

**Spec. Sess. H.16:**

**AN ACT RELATING TO MAKING APPROPRIATIONS FOR THE SUPPORT OF GOVERNMENT, FINANCING EDUCATION AND VITAL RECORDS**

**Section by Section Summary: H.1-H.31 As proposed by Senate**

**Tax and Education Financing Sections**

**Office of Legislative Council 6/20/18**

<b>Sec.</b>	<b>Personal Income Tax Changes</b>
<b>H.1</b>	<p>Creates a Vermont personal exemption, a Vermont standard deduction, and eliminates Vermont's subtraction for itemized deductions. These changes replace Vermont's current reliance on federal definitions and its current treatment of itemized deductions.</p> <ul style="list-style-type: none"><li>• The personal exemption is set at \$4150.</li><li>• The standard deduction is set at \$12,000 for joint filers, \$9,000 for heads of households, and \$6000 for single filers.</li><li>• Retains the current CPI index for increasing these amounts, and for Vermont's personal income tax brackets.</li></ul>
<b>H.2</b>	<p>Lowers Vermont's marginal rates for personal income taxes and collapses the top two income tax brackets. The brackets and rates would change from:</p> <ul style="list-style-type: none"><li>• five brackets of 3.55%, 6.8%, 7.8%, 8.8% and 8.95% to</li><li>• four brackets of 3.35%, 6.6%, 7.6%, and 8.75%.</li></ul>
<b>H.3</b>	<p>Creates a charitable donation tax credit, which is equal to 5% of the first \$20,000 in charitable contributions claimed at the federal level.</p>
<b>H.4</b>	<p>Increases the size of Vermont's earned income tax credit. It is increased from 32 percent of the federal credit to 36 percent of the federal credit.</p>
<b>H.1</b> <b>H.5</b> <b>H.6</b>	<p>Exclude taxable Social Security benefits from State taxation for joint filers with federal adjusted gross income of \$60,000 or less, and single filers with federally adjusted gross income of \$45,000 or less, with phase-outs above those amounts.</p>
<b>H.7</b>	<p>Contains the annual linkage language to the federal statutes for in effect on December 31, 2017.</p>
	<b>Revenue Allocation Changes</b>
<b>H.8-</b> <b>H.9a</b>	<p>Reallocates certain Education Fund and General Fund revenues.</p> <ul style="list-style-type: none"><li>• Eliminates the General Fund Transfer and moves several Education Fund expenses to the General Fund, including adult education programs, Community High School of Vermont, and the renter rebate, and reappraisal and listing account.</li><li>• Commits all the revenue from the sales and use tax, and 25 percent of the meals and rooms tax to the Education Fund.</li><li>• Requires the Joint Fiscal Office to report by 2024 on the impact of the changes in the act related to the General Fund and Education Fund.</li></ul>

<b>Education Financing Changes</b>	
<b>H.10</b>	<p>Establishes yields and a nonresidential property tax rate for fiscal year 2019:</p> <ul style="list-style-type: none"> <li>• Property dollar equivalent yield = \$10,220.00</li> <li>• Income dollar equivalent yield = \$12,380.00</li> <li>• Nonresidential property tax rate = \$1.58</li> </ul>
<b>H.11</b>	<p><u>Effective for fiscal year 2019:</u> Changes how income sensitivity adjustments are calculated.</p> <ul style="list-style-type: none"> <li>• For adjustments for people over \$90,000.00 in household income, the phase out slope is shortened.</li> <li>• Income sensitivity adjustments will be capped at \$400,000.00 of housesite value rather than \$500,000.00 as under current law.</li> </ul>
<b>H.12- H.13</b>	<p><u>Effective for fiscal year 2020:</u> Changes how the “super-circuitbreaker” is calculated. For people below \$47,000.00 in household income the “supercircuit breaker” adjustment is split into an education property tax adjustment and a municipal tax adjustment. The overall credit limits are also altered to reflect this split.</p>
<b>H.14- H.15</b>	<p><u>Effective for fiscal year 2020:</u> Requires statewide education property tax to be stated separately from any other tax on the municipal tax bills.</p>
<b>H.16</b>	<ul style="list-style-type: none"> <li>• Creates the Staff to Student Ratios Task Force to review current public school staff to student count ratios, establish optimal target ratios for different school district configurations, and develop recommended strategies for districts to help them meet targets.</li> <li>• The Task Force report is due December 15, 2018 and shall include its findings concerning optimum staff to student ratios, including optimum ratios for a variety of school and school district sizes and configurations. The Task Force shall include in its report a recommendation as to whether staff to student target ratios should be included in statute for fiscal year 2021.</li> </ul>
<b>H.17</b>	<p>Creates a Vermont Tax Structure Commission to analyze Vermont’s tax structure. Report is due in January of 2021.</p>
<b>Public School Employee Health Benefits</b>	
<b>H.18</b>	<ul style="list-style-type: none"> <li>• Creates the Commission on Public School Employee Health Benefits to determine, through a negotiation process, the amounts of the premiums and out-of-pocket expenses for school employee health benefits that will be the responsibility of supervisory unions and school districts and the amounts that will be the responsibility of school employees.</li> <li>• Sets forth the negotiation, dispute resolution, and agreement ratification processes.</li> <li>• The term of each agreement the Commission negotiates will be at least two years.</li> </ul>
<b>H.19- H.22</b>	<p>These sections take health care benefits and coverage out of the scope of collective bargaining for teachers, administrators, and other school employees.</p>

<b>H.23</b>	Recognizes existing disparities in health care benefits for school employees and expresses legislative intent that the Commission try to make the transition to statewide health care coverage fair and practicable for all parties.
<b>H.24</b>	<ul style="list-style-type: none"> <li>• All collective bargaining agreements for school employees that take effect between July 1, 2018 and June 30, 2020 will expire between July 1, 2020 and September 1, 2020.</li> <li>• The Commission’s first agreement on statewide health care benefits will apply to collective bargaining agreements that take effect on or after July 1, 2020.</li> </ul>
<b>H.25- H.27</b>	<ul style="list-style-type: none"> <li>• Beginning on October 1, 2018 VEHI’s board composition must be three members appointed by the Vermont School Boards Association and three members appointed by VT-NEA.</li> <li>• Directs the Department of Financial Regulation to amend its rules, and VEHI to amend its governing documents, to reflect the new board composition.</li> <li>• Requires VEHI to continuing offering the same health plans it offers on July 1, 2018 through the end of the Commission’s first agreement on school employee health benefits.</li> </ul>
<b>H.28</b>	Specifies that the act does not change the health benefits or health benefit plans offered to retired school employees.
<b>Administrative Provisions</b>	
<b>H.29- H.30</b>	Administrative provisions. <ul style="list-style-type: none"> <li>• Makes a technical change in how the rates are calculated for purposes of the Commissioner’s December 1 recommendations.</li> <li>• Alters due dates for a recurring JFO report on tax increment financing districts.</li> </ul>
<b>H.31</b>	Effective dates.