

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

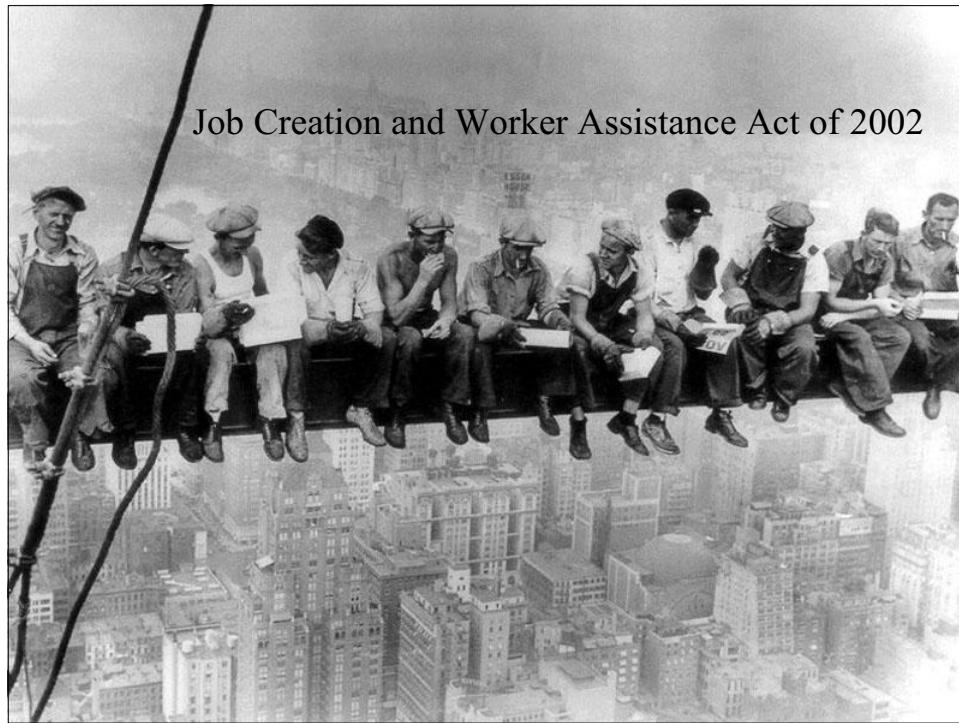
Results

- 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.





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%

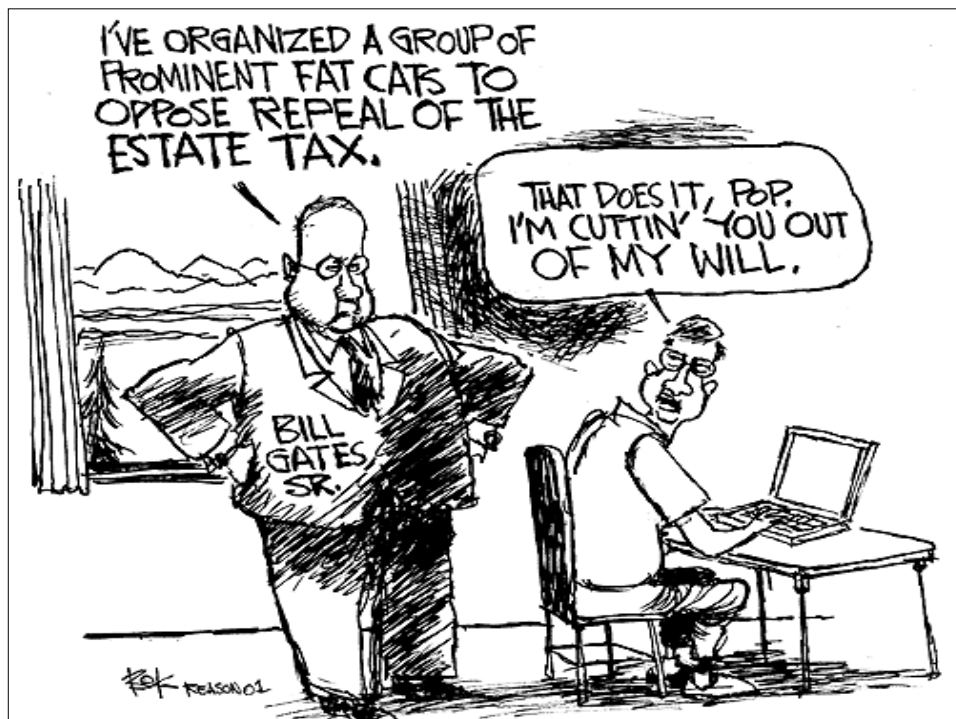
◆ Maintained other additional taxes at 24% of Federal Tax

◆ Repealed Alternative Minimum Tax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

