return under Section
17 168(k) or (n) of the Internal Revenue Code and for each applicable taxable
18 year thereafter, an amount equal to the depreciation deduction that would be
19 allowed on that property if the taxpayer had made the election under Section
20 168(k)(7) or (n)(6) of the Internal Revenue Code to not claim depreciation on
21 that property. In the taxable year that property is sold or otherwise disposed

1 of, an additional deduction shall be allowed to the extent the amount of
2 depreciation claimed under Section 168(k) or (n) of the Internal Revenue Code
3 on that property has not been recovered through the additional deductions
4 provided under this subdivision (18). The aggregate amount deducted under
5 this subdivision (18)(A)(ii)(IV) in all taxable years for any one piece of
6 property shall not exceed the amount of the bonus depreciation deduction taken
7 on that property on the taxpayer’s federal income tax return under Section
8 168(k) or (n) of the Internal Revenue Code, or exceed the amount of the
9 additional modifications taken for that property on the taxpayer’s Vermont
10 income tax return under subdivision (i)(IV) of this subdivision (18)(A);
11 (V) for a taxpayer that does not qualify as an eligible taxpayer
12 for the taxable year, as defined under subdivision (i)(V) of this subdivision
13 (18)(A), for the taxable year in which a deduction is taken on the taxpayer’s
14 federal income tax return under 26 U.S.C. § 174A, or Pub. L. No. 119-21, 139
15 Stat. 72 (2025) § 70302(f)(2), or both, and for each applicable taxable year
16 thereafter, an amount equal to the deduction that would be allowed under 26
17 U.S.C. § 174 applied as those provisions were in effect on December 31, 2024.
18 The aggregate amount deducted under this subdivision (18)(A)(ii)(V) in all
19 taxable years may not exceed the amount of the deduction taken on that
20 expenditure on the taxpayer’s federal income tax return under the Internal
21 Revenue Code, or exceed the amount of the addition modifications taken on

1 the taxpayer’s Vermont income tax return under subdivision (i)(V) of this
2 subdivision (18)(A):
3 (VI) for a taxpayer that qualifies as an eligible taxpayer for the
4 taxable year as defined under subdivision (i)(V) of this subdivision (18)(A) and
5 has domestic research or experimental expenditures, as defined in 26 U.S.C.
6 § 174A, as added by subsection 174A(a), which are paid or incurred in taxable
7 years beginning after December 31, 2021, and before January 1, 2025, and
8 which was charged to capital account pursuant to 26 U.S.C. § 174 as those
9 provisions were in effect on December 31, 2024, and further elected under
10 Pub. L. No. 119-21, 139 Stat. 72 (2025) § 70302(f)(1) to substitute “December
11 31, 2021” for “December 31, 2024” as the applicable effective date for certain
12 provisions in 26 U.S.C. § 174A and accordingly filed an amended federal
13 return for each taxable year affected by such election, for the tax year
14 beginning on or after January 1, 2025, and for each applicable taxable year
15 thereafter, a taxpayer may elect to deduct any remaining unamortized amount
16 with respect to such expenditures in the first taxable year beginning after
17 December 31, 2024, or to deduct such remaining unamortized amount with
18 respect to such expenditures ratably over the two-taxable year period
19 beginning with the first taxable year beginning after December 31, 2024. The
20 aggregate amount deducted under this subdivision (A)(ii)(VI) when combined
21 with any other deduction for the domestic research or experimental

1 expenditure allowed pursuant to Vermont’s adoption of the statutes of the
2 United States relating to the federal income tax under section 5824 of this
3 chapter in all taxable years may not exceed the amount of the deduction taken
4 for that expenditure on the taxpayer’s federal income tax return under the
5 Internal Revenue Code; and

6 (VII) for a taxpayer that qualifies as an eligible taxpayer for the
7 taxable year as defined under subdivision (i)(V) of this subdivision (18)(A) and
8 has made an addition modification under subdivision (i)(V) in a prior tax year,
9 an amount equal to the subtraction modification that would have been allowed
10 in this taxable year under subdivision (A)(ii)(V) of this subdivision (18) but for
11 the taxpayer’s current status as an eligible taxpayer. The aggregate amount
12 deducted under this subdivision (18)(A)(ii)(VII) in all taxable years for any
13 expenditure may not exceed the amount of the deduction taken for that
14 expenditure on the taxpayer’s federal income tax return under the Internal
15 Revenue Code, or exceed the amount of the addition modifications taken for
16 that expenditure on the taxpayer’s Vermont income tax return under
17 subdivision (i)(V) of this subdivision (18)(A) for expenditures paid or incurred
18 in taxable years on or after January 1, 2025.

