

Follow-up Modeling of Education Income Tax Rates

Income-Based Education Tax Study Committee

Julia Richter, JFO

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General notes

- Rates were modeled based on the committee guidance from the December 2, 2022 meeting, specifically:
 - Potential rates and brackets to raise approximately \$600 million, representing
 - ~\$126 million representing the funds from filers who cannot be linked to a homestead declaration
 - ~\$472 million used initially modeling if the entire net homestead tax were to be replaced
 - Potential rates and brackets to raise approximately \$560 million, representing:
 - ~\$126 million representing the funds from filers who cannot be linked to a homestead declaration
 - ~\$472 million used initially modeling if the entire net homestead tax were to be replaced
 - ~\$40 million in revenues from reclassify homestead property beyond housesite and 2 acres to nonhomestead
- Rate modeling was conducted by Patrick Titterton, JFO using the Chainbridge Tax Model
- Methodology, data, and assumptions used for the analysis are consistent



Reminder: Potential Rate Structure presented on
November 10, 2022
Raised ~\$474million via EIT

Potential Base EIT Brackets:

Table 1:

Married, HoH		Single, Separate		EIT Rate
AGI From	Up to	AGI From	Up to	
\$0	\$30,000	\$0	\$15,000	1.50%
\$30,001	\$60,000	\$15,001	\$30,000	1.75%
\$60,001	\$90,000	\$30,001	\$45,000	2.00%
\$90,001	\$225,000	\$45,001	\$112,500	2.25%
\$225,001	\$575,000	\$112,501	\$287,500	2.50%
\$575,001	Infinity	\$287,501	Infinity	2.65%



EIT Potential Rate Structure

Raise ~\$600 million via EIT

- This rate structure raises a total of \$ 600 million, of which:
 - ~\$472 million represents if the entire net homestead tax were to be replaced*
 - ~\$126 million represents the funds from filers who cannot be linked to a homestead declaration*

Table 2:

Married, HoH		Single, Separate		EIT Rate
AGI From	Up to	AGI From	Up to	
\$0	\$30,000	\$0	\$15,000	2.00%
\$30,001	\$60,000	\$15,001	\$30,000	2.30%
\$60,001	\$90,000	\$30,001	\$45,000	2.60%
\$90,001	\$225,000	\$45,001	\$112,500	2.80%
\$225,001	\$575,000	\$112,501	\$287,500	3.00%
\$575,001	Infinity	\$287,501	Infinity	3.15%

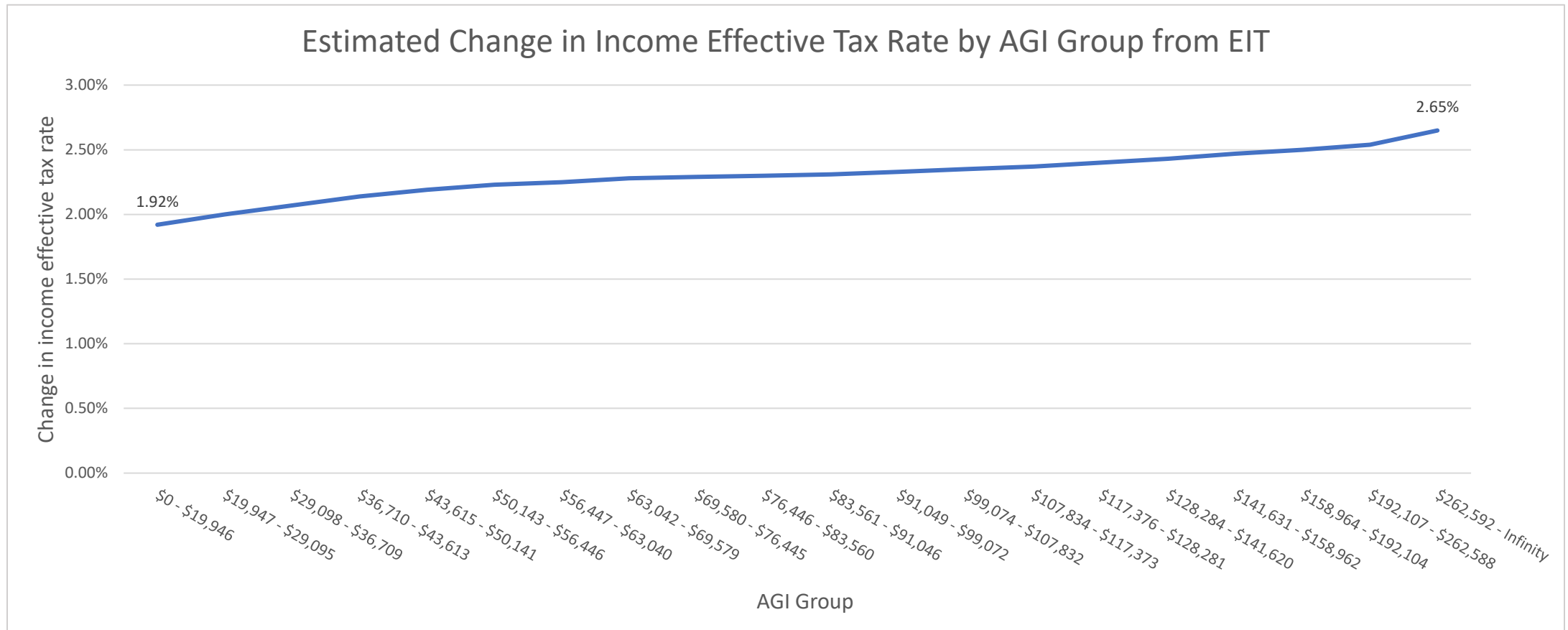
*Note: Previous modeling results were presented by JFO and the Tax Department at the Committee's November 10, and December 2 meetings



