

Taxes and Revenues: Pension Task Force

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Joint Fiscal Office
June 29, 2021

Bus Tour of Revenue/Tax World

- 1) Quick stop at Tax School
- 2) Major landmarks
 - 1) Personal Income Tax
 - 2) Sales and Use Tax
 - 3) Corporate Income Tax
- 3) Quick stop for other tax types and other potential revenue ideas
- 4) Tax Expenditures



Tax School



Anatomy of a tax

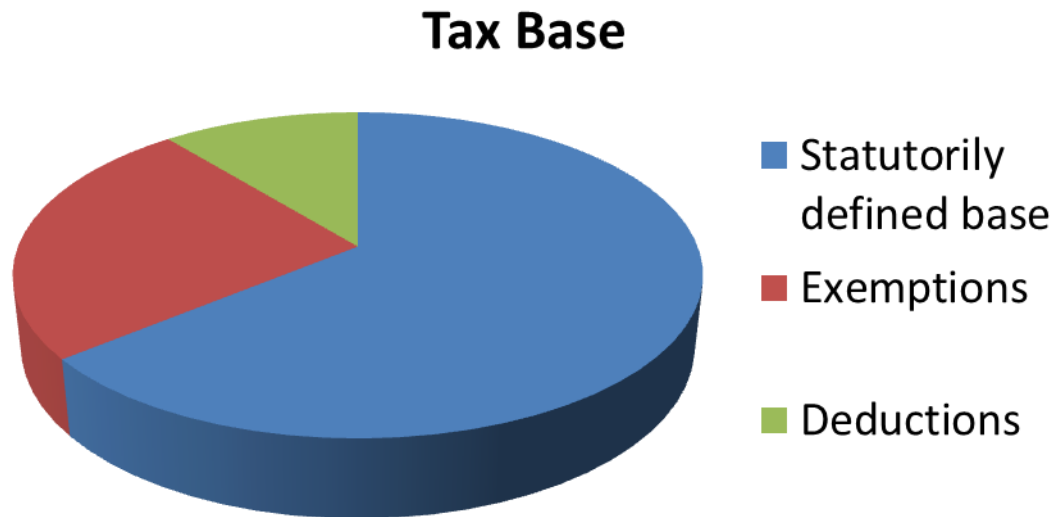
Tax Base (x) Rate = Liability (minus credits)

The bigger the base, the lower the rate
The higher the rate, the smaller the base



Tax Base

- ▶ A **tax base** is defined by what is included by the statutory language, minus any **exemptions** and **deductions**.



Exemptions

- An **exemption** is a systemic exclusion from the tax, and is usually limited to a particular group of taxpayers.
 - Example: Vermont has a property tax, but most libraries are statutorily exempt from the paying the tax, even if their property would otherwise be taxable.
- An exemption can be a **full exemption** or a **partial exemption**.
 - Full exemptions obviously cost more, while partial exemptions require more compliance work by the taxpayer and the Department of Taxes.



Deductions

A ***deduction*** is an amount that an individual taxpayer is permitted to subtract from his or her tax base, which typically has the effect of reducing his or her liability.

$$\mathbf{BASE\ (x)\ RATE = LIABILITY}$$



Deduction lowers
the base



Tax Rates

- Tax rates can be fixed or tiered.
- Vermont's sales tax is an example of a fixed rate.
- Vermont's income taxes are examples of tiered rates.
 - Tiered rates are typically structured as a series of brackets.
 - Most tiered rates are structured to be progressive: liability increases smoothly from bracket to bracket.
 - Taxpayer pays only the assigned rate for each dollar within that bracket.



Tax Brackets: Terminology

- ▶ For tiered rates, a taxpayer's “**marginal tax rate**” is the tax paid on the last dollar in the base.

- ▶ Example: a taxpayer with \$20,000 in income
- ▶ Marginal Rate= 10%

- ▶ A taxpayer's “**effective tax rate**” is the actual rate of tax for the entire liability

- ▶ $\frac{\text{Total tax liability}}{\text{Total base}} * 100$

- ▶ Example: taxpayer with \$20,000 in income

- ▶ First \$10,000 in income taxed at 5% = \$500
- ▶ Second \$10,000 in income taxed at 10% = \$1,000
- ▶ $\frac{\$500 + \$1,000}{\$20,000} * 100 = 7.5\%$

Taxable Income	Rate
\$0-10,000	5%
\$10,001-100,000	10%
\$100,001-1,000,000	15%
\$1,000,000+	20%

Liability modifications - credits

- A **credit** is an amount that reduces a taxpayer's tax liability. It does not reduce the base or the rate, but lowers the resulting liability.
- Credits can be either refundable or nonrefundable. A **refundable credit** means that the taxpayer receives a payment if the credit reduces his or her liability below zero.
 - \$100 tax liability, but a \$150 refundable credit = zero liability + \$50
- A **nonrefundable credit** can reduce a liability to zero, but not any further.
 - \$100 tax liability, but a \$150 nonrefundable credit = zero liability + a possible carryforward against future liability



Structure of Briefing

- ▶ What is it?
- ▶ How much do we collect?
- ▶ Who pays it?
- ▶ What's new? How is COVID-19 affecting this revenue stream?



Personal Income Tax

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2020** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status ☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
Check only one box.
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial		Last name		Your social security number	
If joint return, spouse's first name and middle initial		Last name		Spouse's social security number	
Home address (number and street). If you have a P.O. box, see instructions.				Apt. no.	Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change
City, town, or post office. If you have a foreign address, also complete spaces below.		State	ZIP code		
Foreign country name		Foreign province/state/county	Foreign		

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in an:

Standard Deduction Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: ☐ Were born before January 2, 1956 ☐ Are blind **Spouse:** ☐ Was born before

Dependents (see instructions):

(1) First name	Last name	(2) Social security number	(3) Relationship to you

If more than four dependents, see instructions and check here ▶ ☐

Vermont Department of Taxes

2019 Form IN-111

Vermont Income Tax Return

DEPT
USE
ONLY
☐



FILE YOUR RETURN
ELECTRONICALLY FOR A
FASTER REFUND. GO TO
TAX.VERMONT.COM FOR
MORE INFORMATION.

Please PRINT in BLUE or BLACK INK

Taxpayer's Last Name		First Name	MI	Social Security Number	<input type="checkbox"/> Check if Deceased
Spouse's/CU Partner's Last Name		First Name	MI	Social Security Number	<input type="checkbox"/> Check if Deceased
Mailing Address (Number and Street/Road or PO Box)					
City		State	ZIP Code or Foreign Postal Code	Foreign Country	
Vermont School District Code	911/Physical Street Address on 12/31/2019			<input type="checkbox"/> Check if AMENDED Return	<input type="checkbox"/> Check if RECOMPUTED Return
Filing Status and Standard Deduction	<input type="checkbox"/> Single (\$6,150)	<input type="checkbox"/> Married/CU Filing Jointly (\$12,300)	<input type="checkbox"/> Married/CU Filing Separately (\$6,150)	<input type="checkbox"/> Head of Household (\$9,200)	<input type="checkbox"/> Qualifying Widow(er) (\$12,300)

- | | | | |
|--|---|---------|-----|
| 1. Federal Adjusted Gross Income (Federal Form 1040, Line 8b) | <input type="checkbox"/> Check to indicate loss | 1. | .00 |
| 2. Net Modifications to Federal AGI (Schedule IN-112, Part I, Line 15) | <input type="checkbox"/> Check to indicate loss | 2. | .00 |
| 3. Federal AGI with Modifications (Add Lines 1 and 2) | <input type="checkbox"/> Check to indicate loss | 3. | .00 |
| 4. 2019 Vermont Standard Deduction from filing status section above. | | 4. | .00 |
- Please see instructions if you or your spouse checked any standard

Personal Income Tax- What is it?

