



The Total Impact List for Taxes, Fees & Mandates

The Vermont Chamber has created this list for taxes, fees and mandates created by government action between 2010 and 2015, with an eye on 2016. Email Kendal Melvin (kmelvin@vtchamber.com) if you have one to add to the list.

For Consideration in the 2015 – 2016 Biennium

- Lowering the sales tax rate to **4.75 percent** and taxing services like accountants, hair dressers, lawyers, dry cleaners and more;
- Removing the sales tax exemption for funeral charges, clothing, residential electricity and gas, advertising materials and documents;
- Removing the meals tax exemption for delicatessen sales by weight or measure;
- Increasing liquor licensing fees between **eight and 14 percent**, raises **\$258,577**;
- Increasing transportation fees between **seven and 100 percent**, raises **\$8,836,193**;
- A **half-cent** excise tax on sugar-sweetened and diet beverages, raises **\$14.6 million**;
- **Half of one percent** increase in the rooms, meals and alcohol taxes to pay for water clean-up;
- A **1-cent** increase in the statewide property tax rates for FY2017. The average tax bill is projected to **go up 1.12 percent**;
- Implementing a fee on moorings or subcategories of moorings, such as private moorings versus commercial moorings;
- Creating a Family Leave Insurance Program to provide employees with six weeks of paid and an additional six weeks of unpaid family leave funded by contributions from employer and employees. The proposal would amend the existing family leave law to make it application to all employers;
- A mandate requiring employers to provide accommodations to pregnant employees unless the accommodation would impose an undue hardship on the employer;
- Annual increase in employer healthcare assessment;
- **7/10 (or 3/10) of one percent** payroll tax to address the Medicaid cost-shift;
- Expanding the Provider Tax to physicians and dentists at a **2.35 percent** tax rate to raise **\$17 million** to address the Medicaid cost-shift;
- The expansion of the Dr. Dynasaur to cover Vermonters up to age 26, funded through a **2 percent increase** in the payroll tax;

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- Increasing the insurance claims assessment;
- "Ban the box" legislation, prohibiting inquiries about criminal convictions on job applicants;
- Shifting from at will employment to establishing a "good cause" standard for termination of employment after an employee probationary period is completed. This will reduce employers' flexibility in hiring decisions;
- Increasing record keeping and reporting requirements for the equal pay provisions of Vermont's Fair Employment Practices Act. Employers would be required to keep contact and wage records for each employee for at least five years;
- Mandating employment agencies to provide temporary employees with a lengthy written disclosure at the onset of each new work assignment;
- Requiring employers to inform employees when his or her employment will not make him or her eligible for unemployment benefits;
- Applying whistleblower protections to the private sector;
- Collecting money from tax havens, raises **\$600,000**;
- Registering lawsuit funding companies without implementing an interest rate cap, which legitimizes a predatory funding practice. This places businesses at a disadvantage when involved in an action where the plaintiff has this type of funding, by extending the amount of time it takes to settle and therefore the amount of time that there is a contingency liability on the books;
- Increasing the penalty for anti-trust violations from \$10,000 to **\$1,000,000**;
- Legalizing the recreational use of marijuana, triggering workplace safety, drug testing, workers' compensation and unemployment insurance concerns;
- A new carbon tax with a **9-cent** tax in the first year, working up to an **88-cent** tax in 10 years, placing manufactures at a competitive disadvantage;
- An increase in the gas tax;
- Increasing the fuel tax by **0.5 percent** each fiscal year starting in July 2015 until the tax reaches two percent for weatherization and thermal energy efficiency efforts. The tax would apply to the retail sale of heating oil, propane, kerosene and other dyed diesel fuel delivered to residences and businesses. The tax would also apply to natural gas, electricity and coal;
- Doubling the tax on heating oil, natural gas and propane from **0.5 percent to one percent** for low income weatherization funding;
- Eliminating the one percent shrinkage allowance for motor fuel taxes at a cost to consumers of **\$1.2 million** per year;
- Divesting State pension funds from the 200 publicly traded companies that hold the largest carbon content fossil fuel reserves, at an estimated cost of **\$9 million** per year;
- A **\$2.00** occupancy fee on motel and hotel rooms to support housing, weatherization efforts and other programs aimed at helping low-income residents;

