

# **APPENDIX B**

**Tax Department Communication to JFO Regarding H.235  
Implementation Timing and Associated Administrative Cost Estimates**

**From:** Morgan, Candace [<mailto:Candace.Morgan@state.vt.us>]  
**Sent:** Monday, March 09, 2015 2:34 PM  
**To:** Sara Teachout, JFO  
**Cc:** Green, Devon  
**Subject:** H.235 - Sugar-sweetened beverages

Hi Sara,

Attached you will find an updated memo about the implementation of a sugar-sweetened beverage excise tax, as proposed in H.235.

About your earlier call for a start date – we would be more comfortable with the first payment expected in September (as opposed to July). Of course the main reason for that is additional time for outreach and form creation. If this bill doesn't pass until the end of the session, July 1 does not allow for much turnaround time. A September 1 effective date for the tax would make more sense to us, with the first payment expected on September 15, 2015.

Please let me know if you have additional questions. The estimates are very rough in some places as it depends on our contracts with various vendors.

Thanks!  
Candace

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Candace Morgan

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## **Implementing the Sugar-Sweetened Beverage Tax As proposed in H.235**

### **Timeline**

As drafted, the bill is effective July 1, 2015. It would be a challenge to begin collecting payments on July 15, 2015. We would prefer for the effective date to be September 1, with a first payment expected on September 15. Our internal development can happen quickly, but we will still need to notify businesses and give lead time. The distributors that we know file monthly with us for the malt and vinous beverage tax. However, they are not the only audience.

### **Registration Process**

The proposed legislation asks for each distributor to obtain a license from the Department before selling sugar-sweetened beverages in the State. The process would be similar to how businesses need to register before collecting sales and use, meals and rooms, and withholding. Depending on the number of taxpayers, we would either handle it manually or by adding it to the functions in the Secretary of State's business registration portal. The second option would have some cost associated with it.

### **Revenue Processing**

The Department will develop a reporting form to be paper-filed that includes the quantity of syrup, powder, and sugar-sweetened beverages subject to the excise tax. Registered distributors will access this form from the Department's website. One staff person in our Taxpayer Services Division will be necessary to address questions and review filings with errors. Distributors will file and pay on paper for the first two years.

ANNUAL COST: \$100,000 (1 FTE)

### **Accounting and Data Integration**

The receipt of a payment from a distributor must be matched with the distributor's account as well as the state's revenue accounts. All of the information from the transaction is stored in a form that allows for accounting and auditing purposes. The Department is developing a new system, VTax, for all tax types. This excise tax will be included in Phase 4 (2017) of this new system.

ANNUAL COST: \$100,000 (maintenance)

SYSTEM INTEGRATION: \$500,000 (one-time cost, FY17)

### **Billing and Collections**

Inconsistency in reporting from distributors is one condition that could lead to a field audit of records to ensure that the volumes reported by distributors are consistent with the inventory of purchases and sales. Another level of enforcement is to ensure that retailers are only purchasing from registered distributors. There is no current database that will allow for data matching leading to early enforcement activities. Rather, field auditors will be necessary to check on retail establishments for their records related to the purchase of sugar-sweetened beverages. There are several thousand retailers in Vermont and an unknown number of potential distributors.

ANNUAL COST: \$200,000 (field auditors)

### **Policy Support**

The Department will need to develop reporting forms, regulations, and maintain staffing capacity to address questions that arise throughout the time when the new tax is being implemented.

ANNUAL COST: \$30,000 (.3 FTE)