

PRELIMINARY RESPONSE TO
VERMONT BLUE RIBBON TAX STRUCTURE COMMISSION
RECOMMENDATIONS
JANUARY 31, 2011

RE: RECOMMENDATION 1: RESTRUCTURE THE PERSONAL INCOME TAX

The Vermont Society of Certified Public Accountants (VTCPA) supports the Blue Ribbon Tax Structure Commission (BRTSC) recommendations on personal income tax reform **provided that they are implemented in their entirety and that the change is revenue-neutral unto itself**. We would prefer to see the top marginal tax rate even lower than the proposed 6.95%, to present an even more competitive personal income tax environment when compared to our neighboring states. We encourage our Legislature to remember that reduction of tax rates is the predominant reason for change, to recognize that there are going to be certain people who will pay more tax under a new system, and to resist the inevitable pressure to allow certain deductions and exemptions back in to the tax base, which would work to increase rates.

RE: RECOMMENDATION 2: BROADEN THE SALES TAX BASE

The VTCPA has a long-standing opposition to adding professional services to the sales tax base. We are particularly concerned about:

- The extraordinary complexity of compliance and administration. Although the proposed business-to-business service exemption is a well-received and well-reasoned provision to avoid “layering” of the tax, it would add even further compliance and administration burdens;
- The potential confidentiality breaches that could occur if State auditors were allowed to review invoices for legal, accounting and tax services;
- The reduced competitiveness of Vermont professionals with other state and international service providers; and
- The cash demands that would be required if professionals who customarily extend credit to their clientele are compelled to turn over large amounts of sales taxes before they can be collected.

RE: RECOMMENDATION 3: ENHANCE SCRUTINY OF TAX EXPENDITURES

As this is primarily a Legislative operations matter, VTCPA has no position on the recommendation at this time.

RE: RECOMMENDATION 4: INVEST IN TAX POLICY RESOURCES

As this is primarily a Legislative operations matter, VTCPA has no position on the recommendation at this time.