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2019** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status ☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial Last name Your social security number
If joint return, spouse's first name and middle initial Last name Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).
Foreign country name Foreign province/state/county Foreign postal code If more than four dependents, see instructions and ✓ here ▶ ☐

Standard Deduction Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: ☐ Were born before January 2, 1955 ☐ Are blind Spouse: ☐ Was born before January 2, 1955 ☐ Is blind

Dependents (see instructions):

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions): Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

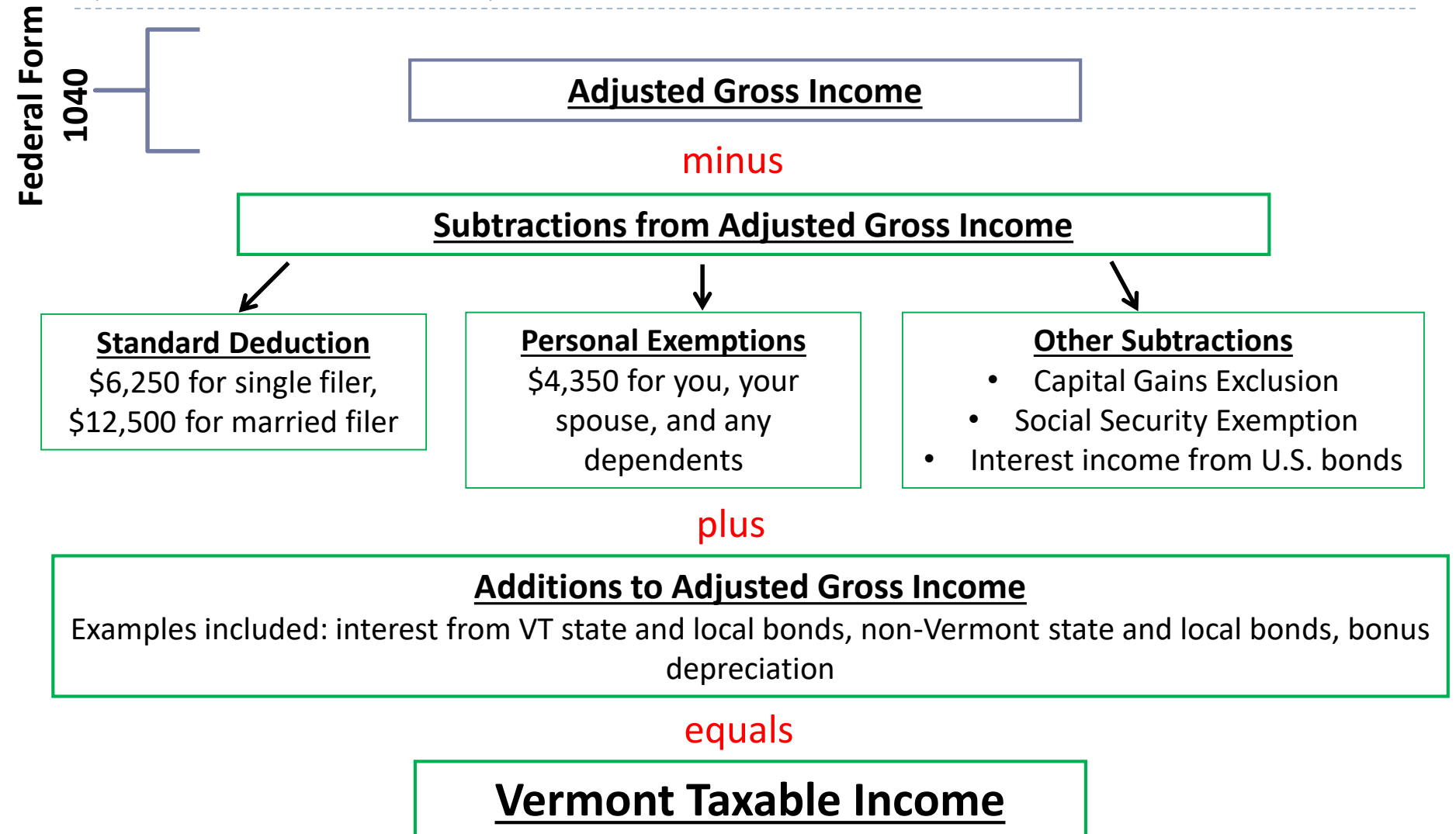
1 Wages, salaries, tips, etc. Attach Form(s) W-2 **1**
2a Tax-exempt interest **2a** **b** Taxable interest. Attach Sch. B if required **2b**
3a Qualified dividends **3a** **b** Ordinary dividends. Attach Sch. B if required **3b**
4a IRA distributions **4a** **d** Taxable amount **4b**
c Pensions and annuities **4c** **d** Taxable amount **4d**
5a Social security benefits **5a** **b** Taxable amount **5b**
6 Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐ **6**
7a Other income from Schedule 1, line 9 **7a**
b Add lines 1, 2b, 3b, 4b, 5b, 6, and 7a. This is your **total income** ▶ **7b**
8a Adjustments to income from Schedule 1, line 22 **8a**
b Subtract line 8a from line 7b. This is your **adjusted gross income** ▶ **8b**
9 Standard deduction or itemized deductions (from Schedule A) **9**
10 Qualified business income deduction. Attach Form 8995 or Form 8995-A **10**
11a Add lines 9 and 10 **11a**
b Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0- **11b**

Standard Deduction for—
• Single or Married filing separately, \$12,200
• Married filing jointly or Qualifying widow(er), \$24,400
• Head of household, \$18,350
• If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2019)

Personal Income Tax- What is it?

(based on Tax Year 2020)



How to calculate tax liability

Vermont Taxable Income (VTI)

Multiplied by

Income tax rates at various brackets
of income

Married Filing Jointly, Schedule Y-1

Use if your filing status is:

Married Filing Jointly; Qualifying Widow(er); or Civil Union Filing Jointly

If VT Taxable Income is Over	But Not Over	VT Base Tax is	Plus	of the amount over
0	67,450	0.00	3.35%	0
67,450	75,000	2,260.00	6.60%	67,450
TAXABLE INCOME UNDER \$75,000 USE THE TAX TABLES				
75,000	163,000	2,758.00	6.60%	75,000
163,000	248,350	8,566.00	7.60%	163,000
248,350	-	15,052.00	8.75%	248,350

Single Individuals, Schedule X

Use if your filing status is:

Single

If VT Taxable Income is Over	But Not Over	VT Base Tax is	Plus	of the amount over
0	40,350	0.00	3.35%	0
40,350	75,000	1,352.00	6.60%	40,350
TAXABLE INCOME UNDER \$75,000 USE THE TAX TABLES				
75,000	97,800	3,639.00	6.60%	75,000
97,800	204,000	5,143.00	7.60%	97,800
204,000	-	13,215.00	8.75%	204,000

Equals

Initial Vermont Tax Liability (Before Credits)

How to calculate final tax liability

Initial Vermont Tax Liability (Before Credits)

minus

Non-Refundable Credits

Credit for child and dependent care expenses, credit for elderly and disabled, investment tax credit, Charitable Tax Credit

