



Vermont Technology Alliance
The Voice for Technology in Vermont

Dear Senator Cummings and Members of the Senate Finance Committee –

I am writing on behalf of the Vermont Technology Alliance (vtTA). vtTA is a non-profit business association with a mission to support, promote, and grow technology businesses and technology jobs in Vermont. Our 200+ members are from throughout the state – ranging from individual entrepreneurs to large companies – that make up Vermont’s technology ecosystem, including software, IT, energy, and telecommunications, as well as businesses and organizations that work with or support Vermont’s tech industry.

vtTA is concerned by the House proposal of amendment to S.53, specifically sections 9-12, which repeal the exemption on vendor hosted prewritten computer software, commonly referred to as the “cloud tax”.

We would be remiss if we did not make clear that vtTA wholeheartedly supports the original intent of S.53 as approved by the Senate earlier this year. Taxing feminine hygiene products unfairly taxes women, and we strongly endorse the underlying intent of the bill to address this inequity.

The House has passed a version of the cloud tax at least four times in recent years. Our members were appreciative of the [comments](#) made by members of the Finance Committee and Senator Balint in a recent Vermont Digger article highlighting the Senate’s long-held position that these services should not be taxed.

The language in S.53 is far more broad than previous iterations of the cloud tax passed by the House. Past proposals focused solely on taxing Software as a Service (SaaS), while S.53 would expand the definition of vendor-hosted prewritten software to include Infrastructure as a Service (IaaS) and Platform as a Service (PaaS). Cloud tax proponents have often argued that their goal is simply to tax products that were previously purchased “in a box” – like TurboTax – but that are now accessed by customers through the cloud. By expanding the tax to IaaS and PaaS, S.53 goes above and beyond that goal and would apply the sales tax to a much wider array of goods and services, including Squarespace, MailChimp, Constant Contact, QuickBooks and Salesforce. Many of these were never purchased “in a box.” According to the Joint Fiscal Office, [only seven states](#) and Washington, DC currently tax SaaS, IaaS and PaaS as the House has proposed.

The language in S.53 is also inconsistent with the proposal in H.437 to change the methodology for how the sales tax exemption for manufacturing inputs is calculated. The change contemplated in H.437 explicitly recognizes that inputs to production should not be taxed, yet sections 9-12 of S.53 are antithetical to that notion.

While vtTA represents Vermont technology businesses, a sector that is a critical part of Vermont's economy, the cloud tax provisions in S.53 would extend beyond our member companies to every single business (and consumer) in the state that depend on services offered over the cloud. Imagine a small business that uses Squarespace to design their website, Amazon Web Services to host their website, or MailChimp to update customers. All of those services would now be taxed if this proposal were enacted. While our member businesses do depend heavily on cloud services as inputs to our operations, this tax change would not be felt solely by the tech sector.

vtTA respectfully requests that the legislature not rush to a decision on the House proposal of amendment to S.53 in the final weeks of the 2021 legislative session. These topics warrant robust conversation with a diverse set of affected stakeholders at the table that would best be addressed at a later date, with more time for the committee to perform its due diligence.

We urge the committee to make sure that the original intent of S.53, which is to exempt feminine hygiene products from the Vermont sales tax, is enacted and not to complicate discussions in the final weeks of the 2021 legislative session.

Sincerely,

Jeff Couture
Executive Director
Vermont Technology Alliance