

1 S.200

2 Introduced by Senator Champion

3 Referred to Committee on

4 Date:

5 Subject: Taxation; income tax; exemption

6 Statement of purpose of bill as introduced: This bill proposes to exempt from
7 State income taxation payments made under the Social Security Act for
8 taxpayers with less than \$60,000.00 in federal adjusted gross income. The
9 exemption is phased in over a ten-year period.

10 An act relating to the phased-in exemption from State income taxation of
11 Social Security payments for certain taxpayers

12 It is hereby enacted by the General Assembly of the State of Vermont:

13 Sec. 1. 32 V.S.A. § 5811(21)(B) is amended to read:

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; ~~and~~

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

13 (iv) the amount of taxable payments received under the federal
14 Social Security Act as calculated under section 5830e of this title; and

15 Sec. 2. 32 V.S.A. § 5813(w) is added to read:

16 (w) The statutory purpose of the partial exemption of federally taxable
17 payments under the Social Security Act in section 5830e of this title is to
18 lessen the tax burden on Vermonters who have less than \$60,000.00 in
19 federally adjusted gross income and who derive part of their income from
20 Social Security payments.

1 Sec. 3. 32 V.S.A. § 5830e is added to read:

2 § 5830e. SOCIAL SECURITY INCOME

3 For taxpayers who have a federal adjusted gross income of less than
4 \$60,000.00, taxable income, as that term is used in subdivision 5811(21) of
5 this title, shall not include the following amounts:

6 (1) 10 percent of the federally taxable payments received under the
7 federal Social Security Act, for returns filed for taxable year 2018;

8 (2) 20 percent of the federally taxable payments received under the
9 federal Social Security Act, for returns filed for taxable year 2019;

10 (3) 30 percent of the federally taxable payments received under the
11 federal Social Security Act, for returns filed for taxable year 2020;

12 (4) 40 percent of the federally taxable payments received under the
13 federal Social Security Act, for returns filed for taxable year 2021;

14 (5) 50 percent of the federally taxable payments received under the
15 federal Social Security Act, for returns filed for taxable year 2022;

16 (6) 60 percent of the federally taxable payments received under the
17 federal Social Security Act, for returns filed for taxable year 2023;

18 (7) 70 percent of the federally taxable payments received under the
19 federal Social Security Act, for returns filed for taxable year 2024;

20 (8) 80 percent of the federally taxable payments received under the
21 federal Social Security Act, for returns filed for taxable year 2025;

1 (9) 90 percent of the federally taxable payments received under the
2 federal Social Security Act, for returns filed for taxable year 2026; and

3 (10) 100 percent of the federally taxable payments received under the
4 federal Social Security Act, for returns filed for taxable year 2027 and each
5 taxable year thereafter.

6 Sec. 4. EFFECTIVE DATE

7 Notwithstanding 2 V.S.A. § 214, this act shall take effect retroactively on
8 January 1, 2018 and apply to taxable year 2018 and after.