

# 2021 Tax Expenditure Report

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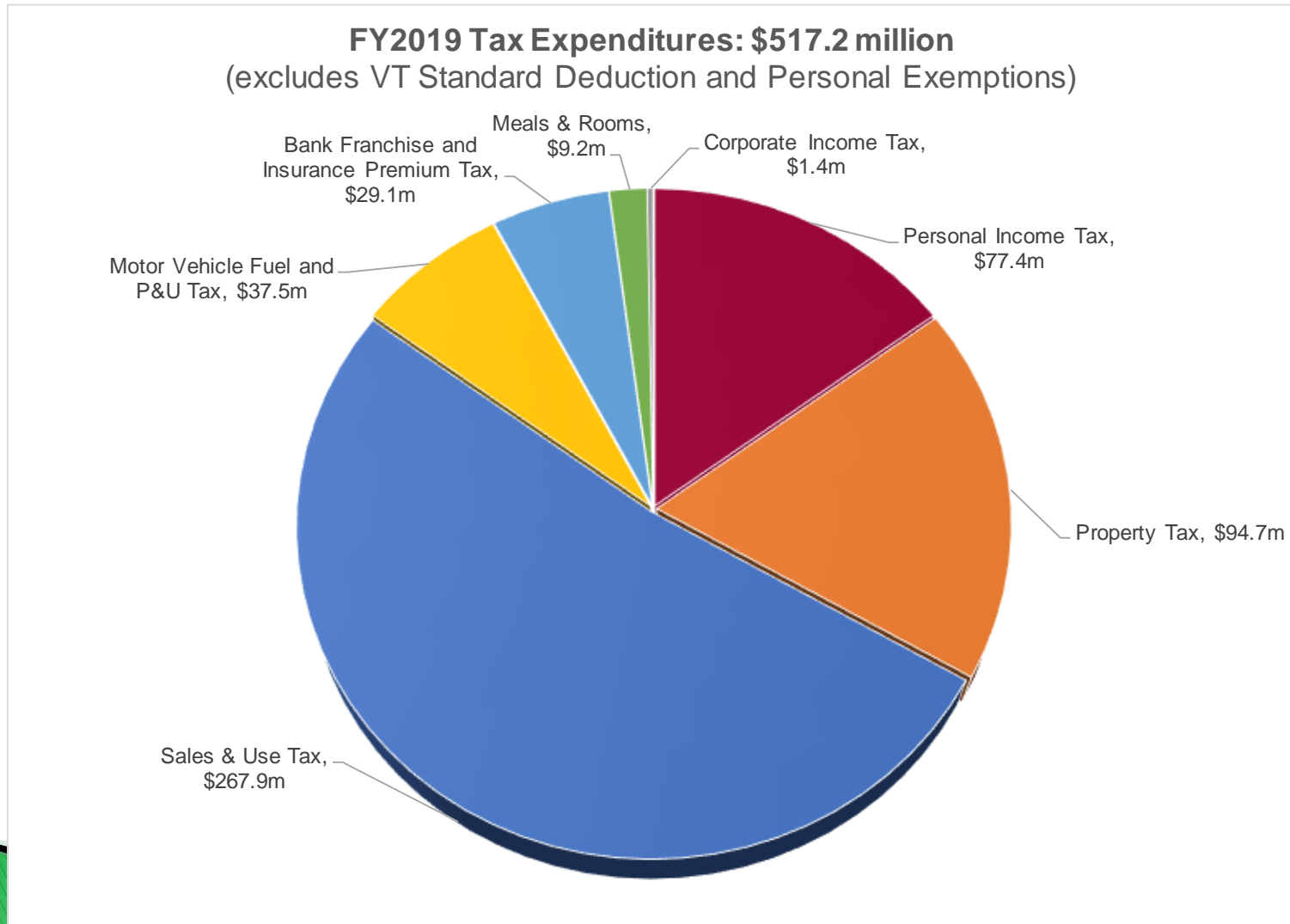
# What is a Tax Expenditure?

