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

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.

<table>
<thead>
<tr>
<th>Change in millions</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax changes</td>
<td>$0 to -$5.0</td>
<td>-$29.24</td>
</tr>
</tbody>
</table>
Education Fund Summary:

- Sets equalized education tax rates:
  
<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average homestead property tax rate</td>
<td>$1.527</td>
<td>$1.500</td>
<td>$1.526</td>
</tr>
<tr>
<td>Average tax rate on household Income</td>
<td>2.70%</td>
<td>2.55%</td>
<td>2.53%</td>
</tr>
<tr>
<td>Nonresidential property tax rate</td>
<td>$1.535</td>
<td>$1.535</td>
<td>$1.590</td>
</tr>
</tbody>
</table>

- Fully restores the stabilization reserve:
  
<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Surplus (millions)</td>
<td>$26.4</td>
<td>$1.2</td>
<td>$0.0</td>
</tr>
</tbody>
</table>

- Repeals the General Fund transfer to the Education Fund on a revenue-neutral basis:
  
  o Dedicates 100% of the sales & use tax and 25% of the meals & rooms tax to the Education Fund
  
  o 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:
  
  o Reduces the maximum housesite value limit for a full adjustment from $500,000 to $400,000
  
  o 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)