19 * * *

20 (21) “Taxable income” means, in the case of an individual, federal
21 adjusted gross income ~~determined without regard to 26 U.S.C. § 168(k)~~ and:

1 (A) increased by the following items of income (to the extent such
2 income is excluded from federal adjusted gross income):

3 (i) interest income from non-Vermont state and local obligations;
4 ~~and~~

5 (ii) dividends or other distributions from any fund to the extent
6 they are attributable to non-Vermont state or local obligations; ~~and~~

7 (iii) an amount equal to the bonus depreciation deduction taken on
8 the taxpayer’s federal income tax return for the taxable year under Section
9 168(k) or (n) of the Internal Revenue Code, including any amount of bonus
10 depreciation deduction carried over on the taxpayer’s federal income tax return
11 as part of a net operating loss from a prior taxable year that is deducted in the
12 current taxable year; and

13 (iv) for any taxpayer that does not qualify as an eligible taxpayer,
14 an amount equal to any deduction taken on the taxpayer’s federal income tax
15 return for the taxable year under 26 U.S.C. § 174A, or Pub. L. No. 119-21, 139
16 Stat. 72 (2025) § 70302(f)(2), or both, and any amount of these deductions
17 carried over on the taxpayer’s federal income tax return as part of a net
18 operating loss from a prior tax year that is deducted in the current taxable year.
19 For purposes of this subdivision (iv), the term “eligible taxpayer” means any
20 taxpayer (other than a tax shelter prohibited from using the cash receipts and

1 disbursements method of accounting under 26 U.S.C. § 448(a)(3)) that meets
2 the gross receipts test of 26 U.S.C. § 448(c) for the taxable year; and

3 (B) decreased by the following items of income (to the extent such
4 income is included in federal adjusted gross income):

5 (i) income from U.S. government obligations;

6 (ii) with respect to adjusted net capital gain income as defined in
7 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend
8 income: either the first \$5,000.00 of such adjusted net capital gain income or
9 40 percent of adjusted net capital gain income from the sale of assets held by
10 the taxpayer for more than three years, except not adjusted net capital gain
11 income from:

12 (I) the sale of any real estate or portion of real estate used by
13 the taxpayer as a primary or nonprimary residence; or

14 (II) the sale of depreciable personal property other than farm
15 property and standing timber; or stocks or bonds publicly traded or traded on
16 an exchange, or any other financial instruments; regardless of whether sold by
17 an individual or business; and provided that the total amount of decrease under
18 this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable
19 income or \$350,000.00, whichever is less;

20 (iii) recapture of State and local income tax deductions not taken
21 against Vermont income tax;

1 (iv) the portion of certain retirement income and federally taxable
2 benefits received under the federal Social Security Act that is required to be
3 excluded under section 5830e of this chapter;

4 (v) the amount of any federal deduction or credit that the taxpayer
5 would have been allowed for the cultivation, testing, processing, or sale of
6 cannabis or cannabis products as authorized under 7 V.S.A. chapter 33 or 37,
7 but for 26 U.S.C. § 280E; ~~and~~

8 (vi) the amount of interest paid by a qualified resident taxpayer
9 during the taxable year on a qualified education loan for the costs of attendance
10 at an eligible educational institution;

11 (vii) for the taxable year in which the bonus depreciation
12 deduction is taken on the taxpayer's federal income tax return under Section
13 168(k) or (n) of the Internal Revenue Code and for each applicable taxable
14 year thereafter, an amount equal to the depreciation deduction that would be
15 allowed on that property if the taxpayer had made the election under Section
16 168(k)(7) or (n)(6) of the Internal Revenue Code to not claim bonus
17 depreciation on that property. In the taxable year that property is sold or
18 otherwise disposed of, an additional deduction shall be allowed to the extent
19 the amount of depreciation claimed under Section 168(k) or (n) of the Internal
20 Revenue Code on that property has not been recovered through the additional
21 deductions provided under this subdivision (21). The aggregate amount