- ▶ Statutory provisions which reduce the amount of revenue that would otherwise be collected
- ▶ Done to encourage a particular activity or limit the amount of taxes collected from certain groups
- ▶ Examples:
  - Tax credits and deductions
    - Earned Income Tax Credit, Social Security deduction
  - Exemptions from the tax base
    - Clothing exempt from the sales tax
- ▶ JFO and Department of Taxes attempt to estimate, when possible, as many expenditures as possible

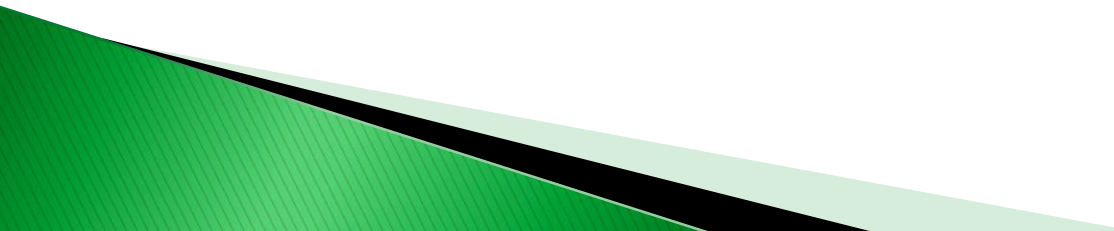
# This Year's Report

- ▶ FY18, FY19 estimates, along with FY22 projections
  - FY19 actuals available for personal income taxes and property taxes.
- ▶ Reviews of tax expenditures related to housing and community development
  - Full Reviews
    - Downtown and Village Center Tax Credit program
    - Clothing and Footwear sales tax exemption (slated for 2023, but done this year to reserve staff capacity for 2023).
  - 3 Expedited Reviews

# Total Vermont Tax Expenditures-FY19



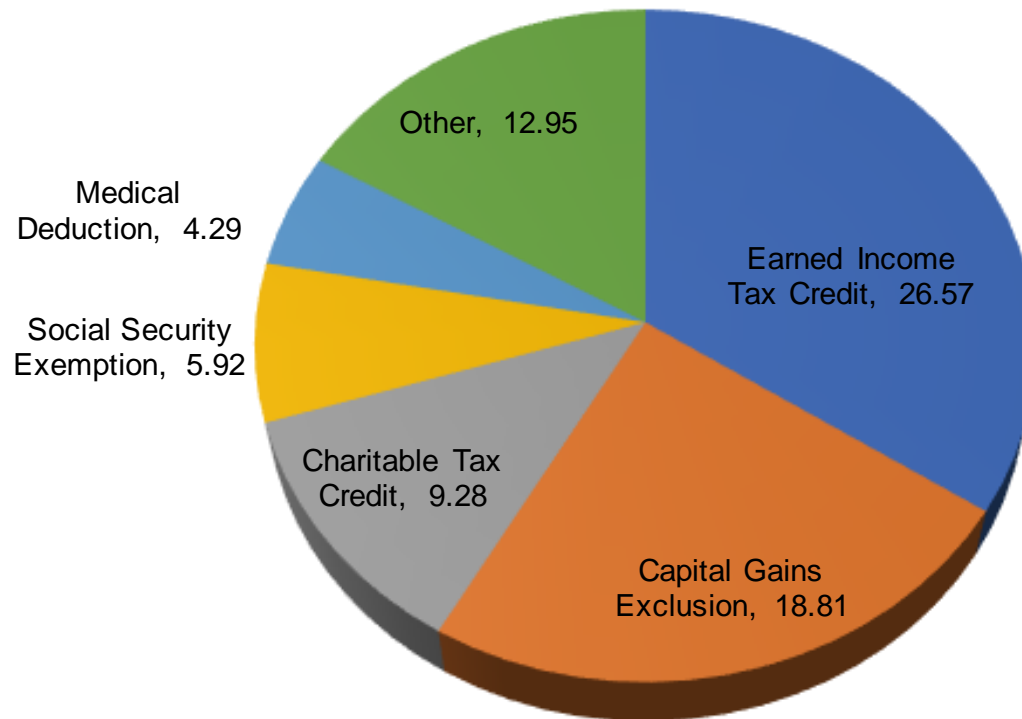
# Personal Income Tax- New and Notable

- ▶ Act 11 of 2018 tax expenditures are “fully online” and estimated
    - ▶ Social Security Exemption
    - ▶ Personal Exemption and Standard Deduction become Vermont tax expenditures (instead of federal flow-throughs)
    - ▶ Charitable Tax Credit
  - ▶ Capital Gains Exclusion in FY2019 was first year of \$350,000 cap on 40% exclusion
  - ▶ FY2019 was first year medical deduction was effective
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# Personal Income Tax- FY19

## FY2020 Personal Income Tax Expenditures: \$77.8 million

(note: does not contain VT Standard Deduction or Personal Exemptions)



