

# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

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### **H. 489 An Act Relating to Revenue**

#### Sec. 1 Income Tax Changes

- Eliminates the itemized deduction for up to \$5,000 of state and local income taxes paid.
- Caps the remaining itemized deductions at two and a half times the standard deduction amounts.
- Effective in tax year 2015.

<b>Standard Deduction Amounts [1]</b>	<b>2015</b>	<b>2.5X</b>
Married Filing Joint	12,600	31,500
Head of Household	9,250	23,125
Single and Married Filing Separate	6,300	15,750

[1] indexed annually

The majority of taxpayers are unaffected by these changes. The 27% of resident taxpayers who itemize, or 83,600 taxpayers, are affected by the proposal. Virtually every itemizer is impacted by the change to the state and local income tax deduction. Approximately 20,000 taxpayers, or 6.4% are affected by the 2.5 times cap.

The income tax revenues are estimated to increase by \$33.2 million in FY 2016 (detailed analysis attached).

#### Sec. 2 Tax Haven Income Study

Requires a report from the Tax Commissioner on how to include tax haven income in the calculation of the corporate income tax.

#### Sec. 3 - 10 Use Value Appraisal (identical to H.272)

These sections amend the land use change tax (LUCT), but allow owners of land currently taxed at its use value to withdraw from use value appraisal between July 1 and October 1, 2015. Partial withdrawals would be subject to the LUCT under current law; full withdrawals would be entirely exempt from the first \$50,000 of LUCT. These sections would affect (1) the education and municipal property taxes, (2) the municipal reimbursement for enrolled land, and (3) the LUCT.

#### Sec. 11 Lottery Product Sales (identical to H.272)

Prohibits lottery product sales in establishments holding first or third-class liquor licenses.

**Eliminate the State and Local Income Tax Deduction, Cap Remaining Itemized Deductions at 2.5X Standard**

AGI INCOME BRACKETS				Tax (millions) - all taxpayers			Returns with a Tax Increase Only			Effective Tax Rate - all taxpayers		
AGI Income Brackets	%	# of Returns	Current Law AGI	Current Law	Proposal	Change	# with Tax Increase	Increase (Millions)	Average Increase (\$)	Current Law	Proposal	Change
Under 25,000	40%	125,687	1,116,330,226	-5.9	-5.7	0.2	3,228	0.2	67	-0.5%	-0.5%	0.02%
25,000 - 50,000	25%	76,559	2,766,888,238	48.5	49.5	1.0	15,318	1.0	67	1.8%	1.8%	0.04%
50,000 - 75,000	14%	43,842	2,701,187,832	66.5	69.2	2.6	18,492	2.6	143	2.5%	2.6%	0.10%
75,000 - 100,000	9%	27,732	2,394,272,764	66.4	69.8	3.4	16,133	3.4	210	2.8%	2.9%	0.14%
100,000 - 125,000	5%	14,897	1,655,484,365	54.1	57.7	3.6	11,387	3.6	315	3.3%	3.5%	0.22%
125,000 - 150,000	2%	7,584	1,032,539,144	38.0	40.7	2.7	6,367	2.7	419	3.7%	3.9%	0.26%
150,000 - 175,000	1%	4,196	676,978,991	27.0	28.8	1.9	3,699	1.9	500	4.0%	4.3%	0.27%
175,000 - 200,000	1%	2,548	474,770,236	19.9	21.3	1.4	2,277	1.4	630	4.2%	4.5%	0.30%
200,000 - 250,000	1%	2,832	629,107,193	28.8	31.0	2.2	2,559	2.2	866	4.6%	4.9%	0.35%
250,000 - 500,000	1%	3,328	1,103,980,985	60.5	64.9	4.4	3,079	4.4	1,415	5.5%	5.9%	0.39%
500,000 - 1,000,000	0%	829	552,869,774	35.3	37.6	2.2	761	2.2	2,947	6.4%	6.8%	0.41%
1,000,000+	0%	355	1,235,788,671	75.5	80.7	5.2	296	5.2	17,575	6.1%	6.5%	0.42%
<b>Resident subtotal</b>		<b>310,389</b>	<b>16,340,198,419</b>	<b>514.6</b>	<b>545.5</b>	<b>30.8</b>	<b>83,596</b>	<b>30.8</b>	<b>369</b>	<b>3.1%</b>	<b>3.3%</b>	<b>0.19%</b>
Non Resident subtotal		56,060	26,016,903,503	54.8	58.6	3.8	15,354	3.8	249	0.2%	0.2%	0.01%
				<b>Total</b>			<b>34.7</b>	<b>= NOT A FISCAL YEAR ANALYSIS</b>				
				<b>FY 2016 Revenue</b>			<b>33.2</b>	between 3% to 5% adjustment for timing and portion of revenue realized in October 2016 (FY17)				

TY 2011 analysis - Chainbridge Model - Prepared by JFO/st

