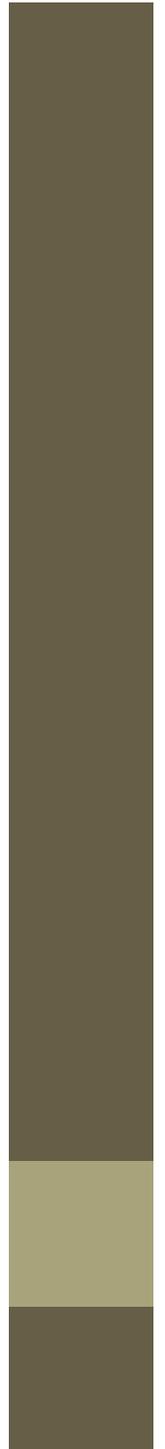
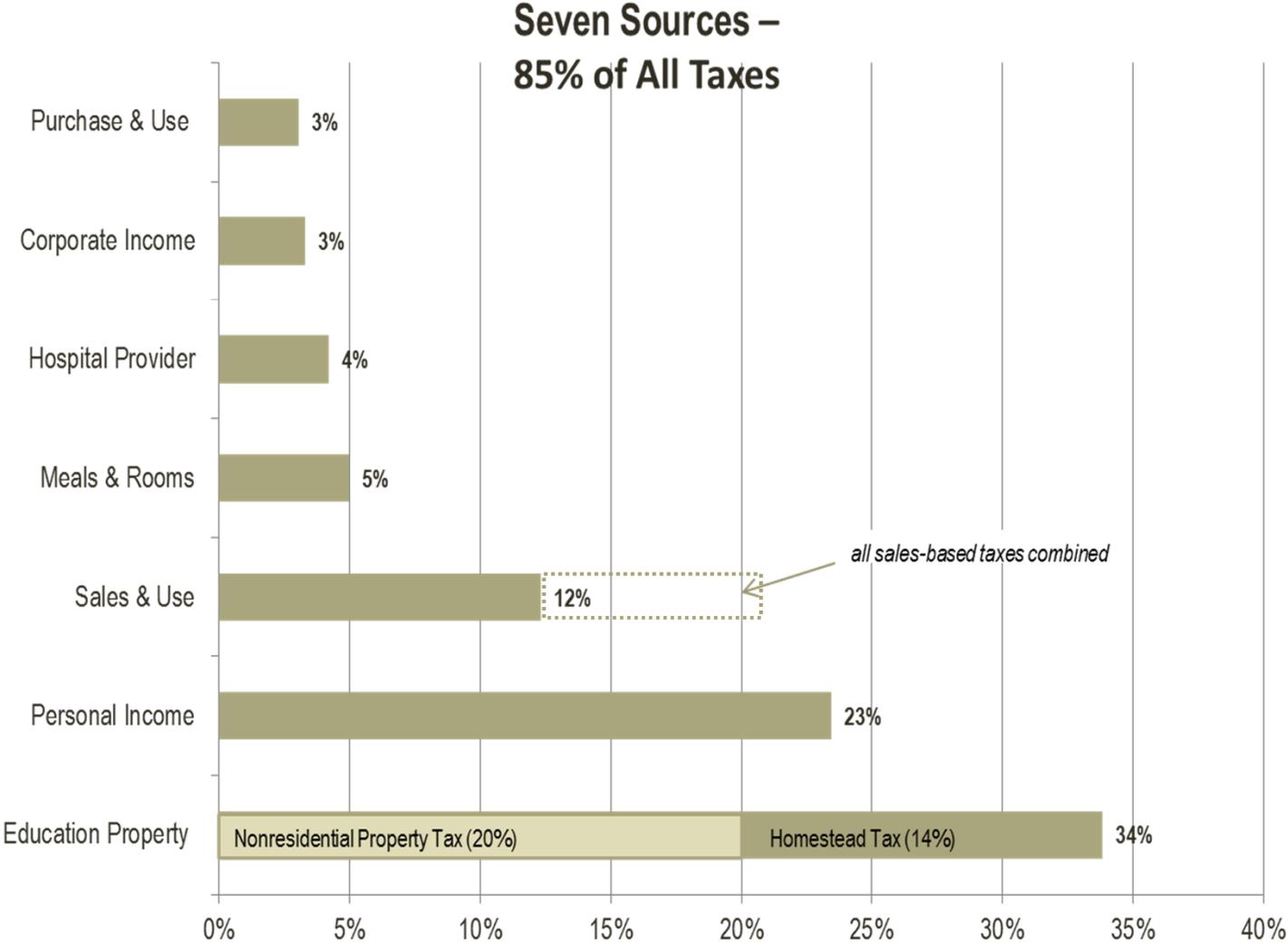


