



**Written Testimony: House Committee on Ways and Means
H. 261, An Act Relating to Eliminating the Sales and Use Tax Exemption for Prewritten
Software Accessed Remotely**

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The Vermont Chamber represents about 1,100 members located across the state in nearly every sector and geographic region. Our staff maintains daily communication with businesses, including Vermont's tech sector. As a result of this routine engagement, we continue to inform our perspective on the negative impacts that would result from the implementation of a new tax on vendor-hosted prewritten software.

This proposed application of sales tax would threaten growth in Vermont's tech, an industry that elected leaders continually cite as an example of a preferred growth sector, due to the associated high wages and low environmental footprint. Many Vermont businesses sell software as a service for purposes that include bookkeeping, marketing, financial monitoring services, auto insurance, and more. While the negative results of this proposed tax would be felt most apparently in Vermont's tech sector, the consequences would also resonate across the entirety of the business community, including in businesses that are not directly involved in the sale of software as a service.

Many Vermont businesses use software as a service in their operations, including booking and reservations, marketing, sales, payroll, accounting, and human resources management. H.261 has the potential to directly disincentivize the startup and growth of tech businesses in Vermont, while also adding considerable operating costs to other businesses and placing them at a competitive disadvantage. This prospect becomes particularly daunting for businesses that continue to struggle as a result of COVID-19.

Under normal economic conditions, this proposal would cause considerable harm to tech and other sectors. With much of the business community devastated by the economic fallout of COVID-19, an additional increase in operating costs becomes doubly concerning. With this in mind, the Vermont Chamber recommends that the Legislature not alter the tax treatment of vendor-hosted prewritten software.