

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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H.911 An act relating to changes in Vermont's personal income tax and education financing system – Conference Committee Report

<http://www.leg.state.vt.us/jfo/education/Proposed%20Legislation/H.911%20COC%20Report.pdf>

Bill Summary:

The bill makes changes to the State's income tax and education funding systems.

Personal Income Tax Summary:

It makes the following changes to the State's income tax system:

- Creates a new Vermont standard deduction equal to \$6,000 for single filers, \$12,000 for married couples and \$9,000 for heads of household
- Creates a new Vermont personal exemption equal to \$4,150 per exemption
- Lowers income tax rates
 - Lowers rates for the first three income tax brackets by 0.2%
 - Collapses the top two brackets into one and sets the rate at 8.75%
- Expands the Vermont earned income tax credit from 32% of the Federal EITC to 36%
- Creates a 5% tax credit on the value of charitable contributions up to \$20,000
- Exempts taxable social security benefits from State income taxes for single filers with less than \$45,000 in adjusted gross income and married filers with less than \$60,000 in adjusted gross income. It then phases out the exemption over the next \$10,000 in income.

Personal Income Tax Fiscal Impact:

Relative to **current law**, the income tax provisions in this bill have the following fiscal impact.

These impacts are on the State General Fund.

(change in millions)	FY2018	FY2019
Income Tax changes	\$0 to -\$5.0	-\$29.24

Education Fund Summary:

• Sets equalized education tax rates:	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>
○ Average homestead property tax rate	\$1.527	\$1.500	\$1.526
○ Average tax rate on household Income	2.70%	2.55%	2.53%
○ Nonresidential property tax rate	\$1.535	\$1.535	\$1.590

• Fully restores the stabilization reserve:	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>
○ Reserve	5%	5%	5%
○ Surplus (millions)	\$26.4	\$1.2	\$0.0

- Repeals the General Fund transfer to the Education Fund on a revenue-neutral basis:
 - Dedicates 100% of the sales & use tax and 25% of the meals & rooms tax to the Education Fund
 - Transfers adult education & literacy, Community High School of Vermont, the renter rebate program, and reappraisal & listing payments to the General Fund
- Modifies the property tax adjustment:
 - Reduces the maximum housesite value limit for a full adjustment from \$500,000 to \$400,000
 - Reduces the maximum housesite value limit for a partial adjustment from \$250,000 to \$200,000
- Separates the homeowner rebate into two separate programs: education and municipal
- Separates the education and municipal property taxes on tax bills

Studies:

- Creates a Vermont Tax Structure Commission to study the state’s revenue system, offer recommendations for improvements and modernization, and provide long term vision for tax structure. (\$500,000 in the budget bill, report due January 15, 2021)
- Creates a Staff-to-Student Ratios Task Force (Report due Dec 15, 2018)