Note: Standard Deduction estimate was \$132.5 million and Personal Exemptions were \$119.27 million

# Corporate Income Tax

## Corporate Income Tax Expenditures

Item Number	Corporate Income Tax Expenditures	FY 2018 actual	FY 2019 actual	FY 2022 projected
2.001	Vermont Municipal Bond Income Exemption	Inadequate data	Inadequate data	Inadequate data
2.101	Charitable Housing Credit	0	0	0
2.102	Affordable Housing Credit	0	*	*
2.103	Qualified Sale of Mobile Home Park Credit	0	0	0
2.104	Entrepreneur's Seed Capital Fund	0	0	0
2.105	Historic Rehabilitation Tax Credit	*	0	*
2.106	Façade Improvement Tax Credit	0	0	0
2.107	Code Improvement Tax Credit	0	0	0
2.108	Machinery and Equipment Tax Credit	0	0	0
2.109	Research and Development Tax Credit	1,690,000	1,440,000	1,110,000
2.201	EATI Tax Credits (carryforward only)	0	*	*
2.202	Downtown Tax Credits (carryforward only)	*	*	Repealed
2.203	Wood Products Manufacture Tax Credit	0	0	Repealed
2.204	Business Solar Energy Tax Credit (carryforward only)	0	0	Repealed
* Suppressed Data (Fewer than 10 claimants)		*	*	
<b>Total</b>		<b>1,690,000</b>	<b>1,440,000</b>	<b>1,110,000</b>

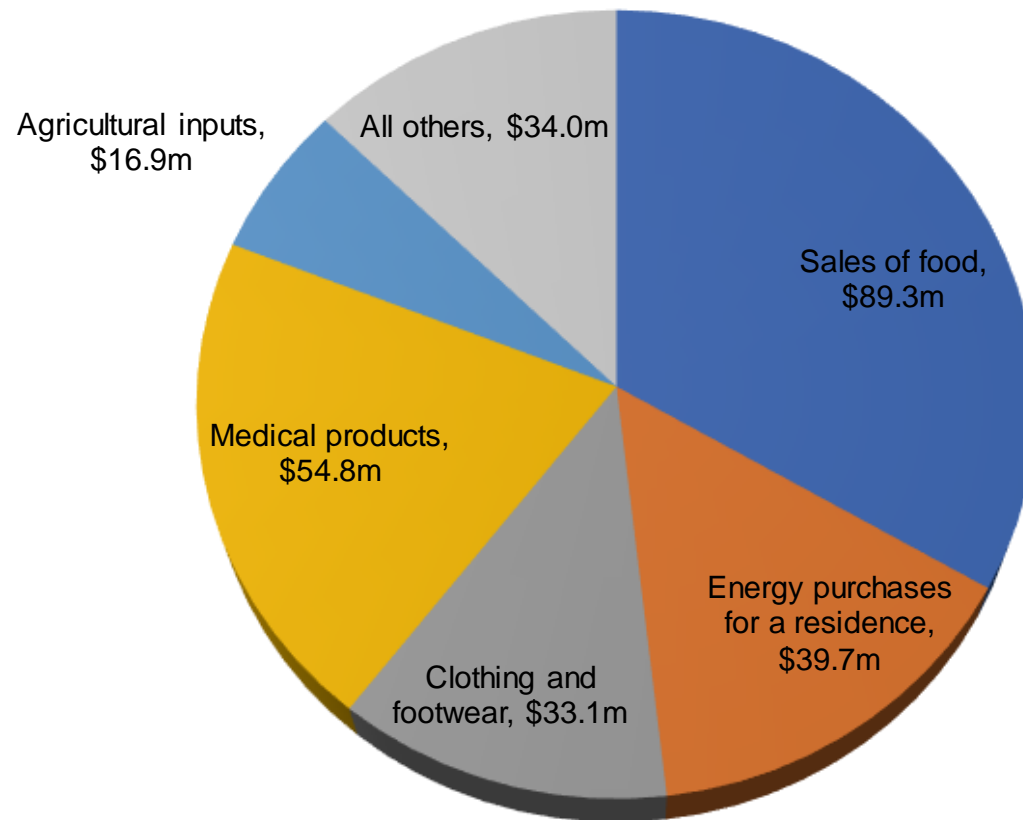
# Sales and Use Tax-New and Notable

- ▶ Updated methodology on a number of estimates
  - ▶ Medical Products, Clothing Exemption, Groceries
  - ▶ Revised some estimates:
    - ▶ Groceries in 2019 report: \$117m, in this report: \$89.3m
    - ▶ Medical Products in 2019 report: \$64.3m, in this report: \$54.8m
- ▶ Added new estimate for sales by and from a 501(c)(3) organization: \$15.4 million