minus

Refundable Credits

Earned Income Tax Credit

Multiplied by

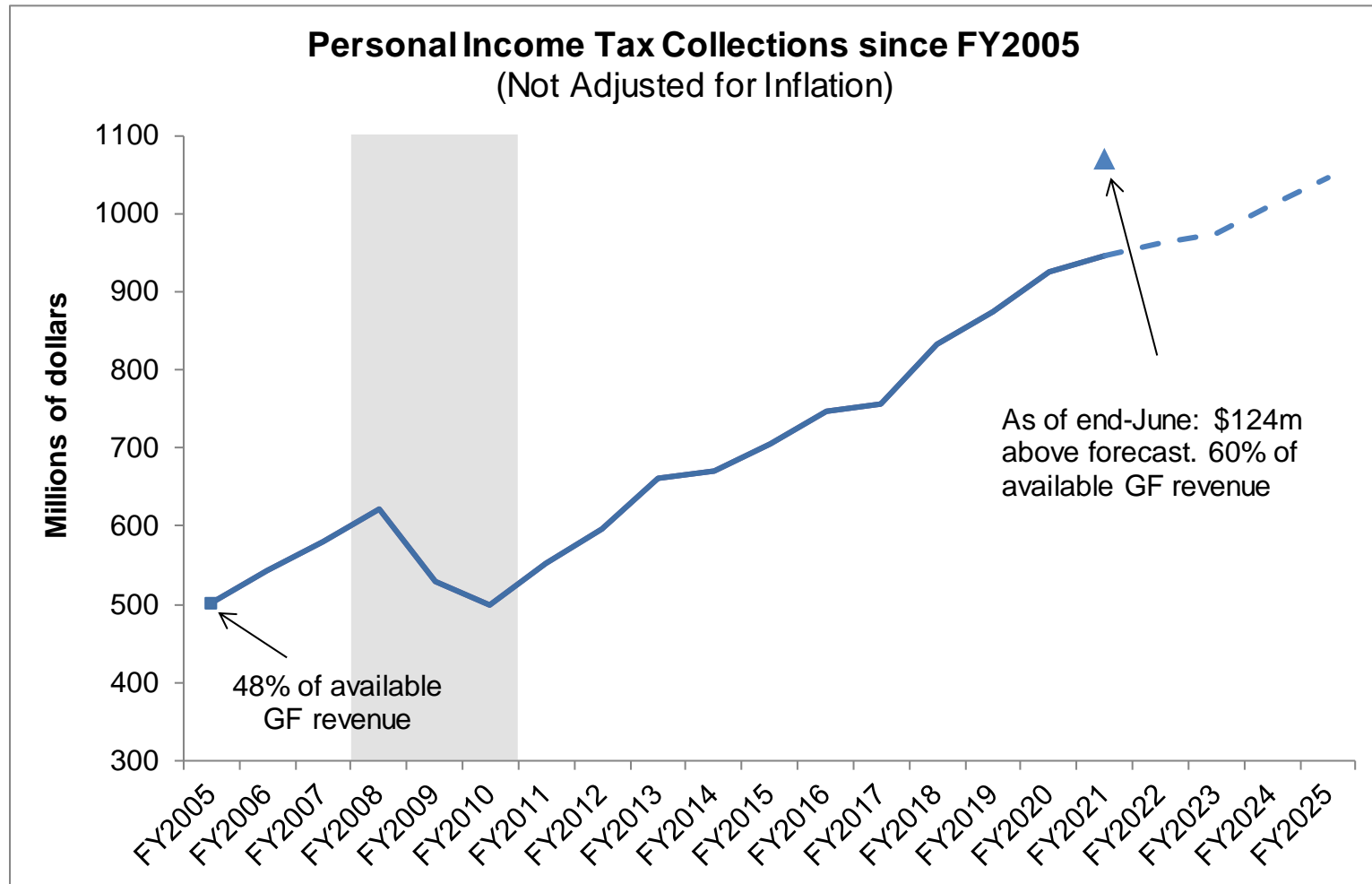
Vermont Apportionment Percentage

The percentage of income based in Vermont

Equals

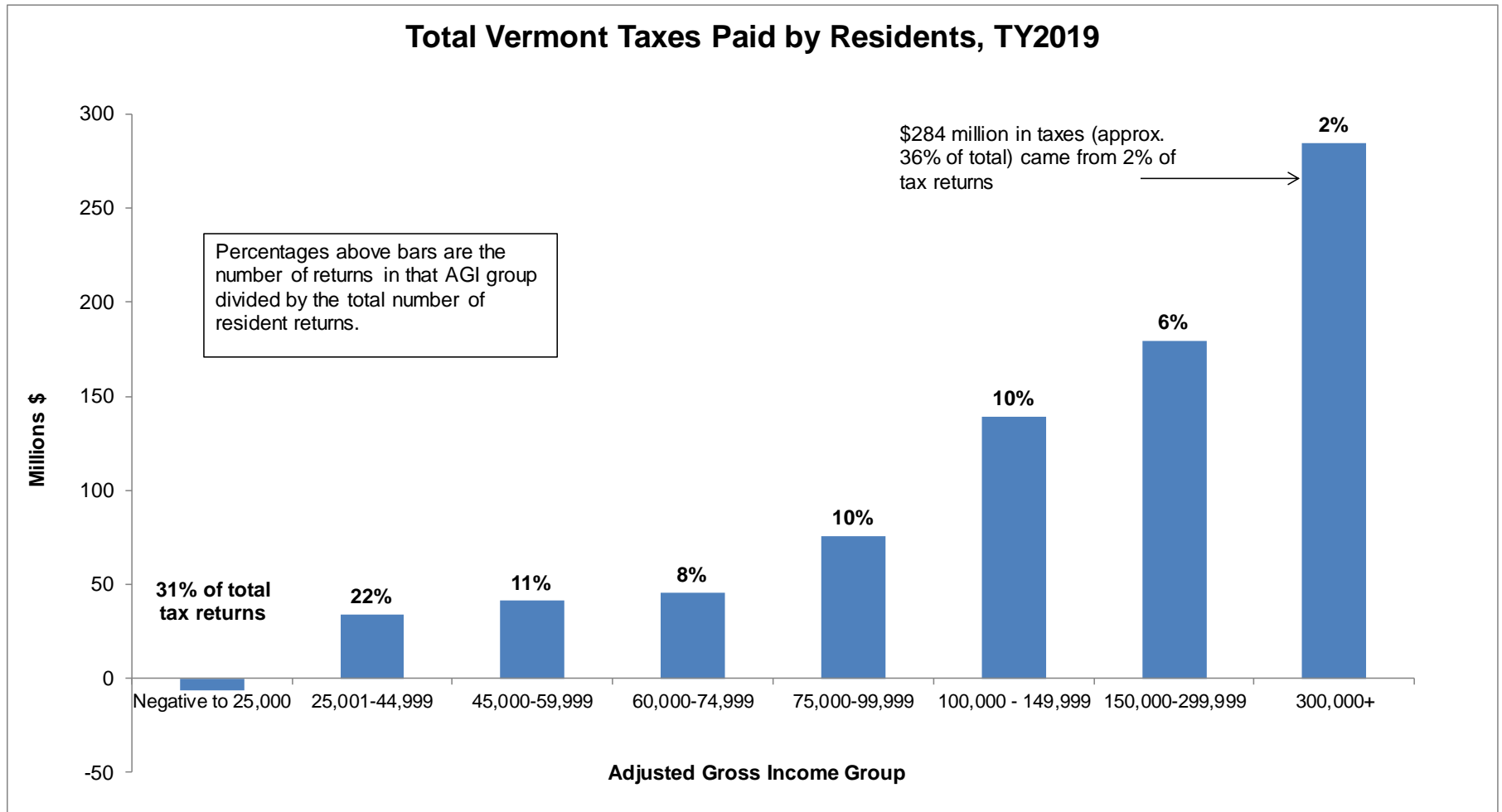
Final Vermont Tax Liability (or Refund)

Personal Income Tax: How much do we collect?



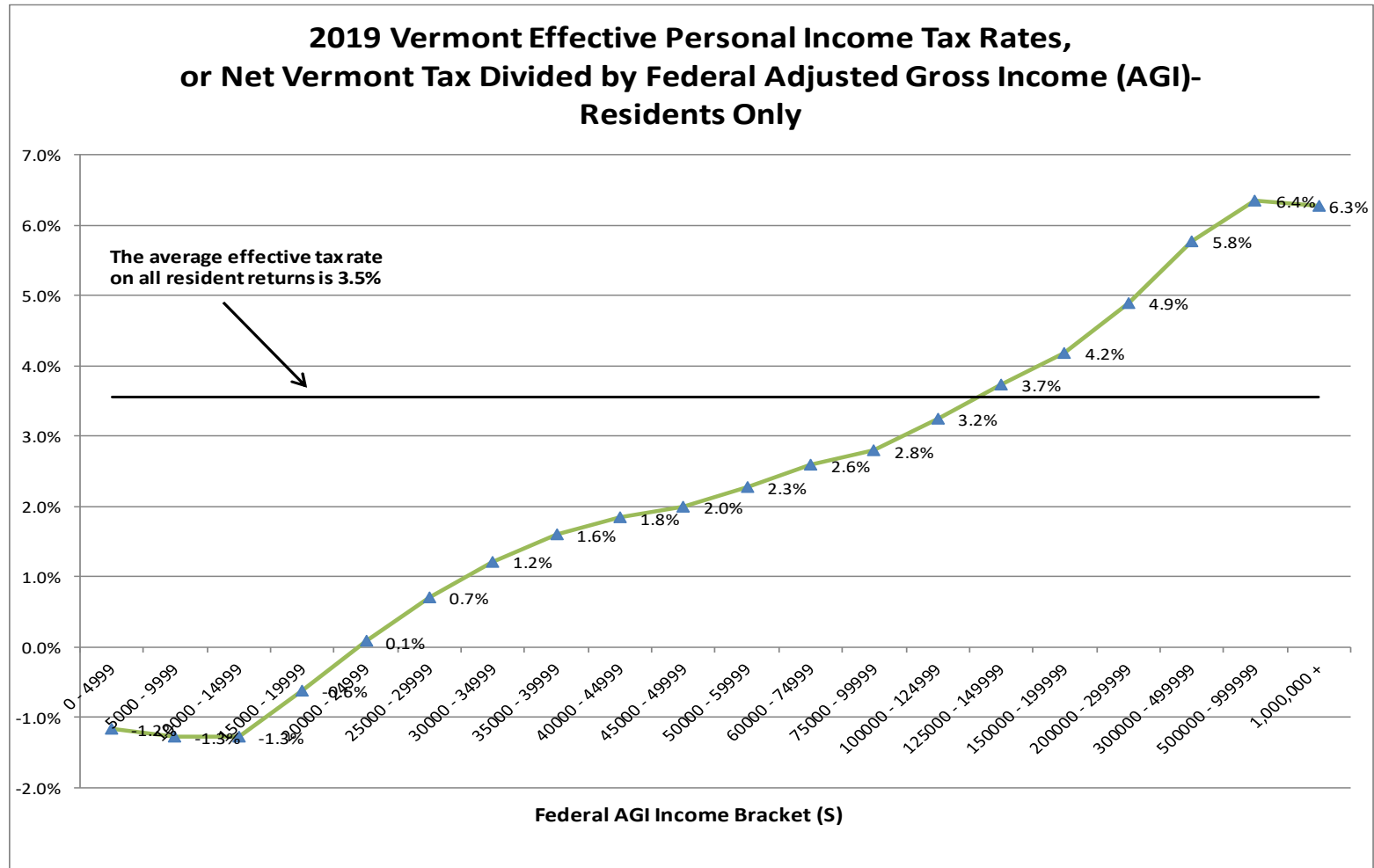
Source: Legislative Economist's January 2021 Forecast

Personal Income Tax- Who Pays?



