

Comparisons of Income Tax Proposals: Administration Proposal vs. H.911 (as passed by House W&M)

March 1, 2018

Administration Proposal for Income Tax

- Starts with Federal AGI as base
- Creates a Vermont Standard Deduction
- Creates Vermont Personal Exemptions
 - Equal to \$4000 per exemption
- Introduces a 5% charitable credit for all charitable contributions
- Removes the addback for bonus depreciation
- Expands the Earned Income Tax Credit
 - From 32% to 35% of Federal EITC
- Lowers income tax rates by 0.2% for each bracket
- Creates an exemption for taxable social security benefits
 - 1/3rd of the Administration Social Security proposal
- Fiscal Cost: -\$32 million in FY2019

H.911 Tax Reform (Differences highlighted in bold)

- Starts with Federal AGI as base
- Creates a Vermont Standard Deduction
- Creates Vermont Personal Exemptions
 - **Equal to \$4150 per exemption**
- Introduces a 5% charitable credit for all charitable contributions
 - **Caps eligible contributions at \$10,000**
- **Leaves the addback for bonus depreciation**
- Expands the Earned Income Tax Credit
 - From 32% to 35% of Federal EITC
- **Collapses the top two income tax brackets**
- Lowers income tax rates by 0.2% for each bracket
- Creates an exemption for taxable social security benefits
 - **100% of Administration Social Security proposal**
- Fiscal Cost: -\$30 million in FY2019

Built on top of income tax proposal in H.911: School Income Tax Surcharge

- Adds a separate tax surcharge on Vermont taxable income from H.911
- Rates: 0.1% for lowest bracket, 0.5% for middle brackets, 1% for highest bracket
- Raises approximately \$59 million for education

Summary of Income Tax Impacts: H.911
Relative to 2018 Current Law (Federal Tax Reform is enacted and Vermont does not change tax code)
 (Note: All estimates are on a calendar year basis)

AGI Bracket	Total Tax Change of H.911 (In Millions of Dollars)	Average Change in Taxes from H.911 (Note: Tax changes between \$20,000 and \$75,000 may be slightly lower due to scaling of Social Security exemption)	Change in Effective Tax Rate from H.911	Percent of 2014 Taxable Returns
\$0 - \$5,000	-\$0.06	-\$12.15	-0.10%	1.8%
\$5,000 - \$10,000	\$0.09	\$7.11	0.03%	2.7%
\$10,000 - \$15,000	\$0.47	\$27.56	0.15%	5.0%
\$15,000 - \$20,000	-\$0.01	-\$0.40	-0.02%	6.9%
\$20,000 - \$25,000	-\$0.36	-\$18.61	-0.09%	6.7%
\$25,000 - \$30,000	-\$0.71	-\$36.39	-0.14%	6.9%
\$30,000 - \$35,000	-\$1.05	-\$54.17	-0.18%	6.7%
\$35,000 - \$40,000	-\$1.38	-\$76.68	-0.22%	5.9%
\$40,000 - \$45,000	-\$1.55	-\$95.09	-0.24%	5.1%
\$45,000 - \$50,000	-\$1.57	-\$110.43	-0.25%	4.5%
\$50,000 - \$60,000	-\$2.55	-\$105.41	-0.21%	7.7%
\$60,000 - \$75,000	-\$3.14	-\$112.86	-0.18%	9.2%
\$75,000 - \$100,000	-\$4.69	-\$140.23	-0.17%	11.4%
\$100,000 - \$125,000	-\$4.79	-\$213.51	-0.21%	6.8%
\$125,000 - \$150,000	-\$3.42	-\$258.97	-0.21%	3.8%
\$150,000 - \$200,000	-\$3.94	-\$309.06	-0.21%	3.6%
\$200,000 - \$300,000	-\$2.94	-\$336.01	-0.17%	2.5%
\$300,000 - \$500,000	-\$1.07	-\$241.26	-0.08%	1.3%
\$500,000 - \$1,000,000	-\$0.34	-\$145.03	-0.03%	0.7%
\$1,000,000 - Infinity	\$2.84	\$1,625.29	0.10%	0.5%
Totals	-\$30.17	-\$97.69	-0.14%	100%

Notes:

- Estimates are relative to baseline where Federal Tax Reform is enacted and Vermont does not change its tax code
- Estimates are on a calendar year basis.
- Cost of social security provisions are as follows:
 - Administration proposal: Approximately \$1.6 million in calendar year 2018
 - H.911: Approximately \$4.4 million in calendar year 2018
- Absent any changes to Vermont's tax code, revenues would increase approximately \$30.4 million for calendar year 2018 (\$28.6 million for FY19).
- This analysis is based upon 2014 tax year data, grown to 2018 using growth rates from various economic indicators.