# Vermont State Revenue Volatility

Prepared by JFO



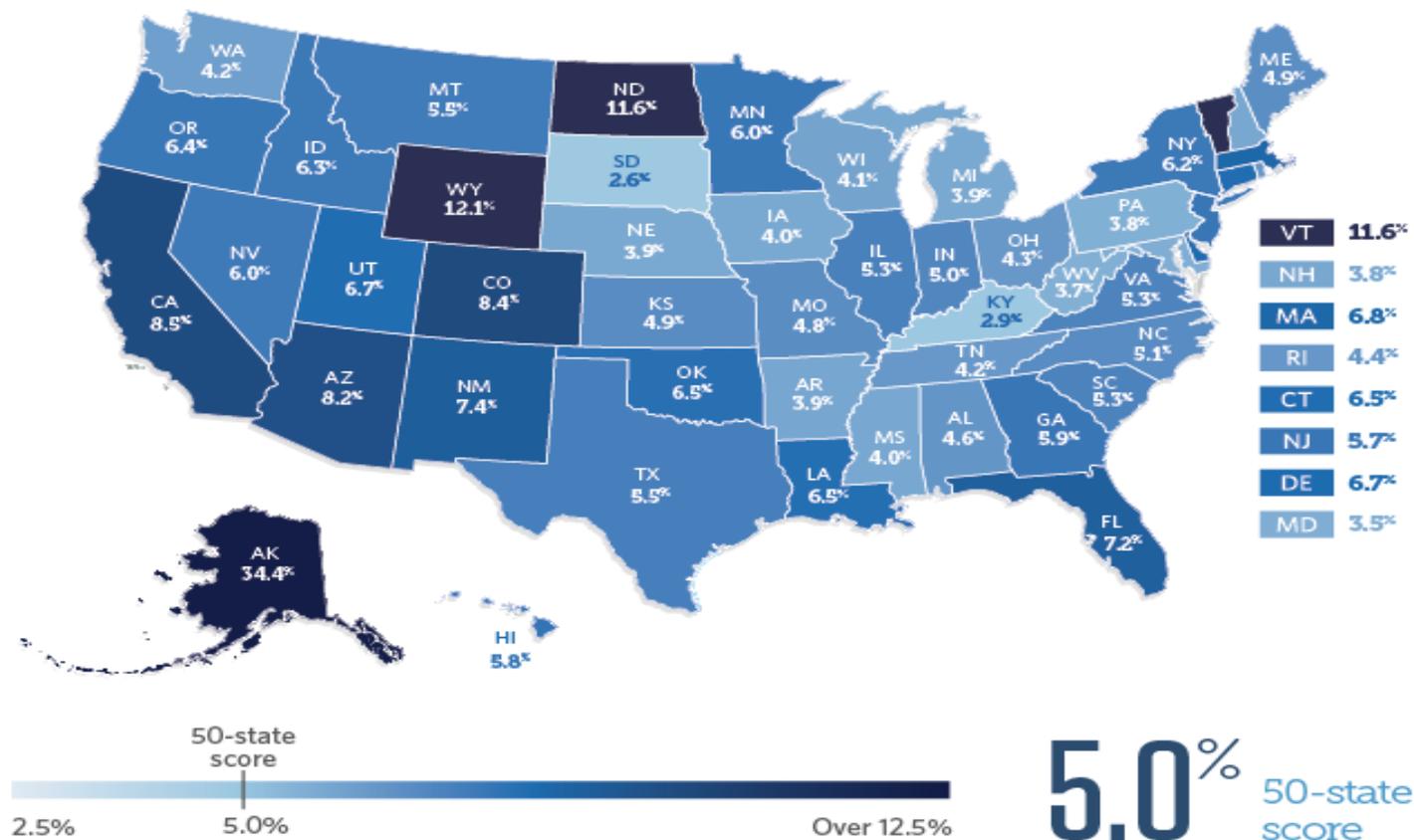
# Largest State Tax Sources



# The Pew Charitable Trusts

## How Volatility of Tax Revenue Compares

Based on FY 1995–2013 tax revenue, adjusted for policy changes



Source: The Pew Charitable Trusts

Volatility scores for each state's total tax revenue were calculated using the U.S. Census Bureau's State Government Tax Collections historical data series for 1994–2013. Data were adjusted to control for the effects of tax policy change using the National Conference of State Legislatures State Tax Action reports for 1994–2012.

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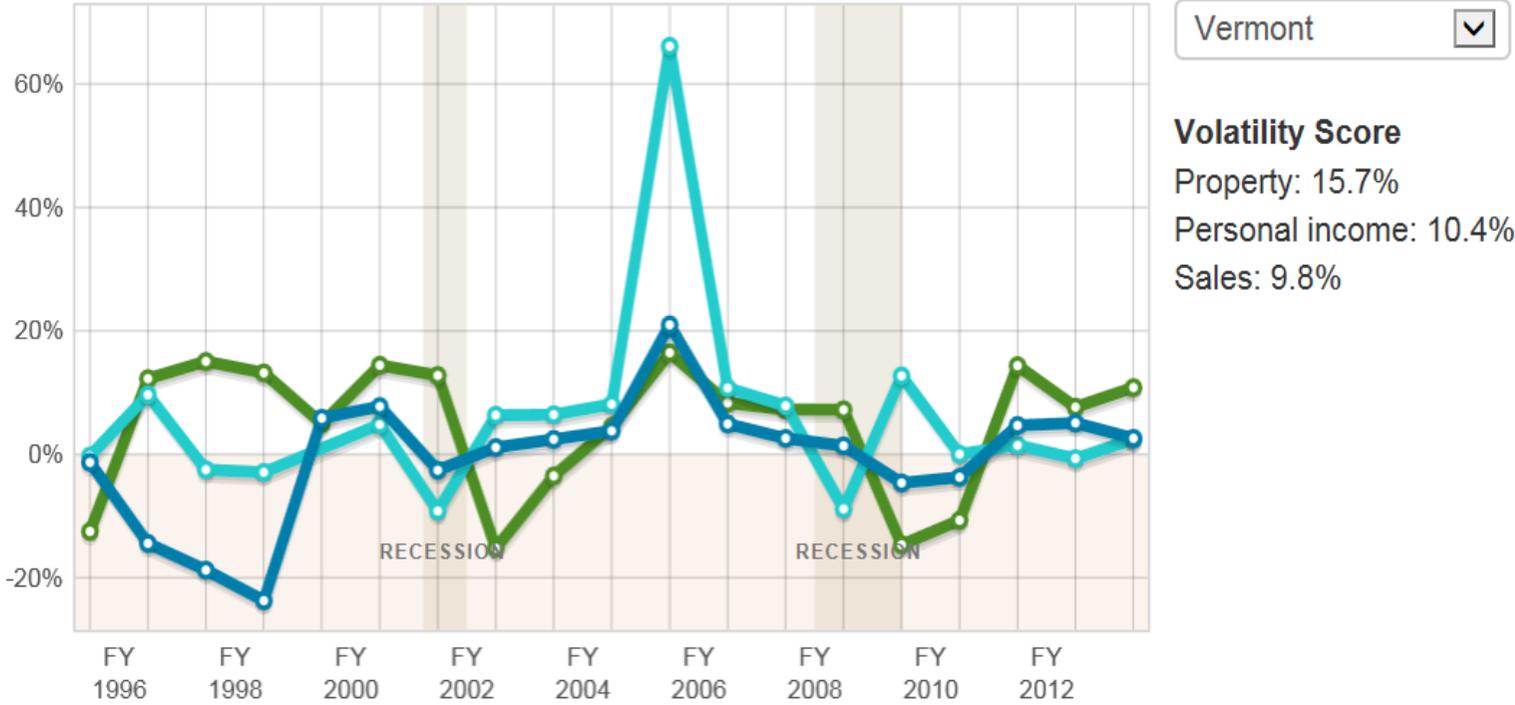
# Pew Report Summary

- **Alaska** had the highest overall volatility score—34.4 percent—meaning the state’s total tax revenue showed wide variability from year to year, typically fluctuating within 34.4 percent above or below its overall growth trend. The next most volatile tax revenue streams were in **Wyoming** (12.1 percent) and in **North Dakota** and **Vermont** (both 11.6 percent).
- **Three of the four states with the greatest overall volatility received a substantial share of their tax dollars from severance taxes**, which are affected by global energy prices. In 2013, severance taxes made up 78.3 percent of tax revenue in Alaska, 39.7 percent in Wyoming, and 46.4 percent in North Dakota.
- Personal income tax fluctuated more than any other type of tax in nine of the 41 states that levy it. Volatility scores ranged from 13.4 percent in North Dakota to 3.5 percent in West Virginia.
- Sales tax was the most volatile major tax in only three of the 45 states that impose it: Nevada and Washington, which have no personal income tax, and Colorado, the only state where sales tax was more volatile than personal income tax among 38 states that collect both. Volatility scores for sales tax ranged from a high of 14.9 percent in Wyoming to a low of 2.8 percent in Kentucky.
- Corporate income tax revenue seesawed more than any other tax source in 24 of the 29 states where it was a major tax, and it was more volatile than personal income tax in all 25 states that collected both as a major tax. Its volatility score ranged from 59.0 percent in Alaska to 9.3 percent in New Hampshire