1 deducted under this subdivision (21)(B)(vii) in all taxable years for any one
2 piece of property shall not exceed the amount of the bonus depreciation
3 deduction taken on that property on the taxpayer's federal income tax return
4 under Section 168(k) or (n) of the Internal Revenue Code, or exceed the
5 amount of the addition modifications taken for that property on the taxpayer's
6 Vermont income tax return under subdivision (A)(iii) of this subdivision (21);
7 and
8 (viii) for a taxpayer that does not qualify as an eligible taxpayer
9 for the taxable year, as defined under subdivision (A)(iv) of this subdivision
10 (21), for the taxable year in which a deduction is taken on the taxpayer's
11 federal income tax return under 26 U.S.C. § 174A, or Pub. L. No. 119-21, 139
12 Stat. 72 (2025) § 70302(f)(2), or both, and for each applicable taxable year
13 thereafter, an amount equal to the deduction that would be allowed under 26
14 U.S.C. § 174 applied as those provisions were in effect on December 31, 2024.
15 The aggregate amount deducted under this subdivision (21)(B)(viii) in all
16 taxable years may not exceed the amount of the deduction taken on that
17 expenditure on the taxpayer's federal income tax return under the Internal
18 Revenue Code, or exceed the amount of the addition modifications taken on
19 the taxpayer's Vermont income tax return under subdivision (A)(iv) of this
20 subdivision (21);

1 (ix) for a taxpayer that qualifies as an eligible taxpayer for the
2 taxable year as defined under subdivision (A)(iv) of this subdivision (21) and
3 has domestic research or experimental expenditures, as defined in 26 U.S.C.
4 § 174A, as added by subsection 174A(a), which are paid or incurred in taxable
5 years beginning after December 31, 2021, and before January 1, 2025, and
6 which was charged to capital account pursuant to 26 U.S.C. § 174 as those
7 provisions were in effect on December 31, 2024, and elected under Pub. L. No.
8 119-21, 139 Stat. 72 (2025) § 70302(f)(1) to substitute “December 31, 2021”
9 for “December 31, 2024” as the applicable effective date for certain provisions
10 in 26 U.S.C. § 174A and accordingly filed an amended federal return for each
11 taxable year affected by such election, for the tax year beginning on or after
12 January 1, 2025, and for each applicable taxable year thereafter, a taxpayer
13 may elect to deduct any remaining unamortized amount with respect to such
14 expenditures in the first taxable year beginning after December 31, 2024, or to
15 deduct such remaining unamortized amount with respect to such expenditures
16 ratably over the two-taxable year period beginning with the first taxable year
17 beginning after December 31, 2024. The aggregate amount deducted under
18 this subdivision (21)(B)(ix) when combined with any other deduction for the
19 domestic research or experimental expenditure allowed pursuant to Vermont’s
20 adoption of the statutes of the United States relating to the federal income tax
21 under section 5824 of this chapter in all taxable years may not exceed the

1 amount of the deduction taken for that expenditure on the taxpayer’s federal
2 income tax return under the Internal Revenue Code; and
3 (x) for a taxpayer that qualifies as an eligible taxpayer for the
4 taxable year as defined under subdivision (A)(iv) of this subdivision (21) and
5 has made an addition modification under subdivision (A)(iv) of this
6 subdivision (21) in a prior tax year, an amount equal to the subtraction
7 modification that would have been allowed in this taxable year under
8 subdivision (viii) of this subdivision (21)(B) but for the taxpayer’s current
9 status as an eligible taxpayer. The aggregate amount deducted under this
10 subdivision (21)(B)(x) in all taxable years for any expenditure may not exceed
11 the amount of the deduction taken for that expenditure on the taxpayer’s
12 federal income tax return under the Internal Revenue Code, or exceed the
13 amount of the addition modifications taken for that expenditure on the
14 taxpayer’s Vermont income tax return under subdivision (A)(iv) of this
15 subdivision (21) for expenditures paid or incurred in taxable years on or after
16 January 1, 2025.

