

1 TO THE HONORABLE SENATE:

2 The Committee on Finance to which was referred Senate Bill No. 282
3 entitled “An act relating to increasing taxes on higher income earners and
4 creating the School Construction Aid Special Fund” respectfully reports that it
5 has considered the same and recommends that the bill be amended by striking
6 out all after the enacting clause and inserting in lieu thereof the following:

7 Sec. 1. 32 V.S.A. chapter 149 is added to read:

8 CHAPTER 149. INVESTMENT PROCEEDS TAX

9 § 5701. DEFINITIONS

10 As used in this chapter:

11 (1) “Federal modified adjusted gross income” means modified adjusted
12 gross income as defined in 26 U.S.C. § 1411(d).

13 (2) “Investment proceeds” has the same meaning as net investment
14 income in 26 U.S.C. § 1411(c) as adjusted by section 5703 of this chapter.

15 § 5702. IMPOSITION OF VERMONT INVESTMENT PROCEEDS TAX

16 (a) A Vermont investment proceeds tax is imposed for each taxable year on
17 individuals, estates, and trusts subject to the personal income tax under chapter
18 151 of this title as follows:

19 (1) individuals with federal modified adjusted gross income exceeding
20 \$500,000.00; and

1 (2) estates and trusts with adjusted gross income, as defined in 26
2 U.S.C. § 67(e), exceeding the dollar amount at which the highest tax bracket
3 begins for the taxable year under 26 U.S.C. § 1(e).

4 (b)(1) Tax is imposed at the rate of four percent of the lesser of:

5 (A) investment proceeds for the taxable year; or

6 (B) federal modified adjusted gross income for the taxable year,
7 reduced by \$500,000.00.

8 (2) For estates and trusts, tax is imposed at the rate of four percent of the
9 lesser of:

10 (A) undistributed investment proceeds for the taxable year; or

11 (B) the dollar amount at which the highest tax bracket begins for the
12 taxable year under 26 U.S.C. § 1(e).

13 (c) The tax imposed under this section shall be in addition to any other tax
14 imposed under this title.

15 (d) For part-year and nonresident individuals, estates, and trusts, the tax
16 imposed by this section shall be calculated by multiplying a taxpayer's total
17 amount of investment proceeds for the taxable year by the percentage of
18 investment proceeds allocable to Vermont under section 5823 of this title.

1 § 5703. DETERMINATION OF VERMONT INVESTMENT PROCEEDS

2 The investment proceeds of an individual, estate, or trust means net
3 investment income, as defined in 26 U.S.C. § 1411(c), decreased by the
4 following to the extent they are included in net investment income:

5 (1) income from U.S. government obligations; and

6 (2) any amount exempted from state taxation under the laws of the

7 United States.

8 § 5704. ADMINISTRATION

9 The tax imposed under this chapter shall be administered and enforced
10 under this chapter in the same manner as the income tax imposed under section
11 5822 of this title, including all provisions relating to deficiencies, assessments,
12 refunds, appeals, enforcement, and collection under chapter 151, subchapters 8
13 and 9 of this title.

14 Sec. 2. EFFECTIVE DATE

15 Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on
16 January 1, 2026, and apply to taxable years beginning on and after January 1,
17 2026.

18 and that after passage the title of the bill be amended to read: “An act relating
19 to the Vermont investment proceeds tax”

20

21

1
2
3
4
5
6
7
8
9
10
11

(Committee vote: _____)

Senator _____

FOR THE COMMITTEE