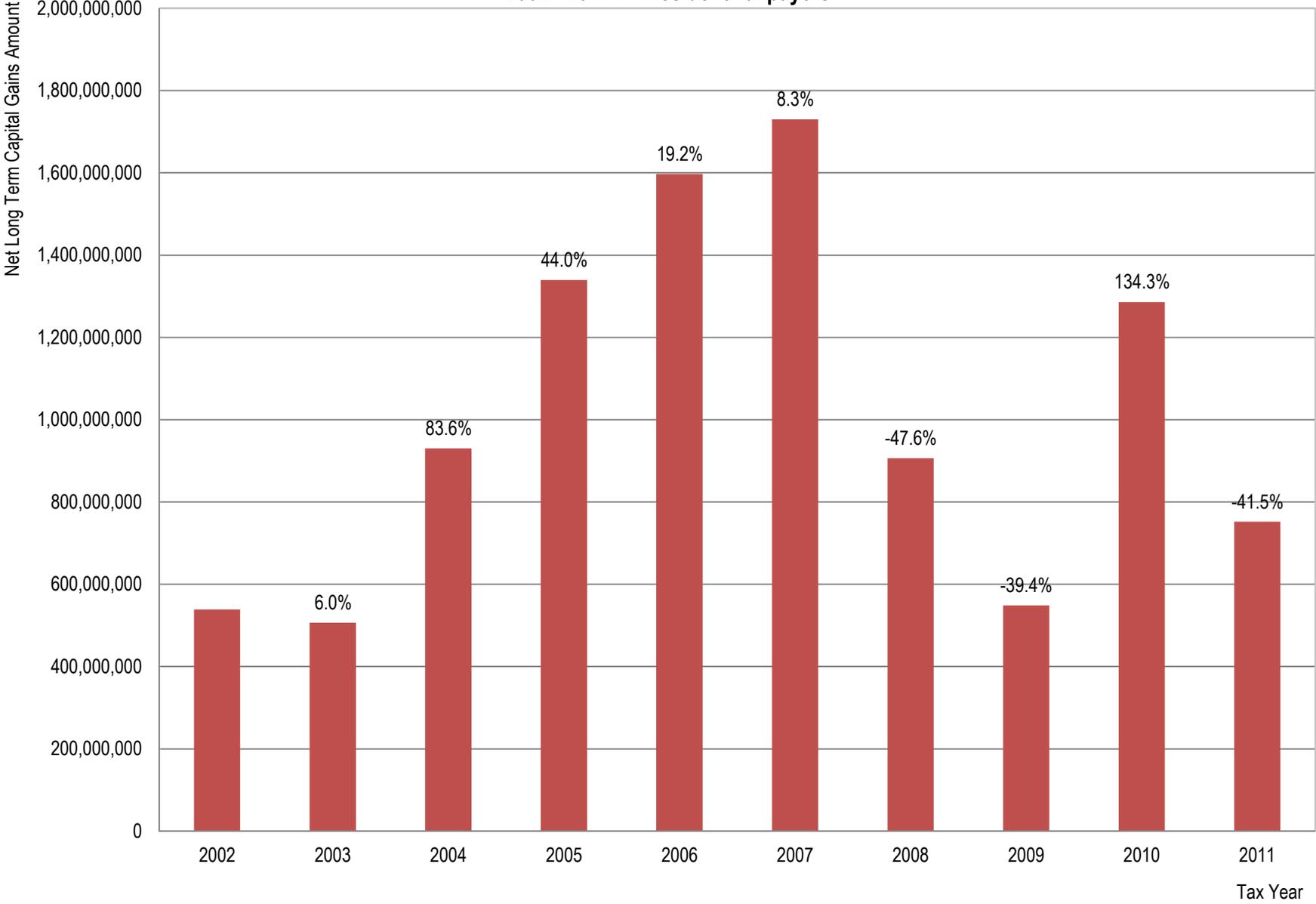
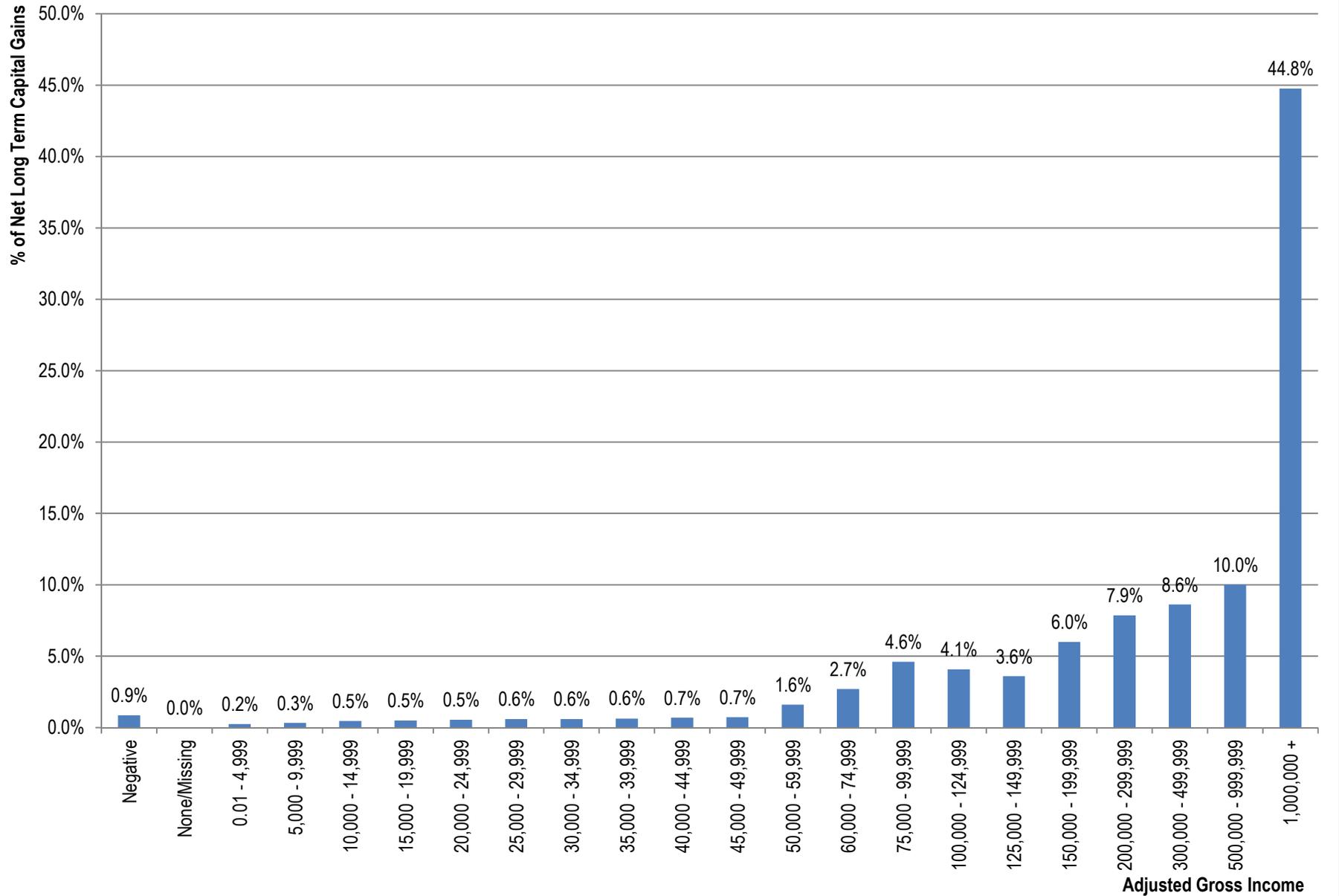