# Pew Results for Vermont

## Year-Over-Year Change in Revenue From Major Taxes, Adjusted for Policy

■ Personal income ■ Property ■ Sales



[Analysis](#) [Notes](#) [Sources](#) [Methodology](#) [Download data](#)

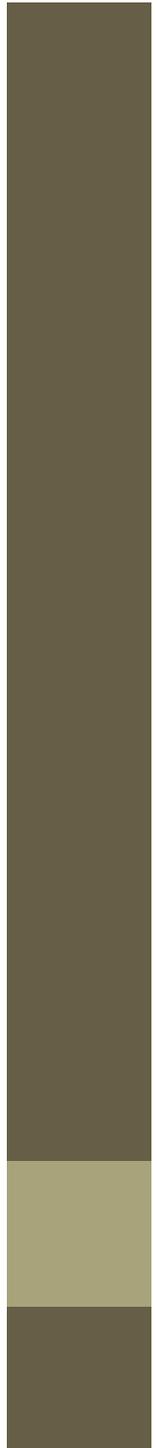


# Pew Data

<b>Personal Income</b>	<b>Volatility Score (standard deviation)</b>	<b>Sales</b>	<b>Volatility Score (standard deviation)</b>	<b>Property</b>	<b>Volatility Score (standard deviation)</b>
North Dakota	13.4%	Wyoming	14.9%	Vermont	15.7%
California	13.3%	Colorado	12.1%	Michigan	13.8%
Arizona	12.0%	North Dakota	11.1%	Wyoming	13.7%
Louisiana	11.9%	Louisiana	10.1%	Arkansas	13.0%
Delaware	10.9%	Vermont	9.8%	Arizona	11.3%
Hawaii	10.6%	Nevada	9.3%	New Hampshire	10.6%
Vermont	10.4%	Arizona	8.0%	Montana	4.2%
Michigan	10.2%	Florida	7.4%	Kentucky	4.2%
Massachusetts	9.7%	New Mexico	7.0%	Washington	2.0%
New Jersey	9.6%	Connecticut	6.7%		
Connecticut	9.6%	Nebraska	6.5%		
Illinois	9.5%	Michigan	6.0%		
Colorado	9.0%	Utah	5.9%		
Idaho	8.7%	Iowa	5.9%		
New York	8.4%	Maine	5.7%		
Minnesota	8.2%	Ohio	5.7%		
Oklahoma	8.1%	Hawaii	5.6%		
Utah	8.1%	Minnesota	5.5%		
Ohio	8.0%	South Carolina	5.3%		
New Mexico	8.0%	Virginia	5.2%		
Alabama	7.8%	Washington	5.2%		
Rhode Island	7.6%	Idaho	5.2%		
Montana	7.6%	Texas	4.9%		
Oregon	7.6%	Georgia	4.9%		
South Carolina	7.5%	Mississippi	4.9%		
Georgia	7.3%	California	4.7%		
Virginia	7.1%	New York	4.7%		
Nebraska	7.1%	Oklahoma	4.6%		
North Carolina	7.1%	Indiana	4.5%		
Indiana	7.0%	Illinois	4.5%		
Missouri	7.0%	Maryland	4.4%		
Maine	7.0%	Rhode Island	4.4%		
Kansas	7.0%	Massachusetts	4.2%		
Mississippi	6.8%	Kansas	4.2%		
Iowa	6.2%	New Jersey	4.2%		
Wisconsin	5.6%	Tennessee	4.0%		
Arkansas	5.3%	North Carolina	3.9%		
Maryland	5.3%	Alabama	3.8%		
Kentucky	5.2%	Pennsylvania	3.8%		
Pennsylvania	5.1%	Arkansas	3.6%		
West Virginia	3.5%	Missouri	3.4%		
		Wisconsin	3.2%		
		West Virginia	3.0%		
		South Dakota	2.9%		
		Kentucky	2.8%		

# Individual Income Tax

- Progressive rate structure
- Relatively narrow base (allow pass-through of most federal exemptions and deductions)
- Small population; e.g. heavily dependent on fewer taxpayers
- Includes business income from pass-through entities
- More details on the individual income tax to follow



# Sales Tax

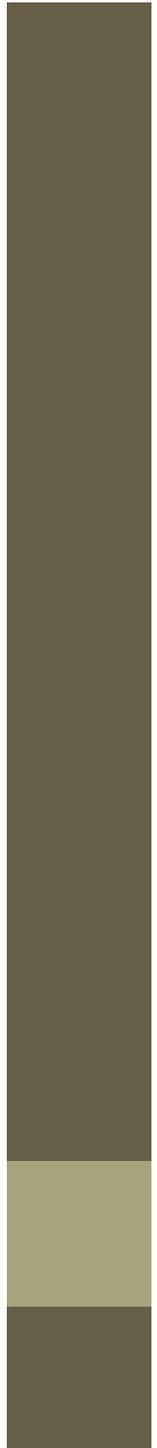
- Narrow base because of ***exemptions***  
Food, clothing and shoes, non-prescription drugs, most services etc. not taxes
- Narrow base because of ***alternative tax structures***  
Meals & Rooms Tax, Purchase and Use Tax
- Narrow base because of ***erosion***  
(issues not so different from the majority of other states)
  - inability to collect on remote sales
  - proximity to no sales tax state
  - changing economy moving away from goods to services
  - difficult for taxation to keep up with technology