Source: Department of Taxes

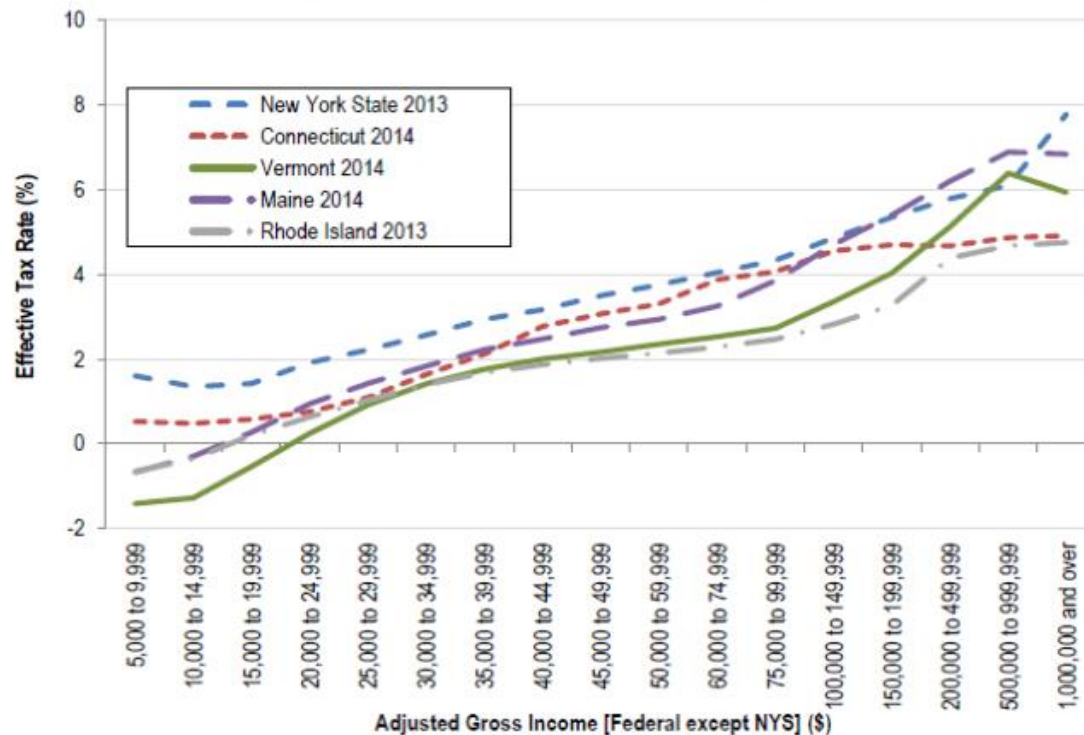
Personal Income Tax- Who Pays?



Source: Department of Taxes

Personal Income Tax: Who Pays?

Figure 20. Effective Rate Comparison by AGI Level for the New England States and New York, Tax Liability as a Percentage of Federal AGI, 2013 and 2014



Note: The Effective Income Tax Rate is calculated using Federal AGI, except in New York, which uses state AGI in its calculation. New Hampshire does not tax income, and data was unavailable for Massachusetts.

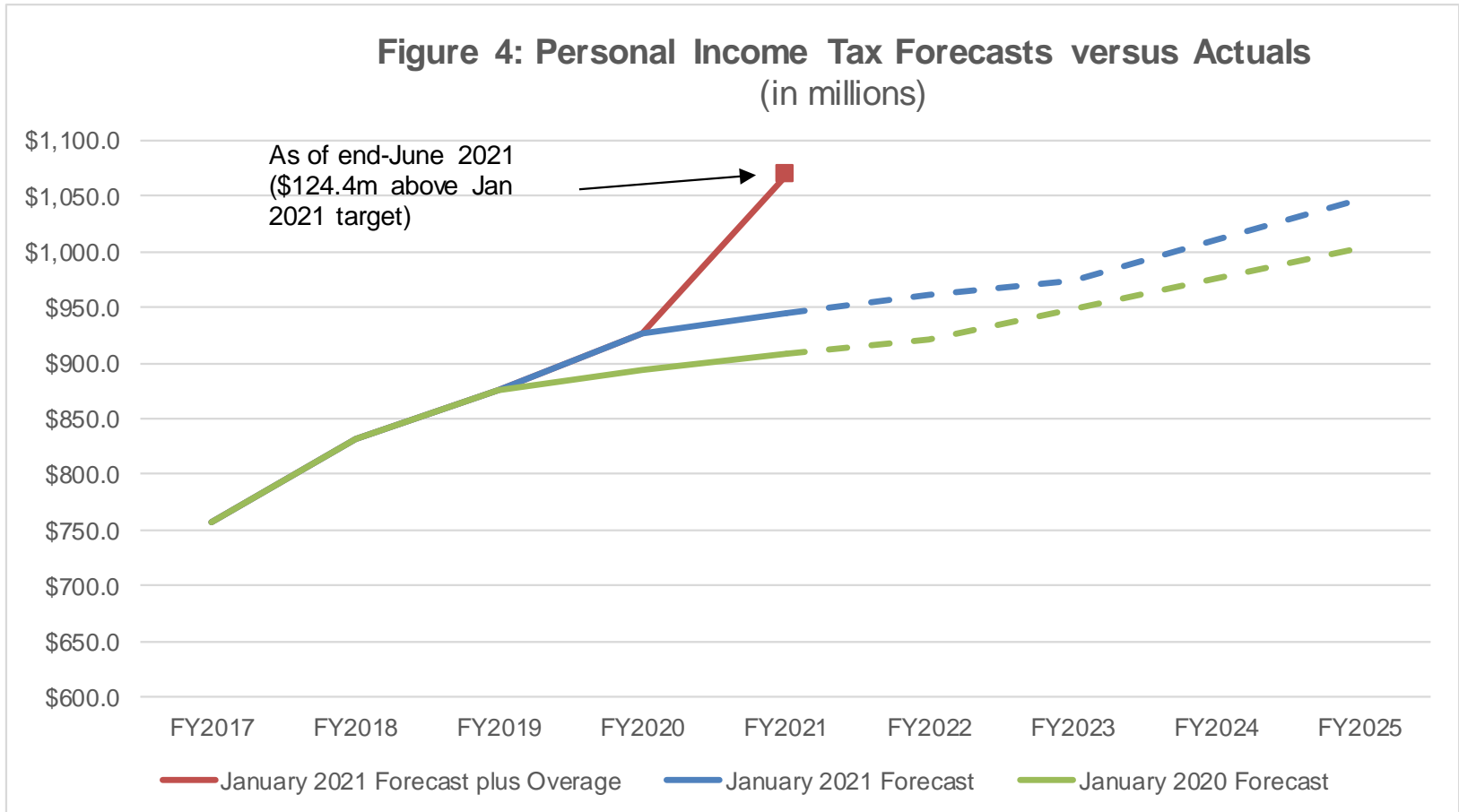
► Source: JFO 10-Year Tax Study, 2017

Personal Income Tax- What's New?

- ▶ Act II of 2018 Special Session
 - ▶ Major overhaul in Vermont Personal Income Tax system
 - ▶ Made the income tax system modestly more progressive
- ▶ COVID-19, and the related Federal fiscal stimulus has led to significant revenues in PIT
 - ▶ Estimated payments since March 2020 have smashed records
 - ▶ K-Shaped recovery- strong business income and capital income
 - ▶ Bonus unemployment in 2020 and 2021 likely also boosted withholding payments
 - ▶ People moving to Vermont and working remotely
 - ▶ Likely higher income taxpayers, but not enough data yet to show this has moved the needle.



