

# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

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### **H.911 An act relating to changes in Vermont's personal income tax and education financing system – As Passed by Senate Finance– Draft 2.2**

<https://legislature.vermont.gov/assets/Documents/2018/WorkGroups/Senate%20Finance/Bills/H.911/H.911~Peter%20Griffin~Draft%20No.%202.2,%204-30-2018~4-30-2018.pdf>

#### **Bill Summary:**

The bill makes changes to the State's income tax and education funding systems.

It makes the following changes to the State's income tax system:

- Creates a Vermont standard deduction equal to \$6,000 for single filers and \$12,000 for married couples
- Creates a Vermont personal exemption equal to \$4,050 per exemption
- Lowers income tax rates
  - Lowers rates for the first three income tax brackets by 0.2%
  - Lowers rates for the two highest income tax brackets by 0.1%
- Expands the Vermont earned income tax credit from 32% of the Federal EITC to 35%
- Creates a 5% tax credit for the total amount of charitable contributions
- Exempts taxable social security benefits from State income taxes for single filers with less than \$45,000 in adjusted gross income and married filers with less than \$60,000 in adjusted gross income. It then phases out the exemption over the next \$10,000 in income.

Relative to the House passed H.911, this bill makes the following changes:

- Does not limit charitable contributions eligible for the charitable tax credit at \$10,000
- Does not collapse the top two income tax brackets
- Does not lower the income tax rates for the highest brackets by 0.2%

#### **Fiscal Impact:**

Relative to **current law**, the income tax provisions in the bill have the following fiscal impact. These impacts are on the State General Fund.

(change in millions)	FY2018	FY2019
Income Tax changes	-\$5.0	-\$28.92

## Changes in Income Tax Rates in H.911 (Senate Finance Passed)

### Current Tax Brackets and Rates

Married, Joint Filers		
If VT Taxable Income is over	But Not Over	Tax Rate income in this range
0	63,300	3.55%
63,300	153,100	6.80%
153,100	233,300	7.80%
233,300	416,650	8.80%
416,650	-	8.95%

- Bottom 3 brackets lowered by 0.2%
- Top 2 brackets lowered by 0.1%



### New H.911 (SF Passed) Brackets and Rates

Married, Joint Filers		
If VT Taxable Income is over	But Not Over	Tax Rate income in this range
0	63,300	3.35%
63,300	153,100	6.60%
153,100	233,300	7.60%
233,300	416,650	8.70%
416,650	-	8.85%

- Bottom 3 brackets lowered by 0.2%
- Top 2 brackets lowered by 0.1%



Single Filers		
If VT Taxable Income is over	But Not Over	Tax Rate on income in this range
0	37,900	3.55%
37,900	91,850	6.80%
91,850	191,650	7.80%
191,650	416,650	8.80%
416,650	-	8.95%

### Single Filers

Single Filers		
If VT Taxable Income is over	But Not Over	Tax Rate on income in this range
0	37,900	3.35%
37,900	91,850	6.60%
91,850	191,650	7.60%
191,650	416,650	8.70%
416,650	-	8.85%

### Education Funding (sections 9 through 13)

- Section 9 sets the property dollar equivalent yield at \$9,863 and the income dollar equivalent yield at \$11,920
- Section 10 sets the nonresidential property tax rate at \$1.606
- Section 11 makes a technical change to 32 VSA §5402b(a)(4)
- Section 12 requires that the education and the municipal property taxes due be shown separately on tax bills

See the Education Fund Outlook for the Senate Finance Committee, April 27, 2018

<b>Education Tax Rates</b>	<b>FY2017 Actual</b>	<b>FY2018 Current Year</b>	<b>FY2019 Projections</b>
Average homestead property tax rate	\$1.527	\$1.500	1.550
Average tax rate on household income	2.70%	2.55%	\$2.57%
Uniform nonresidential property tax rate	\$1.535	\$1.535	\$1.606

<b>Education Fund Balance</b>	<b>FY2017 Actual</b>	<b>FY2018 Current Year</b>	<b>FY2019 Projections</b>
Stabilization Reserve	5.00%	4.97%	5.00%
Surplus (millions)	\$26.4	\$0.0	\$0.6

Note: Analysis based upon Senate-passed budget