# Education Property Tax

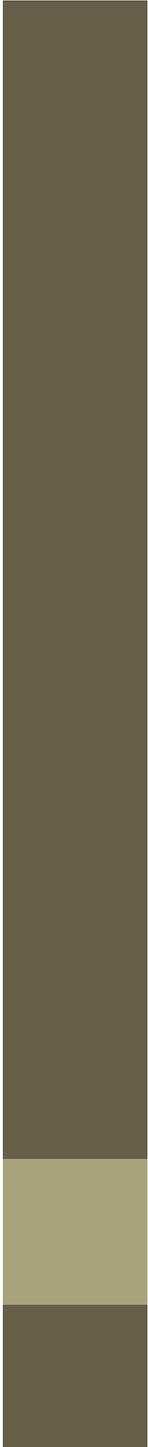
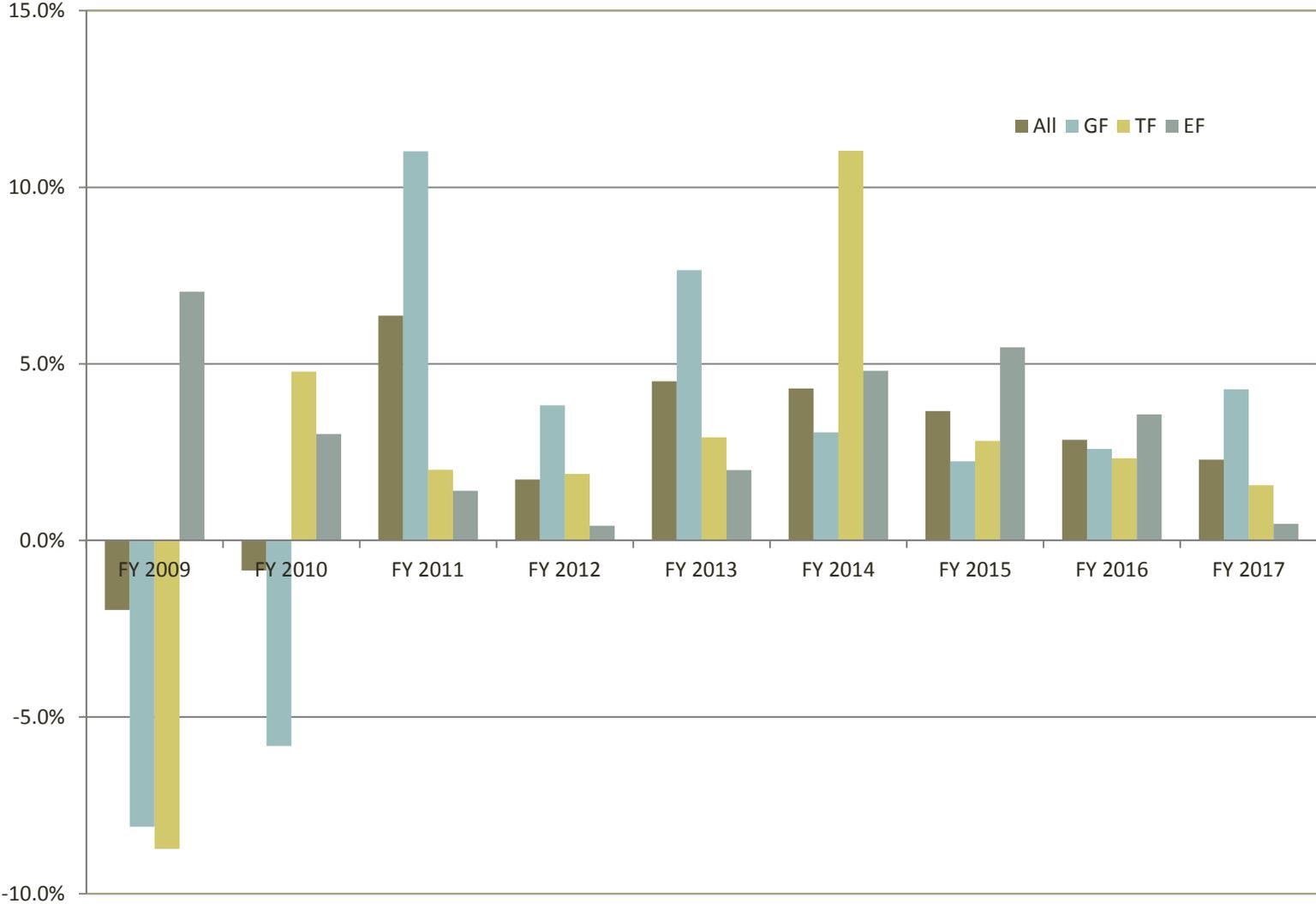
- Income sensitized homestead tax give a portion of the property more of the characteristics of an income tax
- Unusual for a state tax source of its size, few comparisons
- Are the property tax exemptions unusual in number or size?
  - Exempt properties
  - Alternative tax structures (railroad, energy etc.)
  - Current use program
  - Tax Increment Financing (TIF)
- Unsure how Pew accounts for annual tax changes and history

# Major Tax Types Balance

- Income Taxes  
individual income tax, corporate income tax, estate tax
- Sales Taxes  
sales and use tax, meals and rooms tax, purchase and use tax,  
fuel gross receipts tax
- Excise Taxes  
cigarette taxes, beer, wine & liquor, gasoline and diesel
- Property Taxes  
education property tax, property transfer tax, land gains tax
- Other Taxes  
bank franchise tax, hospital provider tax,

