Economic Growth and Tax Relief
Reconciliation Act of 2001

- Estimated Vermont revenue loss of $151 million FY 2002-2006
- $98 million from rate cuts
- $53 million from other provisions
  - $28 million Individual Income Tax
  - $25 million Estate Tax
**Stopping The Bleeding**

- **Vt act 67**

  - Intended that taxpayers in Vermont pay the same Vermont income tax liability as though the income tax rate changes of EGTRRA had not been enacted
How?

- Vermont income tax to remain at 24% of what the federal rates were in effect immediately prior to the enactment of EGTRAA
- Adjust Pre-EGTRAA rates for inflation
- For calendar years 2001 and 2002

Results

- Tax booklet increased from 64 to 80 pages
- Vermont rate tables and schedules
- New schedules needed to deal with
  - Capital gains
  - Children under 14
  - Farm income averaging
  - Alternative minimum tax
Surprise

- Tax Filing Season went smoothly.

Washington Does it Again
Job Creation and Worker Assistance Act of 2002

Estimated Impact Of Bonus Depreciation

- FY 2002-2005 Lost Revenues
  - Corporate $16.5 Million
  - Individual Income Tax $6 Million
The Rest Of The Way

- After 34 years of being coupled to Federal Tax Liability we were almost free of every chain that tied us to the decisions made in Washington.

- It was a long hard legislative session but on June 21, 2002, Act 140 was signed by the Governor and we were now tied to Federal Taxable Income.

Act 140 Individuals

- Vermont Taxable Income
  - Federal Taxable Income
    - Increased by
      - Non Vt Municipal interest and dividends
    - Decreased by
      - US Government Obligations
      - 40% “adjusted net capital gain income”
5 Rate brackets (Adjusted for Inflation)

Example: Married Filing Jointly

- < $46,700 3.6%
- $46,700 - $112,850 7.2%
- $112,850 - $171,950 8.5%
- $171,950 - $307,050 9.0%
- $307,050+ 9.5%

- Maintained other additional taxes at 24% of Federal Tax
- Repealed Alternative Minimum Tax
- Earned Income Tax Credit remained 32% of Federal Credit
Act 140  Estate Tax

- Continues to impose the Vermont Estate Tax based on the amount of the state death tax credit that was in Effect on January 1, 2001

- Allows the increased federal exemption amounts
Act 140 Corporations

- Use of Federal 30% bonus depreciation is disallowed on the Vermont corporate tax return for C corporations
  - Requires a separate depreciation schedule for Vermont

- Passes through the bonus depreciation for all other entities

Free From Federal Tax Rates

- After three decades of being tied to federal tax liability and the ups and downs of the revenue and progressiveness of the federal income tax rate structure, the Vermont Legislature has the responsibility in their own hands