

2017 REVENUE MODERNIZATION PANEL CHARGE
DRAFT 2-22-17

(a) Composition of Panel. There is hereby established a Revenue Modernization Panel composed of seven members to be selected as follows:

1. The Speaker of the House, the Senate President Pro Tempore, the Chair of the House Committee on Ways and Means, and the Chair of the Senate Committee on Finance shall each appoint one member.
2. The four members appointed pursuant to subdivision (1) of this subsection shall select three public members, who shall be knowledgeable in matters of tax policy and/or Vermont's economy.

The Panel shall be appointed as soon as possible after the effective date of this act. The panel shall elect a chair and a vice chair from among its members.

(b) Purpose and goals. The Panel shall prepare an implementation plan for structural modernization of the state's revenue system with specific legislative recommendations and timelines. The plan shall reflect the known current and expected future characteristics of Vermont's economy. The Panel shall have as its goal a tax system that provides sustainability with annual revenue growth that keeps pace with the state's economic growth, appropriateness, and equity. The Panel shall also assure that the modernized revenue system will function in times of economic volatility, with mechanisms that permit revenue adjustment in response to short-term economic trends without compromising sustainability. For guidance, the Panel shall use the Principles of a High-Quality State Revenue System as prepared by the National Conference of State Legislatures as of June 2007, wherein a high-quality revenue system:

1. Comprises elements that are complementary, including the finances of both state and local governments.
2. Produces revenue in a reliable manner. Reliability involves stability, certainty, and sufficiency.
3. Relies on a balanced variety of revenue sources.
4. Treats individuals equitably. Minimum requirements of an equitable system are that it imposes similar tax burdens on people in similar circumstances, it minimizes regressivity, and it minimizes taxes on low-income individuals.
5. Facilitates taxpayer compliance. It is easy to understand and minimizes compliance costs.

6. Promotes fair, efficient, and effective administration. It is as simple as possible to administer, raises revenue efficiently, is administered professionally, and is applied uniformly.
7. Is responsive to interstate and international economic competition.
8. Minimizes its involvement in spending decisions and makes any such involvement explicit.
9. Is accountable to taxpayers.

(c) The Panel shall receive technical support from the department of taxes, the legislative joint fiscal office, and consultants. The tax department shall provide the following updates to the Panel so that it has the most recent data available in addition to that provided in the 2011 Blue Ribbon Tax Structure Commission report, the Vermont Tax Expenditures 2017 Biennial Report, and the Vermont Tax Study 2005 - 2015:

1. Changes in personal income, arranged by decile;
2. House site and homestead value arranged by adjusted gross income (AGI) and, where available, household income;
3. Gross and net school taxes paid, arranged by adjusted gross income and, where available, by household income; and
4. Corporate revenue data.

The department of taxes will provide the Panel with additional data as it requests including data not currently reported by the state.

(d) The joint fiscal office with the assistance of the legislative council and the department of taxes may contract with one or more consultants to provide assistance with achieving the goals for the commission. The consultants shall have extensive experience with state tax systems and shall have participated in at least one other study of a state tax system.

(e) Work Plan and Report. The Panel shall Review the Blue Ribbon Tax Structure Commission's 2011 recommendations and explore additional recommendations including, but not limited to:

1. Shifting from Federal Taxable Income to Adjusted Gross Income as the basis for personal income taxation;
2. Tax expenditures;
3. Re-evaluation of the sales tax;
4. Changes in and/or alternatives to the corporate income tax;
5. In view of Vermont's changing economy, evaluate taxation of different forms of wealth and economic activity and consider appropriate means of taxing them, including looking at the role of assets in the State's revenue base and on-line and internet platforms;

6. Evidenced based taxation that promotes population health, reduces diet-related diseases, and reduces health care cost increases;
7. Concepts discussed in the Handbook of Research on Environmental Taxation, Environmental Tax Policy Institute, Vermont Law School et al., 2014; and
8. Revenue practices in place or under consideration in other jurisdictions that are also focused on revenue system modernization.

In conducting its review and generating recommendations, the Panel shall identify a portfolio of revenue modernization recommendations that align with the principles of sustainability, appropriateness, and equity. The Panel shall then prepare a plan to implement those recommendations. The Panel shall prepare a work plan by August 15, 2017, preliminary findings by November 30, 2017, and a final report due January 15, 2018, submitted to the governor, the speaker, the president pro tempore, the house committee on ways and means and the senate committee on finance.