# Sales and Use Tax-FY19

**FY2019 Estimated Sales Tax Exemptions: \$267.8 million**



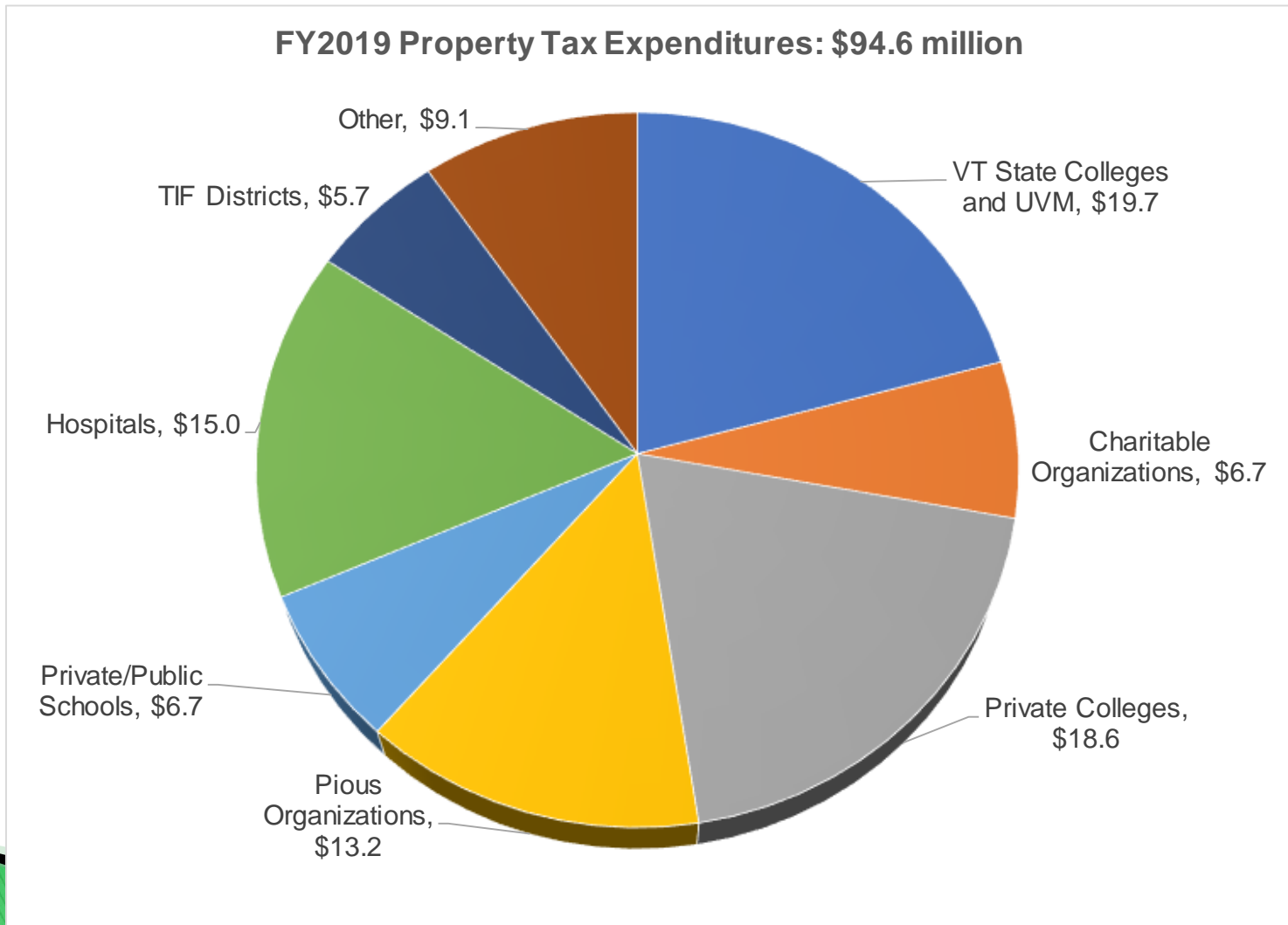
# Meals and Rooms

## Meals and Rooms Tax Expenditure Summary

Item Number	Meals & Alcoholic Beverages Tax	FY 2018 estimated	FY 2019 estimated	FY 2022 projected
4.001	Grocery-type items furnished for take-out	6,400,000	6,500,000	6,800,000
4.002	Served on the premises of a non-profit	Not estimated	Not estimated	Not estimated
4.003	Served on the premises of a school	1,800,000	1,800,000	1,800,000
4.004	Served in hospitals, convalescent and nursing homes	910,000	910,000	910,000
4.005	Summer camp for children	Under 100,000	Under 100,000	Under 100,000
4.006	Sold by nonprofits at fairs etc but limited to 4 days	Not estimated	Not estimated	Not estimated
4.007	Furnished to an employee of a hotel or restaurant	Not estimated	Not estimated	Not estimated
4.008	Served at a continuing care retirement facility	Not estimated	Not estimated	Not estimated
	<b>Total</b>	<b>9,110,000</b>	<b>9,210,000</b>	<b>9,510,000</b>

Item Number	Rooms Tax	FY 2018 estimated	FY 2019 estimated	FY 2022 projected
4.101	Student housing	Not estimated	Not estimated	Not estimated
4.102	Hotel or restaurant employee	Not estimated	Not estimated	Not estimated
4.103	Summer camps	Under 100,000	Under 100,000	Under 100,000
4.104	Nonprofit establishments	Not estimated	Not estimated	Not estimated
4.105	Rooms at a continuing care retirement facility	Not estimated	Not estimated	Not estimated
4.106	Hospital, convalescent and nursing home	Not estimated	Not estimated	Not estimated
	<b>Total</b>	<b>Under 100,000</b>	<b>Under 100,000</b>	<b>Under 100,000</b>

# Property Tax-FY19



# Bank Franchise and Insurance Premiums Tax

## Bank Franchise and Insurance Premiums Tax Expenditure Summary

Item Number	Bank Franchise Tax	FY 2018 Actual	FY 2019 Actual	FY 2022 projected