Personal Income Taxes and the Pandemic



Sales & Use Tax

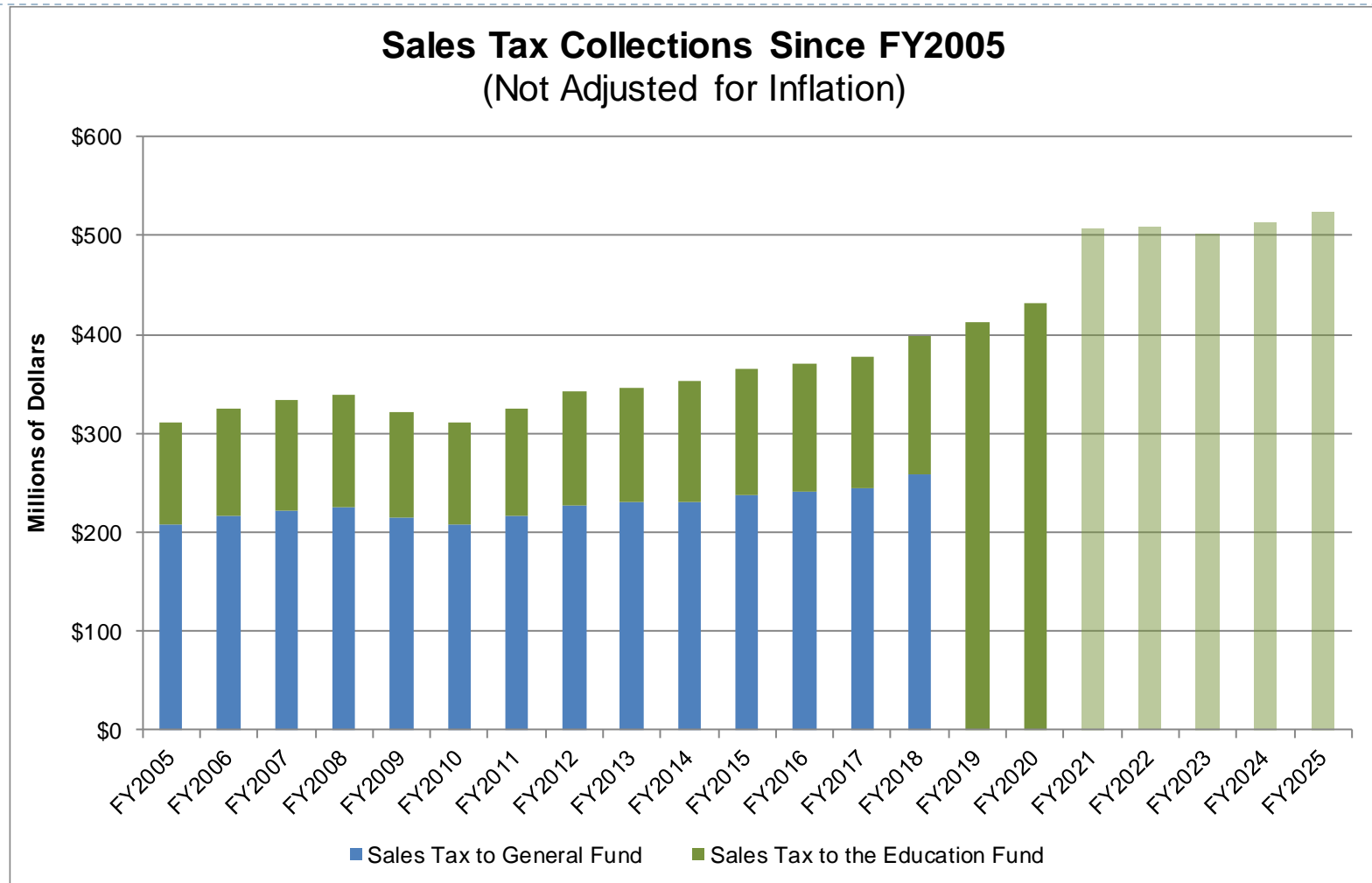


Sales and Use Tax- What is it?

- ▶ 6% on the retail sales of tangible personal property unless exempted by law.
- ▶ Destination based
 - ▶ Applied where the buyer takes possession of the item or where it was delivered.
- ▶ Does not apply to most services
- ▶ Revenues dedicated exclusively to the Education Fund beginning in FY2019
- ▶ Exemptions aplenty! (more on that later)



Sales & Use Tax: How much do we collect?



Source: Legislative Economist's January 2021 Forecast

Sales & Use Tax- Who pays it?

- ▶ Remitted by the retailer, final point of sale. Everyone pays but...
- ▶ Exemptions for groups and goods
 - ▶ Organizations who don't pay sales tax
 - ▶ 501(c)(3) organizations (up to a certain amount of sales)
 - ▶ Federal, state, local governments
 - ▶ Purposes and goods exempted-usually to make it more progressive
 - ▶ Clothing
 - ▶ Groceries
 - ▶ Medical products
- ▶ Sales taxes (and most consumption-based taxes) considered to be regressive:
 - ▶ Lower-income residents pay higher percentage of income in sales taxes
 - ▶ They spend a higher proportion of their income on taxable goods



Sales & Use Tax- What's new?

▶ Internet/Remote Sales

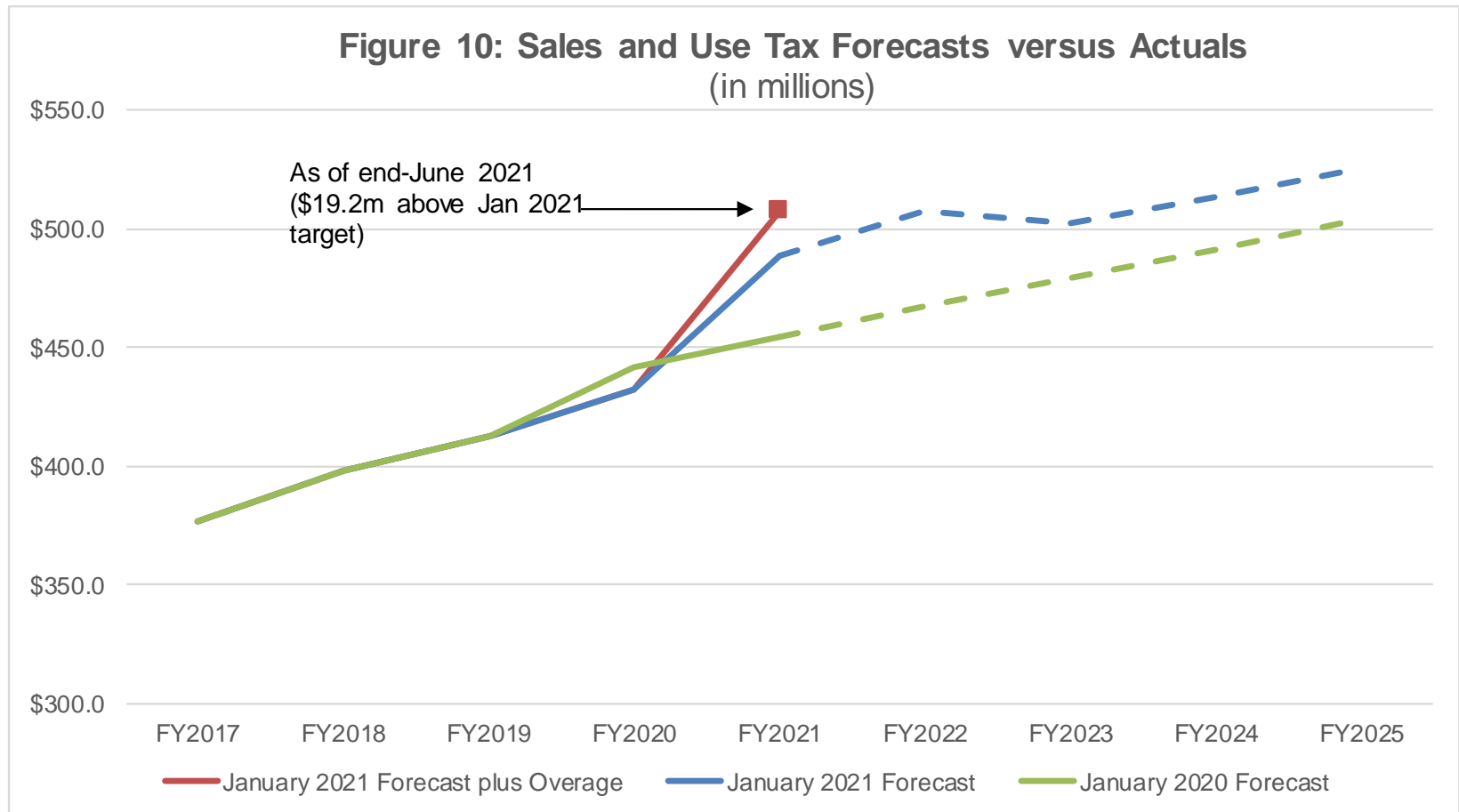
- ▶ Prior to June 2018, states could only collect sales tax if a vendor had a “nexus” in the state (Quill Decision)
- ▶ Supreme Court overruled Quill in June 2018: Wayfair Decision
 - ▶ States can now legally collect sales tax from remote sellers
- ▶ Act 46 of 2019: Marketplace Facilitators
 - ▶ Large “marketplace facilitators” (Amazon, Etsy, Ebay) are required to collect and remit sales tax on behalf of vendors on their platform.

▶ COVID-19 impacts

- ▶ Goods consumption has exploded during the pandemic, in particular, e-commerce
- ▶ Federal fiscal stimulus led to record high levels of consumer disposable income, which was spent on durable goods, which are usually taxable
- ▶ \$507.6 million was collected in FY2021, which is \$75 million more than the previous fiscal year.
- ▶ Uncertainty remains- with reopening, will consumers continue to purchase goods or will the pivot back to services?



Sales Taxes and the Pandemic



Corporate Income Tax



Corporate Income Tax- What is it?

