



Thank you for taking the time today to hear from me. I'm the Co-founder and Chief Strategy Officer at Faraday, a six-year-old company headquartered in Burlington. We currently employ 40 people in the state with plans to hire up to half dozen additional employees this year in VT. Our company provides a SaaS platform that helps consumer facing brands find, convert, engage, and retain customers using artificial intelligence. We've received funding from a variety of local sources including FreshTracks Capital and the Vermont Center for Emerging Technologies, and were recently identified as the best funded startup in the state. We serve over seventy clients, a number of them located here in Vermont.

I have a few concerns regarding the "cloud tax" that I'd like to share:

- 1. The cloud tax is a tax on local commerce, not Big Tech.** The cloud tax would only impact sales within VT. As a SaaS provider in the state, this means my Vermont customers are charged a fee that my clients outside of the state do not have to pay, placing our VT clients at a disadvantage. The cloud tax would make it more expensive to live, do business, and grow a SaaS business in Vermont. For most startups, in software or otherwise, your first sale is often a sale in your own backyard. By increasing the cost of selling SaaS locally, the cloud tax would increase barriers to adoption, impacting not only local buyers, whether that is Vermont residents or Vermont business, but also SaaS businesses trying to start and grow in the state.
- 2. The cloud tax is a tax on modernity.** We don't tax services in Vermont, but the cloud tax seeks to do just that by taxing a modern means for delivering and using services. As an example, it seems odd that Vermonters and Vermont businesses would pay a tax to use accounting, tax filing, or legal SaaS solutions, but not pay a tax when consuming these same services through professional service providers in the state. It is worth noting that these professional services providers are usually more expensive and less convenient for people, businesses, and other organizations. If we are going to tax services in VT, we should tax all services equally whether they are delivered in person or via software. Taxing services provided via software but not services delivered by professionals is a tax on modernity.
- 3. The cloud tax is complex, compliance will be expensive for local businesses, particularly local tech businesses.** The cloud tax is a tax on pre-written software, but it will exempt platforms as a service such as CRM systems. As a technology professional with over a decade of experience in the industry, I still can not easily understand this distinction. To comply with



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the tax, I'd likely need to hire outside counsel to determine what portion of my solution is taxable and what is not. Compliance would potentially impact how I have to price my solution locally, creating a further barrier on growing through our local economy, while draining resources I could invest in my team, my product, or with other local vendors. We saw this occur when the cloud tax was last passed in 2011. Springer-Miller systems moved 19 jobs to Nevada and ScaledOn moved to New Hampshire, where it currently employs over 35 people in high paying jobs.

4. **The Cloud Tax is a disincentive to start a SaaS business in Vermont.**

Vermont has many advantages that other states don't have. Its beauty and quality of life is unparalleled, our communities are strong, our workforce is educated and highly productive. These advantages help to mitigate our disadvantages, including a small population and limited funding sources. The cloud tax will make it harder to sell locally. States throughout the country are actively trying to incubate and grow a strong technology ecosystem. Vermont's ecosystem is small, but vibrant. We should be looking at ways to invest in this ecosystem, not tax it. If we choose the latter, other states will benefit.

5. **A growing tech sector in Vermont will produce more revenue for the state than the Cloud Tax.**

Vermont has seen the weakest wage growth of any state in country over the past decade. Technology jobs in the state buck this trend and technology companies can produce significant tax revenue for the state. In 2014, Dealer.com was acquired for over a billion dollars and eighteen months later it went through another acquisition valued at over four billion. Just this year OpenTempo was acquired for tens of millions of dollars. The capital gains revenue from these sales alone generated more revenue for the state than the Cloud Tax ever would. A dynamic technology industry in Vermont that continues to produce high paying jobs and high growth companies is the best recipe for generating net new revenue for the state.

I understand and share a deep frustration amongst legislators and the public at large at many of the practices of Big Tech, as well as the reality that for too long many large technology companies have taken advantage of tax loopholes to skirt local taxes that place local retailers and business at a disadvantage. I too share a desire to address these issues, but I strongly believe the cloud tax is a misplaced vehicle for doing this. If as a member today, you believe the cloud tax is really about taxing Amazon, Google, or Facebook, please come talk with me or other members of the VTTA, so we can help to dispel this notion.