



Vitality Vending
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Testimony to Vermont Senate Finance Committee Regarding Bill H.528

Philosophical Discussion:

- If this is an attempt at “sin” taxation on junk food, then treat it all equally. Grocery and convenience stores sell the identical products as vending machines. We sell groceries.
- Is it fair to charge different tax rates on identical products only because they are purchased from a self serve machine? This is taxing the method of delivery, not the product.
- To further this point, what organizations are exempt from these taxes? Are schools exempt from charging the tax on products in the vending machines that they own and operate?
- How will the state identify all the vending operators? Machine locations, etc? No incentive to tell the state about all machines
- What about vending machines that are contracted by the state? Interstate rest areas, state offices, buildings, etc?

Room and Meals, Sales and Use Taxability:

- Equality - Vending businesses are penalized for taking the risk to provide a service to our customers by being charged 9 or 9.5% tax as opposed to grocery stores and convenience stores that only have to pay 6% tax on those items.
- If this is a tax difference a convenience surcharge to pay 9% on the so-called “meal”, why does the state get to collect it when they take none of the risk of providing the products and services?
- If taxing candy, then no exceptions - just because you buy it in bulk from a grocery store, its still candy. Tax the product, not the method of purchase.
- If repackaged food is currently exempt, then why is it taxable from a vending machine?

My Business:

- Not all vending machines are created equal - my model of providing all natural, organic, and of course, Vermont made products. Higher prices for these products create a greater tax burden for people who want to, and are, doing the right thing.
- Hurts my general competitiveness in comparison to traditional vending options - actual tax would be more on my items as they cost more in general.
- My business model is technologically advanced - all sales are recorded, cash and credit. Other operators who do not have such technology can operate under the radar. Is the state ready to commit to monitor the industry; will all machines need to be registered, much like elevators? Who will verify? Inspect? Or is this gonna be based on trust?
- Penalizes those organizations who are wanting and trying to do the right thing for social change and the greater good.
- Penalizes my company, and the industry in general, for doing the same. Taxation based upon the location of purchase becomes a dis-incentive for organizations to move in the right direction.
- The industry is changing as more and more public pressure for healthier options in vending. My competitors have to adapt or lose customers.
- My business model - its not perfect, but it is a step in the right direction. Please do not penalize the industry.
- New industry trend - micro markets. Basically small unmanned stores. But they are not “machines operated by” various methods of payment. They are honor system stores - like self check out at the grocery store. Are they taxable? If so, shouldnt self check out at the grocery store be taxable too? The only difference is scale of the operation.

Summary:

In my opinion, the tax law as passed by the house in H.528 puts an undue tax burden on the vending industry for selling identical products that grocery stores sell. In addition, it also places a tax burden on my business that creates a competitive edge for my competitors in traditional snack/junk food vending because my products (meaning healthier options) cost a little bit more in general. I urge the senate to look to other cost cutting measures before raising taxes, but if taxing these products as a health care initiative is what is decided, please, tax the products the same thru all methods of purchasing them - grocery stores, convenience stores, vending, etc. The vending industry does not sell meals, we sell groceries.