

VERMONT DEPARTMENT OF TAXES  
TECHNICAL BULLETIN

<b>TAX</b>	Household Income for Property Tax Adjustment & Renter Rebate Claims	<b>TB-51</b>
<b>SUBJECT</b>	Adjustments to Modified Gross Income Schedule HI-144	<b>ISSUED:</b> 03/23/2010
<b>REFERENCE</b>	32 V.S.A. §6061	

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## INTRODUCTION

This bulletin clarifies the adjustments available to arrive at household income on Schedule HI-144.

## VERMONT LAW

32 V.S.A. §6061(4)(1) Definition of Household Income  
32 V.S.A. §6061(5) Definition of Modified Adjusted Gross Income

## ADJUSTMENTS AVAILABLE

Modified Adjusted Gross Income may be reduced by the following to arrive at Household Income:

- Social Security and Medicare taxes withheld from wages
- Self-employment taxes paid exclusive of any amounts deducted to arrive at adjusted gross income or deducted on account of excess payment of employment taxes
- Child support money paid
- Adjustments taken on Federal income tax return to arrive at Federal adjusted gross income

## CALCULATION OF ADJUSTMENTS

### Line o Combined Social Security and Medicare Taxes

Social Security and Medicare taxes that have been paid may be subtracted from Modified Adjusted Gross Income to the extent the income is reported in household income. Medicare premiums deducted from Social Security payments are not a tax paid and cannot be subtracted.

#### *Examples*

1) Abby received a W-2 showing \$21,120 wages, \$1,300 Social Security tax withheld and \$300 Medicare tax withheld. This is Abby's only income and it is all reported on HI-144. Her Line o adjustment is \$1,600 (\$1,300 Social Security tax plus \$300 Medicare tax).

2) Bob lives at home. He is a full-time student and his parents claim him as a dependent. He has a job and received a W-2 showing \$15,200 wages, \$936 Social Security tax withheld and \$200 Medicare tax withheld. His parents must report Bob's income on their property tax adjustment claim. However, the first \$6,500 of income earned by a full-time student who is a dependent of the homeowner/renter or a member of the household may be excluded. The household income includes \$8,700 of Bob's income and the adjustment on Line o is based on the income included in household income.

Total wages	\$15,200	SS taxes	\$8,700 x 6.2%	\$539
Exempted	<u>6,500</u>	Medicare taxes	\$8,700 x 1.4%	<u>121</u>
Reported	\$ 8,700	Line o adjustment		\$660

3) Carl participates in a deferred compensation program and deferred \$5,000. His W-2 shows \$60,000 taxable wages and \$65,000 wages subject to Social Security and Medicare taxes. Social Security tax withheld was \$4,030 and Medicare tax withheld was \$910. Household income includes \$60,000 wages and Line o adjustment is based on the income included in household income.

SS tax withheld	\$4,030	\$60,000 x 6.2%	\$3,720
Medicare tax withheld	\$ 910	\$60,000 x 1.4%	<u>840</u>
		Line o adjustment	\$4,560

4) David is self-employed. Social Security and Medicare taxes calculated on Federal Schedule SE total \$4,000. All his self-employed income is included in household income. His Line 0 adjustment is \$4,000.

#### Line p Child Support

The homeowner/renter or a member of the household may subtract child support from Modified Adjusted Gross Income. Proof of payment plus the name and Social Security number of the parent receiving the child support must be provided.

##### *Examples*

- 1) Edsel pays \$3,000 in child support. He provides copies of his canceled checks and his ex-wife's name and Social Security number. His Line p adjustment is \$3,000.
- 2) The Office of Child Support garnishes Fay's wages for child support. Fay's employer deducted \$2,000 and remitted it to Office of Child Support. She made no other child support payments. She provides a copy of the payment statement from the Office of Child Support plus the name and Social Security number of the parent receiving the child support. Her line p adjustment is \$2,000.

#### Line q Deductions to arrive at Federal Adjusted Gross Income

The amount on Federal Form 1040 Line 36 or 1040A Line 20<sup>1</sup> may be subtracted to the extent the income is reported and the deduction has not been taken on a previous adjustment line on Schedule HI-144. The subtraction may be entered in the homeowner/claimant column or spouse/civil union partner column or divided between those columns, but the full amount cannot

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<sup>1</sup> The Federal lines numbers are valid as of 2009 tax year return. Please verify the line number on the Federal return in the "Adjusted Gross Income" section for the total deductions.

be entered in both columns. If the deduction to arrive at Federal Adjusted Gross Income is for a member of the household, enter the amount in that column.

*Examples*

- 1) Gary and Linda took \$2,500 total deductions on their Federal Form 1040A. They can subtract the full \$2,500 on Line q.
- 2) David from Line o explanation, Example 4, took \$5,000 total deductions on his Federal Form 1040. The deductions include \$2,000 for one-half of his Social Security and Medicare taxes from Schedule SE. Since David already adjusted for his total Social Security and Medicare taxes on Line o, he cannot take an additional adjustment on Line q. His Line q adjustment is \$3,000 (\$5,000 total deductions less \$2,000 for one-half self-employment Social Security and Medicare taxes).

**USE OF TECHNICAL BULLETINS**

A technical bulletin provides general information to the public and does not replace the need for competent legal or accounting advice. This technical bulletin supersedes all prior department pronouncements on this subject.

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