

1 H.662

2 Introduced by Representatives Chesnut-Tangerman of Middletown Springs,
3 Carr of Brandon, Harrison of Chittenden, Jickling of Randolph,
4 Potter of Clarendon, and Wright of Burlington

5 Referred to Committee on

6 Date:

7 Subject: Taxation; income tax; Social Security income

8 Statement of purpose of bill as introduced: This bill proposes to reduce
9 Vermont income tax on Social Security benefits for certain Vermonters with
10 low income.

11 An act relating to limiting Vermont income taxation of certain Social
12 Security benefits

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

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

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

17 (i) income from U.S. government obligations;

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

19 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend

20 income: either the first \$5,000.00 of such adjusted net capital gain income; or

1 40 percent of adjusted net capital gain income from the sale of assets held by
2 the taxpayer for more than three years, except not adjusted net capital gain
3 income from:

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

6 (II) the sale of depreciable personal property other than farm
7 property and standing timber; or stocks or bonds publicly traded or traded on
8 an exchange, or any other financial instruments; regardless of whether sold by
9 an individual or business; and provided that the total amount of decrease under
10 this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable
11 income; ~~and~~

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

14 (iv) the portion of federally taxable benefits received under the
15 federal Social Security Act that is required to be excluded under section 5830e
16 of this chapter; and

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

18 (w) The statutory purpose of the partial exemption of federally taxable
19 benefits under the Social Security Act in section 5830e of this title is to lessen
20 the tax burden on Vermonters whose income is 400 percent of the federal

1 poverty limit or less and who derive part of their income from Social Security
2 payments.

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

4 § 5830e. SOCIAL SECURITY INCOME

5 The portion of federally taxable Social Security benefits excluded from
6 taxable income under subdivision (21)(B)(iv) of section 5811 of this chapter
7 shall be as follows:

8 (1) All federally taxable benefits received under the federal Social
9 Security Act for taxpayers whose household federal adjusted gross income is
10 less than or equal to 200 percent of the federal poverty level.

11 (2) Half of federally taxable benefits received under the federal Social
12 Security Act for taxpayers whose household federal adjusted gross income is
13 greater than 200 percent of the federal poverty level and less than or equal to
14 400 percent of the poverty level.

15 Sec. 4. EFFECTIVE DATE

16 This act shall take effect on January 1, 2019.