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H.650

Introduced by Representative Mulvaney-Stanak of Burlington

Referred to Committee on

Date:

Subject: Taxation; personal income tax; exclusion from income tax; damage
awards; settlements

Statement of purpose of bill as introduced: This bill proposes to exclude
income from damages for emotional distress, mental anguish, or lost wages
that are awarded as a result of an employment-related lawsuit from income tax.

An act relating to excluding income from damages related to employment-
related lawsuits from income tax

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

Sec. 1. 32 V.S.A. § 5811 is amended to read:

§ 5811. DEFINITIONS

As used in this chapter unless the context requires otherwise:

* * *

(21) “Taxable income” means, in the case of an individual, federal
adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

* * *

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

3 * * *

4 (v) the amount of any federal deduction or credit that the taxpayer
5 would have been allowed for the cultivation, testing, processing, or sale of
6 cannabis or cannabis products as authorized under 7 V.S.A. chapter 33 or 37,
7 but for 26 U.S.C. § 280E; ~~and~~

8 (vi) the amount of interest paid by a qualified resident taxpayer
9 during the taxable year on a qualified education loan for the costs of attendance
10 at an eligible educational institution; and

11 (vii) the amount of income from:

12 (I) damages, other than punitive damages, awarded for personal
13 emotional distress, mental anguish, lost wages, lost benefits, or any
14 combination of those, as a result of an employment-related lawsuit brought by
15 an employee against the employee's current or former employer; or

16 (II) the settlement of an employment-related lawsuit brought by
17 an employee against the employee's current or former employer in which the
18 employee sought damages for personal emotional distress, mental anguish, lost
19 wages, lost benefits, or any combination of those; and

20 * * *

1 Sec. 2. EFFECTIVE DATE

2 Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on
3 January 1, 2024 and apply to taxable years beginning on and after January 1,
4 2024.