

2009 Session – Summary of Income Tax Changes
September 29, 2009

Marginal Rate Reductions

- Two phase reduction in Vermont marginal income tax rates in TY2009 and TY2010.

Vermont Income Tax Rates

2008 Marginal Rates	Phase I - 2009 Marginal Rates	Phase II - 2010 Marginal Rates	2008 – 2010 Rate Change	2008 – 2010 % Change
3.6%	3.55%	3.55%	-0.05	-1.4%
7.2%	7.00%	6.80%	-0.40	-5.6%
8.5%	8.25%	7.80%	-0.70	-8.2%
9.0%	8.90%	8.80%	-0.20	-2.2%
9.5%	9.40%	8.95%	-0.55	-5.8%

Capital Gains Changes

TY 2008	TY 2009 and TY 2010	TY 2011 and after
	40% exclusion retained for farmers and loggers	
40% exclusion for all long-term capital gains	<ul style="list-style-type: none"> ➤ age 70 may choose 40% exclusion or flat exemption ➤ 	

Provides a \$5,000 capital gains exclusion instead of a 40% exemption. This provision affects taxpayers with capital gains (up to 20% of taxpayers). The “breakeven” point of this change is \$12,500 of capital gains income.

The state income tax deduction, for taxpayers that itemize, would be capped at \$5,000.

TY 2010 - Vermont Income Tax - ALL TAXPAYERS SUMMARY

AGI Income Class	All Returns	State Ded	Cap Gains	>70	Aggregate AGI	CL Tax	New Tax	AGI	CL Tax	Change	New Tax	CL	New	Percent	
In-State Filers												Average Across Income Class		Effective Tax Rates	Change
Under 25,000	126,966	218	5,891	16,596	1,329,713,836	15,178,452	14,932,931	10,473	120	-2	118	1.1%	1.1%	-1.6%	
25,000 - 49,999	77,936	262	8,153	6,208	2,812,695,824	57,672,415	56,695,713	36,090	740	-13	727	2.1%	2.0%	-1.7%	
50,000 - 74,999	44,180	459	7,738	3,541	2,719,472,528	67,036,847	65,650,555	61,554	1,517	-31	1,486	2.5%	2.4%	-2.1%	
75,000 - 99,999	25,586	1,010	6,188	1,994	2,202,982,643	63,904,288	62,257,822	86,101	2,498	-64	2,433	2.9%	2.8%	-2.6%	
100,000 - 124,999	11,779	2,349	3,919	969	1,305,971,804	43,792,041	42,568,692	110,873	3,718	-104	3,614	3.4%	3.3%	-2.8%	
125,000 - 149,999	5,789	3,396	2,344	586	789,414,552	28,867,676	28,277,788	136,365	4,987	-102	4,885	3.7%	3.6%	-2.0%	
150,000 - 199,999	5,275	4,149	2,704	633	903,239,024	35,608,868	35,495,231	171,230	6,750	-22	6,729	3.9%	3.9%	-0.3%	
200,000 - 299,999	3,720	3,179	2,167	461	887,329,972	38,868,779	39,693,505	238,530	10,449	222	10,670	4.4%	4.5%	2.1%	
300,000 - 499,999	1,867	1,643	1,256	263	705,648,969	34,030,575	36,245,483	377,959	18,227	1,186	19,414	4.8%	5.1%	6.5%	
500,000 - 999,999	881	801	649	126	594,881,787	29,892,953	32,632,717	675,235	33,931	3,110	37,041	5.0%	5.5%	9.2%	
1,000,000 +	492	440	396	75	1,449,071,082	60,738,770	71,674,515	2,945,266	123,453	22,227	145,680	4.2%	4.9%	18.0%	
<i>subtotal</i>	304,471	17,906	41,405	31,452	15,700,422,021	475,591,664	486,124,952								
		6%	14%	10%											
Out-of-State Filers															
Under 25,000	16,581	167	986	464	-1,567,457,637	1,366,022	1,382,246	-94,533	82	1	83	-0.1%	-0.1%	1.2%	
25,000 - 49,999	9,647	82	1,010	337	351,231,986	4,100,454	4,036,605	36,408	425	-7	418	1.2%	1.1%	-1.6%	
50,000 - 74,999	6,542	189	1,123	297	404,668,912	4,486,135	4,402,686	61,857	686	-13	673	1.1%	1.1%	-1.9%	
75,000 - 99,999	3,952	376	940	243	342,340,492	3,710,519	3,627,891	86,625	939	-21	918	1.1%	1.1%	-2.2%	
100,000 - 124,999	2,257	713	715	161	251,082,655	2,900,087	2,847,254	111,246	1,285	-23	1,262	1.2%	1.1%	-1.8%	
125,000 - 149,999	1,346	739	590	130	184,063,401	1,810,200	1,803,591	136,748	1,345	-5	1,340	1.0%	1.0%	-0.4%	
150,000 - 199,999	1,595	1,077	834	179	275,126,491	2,403,049	2,436,682	172,493	1,507	21	1,528	0.9%	0.9%	1.4%	
200,000 - 299,999	1,608	1,233	997	215	391,836,281	3,228,082	3,344,116	243,679	2,008	72	2,080	0.8%	0.9%	3.6%	
300,000 - 499,999	1,306	1,078	830	173	501,798,948	3,009,391	3,254,063	384,226	2,304	187	2,492	0.6%	0.6%	8.1%	
500,000 - 999,999	1,161	1,012	807	152	814,781,265	3,744,856	4,129,574	701,793	3,226	331	3,557	0.5%	0.5%	10.3%	
1,000,000 +	1,805	1,660	1,407	274	18,562,886,962	8,556,085	9,373,074	10,284,148	4,740	453	5,193	0.0%	0.1%	9.5%	
<i>subtotal</i>	47,800	8,326	10,239	2,625											
		17%	21%	5%											
In-State	304,471	17,906	41,405	31,452	15,700,422,021	475,591,664	486,124,952	51,566	1,562	35	1,597	3.0%	3.1%	2.2%	
Out-of-State	47,800	8,326	10,239	2,625	20,512,359,757	39,314,880	40,637,782	429,129	822	28	850	0.2%	0.2%	3.4%	
Total	352,271	26,232	51,644	34,077	36,212,781,778	514,906,544	526,762,734	102,798	1,462	34	1,495	1.4%	1.5%	2.3%	

