

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 (3) “Threshold amount” has the same meaning as in 26 U.S.C.

16 § 1411(b).

17 § 5702. IMPOSITION OF VERMONT INVESTMENT PROCEEDS TAX

18 (a) A Vermont investment proceeds tax is imposed for each taxable year on  
19 individuals, estates, and trusts subject to the personal income tax under chapter  
20 151 of this title as follows:

1           (1) individuals filing as single or head of household with federal  
2           modified adjusted gross income exceeding \$200,000.00;

3           (2) married individuals filing jointly with federal modified adjusted  
4           gross income exceeding \$250,000.00;

5           (3) individuals filing as married filing separately with federal modified  
6           adjusted gross income exceeding \$125,000.00; and

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

10          (b)(1) For individuals, tax is imposed at the rate of four percent of the  
11          lesser of:

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

13                  (B) federal modified adjusted gross income for the taxable year,  
14          reduced by the threshold amount.

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

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

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

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

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

5        § 5703. DETERMINATION OF VERMONT INVESTMENT PROCEEDS

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

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

10          (2) any amount exempted from state taxation under the laws of the  
11        United States.

12        § 5704. ADMINISTRATION

13        The tax imposed under this chapter shall be administered and enforced  
14        under this chapter in the same manner as the income tax imposed under section  
15        5822 of this title, including all provisions relating to deficiencies, assessments,  
16        refunds, appeals, enforcement, and collection under chapter 151, subchapters 8  
17        and 9 of this title.

18        § 5705. DEPOSIT OF REVENUE

19        The Commissioner shall deposit the revenue generated by the tax under this  
20        chapter into the Education Fund under 16 V.S.A. § 4025. It is the intent of the  
21        General Assembly that the revenue be used for universal meals supplement

1 provided pursuant to 16 V.S.A. § 4017 and normal contributions to the Retired  
2 Teachers' Health and Medical Benefits Fund for the payment of other  
3 postemployment benefits pursuant to 16 V.S.A. § 1944b.

4 **Sec. 2.** 16 V.S.A. § 4025 is amended to read:

5 § 4025. EDUCATION FUND

6 (a) The Education Fund is established to comprise the following:

7 \* \* \*

8 (10) wind-powered electric generating facilities tax deposited pursuant  
9 to 32 V.S.A. § 5402c; ~~and~~

10 (11) revenues from the short-term rental surcharge under 32 V.S.A.  
11 § 9301; and

12 (12) revenues raised by the investment proceeds tax imposed by  
13 32 V.S.A. chapter 149.

14 \* \* \*

15 **Sec. 3.** 16 V.S.A. § 4001 is amended to read:

16 § 4001. DEFINITIONS

17 As used in this chapter:

18 \* \* \*

19 (6) "Education spending" means the amount of the school district  
20 budget, any assessment for a joint contract school, career technical center  
21 payments made on behalf of the district under subsection 1561(b) of this title,

1 and any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) that is  
2 paid for by the school district, but excluding any portion of the school budget  
3 paid for from any other sources such as endowments, parental fundraising,  
4 federal funds, nongovernmental grants, or other State funds such as special  
5 education funds paid under chapter 101 of this title.

6 (A) [Repealed.]

7 (B) ~~For all bonds approved by voters prior to July 1, 2024, voter-~~  
8 ~~approved~~ Voter-approved bond payments toward principal and interest shall  
9 not be included in “education spending” for purposes of calculating excess  
10 spending pursuant to 32 V.S.A. § 5401(12).

11 \* \* \*

12 **Sec. 4.** 32 V.S.A. § 5401 is amended to read:

13 § 5401. DEFINITIONS

14 As used in this chapter:

15 \* \* \*

16 (12) “Excess spending” means:

17 (A) The per pupil spending amount of the district’s education  
18 spending, as defined in 16 V.S.A. § 4001(6), plus any amount required to be  
19 added from a capital construction reserve fund under 24 V.S.A. § 2804(b).

20 (B) In excess of ~~448~~ 115 percent of the statewide average district per  
21 pupil education spending increased by inflation, as determined by the Secretary

1 of Education on or before November 15 of each year based on the passed  
2 budgets to date. As used in this subdivision, “increased by inflation” means  
3 increasing the statewide average district per pupil education spending for fiscal  
4 year 2025 by the most recent New England Economic Project cumulative price  
5 index, as of November 15, for state and local government purchases of goods  
6 and services, from fiscal year 2025 through the fiscal year for which the  
7 amount is being determined.

8 \* \* \*

9 Sec. 5. EFFECTIVE DATES

10 (a) Notwithstanding 1 V.S.A. § 214, this section and Secs. 1 (investment  
11 proceeds tax) and 2 (deposit of revenue) shall take effect retroactively on  
12 January 1, 2026, and apply to taxable years beginning on and after January 1,  
13 2026.

14 (b) Secs. 3 and 4 (excess education spending) shall take effect on July 1,  
15 2026.

16 and that after passage the title of the bill be amended to read: “An act relating  
17 to the Vermont investment proceeds tax and excess education spending”

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3 (Committee vote: \_\_\_\_\_)

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Senator \_\_\_\_\_

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FOR THE COMMITTEE