- ▶ **Background: Types of Businesses**
 - ▶ C-Corporation: Larger business, profits accrue to corporation, 100+ shareholders
 - ▶ Pass-throughs: Profits get “passed through” to owners who pay tax on their own personal income taxes
 - ▶ S-Corporations and LLCs: Usually smaller businesses, profits dispersed to smaller number of shareholders, limited liability
 - ▶ Sole Proprietors: Profits go to a single owner on their income
- ▶ **Corporate Income Tax is a tax on the net income of a C-Corporation**
 - ▶ **Most businesses do not pay the corporate income tax because they are pass-throughs!**
- ▶ **What about multi-state businesses?**
 - ▶ Taxable income determined by formula using property, payroll and sales
 - ▶ Vermont requires unitary combined reporting
 - ▶ Two types of business:
 - Unitary Combined: Those that file a VT return but are part of a larger company (13% of returns).
 - Not Combined: Those businesses that are not part of a larger company (87% of returns)

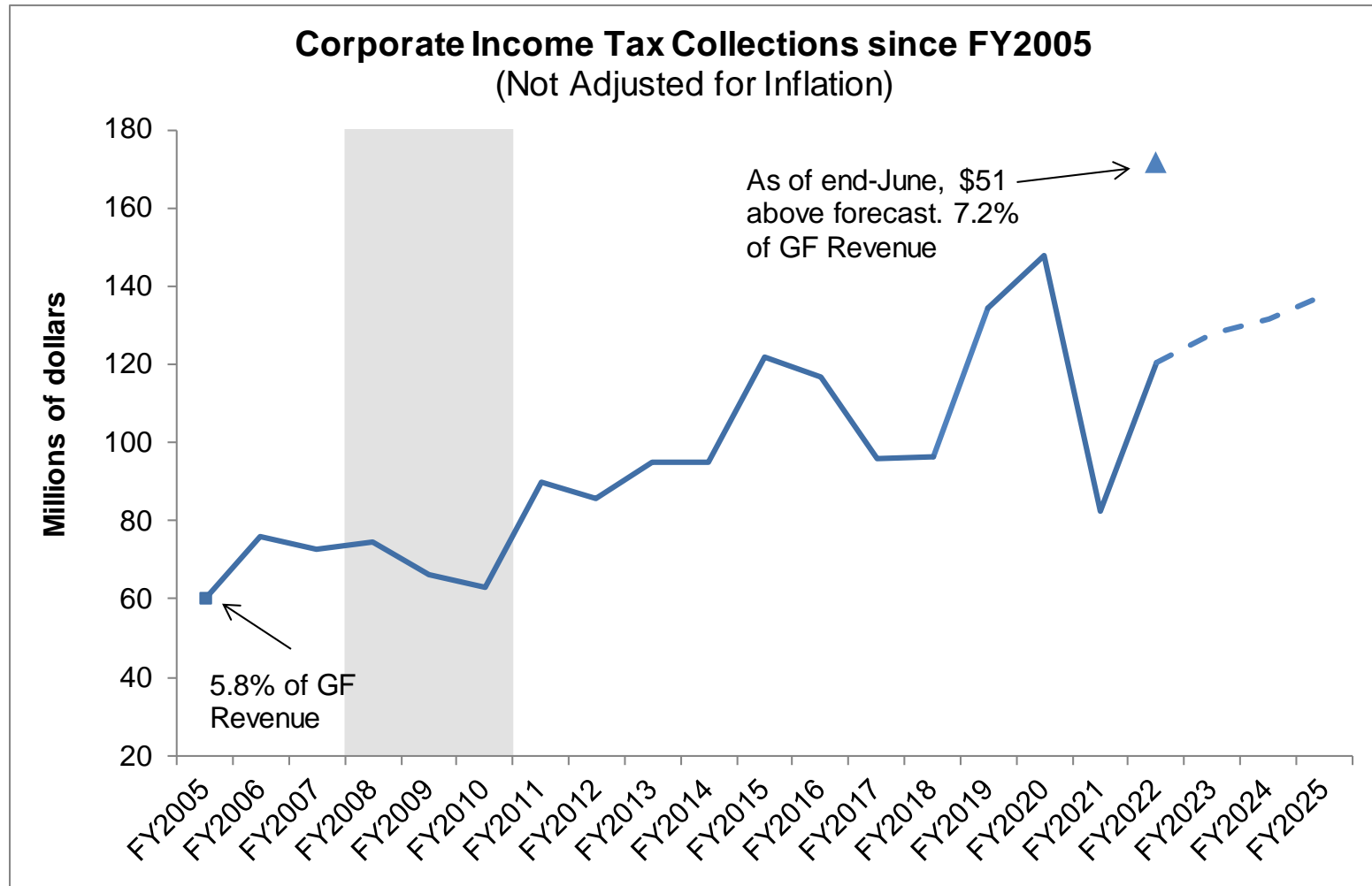


Corporate Income Tax – What is it?

Corporate Income Tax Table	
Taxable Income Bracket	Tax Rate
\$3,751 up to \$10,000	6.00%
\$10,000 up to \$25,000	7.00%
\$25,000 and over	8.50%



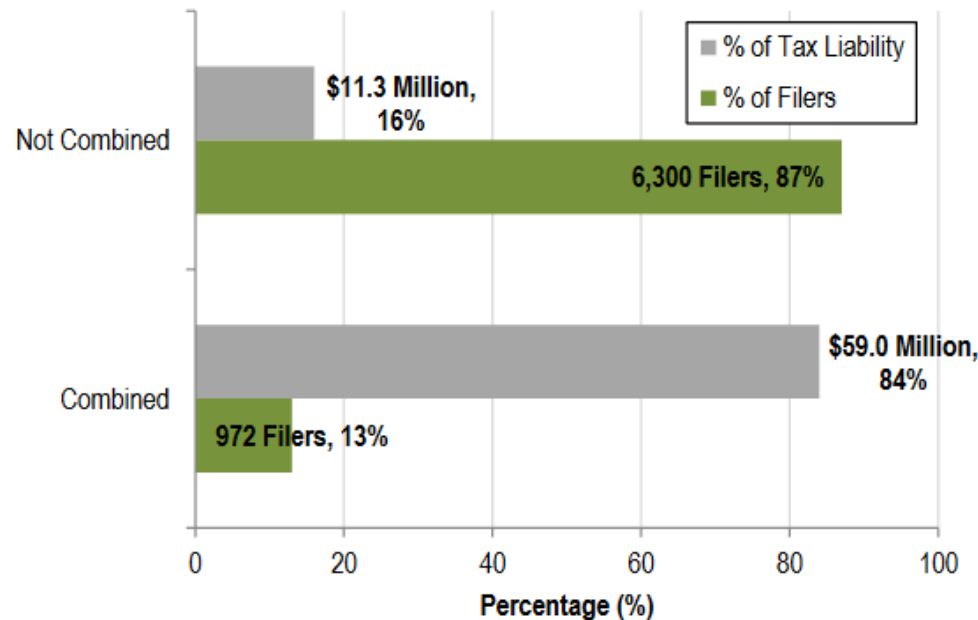
Corporate Income Tax- How much do we collect?



Corporate Income Tax – Who pays it?

- ▶ Only C Corporations
- ▶ Most revenue comes from a minority of larger unitary combined returns

Figure 22. Corporate Income Tax by Type of Return: Unitary Combined or Not Combined, Tax Year 2014



Corporate Income Tax- Who pays?

► In 2019:

- 13,236 corporate tax filers
- ~3,000 had positive taxable income and therefore, paid corporate income tax from the brackets

Minimum Tax Payers by Gross Receipts

Gross Receipts Range	# Minimum Tax Payers		% of All Payers Who Pay Min Tax	
	2018	2019	2018	2019
Less than \$100,000	7,246	7,345	91.3%	90.4%
\$100,000-\$200,000	654	621	73.3%	70.6%
\$200,000-\$500,000	778	718	64.6%	59.6%
\$500,000-\$1 million	468	457	55.3%	53.1%
\$1 million-\$1.5 million	181	182	47.6%	45.7%
\$1.5 million to \$3 million	314	283	49.4%	46.5%
\$3 million to \$5 million	154	150	43.1%	41.8%
\$5 million+	309	288	42.3%	40.6%
TOTAL	10,104	10,044	77.8%	76.4%

Source: VT Department of Taxes

Corporate Income Tax – What's New

▶ Tax Cuts and Jobs Act of 2017

- ▶ Changed the rules around treatment of foreign profits which could lead to one-spikes in Corporate Taxable Income
- ▶ Vermont received a lot of foreign repatriated money in FY2018 through FY2020.

▶ COVID-19 Impacts

- ▶ Corporate Tax revenues significantly beat their forecast in FY2021.
- ▶ Federal fiscal stimulus likely boosted corporate bottom lines
- ▶ Potential revenue bump from Vermont change to method of sourcing services to “Market Based-Sourcing”



Other major revenue sources

▶ **Meals and Rooms Tax**

- ▶ 9% on taxable meals and rented rooms, 10% on alcohol portion of meals
- ▶ \$143.5 million in FY21 (\$173 million in FY18!)
- ▶ Beginning FY20, 25% of revenues to EF, 69% to GF, 6% to the Clean Water Fund

▶ **Cigarette and Tobacco Products Tax**

- ▶ \$3.08 per pack for cigarettes, 92% of wholesale price for other tobacco products
- ▶ 92% wholesale price tax added to e-cigarettes in 2019
- ▶ \$77.4 million in FY21
- ▶ Revenues dedicated the General Fund

▶ **Insurance Premiums Tax**

- ▶ 2% per year on the gross amount of premiums written in Vermont
- ▶ Paid in lieu of corporate income tax
- ▶ \$60.3 million in FY21
- ▶ Revenues dedicated to GF



Other major revenue sources

**TABLE 1A - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
SOURCE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - January 2021**

SOURCE G-FUND

revenues are prior to all E-Fund allocations
and other out-transfers; used for
analytic and comparative purposes only

