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H.429

Introduced by Representative Condon of Colchester

Referred to Committee on

Date:

Subject: Taxation; income tax; capital gain; exclusion for sale of a business to
employees

Statement of purpose: This bill proposes to provide an income tax exclusion
for any capital gain realized on the sale of a business to the employees.

An act relating to capital gain exclusion for sale of a business to employees

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

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

(B) Decreased by the following items of income (to the extent such
income is included in federal adjusted gross income):

(i) income from United States government obligations;

(ii) with respect to adjusted net capital gain income as defined in

Section 1(h) of the Internal Revenue Code:

(I) total adjusted net capital gain income from the sale of at
least 90 percent of a business located in Vermont if the only purchaser or
purchasers are full-time employees of that business at the time of sale and have

1 been full-time employees of that business for the preceding one year or more;

2 plus

3 (II) of the gain not excluded under subdivision (I) of this

4 subdivision (B)(ii): either the first \$5,000.00 of adjusted net capital gain

5 income; or 40 percent of adjusted net capital gain income from the sale of

6 assets held by the taxpayer for more than three years, except not adjusted net

7 capital gain income from:

8 ~~(H)(aa)~~ the sale of any real estate or portion of real estate used

9 by the taxpayer as a primary or nonprimary residence; or

10 ~~(H)(bb)~~ the sale of depreciable personal property other than

11 farm property and standing timber; or stocks or bonds publicly traded or traded

12 on an exchange, or any other financial instruments; regardless of whether sold

13 by an individual or business; and provided that the total amount of decrease

14 under this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable

15 income; and

16 (iii) recapture of state and local income tax deductions not taken

17 against Vermont income tax.

18 Sec. 2. EFFECTIVE DATE

19 This act shall apply to taxable year 2011 and after.