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- Creating 35 page of new regulations for sanitation and licensing of lodging establishments, replacing three paragraphs. Covering topics from dishware and utensils to hot water capacity and handwashing to ice dispensing to laundry facilities;
- Mandating the availability of Braille menus at restaurants;
- Raising the minimum wage to **\$15.00 per hour** for all employees and eliminating the separate basic wage rate for service or tipped employees. Additionally, requiring restaurants to disclose how a service charge will be used;
- Increasing the solid waste franchise fee from **\$6.00 to \$10.00 per ton** and exempting out-of-state waste from taxation to help with building infrastructure needed to comply with the Universal Recycling Act. **Raises \$2 million**;
- A **0.5 percent** increase to the Vermont Universal Service Charge on retail telecommunications service, to support the Connectivity Initiative;
- Taxing electronic cigarettes, raises **\$2 million**;
- Taxing dietary supplements, raises **\$1.8 million**;
- A **\$0.05** tax on plastic carryout bags, raises **\$1.5 million**;
- Prohibiting retail establishments from providing sing-use carryout bags to consumers at the point of sale and establishing standards for reusable bags and compostable bags provided at the point of sale;
- Eliminating the **40 percent** capital gains income exclusion;
- On a local level, the town of Berlin is considering a **1 percent** local option tax;
- On a Federal level, expanding eligibility for overtime pay, costing employers between **\$240 million and \$255 million** per year in direct costs; and
- Also on the Federal level, broadening the definition of joint employer, which could have major implications for the restaurant and retail franchisor model.

Passed in 2015 - 2016 Biennium

- Mandating paid sick leave, costing employers up to **\$11 million** annually in added labor expenses;
- Increasing government imposed fees, including **\$220,300** in new restaurant licensing charges, **\$65,400** in new bakery licensing charges, and **\$103,000** in new lodging licensing charges. Additionally, **\$444,000** in new revenue will be generated from increases in Act 250 fees. Total fee increases raise \$3.6 million;
- Various income tax changes: capping itemized deductions at 2.5 times the standard amount (excluding charitable giving and medical deductions which are fully allowed), eliminating the deduction of state and local income taxes, and the implementing a three percent minimum tax for filers with over \$150,000 adjusted gross income. Raises **\$22.9 million**;
- Raising the cigarette tax **\$0.33** and commensurate increases in taxes on other tobacco products, making the State cigarette tax **\$3.08** per pack, raises **\$3.2 million**;

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- Applying the State meals tax to vending machine sales, raises **\$1 million**;
- Applying the State sales tax to soft drinks, raises **\$7.9 million**;
- Increasing the property transfer tax by **0.2 percent** and increased fees for large and medium sized farms, as well as increased executive fees for other water quality related environmental permit applications for water clean-up programs, raises \$7.48 million;
- Raising the nonresidential property tax rate two-cents in FY2016 to **\$1.535** per \$100 of assessed value, and up to **\$1.59** per \$100 of assessed value in FY2017 and thereafter;
- Appliance retailers required to carry more energy efficient products, affecting retail price points, product mix, overall gross products and possibly limiting consumer choice;
- Woodstock, Colchester and Montpelier chose to adopt a local option tax of one percent on meals, alcoholic beverages and short-term room rentals;
- Mandating the Vermont prevailing wage and fringe benefits, including paid vacations and sick leave, for construction workers on State projects;
- Mandating employers to provide the total cost of employer-sponsored health care coverage on box 12 of W-2s;
- Tightened regulation of the rent-to-own industry, setting limits on the amounts rent-to-own stores can charge and increased disclosure of contract terms to customers;
- Implementing a State false claims act, with the potential to affect a wide range of businesses including the health care industry, financial and defense businesses;
- As of July 1, 2016, a new rule will require companies that manufacture children's toys to disclose the presence of 66 known toxins in their products. This preempts the pending Toxic Substances Control Act reform in Congress and federal law on the regulation and banning of chemicals, and burdens businesses with costly new testing requirements for chemicals at levels below those known to cause health risks; and
- Application of the click through nexus law. A remote vendors will be presumed to have a Vermont nexus for the purposes of collecting sales tax if it has agreements with residents to refer customers that led to sales in excess of \$10,000 in a previous year. Remote vendors will need to begin collecting and remitting sales tax on December 1.