School Income Tax Surcharge

- Proposal built upon income tax reform in H.911
- **Creates a new, separate School Income Tax Surcharge on each bracket: 0.1%, 0.5%, 0.5%, 1%**
- **Surcharge raises approximately \$59 million**

Education Surcharge						
(Note: All estimates are preliminary and on a calendar year basis)						
AGI Bracket		Total Tax Change from Surcharge (in millions of dollars)	Average Change in Taxes from Surcharge	Change in Effective Tax Rate from Surcharge		Percent of 2014 Taxable Returns
\$0	\$5,000	\$0.00	\$11.63	0.00%		1.8%
\$5,000	\$10,000	\$0.01	\$2.23	0.01%		2.7%
\$10,000	\$15,000	\$0.04	\$3.09	0.01%		5.0%
\$15,000	\$20,000	\$0.09	\$6.09	0.02%		6.9%
\$20,000	\$25,000	\$0.15	\$9.24	0.04%		6.7%
\$25,000	\$30,000	\$0.22	\$12.95	0.04%		6.9%
\$30,000	\$35,000	\$0.29	\$16.97	0.05%		6.7%
\$35,000	\$40,000	\$0.33	\$20.78	0.05%		5.9%
\$40,000	\$45,000	\$0.36	\$24.63	0.06%		5.1%
\$45,000	\$50,000	\$0.37	\$28.56	0.06%		4.5%
\$50,000	\$60,000	\$0.95	\$43.21	0.08%		7.7%
\$60,000	\$75,000	\$1.78	\$66.76	0.11%		9.2%
\$75,000	\$100,000	\$3.23	\$96.72	0.12%		11.4%
\$100,000	\$125,000	\$3.90	\$173.85	0.17%		6.8%
\$125,000	\$150,000	\$3.64	\$275.29	0.22%		3.8%
\$150,000	\$200,000	\$5.28	\$414.21	0.27%		3.6%
\$200,000	\$300,000	\$6.15	\$703.55	0.35%		2.5%
\$300,000	\$500,000	\$6.91	\$1,558.72	0.53%		1.3%
\$500,000	\$1,000,000	\$7.29	\$3,151.66	0.71%		0.7%
\$1,000,000	Infinity	\$18.08	\$10,334.25	0.61%		0.5%
Totals		\$59.10	\$214.67	0.26%		100%

Changes in Income Tax Rates in H.911

Current Tax Brackets and Rates

Single Filers		
If VT Taxable Income is over	But Not Over	Tax Rate 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%

- Top two income tax brackets collapsed
- Rates drop by 0.2% for each bracket



H.911 New Tax Brackets and Rates

Single Filers		
If VT Taxable Income is over	But Not Over	Tax Rate income in this range
0	37,900	3.35%
37,900	91,850	6.60%
91,850	191,650	7.60%
191,650	-	8.60%

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%

- Top two income tax brackets collapsed
- Rates drop by 0.2% for each bracket



Married, Joint Filers		
If VT Taxable Income is over	But Not Over	Tax Rate income in this range
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63,300	153,100	6.60%
153,100	233,300	7.60%
233,300	-	8.60%

School Income Tax Surcharge Rates in H.911

H.911 New School Income Tax Surcharge Rates

Single Filers		
If VT Taxable Income is over	But Not Over	Surcharge rate applied to income in this range
0	37,900	0.1%
37,900	91,850	0.5%
91,850	191,650	0.5%
191,650	-	1.0%

Married, Joint Filers		
If VT Taxable Income is over	But Not Over	Surcharge rate applied to income in this range
0	63,300	0.1%
63,300	153,100	0.5%
153,100	233,300	0.5%
233,300	-	1.0%