EIT Potential Rate Structure – Impacts on AGI Groups

Raise ~\$600 million via EIT

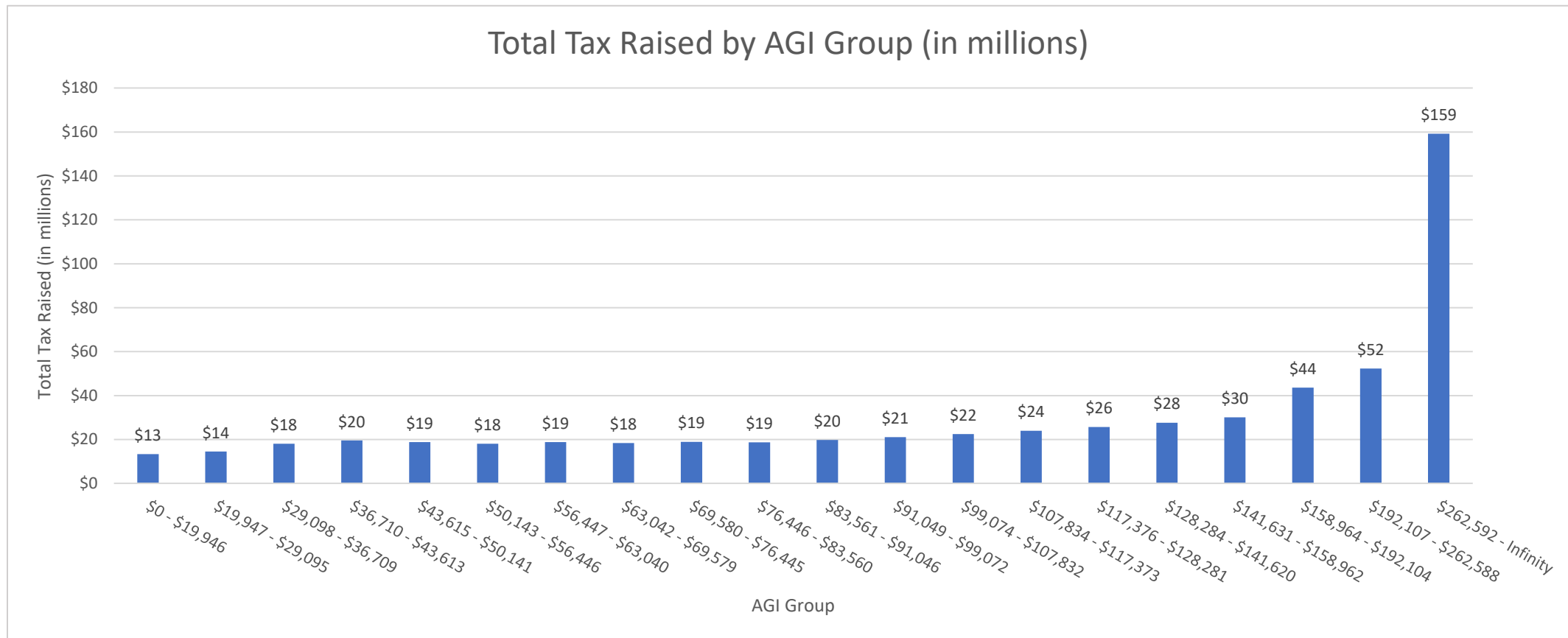
Figure 1:



EIT Potential Rate Structure – Total Tax Raised by AGI Groups

Raise ~\$600 million via EIT

Figure 2:



Reclassifying homestead property beyond housesite and 2 acres to nonhomestead

- The Committee requested modeling to reclassify homestead property beyond housesite and 2 acres to nonhomestead property
- JFO estimates this would increase the nonhomestead property tax by approximately \$40 million, reducing the funds needed from the education income tax
 - This assumes 2021 grand list values and property tax rates
 - Changes to grand list values, CLAs, and property tax rates would impact this estimate

Note: 1) Modeling was conducted using 2021 data



EIT Potential Rate Structure

Raise ~\$560 million via EIT

Potential Base EIT Brackets:

Table 3:

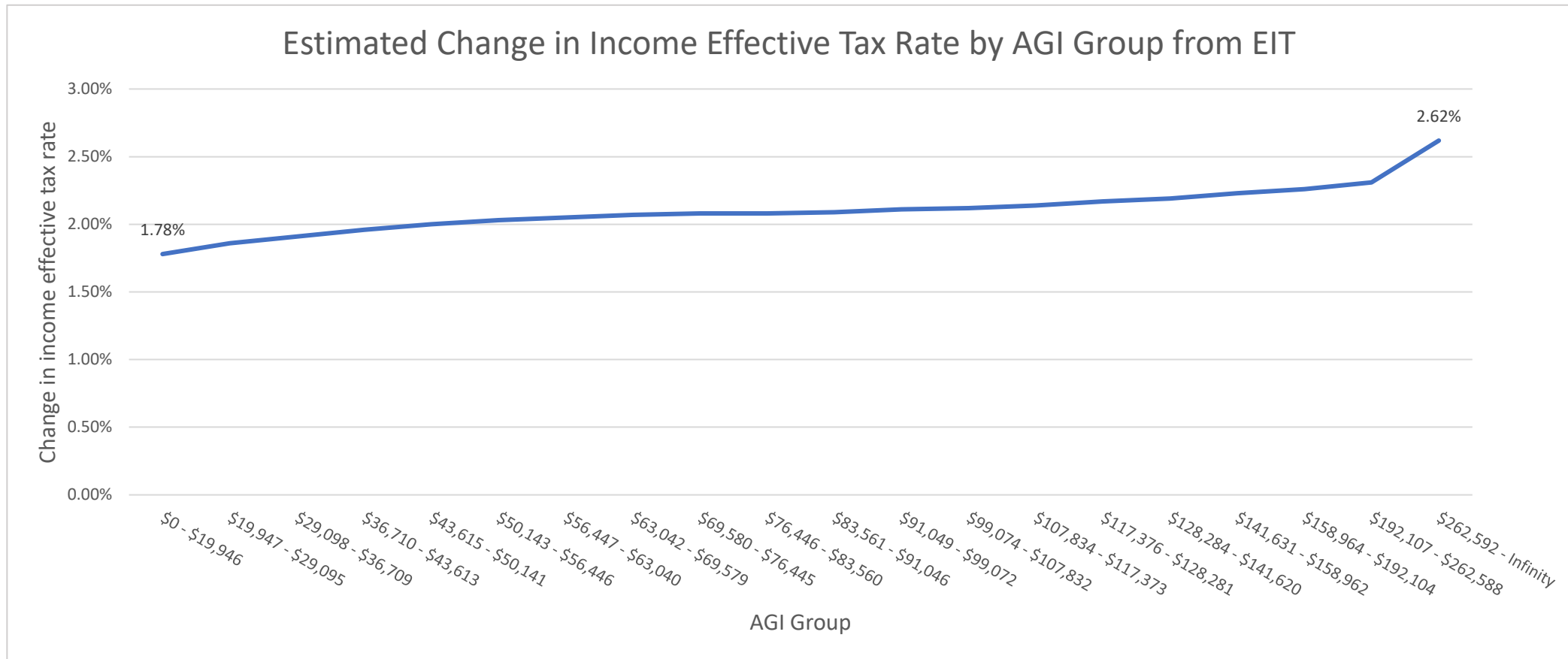
Married, HoH		Single, Separate		EIT Rate
AGI From	Up to	AGI From	Up to	
\$0	\$30,000	\$0	\$15,000	1.85%
\$30,001	\$60,000	\$15,001	\$30,000	2.15%
\$60,001	\$90,000	\$30,001	\$45,000	2.25%
\$90,001	\$225,000	\$45,001	\$112,500	2.50%
\$225,001	\$575,000	\$112,501	\$287,500	3.00%
\$575,001	Infinity	\$287,501	Infinity	3.30%