Five Year Look Back

- Increased the minimum wage over the next three years, currently **\$9.15** per hour and reaching **\$10.50** per hour in 2018 and indexed to inflation thereafter;
- Increased State unemployment insurance costs as taxable wage base increases;
- Increased the employer health care assessment;
- Reduced the research and development tax credit from 30 percent of the federal credit to **27 percent**;

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- Created new Criterion 9(L) language under Act 250 and a new definition for “strip development,” leading to certain development projects either being denied or experiencing significant litigation, even when those projects fully comply with duly adopted local and regional plans;
- Implementation of a provider tax, including **\$7.25 million** in taxes on hospitals, **\$2.81 million** on nursing homes and an increase of **\$140,000** in taxes levied on home health providers;
- Implementation of an insurance claims tax, requiring each health insurer to pay an assessment of **0.8 percent** on all health insurance claims, including the self-insured companies and the state’s three major insurance companies;
- Increased the gasoline tax by about **\$0.06/gallon** and the diesel tax by **\$0.03/gallon** and tying increases in the tax to the retail price, anticipating inflation;
- Mandated restaurants to separate organic wastes from their waste stream and compost on-site or arrange for transportation to a certified organic waste facility within a 20 mile radius by 2018;
- Waste haulers and waste facility owners must provide collection and processing services for the newly mandated recyclable products, and forced to recover costs by raising fees for regular trash;
- Mandated restaurants with 20 or more locations anywhere in the country to post the caloric content of their food items;
- Mandated manufacturers and retailers to identify whether raw or processed food sold in Vermont was produced in whole or in part through genetic engineering;
- Required employers with 50 or fewer employees to purchase insurance on Vermont Health Connect, and in 2016 employers with up to 100 employees will be mandated to use Vermont Health Connect. The Exchange currently does not work for businesses;
- Reduction of the capital gains exclusion phased in between 2009 and 2011. The loss of this exclusion increased income taxes by around **\$50 million annually**, comparing 2008 to 2016’s projection; and
- Current and past pressure on retailers and related businesses in border towns because of tax and wage policy. Including additional stress on business in the Vernon area with the closure of Vermont Yankee.

Right Direction 2015-2016 Biennium

- Support for economic development marketing with a **\$200,000** appropriation to create a State marketing plan;
- Level funded the tourism marketing budget in the FY2016 budget year to maintain Vermont’s competitive market share;
- Consideration of restoring **\$500,000** to the Enterprise Fund to recruit and retain businesses;
- Updated the law governing limited liability companies to make it more user-friendly by making naming easier and simplifying filing with the Secretary of State’s Office;
- Clarified that cloud services are not taxable;
- Expanded eligibility for the Vermont Employment Growth Incentive (VEGI) program;

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- Consideration of simplifying the Vermont portion of the Estate Tax that often impacts family businesses at the time of death;
- Consideration of reforming the independent contractor laws to allow for a clear, unburdened path to be an independent contractor and to work with independent contractors;
- Consideration of a pilot project to promote housing for Vermont's workforce through planning grants, infrastructure funding, and regulatory benefits in neighborhood development areas;
- Consideration of changes to the Department of Environmental Conservation (DEC) permitting process to standardize notice periods and limit the review on appeal at the Agency of Natural Resources to the record at the DEC;
- Passing through permanent Federal tax exemptions and extensions for the Research and Development Tax Credit, the deduction for energy efficient commercial buildings, the bonus depreciation deduction, and the depreciation allowance for second-gen biofuel plant property to Vermont businesses; and
- Consideration of a four year term for Governor as an effort to have longer term planning for State government policies and budgeting, allowing for greater predictability for businesses and individuals.