17 * * *

18 (28) “Taxable income” means, in the case of an estate or a trust, federal
19 taxable income ~~determined without regard to 26 U.S.C. § 168(k)~~ and:

20 (A) increased by the following items of income:

21 (i) interest income from non-Vermont state and local obligations;

1 (ii) dividends or other distributions from any fund to the extent
2 they are attributable to non-Vermont state or local obligations; and

3 (iii) the amount of State and local income taxes deducted from
4 federal gross income for the taxable year; ~~and~~

5 (iv) an amount equal to the bonus depreciation deduction taken on
6 the taxpayer’s federal income tax return for the taxable year under Section
7 168(k) or (n) of the Internal Revenue Code, including any amount of bonus
8 depreciation deduction carried over on the taxpayer’s federal income tax return
9 as part of a net operating loss from a prior tax year that is deducted in the
10 current taxable year; and

11 (v) for any taxpayer that does not qualify as an eligible taxpayer,
12 an amount equal to any deduction taken on the taxpayer’s federal income tax
13 return for the taxable year under 26 U.S.C. § 174A or Pub. L. No. 119-21, 139
14 Stat. 72 (2025) § 70302(f)(2), or both, and any amount of these deductions
15 carried over on the taxpayer’s federal income tax return as part of a net
16 operating loss from a prior tax year that is deducted in the current taxable year.
17 For purposes of this subdivision (v), the term “eligible taxpayer” means any
18 taxpayer (other than a tax shelter prohibited from using the cash receipts and
19 disbursements method of accounting under 26 U.S.C. § 448(a)(3)) that meets
20 the gross receipts test of 26 U.S.C. § 448(c) for the taxable year; and

21 (B) decreased by the following items of income:

1 (i) income from U.S. government obligations;

2 (ii) with respect to adjusted net capital gain income as defined in

3 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend

4 income: either the first \$5,000.00 of such adjusted net capital gain income or

5 40 percent of adjusted net capital gain income from the sale of assets held by

6 the taxpayer for more than three years, except not adjusted net capital gain

7 income from:

8 (I) the sale of any real estate or portion of real estate used by

9 the taxpayer as a primary or nonprimary residence; or

10 (II) the sale of depreciable personal property other than farm

11 property and standing timber; or stocks or bonds publicly traded or traded on

12 an exchange, or any other financial instruments; regardless of whether sold by

13 an individual or business; and provided that the total amount of decrease under

14 this subdivision (28)(B)(ii) shall not exceed 40 percent of federal taxable

15 income or \$350,000.00, whichever is less; and

16 (iii) recapture of State and local income tax deductions not taken

17 against Vermont income tax;

18 (iv) for the taxable year in which the bonus depreciation deduction

19 is taken on the taxpayer's federal income tax return under Section 168(k) or (n)

20 of the Internal Revenue Code and for each applicable taxable year thereafter,

21 an amount equal to the depreciation deduction that would be allowed on that

1 property if the taxpayer had made the election under Section 168(k)(7) or
2 (n)(6) of the Internal Revenue Code to not claim bonus depreciation on that
3 property. In the taxable year that property is sold or otherwise disposed of, an
4 additional deduction shall be allowed to the extent the amount of depreciation
5 claimed under Section 168(k) or (n) of the Internal Revenue Code on that
6 property has not been recovered through the additional deductions provided
7 under this subdivision (28). The aggregate amount deducted under this
8 subdivision (28)(B)(iv) in all taxable years for any one piece of property shall
9 not exceed the amount of the bonus depreciation deduction taken on that
10 property on the taxpayer's federal income tax return under Section 168(k) or
11 (n) of the Internal Revenue Code, or exceed the amount of the addition
12 modifications taken on that property on the taxpayer's Vermont income tax
13 return under subdivision (A)(iv) of this subdivision (28);
14 (v) for a taxpayer that does not qualify as an eligible taxpayer for
15 the taxable year, as defined under subdivision (A)(v) of this subdivision (28),
16 for the taxable year in which a deduction is taken on the taxpayer's federal
17 income tax return under 26 U.S.C. § 174A, or Pub. L. No. 119-21, 139 Stat. 72
18 (2025) § 70302(f)(2), or both, and for each applicable taxable year thereafter,
19 an amount equal to the deduction that would be allowed under 26 U.S.C. § 174
20 applied as those provisions were in effect on December 31, 2024. The
21 aggregate amount deducted under this subdivision (v) in all taxable years may