	FY 2017	%	FY 2018	%	FY 2019	%	FY2020	%	FY2021	%	FY2022	%	FY2023	%
	(Actual)	Change	(Actual)	Change	(Actual)	Change	(Actual)	Change	(Forecast)	Change	(Forecast)	Change	(Forecast)	Change
REVENUE SOURCE														
Personal Income	\$756.5	1.3%	\$832.0	10.0%	\$875.4	5.2%	\$925.8	5.8%	\$945.4	2.1%	\$961.7	1.7%	\$973.3	1.2%
Sales & Use ¹	\$376.7	1.6%	\$397.8	5.6%	\$412.5	3.7%	\$432.5	4.8%	\$488.4	12.9%	\$507.9	4.0%	\$502.4	-1.1%
Corporate	\$95.8	-18.1%	\$96.4	0.6%	\$134.2	39.3%	\$147.9	10.2%	\$82.4	-44.3%	\$120.6	46.4%	\$127.7	5.9%
Meals and Rooms	\$165.3	7.3%	\$173.2	4.8%	\$182.1	5.1%	\$163.6	-10.1%	\$126.4	-22.7%	\$166.4	31.6%	\$194.0	16.6%
Liquor	\$19.1	4.4%	\$19.8	3.6%	\$21.4	8.1%	\$21.6	0.8%	\$24.8	14.8%	\$26.9	8.5%	\$27.8	3.3%
Insurance	\$57.0	1.3%	\$57.5	1.0%	\$56.9	-1.2%	\$58.0	2.1%	\$59.2	2.0%	\$59.8	1.0%	\$60.2	0.7%
Telephone	\$5.7	80.6%	\$4.7	-16.8%	\$4.3	-8.8%	\$3.2	-26.4%	\$1.6	-49.8%	\$1.4	-12.5%	\$1.2	-14.3%
Beverage	\$6.9	2.9%	\$7.1	2.5%	\$7.6	6.9%	\$7.2	-5.3%	\$7.4	3.4%	\$7.6	2.7%	\$7.9	3.9%
Electric ²	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM
Estate	\$16.7	33.3%	\$22.9	37.6%	\$12.6	-44.9%	\$15.2	20.1%	\$32.3	112.9%	\$26.7	-17.3%	\$28.3	6.0%
Property	\$38.7	8.4%	\$40.9	5.6%	\$41.1	0.6%	\$42.3	2.9%	\$58.4	38.1%	\$62.3	6.7%	\$59.0	-5.3%
Bank	\$13.2	24.0%	\$13.1	-1.3%	\$12.5	-4.6%	\$12.1	-3.0%	\$12.6	4.1%	\$12.8	1.6%	\$12.7	-0.8%
Other Tax	\$2.2	18.0%	\$1.8	-15.2%	\$2.4	32.9%	\$0.4	-84.7%	\$0.4	-6.7%	\$0.3	-2.9%	\$0.4	5.9%
Total Tax Revenue	\$1553.7	1.3%	\$1667.2	7.3%	\$1763.0	5.7%	\$1829.7	3.8%	\$1839.3	0.5%	\$1954.4	6.3%	\$1994.9	2.1%
Business Licenses	\$1.2	16.8%	\$1.2	-2.9%	\$1.2	-1.0%	\$1.1	-4.5%	\$1.2	5.0%	\$1.3	8.3%	\$1.4	7.7%
Fees	\$48.5	110.8%	\$47.1	-2.9%	\$47.0	-0.2%	\$44.7	-4.7%	\$42.4	-5.2%	\$43.6	2.8%	\$44.8	2.8%
Services	\$3.0	7.9%	\$2.9	-4.2%	\$3.4	16.4%	\$2.4	-27.1%	\$2.4	-1.9%	\$2.3	-4.2%	\$2.4	4.3%
Fines	\$4.4	21.0%	\$3.5	-19.8%	\$3.3	-5.6%	\$4.8	44.3%	\$3.1	-35.8%	\$3.3	6.5%	\$3.5	6.1%
Interest	\$1.5	111.5%	\$2.8	80.1%	\$5.0	79.1%	\$4.1	-18.0%	\$1.8	-56.0%	\$1.7	-6.7%	\$2.2	32.1%
Special Assessments	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM
Lottery	\$25.5	-3.3%	\$27.1	6.4%	\$29.5	8.6%	\$26.8	-9.0%	\$29.3	9.2%	\$30.9	5.5%	\$31.8	2.9%
All Other ³	\$2.9	128.5%	\$2.4	-18.8%	\$4.6	92.7%	\$0.7	-83.6%	\$0.9	13.7%	\$1.0	17.6%	\$1.1	10.0%
Total Other Revenue	\$87.1	47.9%	\$87.0	-0.1%	\$93.9	7.9%	\$84.8	-9.7%	\$81.1	-4.4%	\$84.1	3.7%	\$87.2	3.7%
Healthcare Revenue⁴	\$276.6	2.8%	\$275.6	-0.4%	\$276.3	0.2%	\$284.7	3.0%	\$284.3	-0.1%	\$285.3	0.3%	\$286.0	0.2%
TOTAL GENERAL FUND	\$1917.4	3.0%	\$2029.8	5.9%	\$2133.2	5.1%	\$2199.2	3.1%	\$2204.6	0.2%	\$2323.8	5.4%	\$2368.0	1.9%

Source: Legislative Economist's Forecast, January 2021

Hot Topic Revenue Ideas

- ▶ Cannabis excise tax

- ▶ JFO Fiscal Note from 2020

Table 1: S.54 Total Revenues (in millions)					
14% Excise Tax plus 6% Sales Tax plus state licensing fee revenue					
	FY21	FY22	FY23	FY24	FY25
Low	\$0.0	\$0.5	\$5.3	\$10.3	\$13.3
Mid	\$0.0	\$0.5	\$6.9	\$14.0	\$18.2
High	\$0.0	\$0.5	\$9.0	\$18.7	\$24.2

Notes: State fee revenue totals \$500,000 in FY22, and \$650,000 thereafter

- ▶ Sports gambling

- ▶ No formal JFO estimate, but Administration budget proposal estimated \$2.5 million per year
 - ▶ Formal study to Legislature due in October 2021



Hot Revenue Ideas

- ▶ High income tax surcharges
 - ▶ Generally, an AGI based surcharge that applies to any dollars over a certain amount.
 - ▶ Preliminary estimates:
 - ▶ 3% tax rate on AGI over \$300,000: \$60 to \$70 million per year
 - ▶ 1.5% tax rate on AGI over \$150,000: \$30 to \$40 million per year
 - ▶ 3% tax rate on AGI over \$500,000: \$40-50 million per year
 - ▶ Considerations:
 - ▶ Personal income tax already quite top heavy
 - ▶ Very progressive systems are more vulnerable to volatility.
 - ▶ Only 2-3 states have income tax rates that would be near these levels (Hawaii, California, Oregon).
 - ▶ Fiscal and monetary policy play a huge impact on these groups



Tax Expenditures



VERMONT

Tax Expenditures

2021 Biennial Report

January 15, 2021
Pursuant to 32 V.S.A § 312.