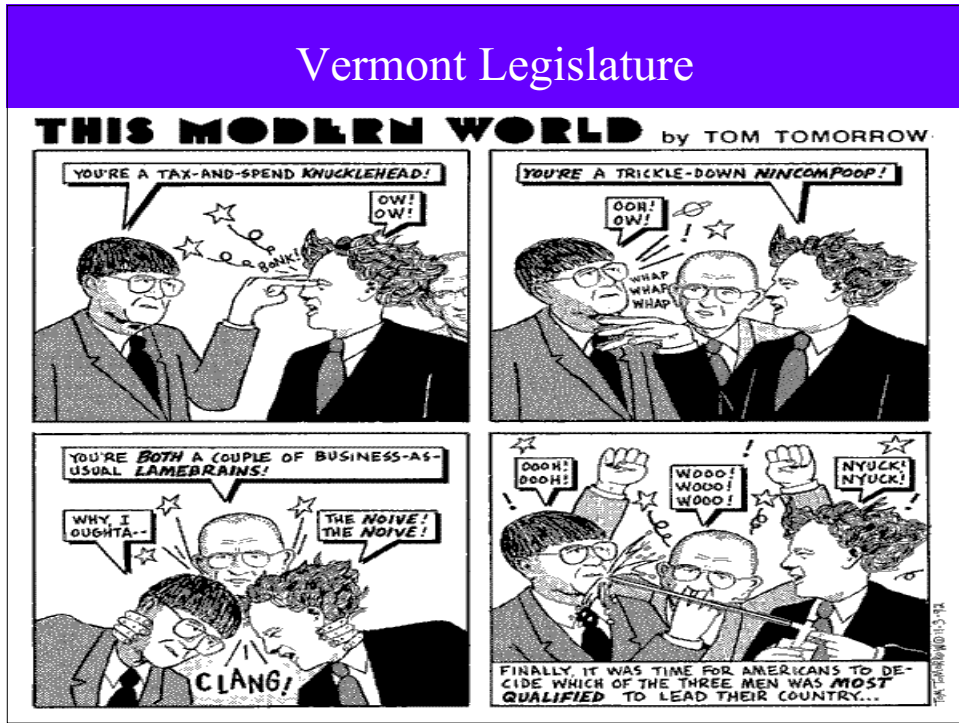


Act 140 Corporations

- 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



1040-DOG ALL Breeds		Department of the Treasury Internal Revenue Service U.S. Individual Income Tax Return 1995	
Use IRS label	Registered Name:	Dog Tag number:	
	Calling name:	Rabies I. D. number:	
	Master's name:		
Filing Status	<input type="checkbox"/> Stray dog <input type="checkbox"/> Family dog <input type="checkbox"/> Top dog <input type="checkbox"/> Underdog		
Exemptions for Dependents	<input type="checkbox"/> Check all dependents: <input type="checkbox"/> Fleas <input type="checkbox"/> Worms <input type="checkbox"/> Other dependents <input type="checkbox"/> Ticks <input type="checkbox"/> Ear mites <input type="checkbox"/> All of the above		
Income	1 Dry Kibble, and other gross income 1 2 Stolen roasts, turkeys, hams and other capital income 2 3 Income from beef by-products 3 4 Kidney, liver, and other organ meat 4 5 Compensation from hunting, herding, or watching 5 6 Show winnings 6 7 Acting fees (dog star) 7 8 Stud fees 8 9 Capital gains and appreciation of assets: a Appreciation of personal assets 9a b Appreciation of assets of other dogs 9b c Appreciation of doghouse 9c d Appreciation of buried bones not yet fully appreciated 9d		
Credits and Deductions	10 Veterinary benefits: a Credit for not trembling and whimpering in waiting room 10a b Credit for not yelping during shots 10b 11 Casualty losses from accidental elimination (special allowance for puppies only) 11 12 Laundry expenses (ring around the collar) 12 13 Spay pay (credit for neutering) 13 14 Deduction for losses of tennis balls 14 15 Depreciation of rubber tug toy 15 16 Tax-exempt income from service as a guide dog for the blind 16 17 Damages from housebreaking 17 18 Poultry retrieval without appreciation 18 19 Impoundment charges 19 20 Fines for voluntary contributions to sidewalks and lawns 20 21 Credit for deposits behind bushes (safe deposit) 21 22 Interest in the deposits of others 22		
Balance Due	Your total tax bite	▶	
Please Sign Here	Under penalties of perjury, impoundment, and dry kibble for a month, I declare that I have examined this return and to the best of my knowledge and belief it is true and correct.		
Paid Preparer's Use Only	Preparer's signature	▶	
	Firm's name (or yours, if self-employed) and address	Brent E. Barash, P.A. 85 E. 9th Avenue Fort Lauderdale, FL 33069	E.I. No. ▶ ZIP Code ▶

