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H.32

Introduced by Representatives Harrison of Chittenden and Noyes of Wolcott

Referred to Committee on

Date:

Subject: Taxation; income tax; exemption; Social Security benefits

Statement of purpose of bill as introduced: This bill proposes to amend the Vermont personal income tax exemption for Social Security benefits by increasing the income eligibility thresholds in taxable year 2023 and indexing those thresholds for inflation annually beginning in taxable year 2024.

An act relating to the Social Security benefits exemption

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

Sec. 1. 32 V.S.A. § 5830e is amended to read:

§ 5830e. RETIREMENT INCOME; SOCIAL SECURITY INCOME

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

(1) For taxpayers whose filing status is single, married filing separately, head of household, or surviving spouse:

1 (A) If the federal adjusted gross income of the taxpayer is less than or
2 equal to ~~\$50,000.00~~ \$57,500.00, all federally taxable benefits received under
3 the federal Social Security Act shall be excluded.

4 (B) If the federal adjusted gross income of the taxpayer is greater
5 than ~~\$50,000.00~~ \$57,500.00 but less than ~~\$60,000.00~~ \$67,500.00, the
6 percentage of federally taxable benefits received under the Social Security Act
7 to be excluded shall be proportional to the amount of the taxpayer's federal
8 adjusted gross income over ~~\$50,000.00~~ \$57,500.00, determined by:

9 (i) subtracting the federal adjusted gross income of the taxpayer
10 from ~~\$60,000.00~~ \$67,500.00;

11 (ii) dividing the value under subdivision (i) of this subdivision (B)
12 by \$10,000.00; and

13 (iii) multiplying the value under subdivision (ii) of this
14 subdivision (B) by the federally taxable benefits received under the Social
15 Security Act.

16 (C) If the federal adjusted gross income of the taxpayer is equal to or
17 greater than ~~\$60,000.00~~ \$67,500.00, no amount of the federally taxable
18 benefits received under the Social Security Act shall be excluded under this
19 section.

20 (2) For taxpayers whose filing status is married filing jointly:

1 (f) Annual adjustment for inflation. Beginning in taxable year 2024, the
2 Commissioner of Taxes shall annually adjust for inflation the adjusted gross
3 income amounts under subsection (a) of this section using the Consumer Price
4 Index and the same methodology used for adjustments under 26 U.S.C. §
5 1(f)(3); provided, however, that as used in this subsection, “consumer price
6 index” means the last Consumer Price Index for All Urban Consumers
7 published by the U.S. Department of Labor.

8 Sec. 2. EFFECTIVE DATE

9 Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on
10 January 1, 2023 and shall apply to taxable years beginning on and after
11 January 1, 2023.