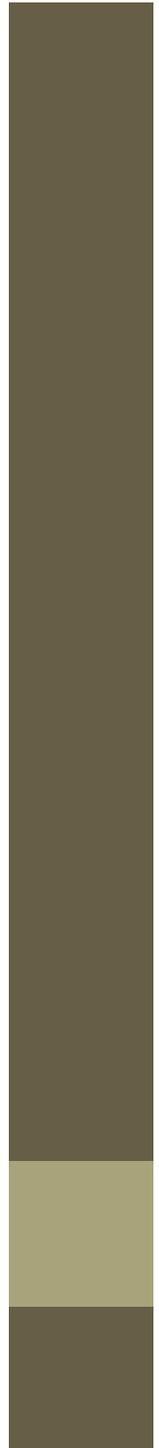


# Revenue Dedication Exacerbates Volatility

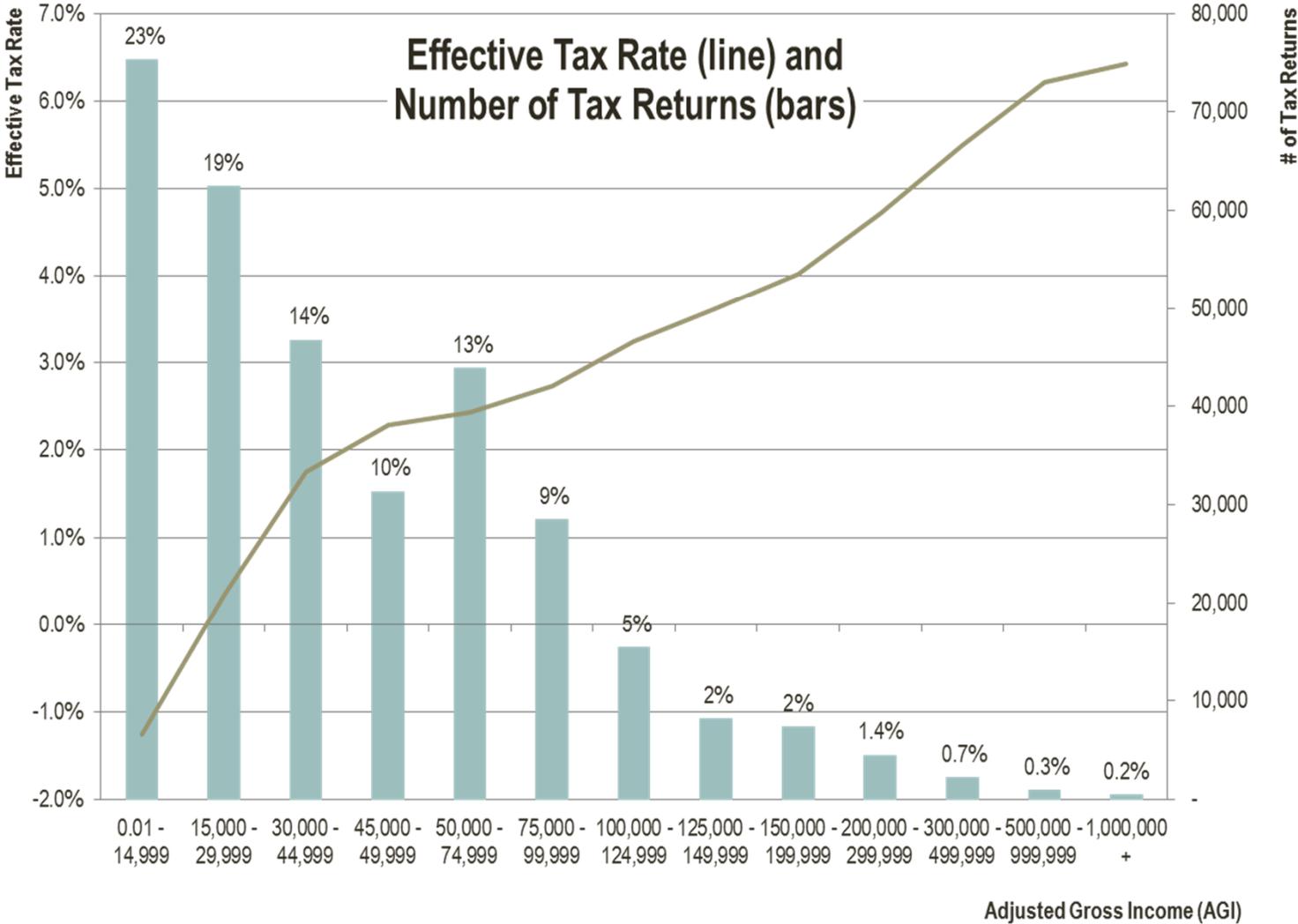


# Vermont Fund Composition

- General Fund
  - most income taxes
  - sales taxes divided
  - limited fee and license revenue
- Transportation Fund
  - limited sales taxes (purchase and use)
  - major sources directly affected by global energy prices
- Education Fund
  - property tax
- State Health Care Resources Fund
- Many Special Funds – often fee revenue or limited tax

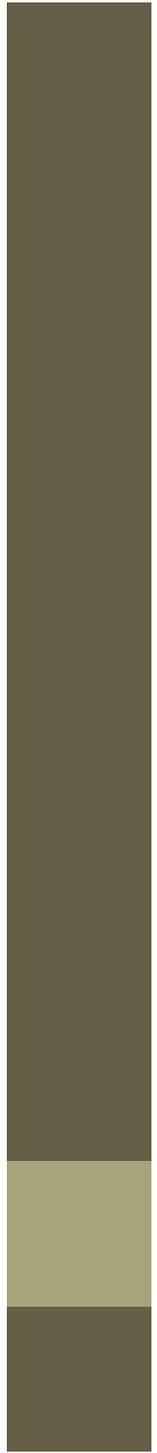
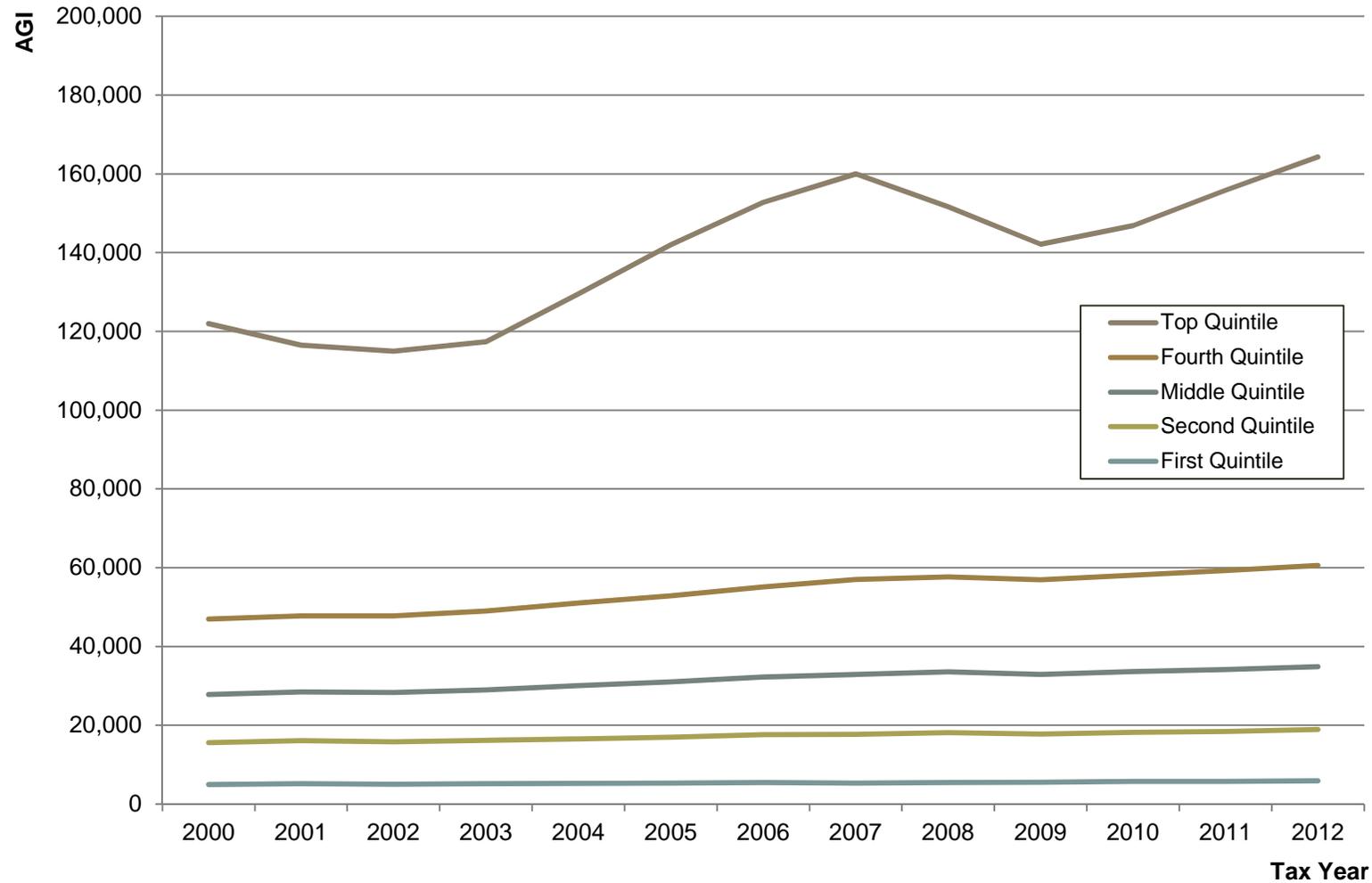