EIT Potential Rate Structure – Impacts on AGI Groups

Raise ~\$560 million via EIT

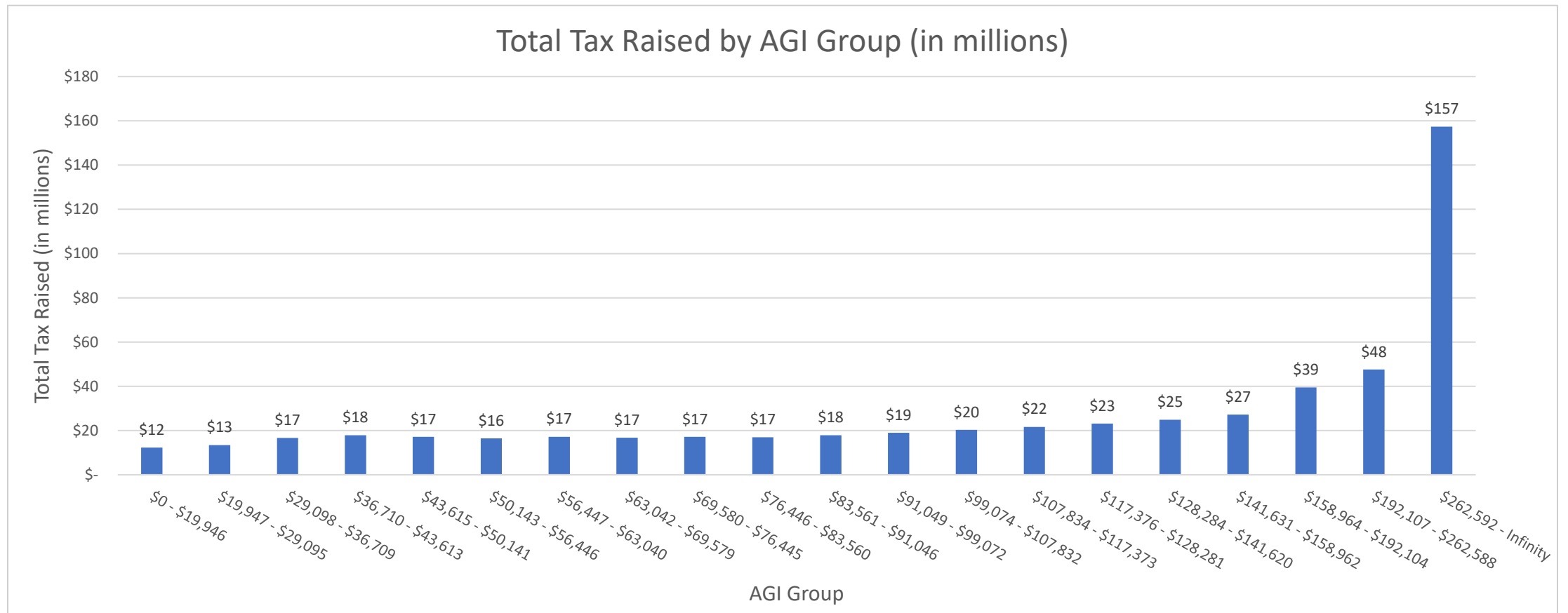
Figure 3:



EIT Potential Rate Structure – Total Tax Raised by AGI Group

Raise ~\$560 million via EIT

Figure 4:



Questions?



Appendix: Previous modeling

- *“Education Income Tax Modeling Two Proposals”*
 - Modeling presented by JFO:
 - [https://ljfo.vermont.gov/assets/Meetings/Income-Based-Education-Tax-Study-Committee/2022-11-10/fdd7b9c4ec/GENERAL-364898-v4-Education Income Tax Modeling Two Proposals.pdf](https://ljfo.vermont.gov/assets/Meetings/Income-Based-Education-Tax-Study-Committee/2022-11-10/fdd7b9c4ec/GENERAL-364898-v4-Education%20Income%20Tax%20Modeling%20Two%20Proposals.pdf)
- *“Impacts to Filer Groups”*
 - Modeling presented by Jake Feldman, Senior Fiscal Analyst, Tax Department
 - <https://ljfo.vermont.gov/assets/Meetings/Income-Based-Education-Tax-Study-Committee/2022-12-02/2a1e864183/Option-2-Tax-Revenue-by-Filer-Group-v2.pdf>

