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H.325

Introduced by Representatives Rachelson of Burlington, Brownell of Pownal,  
Chesnut-Tangerman of Middletown Springs, Christensen of  
Weathersfield, Cina of Burlington, Colburn of Burlington,  
Cordes of Lincoln, Gonzalez of Winooski, Mrowicki of Putney,  
Nicoll of Ludlow, Notte of Rutland City, Patt of Worcester, and  
Ralph of Hartland

Referred to Committee on

Date:

Subject: Taxation; personal income tax; student loan interest deduction

Statement of purpose of bill as introduced: This bill proposes to provide an  
income tax deduction for 100 percent of the interest paid on qualified student  
loans.

An act relating to providing a deduction for interest on student loans

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

Sec. 1. 32 V.S.A. § 5811(21) is amended to read:

(21) "Taxable income" means, in the case of an individual, federal  
adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

(A) Increased by the following items of income (to the extent such  
income is excluded from federal adjusted gross income):

1 (i) interest income from non-Vermont state and local obligations;

2 ~~and~~

3 (ii) dividends or other distributions from any fund to the extent  
4 they are attributable to non-Vermont state or local obligations; and

5 (iii) the amount of interest on education loans deducted under  
6 26 U.S.C. § 221; and

7 (B) Decreased by the following items of income (to the extent such  
8 income is included in federal adjusted gross income):

9 (i) income from U.S. government obligations;

10 (ii) with respect to adjusted net capital gain income as defined in  
11 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend  
12 income: either the first \$5,000.00 of such adjusted net capital gain income; or  
13 40 percent of adjusted net capital gain income from the sale of assets held by  
14 the taxpayer for more than three years, except not adjusted net capital gain  
15 income from:

16 (I) the sale of any real estate or portion of real estate used by  
17 the taxpayer as a primary or nonprimary residence; or

18 (II) the sale of depreciable personal property other than farm  
19 property and standing timber; or stocks or bonds publicly traded or traded on  
20 an exchange, or any other financial instruments; regardless of whether sold by  
21 an individual or business; and provided that the total amount of decrease under

1 this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable  
2 income;

3 (iii) recapture of State and local income tax deductions not taken  
4 against Vermont income tax; ~~and~~

5 (iv) the portion of federally taxable benefits received under the  
6 federal Social Security Act that is required to be excluded under section 5830e  
7 of this chapter; and

8 (v) the amount of student loan interest deducted under section  
9 5830f of this chapter; and

10 \* \* \*

11 Sec. 2. 32 V.S.A. § 5830f is added to read:

12 § 5830f. STUDENT LOAN INTEREST DEDUCTION

13 (a) As used in this section:

14 (1) “Institution of higher education” means an institution of  
15 postsecondary education that generally limits enrollment to graduates of  
16 secondary schools and awards degrees at either the baccalaureate or graduate  
17 level. An institution of higher education includes public, private nonprofit, and  
18 for-profit institutions of higher education.

19 (2) “Qualified student loan” means a loan incurred to attend and receive  
20 a baccalaureate or graduate-level degree from an institution of higher  
21 education.

1           (3) “Qualified taxpayer” means a taxpayer who:

2                   (A) makes payments on a qualified student loan during the taxable  
3           year; and

4                   (B)(i) for an individual who does not file a joint tax return, has  
5           federally adjusted gross income for the taxable year that does not exceed  
6           \$200,000.00; or

7                   (ii) for taxpayers filing joint returns, have federally adjusted gross  
8           income for the taxable year that does not exceed \$250,000.00.

9           (b) A qualified taxpayer may deduct from taxable income the amount of  
10           interest paid on a qualified student loan in the taxable year.

11           Sec. 3. EFFECTIVE DATE

12           This act shall take effect on January 1, 2020 and apply to returns filed for  
13           taxable year 2020 and after.