6.001	Credit Unions	1,350,000	1,410,000	1,570,000
6.101	Affordable Housing Tax Credit	2,680,000	2,190,000	3,090,000
6.102	Downtown and Village Center Program Tax Credits	250,000	450,000	730,000
6.103	Entrepreneurs' Seed Capital Fund Credit	0	0	0
6.104	Charitable Housing Credit	0	0	0
	<b>Total</b>	<b>4,280,000</b>	<b>4,490,000</b>	<b>5,860,000</b>

Item Number	Insurance Premiums Tax	FY 2018 Actual	FY 2019 Actual	FY 2022 projected
7.001	Affordable Housing Tax Credit	0	0	0
7.002	Downtown and Village Center Program Tax Credits	0	0	0
7.003	Entrepreneurs' Seed Capital Fund Credit	0	0	0
7.101	Annuity Considerations	12,130,000	11,550,000	12,250,000
7.102	Fraternal Societies	90,000	100,000	110,000
7.103	Hospital and Medical Service Organizations	11,800,000	12,650,000	13,710,000
	<b>Total</b>	<b>25,690,000</b>	<b>24,560,000</b>	<b>26,250,000</b>

# Motor Vehicle Tax Expenditures

## Gasoline and Diesel Fuel Tax Expenditure Summary

Item Number	Expenditure	FY 2018	FY 2019	FY 2022 Projected
8.001	Gasoline Tax	\$0	\$0	\$0
8.002	Diesel Fuel	\$164,000	\$131,000	\$143,000
	<b>Totals</b>	<b>\$167,000</b>	<b>\$164,000</b>	<b>\$171,000</b>

## Motor Vehicle Purchase & Use Tax Expenditure Summary

Item Number	Expenditure	FY 2018	FY 2019	FY 2022 Projected
9.001	Religious, charitable	\$133,000	\$99,000	\$146,000
9.002	Non-registered vehicles	No data	No data	No data
9.003	Gifts	\$2,626,000	\$2,601,000	\$2,958,000
9.004	IRC Sec. 351	\$41,000	\$16,000	\$42,000
9.005	Handicap	\$32,000	\$30,000	\$37,000
9.006	Veterans	\$9,000	\$9,000	\$17,000
	<b>Subtotals</b>	<b>\$2,841,000</b>	<b>\$2,762,000</b>	<b>\$3,200,000</b>
9.007	Trade-In Allowance	\$32,700,000	\$34,600,000	\$34,000,000
	<b>Totals</b>	<b>\$35,541,000</b>	<b>\$37,362,000</b>	<b>\$37,200,000</b>

**Questions?**