# 2012 Resident Income Tax

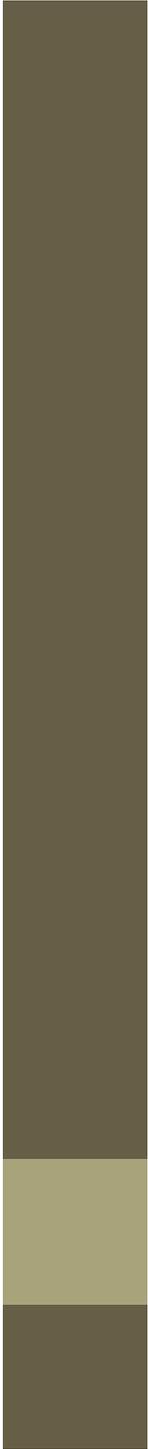
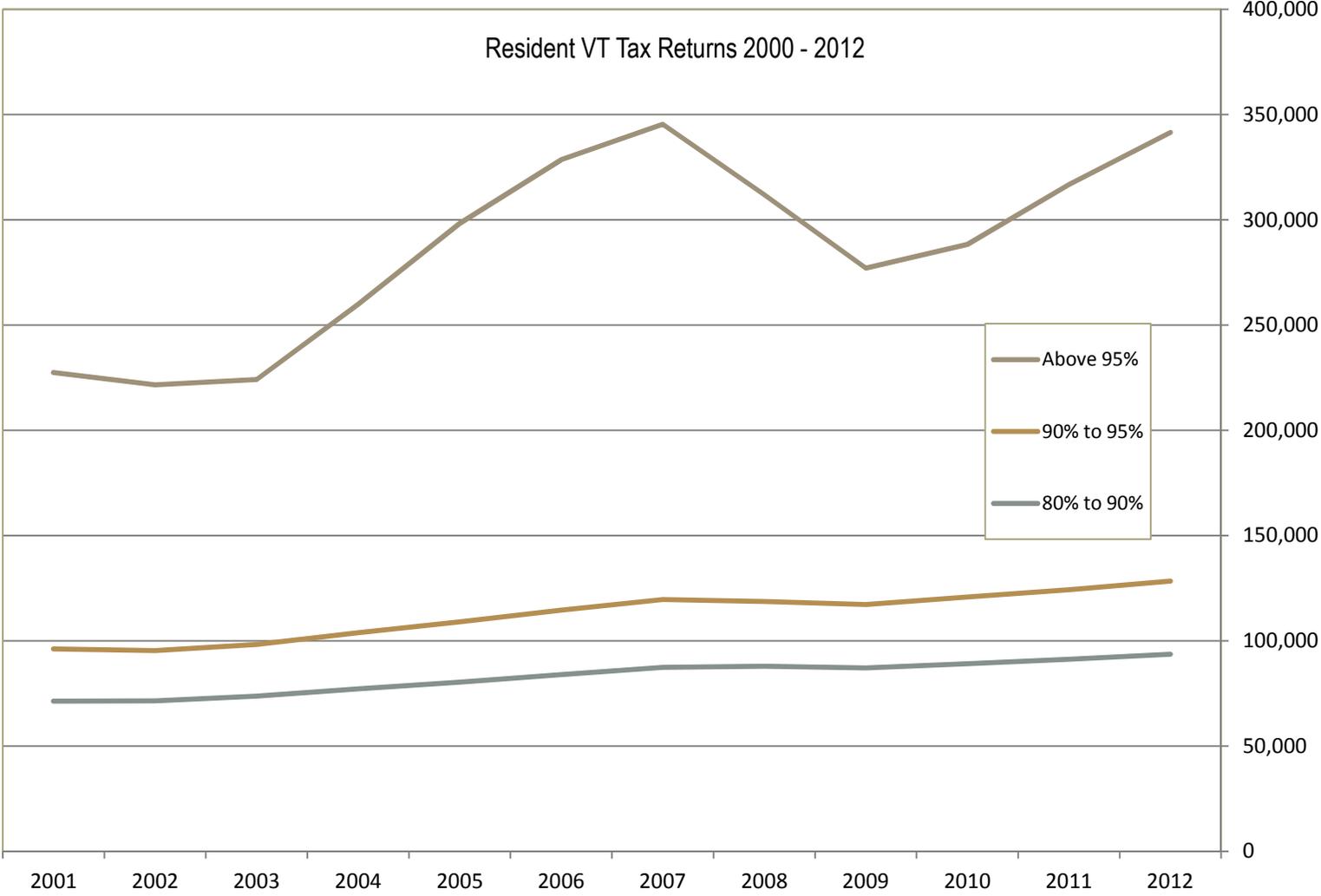


