

1 H.438

2 Introduced by Representative French of Randolph

3 Referred to Committee on

4 Date:

5 Subject: Taxation; income taxes; capital gains; education; grants

6 Statement of purpose of bill as introduced: This bill proposes to reduce

7 Vermont's capital gain exclusion and use the resulting revenue to provide

8 funding for the Vermont Higher Education Endowment Trust Fund.

9 An act relating to reducing the capital gains exclusion

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

11 Sec. 1. 32 V.S.A. § 435(b) is amended to read:

12 (b) The General Fund shall be composed of revenues from the following
13 sources:

14 (1) Alcoholic beverage tax levied pursuant to 7 V.S.A. chapter 15;

15 (2) [Repealed.]

16 (3) Electrical energy tax levied pursuant to chapter 213 of this title;

17 (4) Corporate income and franchise taxes levied pursuant to chapter 151
18 of this title;

19 (5) Individual income taxes levied pursuant to chapter 151 of this title,

20 provided however that the first \$8,000,000.00 in revenue from the individual

1 income taxes levied pursuant to chapter 151 shall be deposited in the Higher
2 Education Endowment Trust Fund under 16 V.S.A. § 2885;

3 (6) All corporation taxes levied pursuant to chapter 211 of this title;

4 (7) Meals and rooms taxes levied pursuant to chapter 225 of this title;

5 (8) [Repealed.]

6 (9) Revenues from the Racing Fund consistent with 31 V.S.A. § 611;

7 (10) 33 percent of the revenue from the property transfer taxes levied
8 pursuant to chapter 231 of this title and the revenue from the gains taxes levied
9 each year pursuant to chapter 236 of this title;

10 (11) 65 percent of the revenue from sales and use taxes levied pursuant
11 to chapter 233 of this title;

12 (12) All other revenues accruing to the State not otherwise required by
13 law to be deposited in any other designated fund or used for any other
14 designated purpose.

15 Sec. 2. 32 V.S.A. § 5811(21) is amended to read:

16 (21) “Taxable income” means federal taxable income determined
17 without regard to 26 U.S.C. § 168(k) and:

18 (A) Increased by the following items of income (to the extent such
19 income is excluded from federal adjusted gross income):

20 (i) interest income from non-Vermont state and local obligations;

1 (ii) dividends or other distributions from any fund to the extent
2 they are attributable to non-Vermont state or local obligations; and

3 (iii) the amount in excess of \$5,000.00 of State and local income
4 taxes deducted from federal adjusted gross income for the taxable year, but in
5 no case in an amount that will reduce total itemized deductions below the
6 standard deduction allowable to the taxpayer; and

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

9 (i) income from United States government obligations;

10 (ii) ~~with respect to the first \$5,000.00 in~~ adjusted net capital gain
11 income as defined in 26 U.S.C. § 1(h) ~~reduced by the total amount of any~~
12 ~~qualified dividend income; either the first \$5,000.00 of such adjusted net~~
13 ~~capital gain income; or 40 percent of adjusted net capital gain income from the~~
14 ~~sale of assets held by the taxpayer for more than three years, except not~~
15 ~~adjusted net capital gain income from:~~

16 ~~(I) the sale of any real estate or portion of real estate used by the~~
17 ~~taxpayer as a primary or nonprimary residence; or~~

18 ~~(II) the sale of depreciable personal property other than farm~~
19 ~~property and standing timber; or stocks or bonds publicly traded or traded on~~
20 ~~an exchange, or any other financial instruments; regardless of whether sold by~~
21 ~~an individual or business;~~

1 ~~and provided that the total amount of decrease under this~~
2 ~~subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable~~
3 ~~income ; or 40 percent of the net capital gain income from the sale of~~
4 depreciable personal property associated with a farm property or standing
5 timber, as long as those assets had been held for three years or more.; and

6 (iii) recapture of State and local income tax deductions not taken
7 against Vermont income tax.

8 Sec. 3. EFFECTIVE DATES

9 (a) This section shall take effect July 1, 2015.

10 (b) Sec. 1 of this act shall take effect on July 1, 2016, and apply to fiscal
11 year 2017 and after.

12 (c) Sec. 2 of this act shall take effect on January 1, 2016, and apply to tax
13 year 2015 and after.