**Net Long Term Capital Gains (Total Value and % Change from Previous Year)  
2002 - 2011 VT Resident Taxpayers**



**Percent of Net Long Term Capital Gains by AGI Income Class  
10 Year History (2002 - 2011)**



**Vermont Capital Gains Exclusion**

	40% Exclusion			\$5,000 Exemption			TOTAL			Percent of Expenditure		Average Tax Savings	
	#Claimants	*Value of Cap Gains Excluded	Amount of PI Tax not paid	#Claimants	*Value of Cap Gains Excluded	Amount of PI Tax not paid	#Claimants	*Value of Cap Gains Excluded	Amount of PI Tax not paid	40%	Flat \$5K	40%	Flat \$5K
TY2011	1,352	142,923,845	8,193,513	26,343	68,394,178	3,354,130	27,695	211,318,023	11,547,643	71%	29%	6,060	127
TY2012	1,799	309,137,143	13,076,851	33,054	84,368,462	4,183,249	34,853	393,505,605	17,260,100	76%	24%	7,269	127
TY2013	1,713	84,284,370	6,224,881	24,057	33,801,073	1,549,702	25,770	118,085,443	7,774,583	80%	20%	3,634	64

Data source: Vermont Department of Taxes  
 Analysis: JFO/st

## Taxation of Capital Gains in Vermont

### Prior to TY 2002

Until 2002, Vermont applied its state personal income tax as a percentage of the federal tax and followed the federal treatment of capital gains. In 2002, when Vermont decoupled and began using federal taxable income as its starting point for the personal income tax the treatment of capital gains changed.

### TY 2002 to TY 2008

From 2002 until 2008, taxpayers excluded 40% of their federally defined, net, long-term, capital gains from the income tax. The remaining 60% was taxed at the ordinary personal income tax rates. The only state change to the treatment of capital gains during this time was to limit the amount of the exclusion to no more than 40% of the taxpayer's federal taxable income in tax year 2008.

### TY 2009 (January – June)

In tax year 2009 significant changes were made to the taxation of capital gains. The first half of the tax year (from January through June) the taxation was the same as the prior year.

### TY 2009 (July – December) and TY 2010

Beginning on July 1, 2009 the percentage exclusion amount was converted to a flat exclusion amount for most capital gains. For half of tax year 2009 and all of tax year 2010, taxpayers excluded the first \$2,500 of capital gains from the personal income tax, with any additional amount of capital gains taxed according to the regular Vermont rate and bracket schedule (the marginal rates were simultaneously reduced). The capital gains from the sale of standing timber and farms retained the previous 40% exclusion. Taxpayers over age 70 were given the choice of which method was more beneficial; the prior 40% exclusion, or the new flat \$2,500 exclusion.

### TY 2011 and after

Taxpayers whose capital gains are from certain business assets held for more than 3 years, may again exclude 40% with the remaining amount taxed at the state rate and bracket structure. The total amount excluded may not exceed 40% of federal taxable income.

A flat \$5,000 exclusion applies to three types of capital gains: 1) stocks or bonds publicly traded on an exchange or any other financial instruments, 2) depreciable personal property that is not farm property or standing timber, 3) real estate that is used by the taxpayer as a primary or non primary residence. Any amount greater than \$5,000 is taxed at the ordinary state tax rates.