Senate Finance Committee Members,

We write to express our concern with the proposal to apply the sales tax to vendor-hosted prewritten software, commonly referred to as the "cloud tax".

Vermont's tech sector creates some of the state's highest paying jobs and brings hundreds of millions of dollars in revenue into Vermont. The average wage for a Vermont tech job is $76,000. STEM jobs (science, technology, engineering and math) make up a quarter of Vermont employment and 40 percent of all wages, totaling more than $6 billion annually.

There are a growing number of Vermont businesses that sell software as a service, where the service offered, and the software used is closely interwoven. A few examples of those startup businesses include:

- Reconciled – online booking service
- EZ-Probate – online estate probate service
- Faraday – artificial intelligence marketing service
- Social Sentinel – Social media security monitoring service
- DealerPolicy – Online auto insurance service

Reconciled, for example, offers online accounting and bookkeeping services. It provides its customers with cloud-based applications and then you work online with a bookkeeper. Bookkeeping services in Vermont are not subject to the sales tax. However, a SaaS tax could go to the heart of what this business offers, because it is done online and not in person.

While the tech sector is a critical part of Vermont's economy, the impact of the cloud tax would extend beyond the businesses that build and sell software as a service; it would reach those businesses that depend on software services to run their day-to-day operations. Most Vermont businesses – not just tech businesses – use and depend on software as a service to run their business. Sales, marketing, payroll, accounting, HR and other services are delivered online. Examples of online services include:

- QuickBooks
- Microsoft Office 365
- Google GSuite
- Salesforce
- Square
- Shopify
- HubSpot
- MailChimp

Vermont businesses, whether small or large, using online services will bear the increased cost of the tax to their businesses. Some Vermont businesses pay thousands of dollars per month for online services.

While some economists have suggested that Vermont could consider broadening the sales and service tax bases, they have also advised against raising new taxes or making cuts to services during this unprecedented time of economic uncertainty. The new revenue that would be generated by this tax would come at a substantial cost to businesses reeling from the impact of a global pandemic and recession. We commend the legislature's hard work to offer grants and other support to help businesses

survive and get back on their feet; this is not the time to add a new cost burden and would be counterproductive to relief efforts.

We respectfully request that the legislature not rush to tax vendor-hosted prewritten software in the final weeks of the 2020 legislative session. This topic warrants a robust conversation with a diverse set of affected stakeholders at the table and would best be addressed at a later date.

Vermont Technology Alliance
Vermont Chamber of Commerce
Lake Champlain Chamber
Vermont Association of Realtors
Vermont Bankers Association
The Associated General Contractors of Vermont
Vermont Vehicle and Automotive Distributors Association
Cairn Cross, Fresh Tracks Capital
Mike Lane, Founder and CEO, Fluency
Robbie Adler, Faraday
Ted Adler, Union Street Media
Matt Dodds, Brandthropology
Johnny Mendez, Hen House Media
Matt Murray, Founder and CEO, Widewail
Michael Ly, Reconciled
Vijay Desai, Desai Management Consulting

David Bradbury, President, Vermont Technology Council
Nathaniel White-Joyal, President, Scout Digital
Emily McMahon, Scout Digital
Roland Groeneveld, OnLogic
John Canning, Physician's Computer Company
Sergei Serdyuk, Redleaf Software
Barry Finette, ThinkMD
Stephen Waite, Care Management Solutions
Michelle Shean, DXC Technology
Ron Lawrence, Publishers' Assistant
Steve Loyer, The Tech Group
Carl Lorentson, Renaissance Information Systems
Byron Batres, EZ-Probate
Ezra Doty, Quorum Data, Inc.