

H.911 House Ways & Means Proposal

Changes to Personal Income Tax and Education Finance System

March 1, 2018

- **Income Tax Changes**

- Reduces state tax burden on Vermonters who are adversely impacted by the change in Federal Tax Law (\$30 million returned to Vermonters)
- Lowers taxes for Vermonters:
 - Lowers all income tax rates by 0.2% and collapses top two income tax brackets
 - Creates a VT Standard Deduction, equal to \$6,000 for single filers and \$12,000 for married couples
 - Creates a Vermont Personal Exemption equal to \$4,150 per exemption
 - 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 up to \$10,000. Taxpayers who contribute up to \$10,000 will be eligible for a \$500 tax credit
- Provides tax relief to Vermonters receiving Social Security benefits
 - Taxable Social Security benefits below \$45,000 for single filers and below \$60,000 for married filers will be 100% exempt from State income tax

- **Education Finance System Changes**

- Adds a School Income Tax Surcharge, built upon the reformed income tax system
 - Rates are 0.1% of lowest bracket, 0.5% for middle brackets, and 1% on highest income brackets
 - Raises approximately \$59 million for education
- Uses the \$59 million to reduce average homestead property tax rates (on both property and income) from projected FY19 rates (average reduction of \$0.15)
- Cost containment: future tax rates will rise faster for all spenders
- Non-residential property tax rate: stays at current law = \$1.591
- Homeowner rebate: split into two components: education and municipal
- Renter Rebate: maintained and transferred to GF
- Separates municipal and education tax bills
- GF transfer to EF repealed in a revenue neutral way
 - Dedicates to the EF: 100% of sales tax and 25% of rooms and meals
 - Transfers adult education, flexible pathways, community high school of VT, renter rebate to GF (\$21.5 million)
- Repeals excess spending penalty