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House Committee on Ways and Means

MEMORANDUM

To: Representative Kitty Toll, Chair, House Committee on Appropriations
From: Representative Janet Ancel, Chair, House Committee on Ways and Means
Date: June 10, 2020
Subject: Coronavirus Relief Fund

Our committee spent several hours discussing potential uses for CRF Tier 1 \$5 million and Tier 2 \$2 million.

As you know, we don't generally make recommendations for expenditures, except for tax expenditures which lag in time, and thus aren't allowable uses for this funding. We are also constrained by the Treasury guidance for CARES and the prohibition against using CARES funds to replace lost revenue. This leaves us stepping outside of our usual strategies and knowledge areas.

While policy committees have spent the last many months carefully weighing community and state needs, we've been (as you know) deep in the challenges of revenue shortfalls. In spite of these limitations, we had a good discussion and debate about priorities and possible methods of distribution through the tax code. Given all this we opted not to make a specific recommendation; instead, we're suggesting two possible uses of the CRF. Both would fall within the allocation we were given to work with.

One possible use is to find ways to support Vermont restaurants, either through a meals tax holiday, through direct grants to restaurants, or through an advanced tax credit. Restaurants generate direct revenue for the state, provide an outlet for local food producers and supply jobs. Supporting restaurants has significant economic benefit which in turn produces revenue. We are waiting for confirmation on whether a meals tax holiday may run up against the CARES Act restrictions. Additionally, we did not have time to hear from restaurant owners whether this would be an effective tool for them when combined with the grant and loan strategies that the commerce committee is focused on.

A second possible use, that we understand no other committee is focused on, is to provide some relief to our non-profit sector. Non-profits are one of the most stable employers in our state, and as such contribute to income tax capacity as well as the broader base that comes

from a stable employment. They've experienced an unusual blow from this pandemic as they are exempt from paying into the UI trust fund and instead usually reimburse for any UI payments after the fact. While our trust fund was well prepared for the scale of layoffs throughout the state (thanks to the good work of legislatures before us) this sector will suffer lasting hardships as they seek to pay back their share of the expended fund. By offering forgiveness of these "debts" we will stabilize a sector of our economy that ranges from the arts to wilderness protection to adult day facilities. We believe this can be done using existing VDOL authority and an appropriation that would cover the forgiveness.

Again, we selected these two options because we saw them as essential sectors of our community and economy that produce substantial revenue that we need today and into the future. We also understood that these specific ideas were not being discussed in other committees. We hope other proposals will give similar weight to the need to sustain and grow our tax base.