Prepared by JFO/st

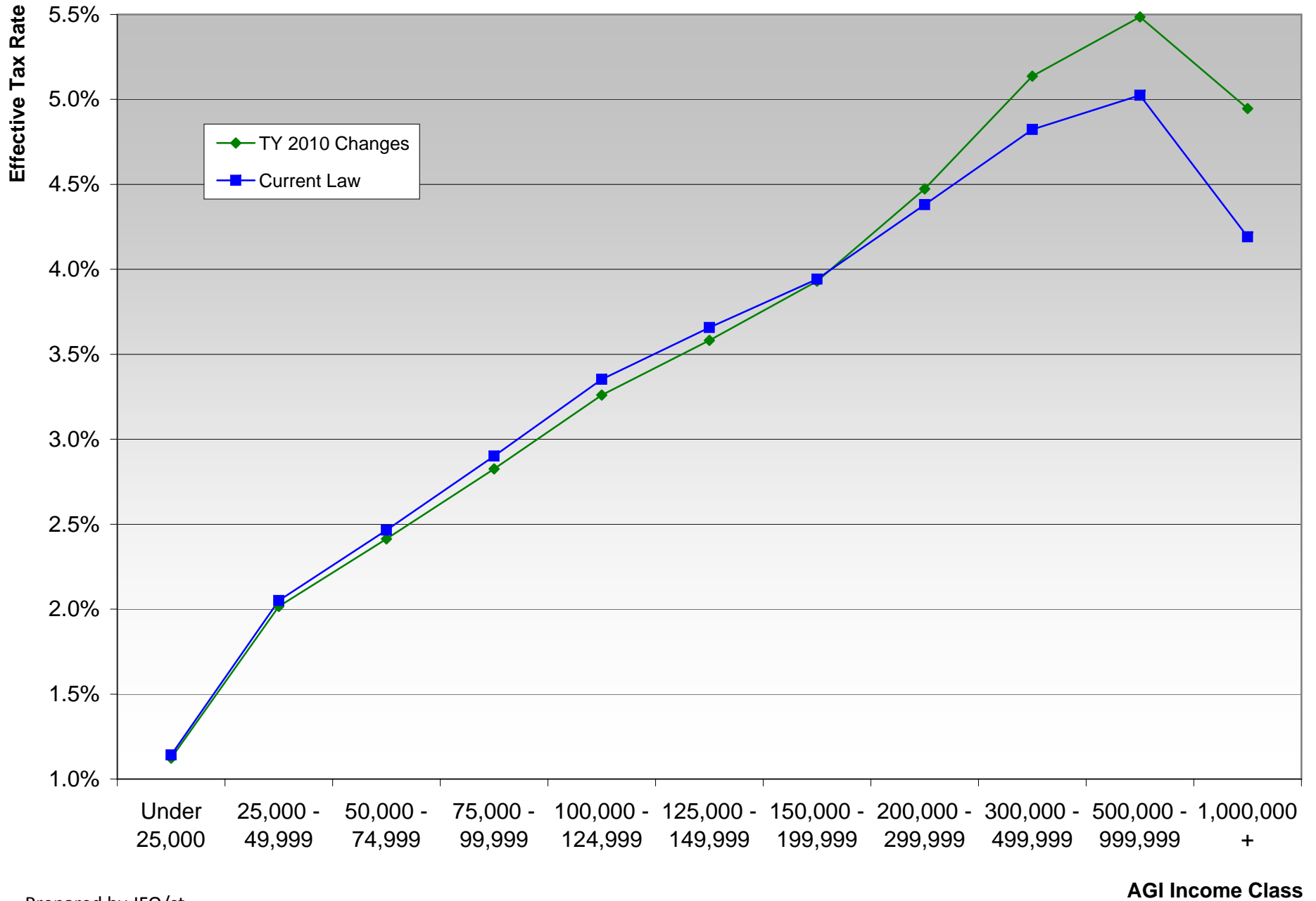
11,900,000 TY Revenue Change

TY 2006 Microdata: Data modifications: CG base for 2009 current law and 50% reduction for all CG Taxpayers;

State Deduction downgraded by 4/09 forecast

AGI Income Class prior to changes; CL = Current Law; Effective Rates are Tax/AGI

Comparison of Current Law and TY2010 Changes (In-State Taxpayers Only)



Comparison of Current Law and TY10 Vermont Personal Income Tax Changes (Resident Taxpayers)

