VERMONT **GENERAL ASSEMBLY**

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**Title 32 : Taxation and Finance**

**Chapter 151 : Income Taxes**

**Subchapter 2: Taxation of Individuals, Trusts, and Estates**

*(Cite as: 32 V.S.A. § 5823)*

## § 5823. Vermont income of individuals, estates, and trusts

(a) For any taxable year, the Vermont income of a resident individual is the adjusted gross income of the individual for that taxable year, and the Vermont income of a resident estate or trust is its gross income for the taxable year, less:

(1) income exempted from State taxation under the laws of the United States and not subtracted under subdivision 5811(21)(B)(i) of this chapter;

(2) military pay for full-time active duty with the U.S. Armed Services earned outside the State; and the first $2,000.00 of military pay for unit training in the State to National Guard and U.S. Reserve personnel for whom the Adjutant General or Reserve Component Commander certifies that the taxpayer completed all unit training of his or her unit during the calendar year, and who has a federal adjusted gross income of less than $50,000.00;

(3) funds received through the federal Armed Forces Educational Loan Repayment Program under 10 U.S.C. chapters 109 and 1609, to the extent the funds are included in adjusted gross income of the taxpayer for the taxable year; and

(4)-(7) [Repealed.]

(8) the amount paid by the State of Vermont pursuant to 20 V.S.A. chapter 181 to the extent that such amount is included in the federal adjusted gross income of the taxpayer for the taxable year.

(b) For any taxable year, the Vermont income of a nonresident individual, estate, or trust is the sum of the following items of income to the extent they are required to be included in the federal adjusted gross income of the individual after the value of those items are modified by the additions and subtractions provided for in subdivisions 5811(21)(A) and (B) of this chapter or the federal adjusted gross income of an estate or trust after the value of those items are modified by the additions and subtractions provided for in subdivisions (28)(A) and (B) of this chapter for that taxable year:

(1) rents and royalties derived from the ownership of property located within this State;

(2) gains from the sale or exchange of property located within this State;

(3) wages, salaries, commissions, or other income (excluding military pay for full-time active duty with the U.S. Armed Services and also excluding funds received through the federal Armed Forces Educational Loan Repayment Program under 10 U.S.C. chapters 109 and 1609; and also excluding the first $2,000.00 of military pay for unit training in the State to National Guard and U.S. Reserve personnel for whom the Adjutant Inspector General or Reserve Component Commander certifies that the taxpayer completed all unit training of his or her unit during the calendar year, and who has a federal adjusted gross income of less than $50,000.00) received with respect to services performed within this State;

(4) income (other than income exempted from State taxation under the laws of the United States) derived from every business, trade, occupation, or profession to the extent that the business, trade, occupation, or profession is carried on within this State, including any compensation received:

(A) under an agreement not to compete with a business operating in Vermont;

(B) for goodwill associated with the sale of a Vermont business; or

(C) for services to be performed under a contract associated with the sale of a Vermont business, unless it is shown that the compensation for services does not constitute income from the sale of the business;

(5) income that was previously deferred under a nonqualified deferred compensation plan and that would have previously been included in the taxpayer's Vermont income if it had not been deferred, and income derived from such previously deferred income; and

(6) proceeds from wagering transactions made within the State; or any Vermont State Lottery, tri-state lottery, or multijurisdictional lottery ticket paid to a person who purchased the ticket in Vermont, including payments received from a third party for the transfer of the rights to future proceeds related to the ticket; and the Commissioner may require withholding of any taxes due to the State under this subdivision from payments of wagering or lottery proceeds.

(c) For any taxable year, the Vermont income of a part-year resident individual or trust is the sum of:

(1) all items of income constituting Vermont income for the purpose of subsection (a) of this section that are earned or received during the period of the taxpayer's residency in this State in the taxable year; and

(2) all items of income constituting Vermont income for the purposes of subsection (b) of this section that are earned or received during the period of the taxpayer's nonresidency in this State in the taxable year.

(d) Vermont income shall not include any income of a nonresident from the activities listed in this subsection; and shall not include income of a nonresident through an entity such as a partnership, limited liability company, or trust, if that entity's activities in this State are limited to activities that, without more, would not constitute nexus, plus any or all of the following activities necessary to create or maintain a World Wide Web page or internet site for the nonresident or entity:

(1) ownership of data or programming code in this State, or use of that data or programming code by a person other than the nonresident or entity or by a person not in this State;

(2) ownership of, or receipt of services from, computer servers in this State; and

(3) receipt of computer processing or web hosting services from a computer service provider or web hosting service in this State. (Added 1966, No. 61 (Sp. Sess.), § 1, eff. Jan. 1, 1966; amended 1967, No. 121, § 5, eff. Jan. 1, 1968; 1969, No. 263 (Adj. Sess.), § 3, eff. April 6, 1970; 1979, No. 105 (Adj. Sess.), § 44, eff. date, see note set out below; 1989, No. 119, §§ 22, 23(a), eff. June 22, 1989; 1989, No. 210 (Adj. Sess.), § 297, eff. May 31, 1990; 1991, No. 32, § 6, eff. May 18, 1991; 1993, No. 49, § 8, eff. May 28, 1993; 1995, No. 29, § 28, eff. April 14, 1995; 1995, No. 71 (Adj. Sess.), § 1, eff. Feb. 14, 1996; 1995, No. 169 (Adj. Sess.), § 23, eff. May 15, 1996; 1995, No. 174 (Adj. Sess.), § 6; 1997, No. 50, §§ 13, 14, eff. June 26, 1997; 1997, No. 79 (Adj. Sess.), § 2, eff. Jan. 1, 1999; 1997, No. 156 (Adj. Sess.), §§ 4, 52, eff. April 29, 1998; 2001, No. 140 (Adj. Sess.), § 6; 2001, No. 144 (Adj. Sess.), §§ 1, 2, 29, eff. June 21, 2002; 2003, No. 70 (Adj. Sess.), § 40, eff. March 1, 2004; 2003, No. 152 (Adj. Sess.), § 14; 2005, No. 14, § 2, eff. May 3, 2005; 2007, No. 33, § 1, eff. May 18, 2007; 2009, No. 160 (Adj. Sess.), §§ 51, 53, eff. June 4, 2010; 2011, No. 45, § 3a, eff. May 24, 2011; 2011, No. 45, § 36l, eff. July 1, 2013; 2023, No. 63, § 4, eff. June 14, 2023; 2025, No. 164 (Adj. Sess.), § 57, eff. January 1, 2026.)