

Senate Finance: Revenue Decision Points

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Background: General Fund

- **Senate budget is currently counting on at least the same amount of money raised by the House**
 - \$16.7 million split among 4-5 bills
 - \$4.5 million in the Revenue Bill (H.541)
 - \$5.7 million in the Fee Bill (H.527)
 - \$850,000 in E-Cigarettes (H.47)
 - Roughly \$5.5 million in non-Senate Finance bills
- **Asks of Senate Finance: \$3.2 to \$6.3 million**
 - Medical deduction: costs between \$2.2 and \$4.3 million
 - Additional money asked for by Appropriations: \$1-2 million

Background: Education Fund

- **New money: \$4.35 million**
 - Marketplace estimate: +\$4.25 million
 - Marketplace estimate upgraded to \$13.4 million (assuming June effective date)
 - \$12.3 if effective date is moved to July
 - Previous estimate: \$9.15 million
 - Veterinary supplies: +\$110,000
- **New revenue reductions: \$8.525 million**
 - State placed students create new costs: ~\$7 million
 - Additional new costs: \$800,000
 - \$725,000 in less revenue from Education Financial Systems available
- **New Ed Fund position: ~-\$4 million compared to House**
 - Two options:
 - Find money to keep rates flat
 - Let property tax rates cover the gap

Ideas for Medical Deduction

Different variations on the Medical Deduction

Idea	Proposal	Cost (in Millions)
1	Allow a full deduction (S.126)	-\$4.3
2	Cap a medical deduction at \$20,000	-\$2.7
3	Cap a medical deduction at \$15,000	-\$2.3
4	Charitable Tax Credit for Medical expenses or Charitable giving	-\$2.2
5	Only allow Med Deduction in excess of VT Standard Deduction	-\$3.0
6	Only allow Med Deduction in excess of VT SD and Personal Exemptions	-\$2.3

Note: Only S.126 has been formally proposed. Different ideas for medical deduction or potential revenue offsets have not been formally drafted or proposed by any legislator

Ideas to Pay for the Medical Deduction/Budget demands

Potential Revenue Ideas for Medical Deduction (in millions)				
Idea	Description of Proposal	Revenue raised relative to House		
		FY2020	FY2021	FY2022
1	Raise highest income tax rate to 8.925% (from 8.75%)	\$4.6	\$4.6	\$4.8
2	Raise the highest income tax rate to 8.85%	\$2.6	\$2.6	\$2.7
3	Recreate old top bracket at 8.95%	\$3.5	\$3.5	\$3.6
4	Raise income tax rates for highest two brackets to 7.75% and 8.85% (from 7.6% and 8.75%)	\$4.2	\$4.2	\$4.3
5	Raise the Estate Tax Exemption to only \$3.25 million	\$0.0	\$1.9	\$4.0
6	Don't raise the Estate Tax Exemption	\$0.0	\$4.5	\$7.6
7	Create a new Property Transfer Tax rate on transfers above \$500,000.			
8	...with a rate of 1.50%	\$1.4	\$1.5	\$1.5
9	...with a rate of 1.65%	\$2.3	\$2.4	\$2.5
10	...with a rate of 1.75%	\$3.0	\$3.1	\$3.2
11	...with a rate of 1.85%	\$3.5	\$3.6	\$3.8
12	...with a rate of 2.0%	\$4.4	\$4.6	\$4.7
13	Capital Gains Exclusion: 30% exclusion with a \$350k cap and the \$5,000 exclusion goes to \$4,000	\$1.2	\$1.2	\$1.2
14	Raise corporate tax rates to 6.5%, 7.5% and 9% (up 0.5% each bracket)	\$2.5	\$2.2	\$2.3

Total asks of Senate Finance: \$3.2 to \$6.3 million

Education Fund

- **-\$4 million compared to House**
 - Two options:
 - Let property tax rates cover the gap
 - Find money to keep rates flat

Education Fund ideas				
1	Sales tax on candy	\$2.9	\$2.9	\$3.0
2	End exemption for clothing above \$150	\$7.3	\$8.1	\$8.3
3	End exemption for clothing above \$200	\$5.5	\$6.1	\$6.2