# Vermont AGI by Quintile

Average Vermont AGI by Population Quintile  
Tax Years 2000 - 2012

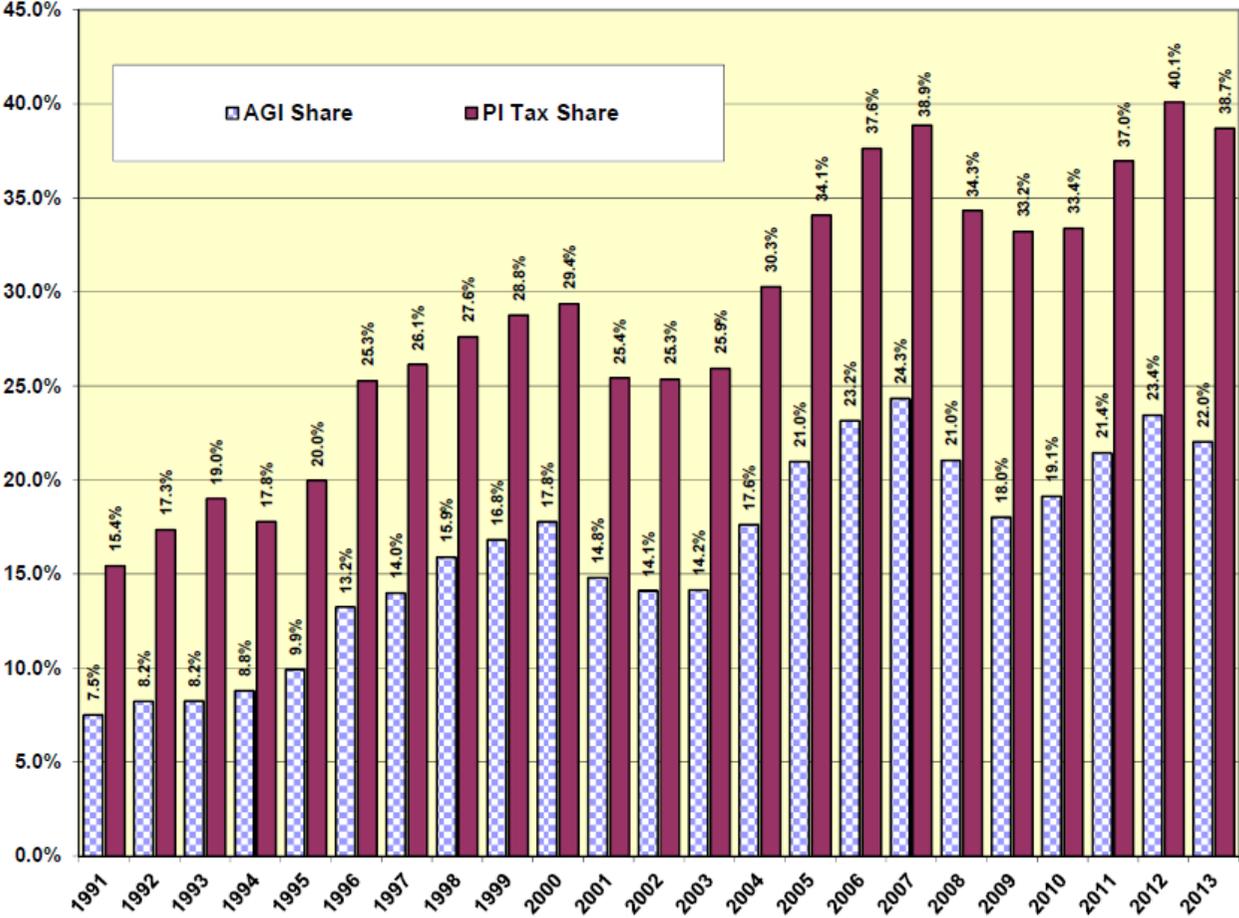


# Top Quintile Only



# High Income Taxpayers

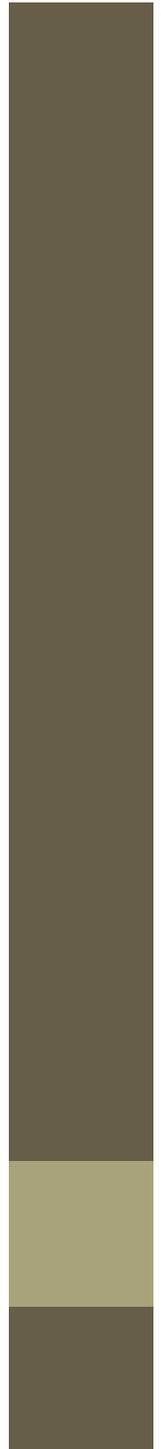
High Income (\$200K+) Taxpayers' Share of Total Vermont Income and Income Tax Receipts



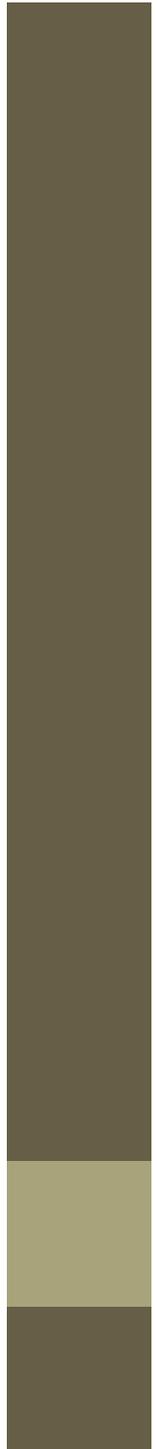
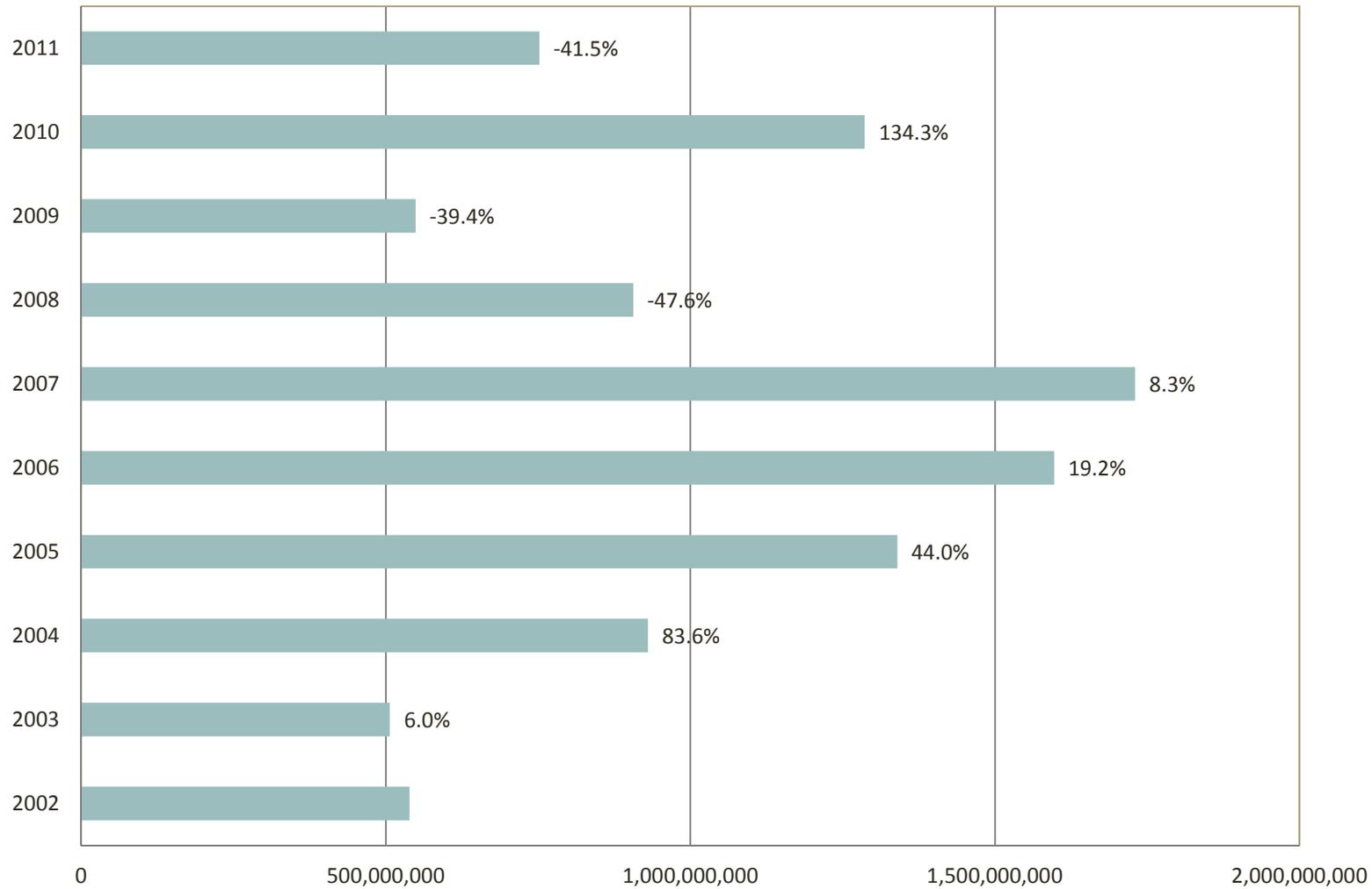
Source: Vermont Department of Taxes