1 not exceed the amount of the deduction taken on that expenditure on the
2 taxpayer’s federal income tax return under the Internal Revenue Code, or
3 exceed the amount of the addition modifications taken on the taxpayer’s
4 Vermont income tax return under subdivision (A)(v) of this subdivision (28);
5 (vi) for a taxpayer that qualifies as an eligible taxpayer for the
6 taxable year as defined under subdivision (A)(v) of this subdivision (28) and
7 has domestic research or experimental expenditures, as defined in 26 U.S.C.
8 § 174A, as added by subsection 174A(a), which are paid or incurred in taxable
9 years beginning after December 31, 2021, and before January 1, 2025, and
10 which was charged to capital account pursuant to 26 U.S.C. § 174 as those
11 provisions were in effect on December 31, 2024, and elected under Pub. L. No.
12 119-21, 139 Stat. 72 (2025) § 70302(f)(1) to substitute “December 31, 2021”
13 for “December 31, 2024” as the applicable effective date for certain provisions
14 in 26 U.S.C. § 174A and accordingly filed an amended federal return for each
15 taxable year affected by such election, for the tax year beginning on or after
16 January 1, 2025, and for each applicable taxable year thereafter, a taxpayer
17 may elect to deduct any remaining unamortized amount with respect to such
18 expenditures in the first taxable year beginning after December 31, 2024, or to
19 deduct such remaining unamortized amount with respect to such expenditures
20 ratably over the two-taxable year period beginning with the first taxable year
21 beginning after December 31, 2024. The aggregate amount deducted under

1 this subdivision (28)(B)(vi) when combined with any other deduction for the
2 domestic research or experimental expenditure allowed pursuant to Vermont's
3 adoption of the statutes of the United States relating to the federal income tax
4 under section 5824 of this chapter in all taxable years may not exceed the
5 amount of the deduction taken for that expenditure on the taxpayer's federal
6 income tax return under the Internal Revenue Code; and

7 (vii) for a taxpayer that qualifies as an eligible taxpayer for the
8 taxable year as defined under subdivision (A)(v) of this subdivision (28) and
9 has made an addition modification under subdivision (A)(v) of this subdivision
10 (28) in a prior tax year, an amount equal to the subtraction modification that
11 would have been allowed in this taxable year under subdivision (v) of this
12 subdivision (28)(B) but for the taxpayer's current status as an eligible
13 taxpayer. The aggregate amount deducted under this subdivision in all taxable
14 years for any expenditure may not exceed the amount of the deduction taken
15 for that expenditure on the taxpayer's federal income tax return under the
16 Internal Revenue Code, or exceed the amount of the addition modifications
17 taken for that expenditure on the taxpayer's Vermont income tax return under
18 subdivision (A)(v) of this subdivision (28) for expenditures paid or incurred in
19 taxable years on or after January 1, 2025.

20 * * *

21 Second: By adding a new Sec. 55a to read as follows:

1 Sec. 55a. 32 V.S.A. § 5811 is amended to read:

2 § 5811. DEFINITIONS

3 As used in this chapter:

4 * * *

5 (21) “Taxable income” means, in the case of an individual, federal
6 adjusted gross income and:

7 (A) increased by the following items of income (to the extent such
8 income is excluded from federal adjusted gross income):

9 * * *

10 (v) an amount equal to any income or gain from the sale or
11 exchange of qualified small business stock excluded from federal gross income
12 for the taxable year under Section 1202(a) of the Internal Revenue Code; and

13 (B) decreased by the following items of income (to the extent such
14 income is included in federal adjusted gross income):

15 (i) income from U.S. government obligations;

16 (ii)(I) with respect to adjusted net capital gain income as defined
17 in 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend
18 income: either the first \$5,000.00 of such adjusted net capital gain income or
19 40 percent of adjusted net capital gain income from the sale of assets held by
20 the taxpayer for more than three years, except not adjusted net capital gain
21 income from:

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* * *

(vi) an amount equal to any income or gain from the sale or exchange of qualified small business stock excluded from federal gross income for the taxable year under Section 1202(a) of the Internal Revenue Code; and

(B) decreased by the following items of income:

(i) income from U.S. government obligations;

(ii)~~(I)~~ with respect to adjusted net capital gain income as defined in 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend income: either the first \$5,000.00 of such adjusted net capital gain income or 40 percent of adjusted net capital gain income from the sale of assets held by the taxpayer for more than three years, except not adjusted net capital gain income from:

~~(H)~~(aa) the sale of any real estate or portion of real estate used by the taxpayer as a primary or nonprimary residence; or

~~(H)~~(bb) the sale of depreciable personal property other than farm property and standing timber; or stocks or bonds publicly traded or traded on an exchange, or any other financial instruments; regardless of whether sold by an individual or business; and provided that the total amount of decrease under this subdivision (28)(B)(ii) shall not exceed 40 percent of federal taxable income or \$350,000.00, whichever is less;