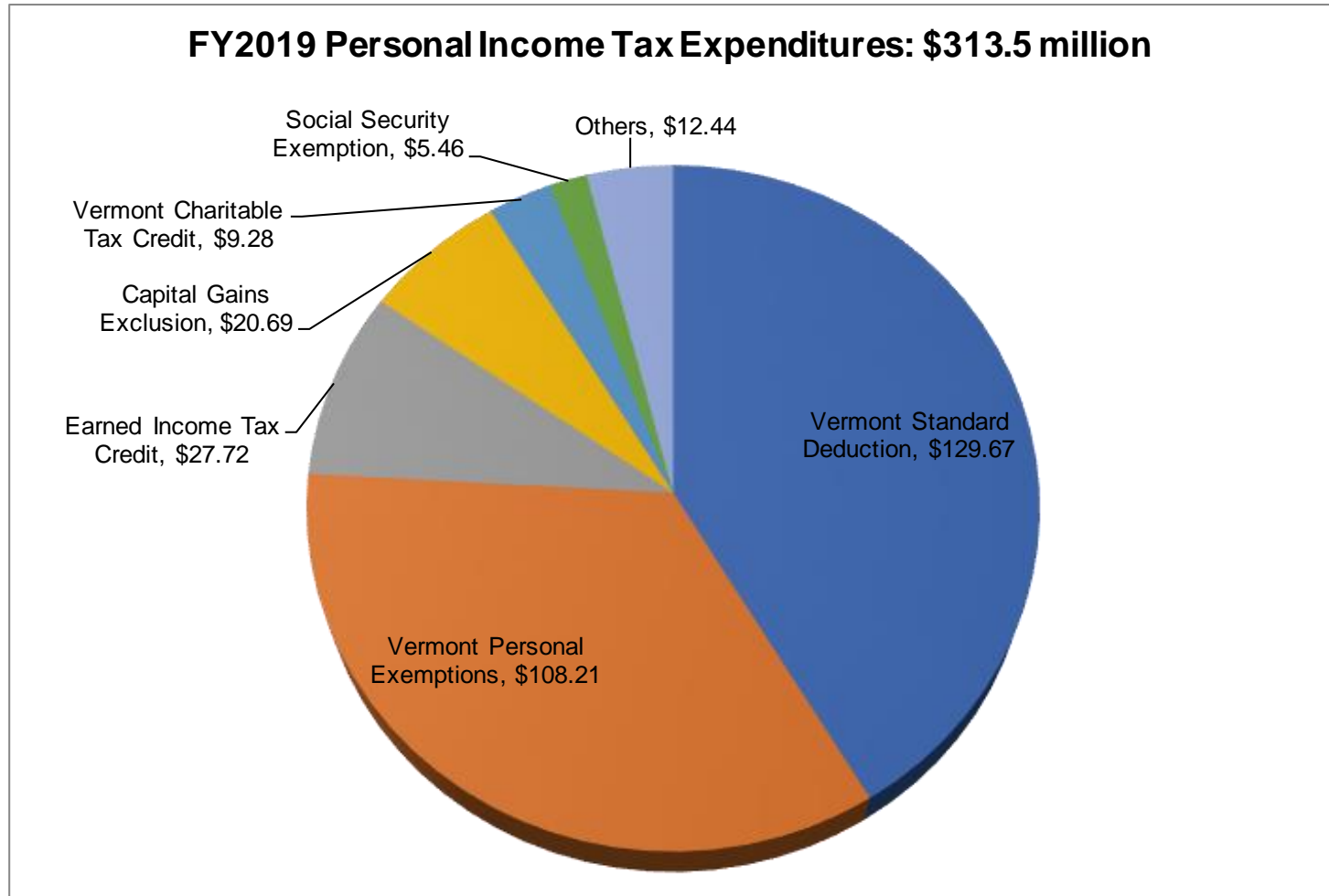


Tax Expenditures

- ▶ 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 publishes a report every two years

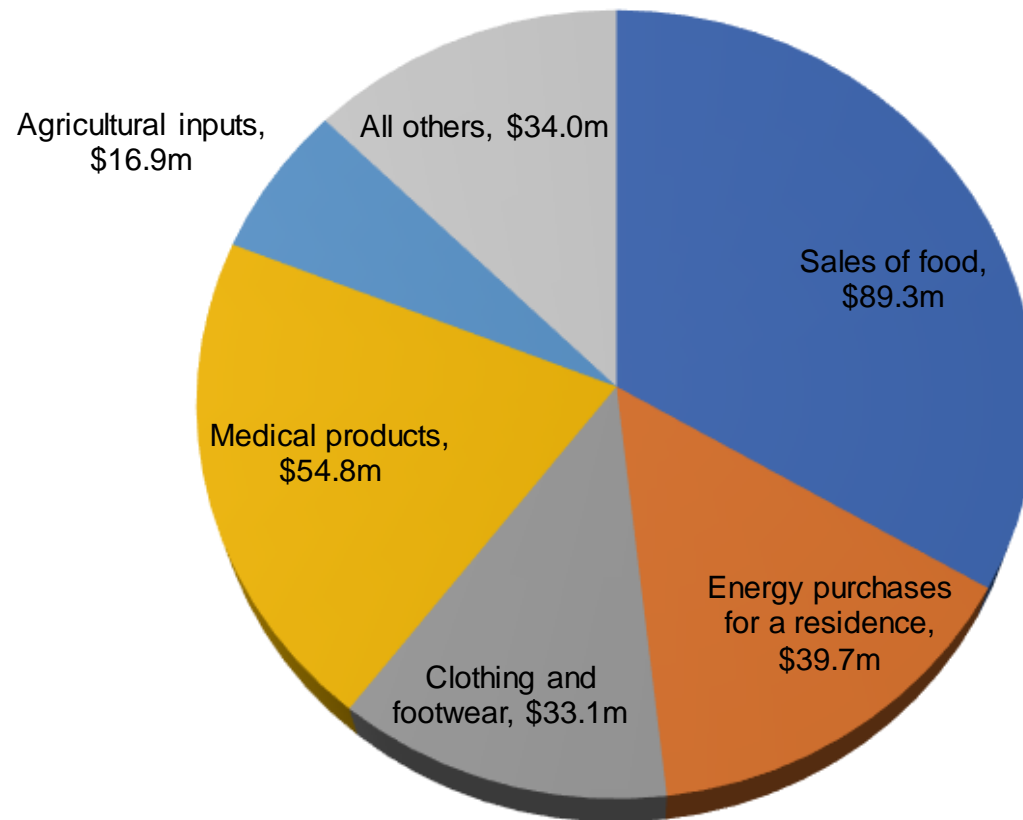


Personal Income Tax- Tax Expenditures

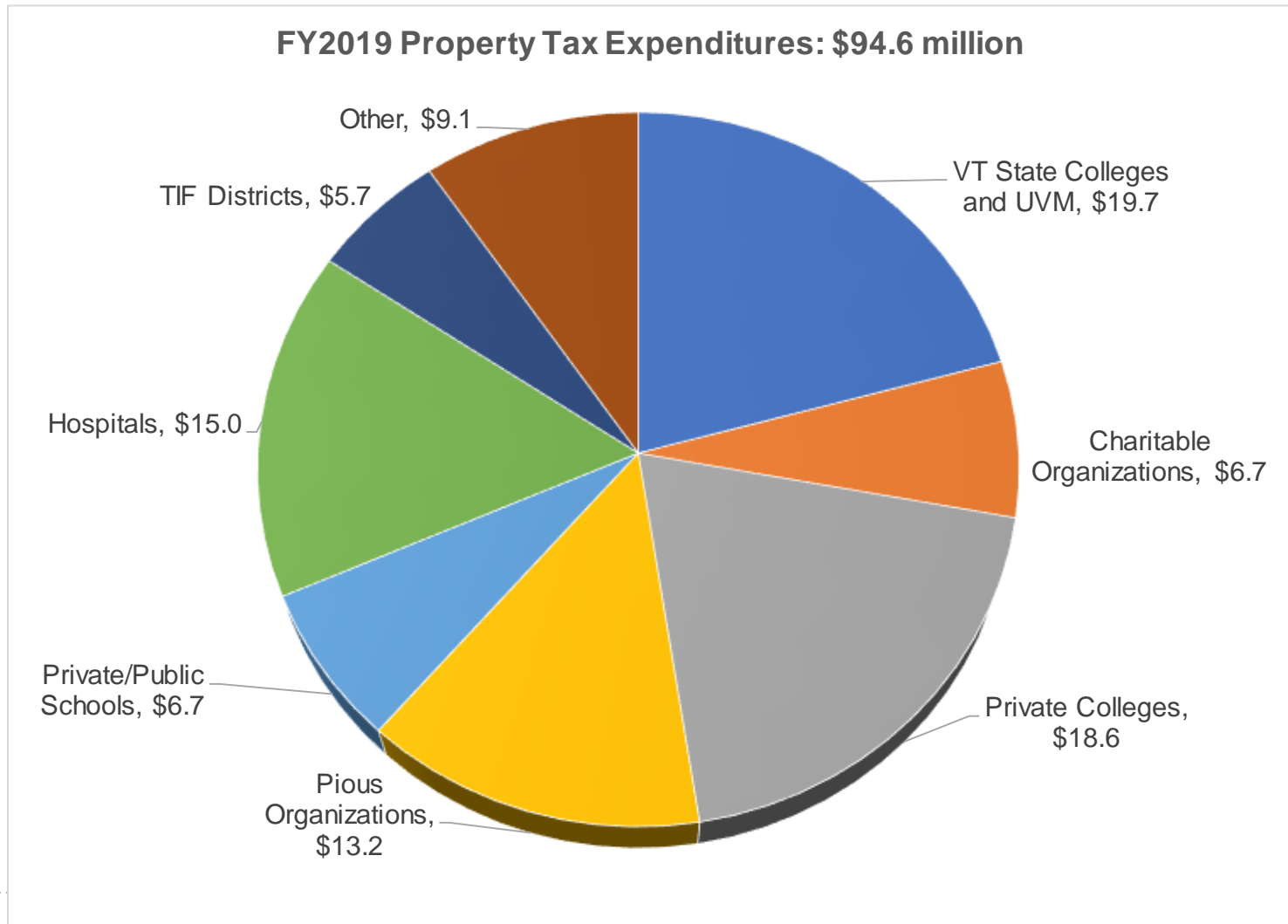


Sales and Use Tax Expenditures

FY2019 Estimated Sales Tax Exemptions: \$267.8 million



Property Tax Expenditures



Resources

- ▶ JFO Website, Revenue/Tax Page
 - ▶ Revenue Forecasts for information on revenues:
<https://ljfo.vermont.gov/subjects/revenue-and-tax/state-forecasts>
 - ▶ Ten Year Tax Studies for overview of whole system:
<https://ljfo.vermont.gov/subjects/revenue-and-tax/ten-year-tax-studies>
 - ▶ Tax Expenditure Reports: <https://ljfo.vermont.gov/subjects/revenue-and-tax/tax-expenditure-reports>
- ▶ Fiscal Facts: <https://ljfo.vermont.gov/publications/fiscal-facts>
- ▶ Department of Taxes, Research and Reports:
<https://tax.vermont.gov/research-and-reports>
- ▶ Contact me with any questions!
 - ▶ gcampbell@leg.state.vt.us
 - ▶ 802-828-5768