# Components of Income

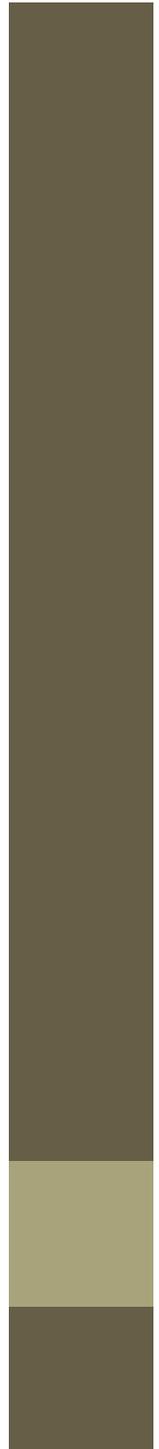
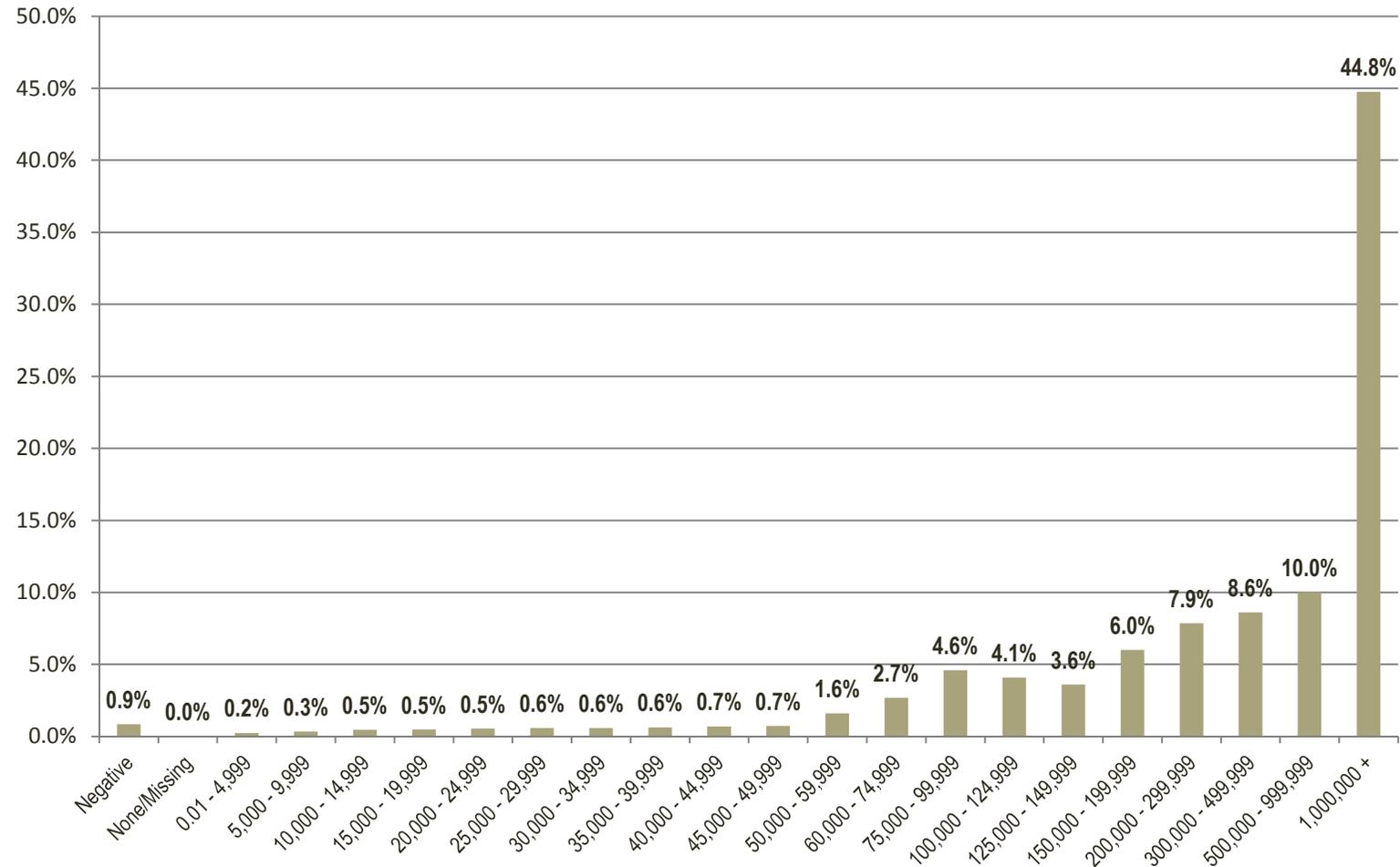
- 71% Wages and Salaries
- 9.1% Taxable Retirement
- 4.9% Capital Gains
- 4.9 % Business Income
- 4.5% Income and Dividends
- 3.8% Rents
- 2.9% Taxable Social Security



# Vermont Capital Gains



# 2002 – 2010 Capital Gains by AGI Income Class



# TY 2011 – TY 2013 CG Data

Vermont Capital Gains Exclusion									
	40% Exclusion			\$5,000 Exemption			TOTAL		
	#Claimants	*Value of Cap Gains Excluded	Amount of PI Tax not paid	#Claimants	*Value of Cap Gains Excluded	Amount of PI Tax not paid	#Claimants	*Value of Cap Gains Excluded	Amount of PI Tax not paid
TY2011	1,352	142,923,845	8,193,513	26,343	68,394,178	3,354,130	27,695	211,318,023	11,547,643
TY2012	1,799	309,137,143	13,076,851	33,054	84,368,462	4,183,249	34,853	393,505,605	17,260,100
TY2013	1,713	84,284,370	6,224,881	24,057	33,801,073	1,549,702	25,770	118,085,443	7,774,583
					Percent of Expenditure		Average Tax Savings		
					40%	Flat \$5K	40%	Flat \$5K	
				TY2011	71%	29%	6,060	127	
				TY2012	76%	24%	7,269	127	
				TY2013	80%	20%	3,634	64	
Data source: Vermont Department of Taxes									
Analysis: JFO/st									

# Narrow Tax Base

State Data	Federal AGI	State Taxable Income	Tax Base
2013 VT Resident	17,621,172,293	12,314,910,698	69.9%
2012 CT [1]	156,671,883,664	154,104,744,820	98.4%
2012 RI Resident	29,096,768,770	21,020,211,868	72.2%
2010 NY Resident [2]	537,480,130,591	452,001,466,289	84.1%
2011 NJ Resident [3]	305,056,612,300	287,530,999,600	94.3%
2011 NJ SOI Data [4]	316,448,772,000		90.9%
[1] CT AGI - not state taxable income (provides a standard deduction)			
[2] NY = NY AGI			
[3] NJ = NJ AGI			