

# HR1 Federal Tax Changes for Vermonters

Senate Committee on Finance

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# Vermont's income distribution



# Vermont's Income Distribution

## 2024 Vermont Personal Income Tax Returns by AGI Percentile - Dollars

AGI Percentile	AGI Start for Percentile	Returns	Adjusted Gross Income (AGI)	Share of Adjusted Gross Income	Net Vermont Tax	Share of Net Vermont Tax
Bottom 10%	NA	32,981	-9,440,163	0%	-2,488,113	0%
10% - 20%	8,596	32,978	458,309,698	1%	-6,664,919	-1%
20% - 30%	19,768	32,978	870,747,092	3%	-1,805,846	0%
30% - 40%	32,965	32,977	1,281,843,577	4%	13,122,427	1%
40% - 50%	44,562	32,978	1,659,360,717	5%	28,051,374	2%
50% - 60%	56,330	32,975	2,089,861,847	7%	44,952,203	4%
60% - 70%	71,196	32,978	2,681,415,263	9%	69,865,368	6%
70% - 80%	92,940	32,977	3,554,533,854	12%	98,892,189	9%
80% - 90%	124,440	32,979	4,896,786,741	16%	170,791,628	15%
90% - 95%	180,889	16,488	3,478,164,975	11%	149,052,336	13%
95% - 99%	254,700	13,191	4,706,525,127	15%	251,901,155	22%
Top 1%	586,634	3,298	5,157,021,652	17%	345,905,453	30%
Total		329,778	30,825,130,380	100%	1,161,575,255	100%



# Vermont vs Federal Income Percentiles - 2022

<b>AGI Percentile</b>	<b>Vermont AGI Start for Percentile</b>	<b>Federal AGI Start for Percentile</b>	<b>Difference</b>	<b>Percent Difference</b>
50% - 60%	49,615	50,339	724	1.5%
60% - 70%	62,965	65,388	2,423	3.8%
70% - 80%	81,920	85,961	4,041	4.9%
80% - 90%	109,942	117,162	7,220	6.6%
90% - 95%	159,290	178,611	19,321	12.1%
95% - 99%	223,506	261,591	38,085	17.0%
Top 1%	520,544	663,164	142,620	27.4%

- Vermont's median AGI is very similar to federal AGI, but in higher income percentiles the difference is much larger.
- To be considered in the top 1% nationally your AGI needed to be \$663,164 in 2022.
- That was 27.4% higher than in Vermont in 2022.



# Significant HR1 Changes to Federal PIT

- **Provisions from TCJA that were set to expire that were made permanent**
  - Extension of reduced income tax rates
  - Extension of increased standard deduction
  - Termination of permanent exemptions
  - Extension and Enhancement of Child Tax Credit
  - Extension and Enhancement of Qualified Business Income
  - Extension of Increased Alternative Minimum Amounts
- **Other provisions**
  - Qualified Tips Deduction
  - Qualified Overtime Deduction
  - Qualified Car Loan Interest Deduction
  - Enhanced Standard Deduction for Individuals Aged 65 and older
  - Charitable Contribution Deduction for Non-Itemizers
  - Expansion of the Child and Dependent Care Credit
  - Limitation on Individual Deductions for Certain State and Local Taxes



# Estimates of Change in Vermonters' Federal Income Tax Liability

- **Caveats:**

- Income percentiles in Vermont differ from national figures.
- JCT estimates include the impact of making temporary changes set to expire permanent.
  - In some cases, this is not a significant change relative to tax treatment from the previous tax year.
- JFO did not conduct the analysis of the underlying impact on federal tax collections.
- Most personal income tax provisions from HR1 do not flow through to Vermont.
  - These numbers specifically related to federal tax liability.



# Estimates of Change in Vermonters' Federal Income Tax Liability

AGI Percentile	Federal AGI Quantile	VT Resident Returns	JCT Estimated Average Federal Tax Decrease	JCT Estimated Federal Tax Decrease
Lowest Quintile	25,000	89,383	108	9,683,716
Second Quintile	47,400	66,529	557	37,059,686
Third Quintile	74,900	64,648	1,140	73,698,587
Fourth Quintile	120,200	55,557	2,515	139,705,659
80th to 90th Percentile	170,500	30,333	3,988	120,956,456
90th to 95th Percentile	233,500	15,086	5,922	89,336,263
95th to 99th Percentile	526,000	12,853	14,571	187,284,204
99th to 99.9th Percentile	2,042,000	2,961	41,227	122,073,337
Highest 0.1 Percentile	Above 2,042,000	324	310,825	100,707,216
			<b>Total</b>	<b>880,505,124</b>



# Questions?

