

1 TO THE HONORABLE SENATE:

2 The Committee on Economic Development, Housing and General Affairs to
3 which was referred House Bill No. 34 entitled “An act relating to workforce
4 leadership in Vermont” respectfully reports that it has considered the same and
5 recommends that the Senate propose to the House that the bill be amended as
6 follows:

7 First: By adding a new Sec. 1 to read as follows:

8 Sec. 1. PURPOSE AND INTENT

9 (a) Vermont faces workforce shortages in construction, health care, and
10 manufacturing, fields where veterans’ skills are a strong match. Specifically,
11 the McClure Foundation, in partnership with the Department of Labor,
12 released Vermont’s Most Promising Jobs resource in November of 2024,
13 identifying jobs projected to pay a median wage above \$30.00 an hour and that
14 will have at least 300 openings in the State between 2022–2032. By
15 eliminating military retirement pension taxation and simultaneously
16 implementing strategic workforce training and incentives, Vermont can
17 capitalize on military retirees and their spouses to supply valuable labor for
18 various in-demand industries, addressing labor shortages and stimulating
19 economic development.

20 (b) In 2024, Vermont created the Office of Workforce Strategy and
21 Development to help coordinate and strengthen workforce development across

1 the State. The Commissioner of Labor and the Executive Director of
2 Workforce Strategy and Development will work together on workforce
3 development and, through this act, be provided specific duties and
4 responsibilities ensuring successful workforce leadership in the State.

5 and by renumbering the remaining sections to be numerically correct

6 Second: By adding a new section to be Sec. 1a to read as follows:

7 Sec. 1a. 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 (21) “Taxable income” means, in the case of an individual, federal
12 adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

13 * * *

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

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

17 (ii) with respect to adjusted net capital gain income as defined in
18 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend
19 income: either the first \$5,000.00 of such adjusted net capital gain income or
20 40 percent of adjusted net capital gain income from the sale of assets held by

1 the taxpayer for more than three years, except not adjusted net capital gain
2 income from:

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

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

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

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

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

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

4 (vii) U.S. military retirement income and U.S. military survivor
5 benefit income received by the surviving spouse or dependent of the deceased
6 service member; and

7 * * *

8 Third: By adding a new section to be Sec. 1b to read as follows:

9 Sec. 1b. 32 V.S.A. § 5830e is amended to read:

10 § 5830e. RETIREMENT INCOME; SOCIAL SECURITY INCOME

11 * * *

12 (c) Other contributory retirement systems; earnings not covered by Social
13 Security. Other retirement income, ~~except U.S. military retirement income~~
14 ~~pursuant to subsection (d) of this section,~~ received by a taxpayer of this State
15 shall be excluded pursuant to subsection (b) of this section as though the
16 income were received from the Civil Service Retirement System and shall be
17 subject to the limitations under subsection (e) of this section, provided that:

18 (1) the income is received from a contributory annuity, pension,
19 endowment, or retirement system of:

20 (A) the U.S. government or a political subdivision or instrumentality
21 of the U.S. government;

1 (B) this State or a political subdivision or instrumentality of this
2 State; or

3 (C) another state or a political subdivision or instrumentality of
4 another state; and

5 (2) the contributory system from which the income is received was
6 based on earnings that were not covered by the Social Security Act.

7 (d) ~~U.S. military retirement income. U.S. military retirement income~~
8 ~~received by a taxpayer of this State shall be excluded pursuant to subsection~~
9 ~~(b) of this section as though the income were received from the Civil Service~~
10 ~~Retirement System and shall be subject to the limitations under subsection (e)~~
11 ~~of this section. [Repealed.]~~

12 (e) Requirement to elect one exclusion. A taxpayer of this State who is
13 eligible during the taxable year for the Social Security income exclusion under
14 subsection (a) of this section and ~~any~~ one or both of the exclusions under
15 subsections (b)–~~(d)~~ and (c) of this section shall elect either one of the
16 exclusions for which the taxpayer is eligible under subsections (b)–~~(d)~~ and (c)
17 of this section or the Social Security income exclusion under subsection (a) of
18 this section, but not both, for the taxable year. A taxpayer of this State who is
19 eligible during the taxable year for ~~more than one of the~~ both exclusions under
20 subsections (b)–~~(d)~~ and (c) of this section shall elect only one of the exclusions
21 for which the taxpayer is eligible for the taxable year.

1 Third: By striking out the newly remembered Sec. 3, effective date, and by
2 adding two new sections to be Secs. 3 and 4 to read as follows:

3 Sec. 3. ACCD REPORTING ON MILITARY WORKFORCE

4 RECRUITMENT

5 The Agency of Commerce and Community Development, in consultation
6 with the Office of Workforce Strategy and Development, shall, on or before
7 December 1 of each year and ending on January 1, 2029, issue a report to the
8 House Committee on Commerce and Economic Development and the Senate
9 Committee on Economic Development, Housing and General Affairs that
10 provides a summary of the marketing efforts being utilized by the Agency and
11 if applicable, other State agencies or departments, to recruit military personnel
12 to fill workforce needs of the State. The report shall include data indicating the
13 results of these efforts.

14 Sec. 4. EFFECTIVE DATES

15 (a) This section shall take effect on passage.

16 (b) Notwithstanding 1 V.S.A. § 214, Secs. 1a and 1b shall take effect
17 retroactively on January 1, 2025 and apply to taxable years on and after
18 January 1, 2025.

19 (c) Secs. 1, 2, and 3 shall take effect on July 1, 2025.

20 and that after passage the title of the bill be amended to read: “An act relating
21 to workforce development”

1

2 (Committee vote: _____)

3

4

Senator _____

5

FOR THE COMMITTEE