

Cloud Tax Proposal
Senate Finance Committee

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As Vermont's largest statewide business organization, the Vermont Chamber of Commerce represents 1,200 members distributed throughout the state, encompassing virtually every industry. The Chamber's mission is to grow Vermont businesses, while contributing to the overall Vermont economy. Our staff maintains daily communication with members and this engagement continues to inform our perspective on the negative impacts that would result from the implementation of the proposal passed by the House to remove a tax exemption on software as a service (SaaS) and expand sales tax to include taxes on platform as a service (PaaS) and infrastructure as a service (IaaS).

Under normal economic conditions, this proposal would raise considerable costs on the technology sector and across the entirety of the business community, including hospitality, manufacturing, transportation, agriculture, and financial services. Vermont's business community is already struggling with a constrained labor force, reduced hours, 7% inflation and endless supply chain problems. With much of the business community still trying to recover from the economic impact of COVID-19, a new tax imposed by the legislature in a year when revenues are up would be challenging and cause significant frustration in the business community.

This proposal would threaten growth in Vermont's tech sector, 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, platform, and infrastructure as a service for purposes that include bookkeeping, marketing, financial monitoring, environmental monitoring, auto insurance, and more. Technology businesses are also substantial users of SaaS, IaaS, and PaaS. Costs can quickly reach the six figures for software and cloud services. An additional 6% tax plus the time and costs associated with compliance and subsequent audits adds up and are one more disincentive for these businesses to scale in Vermont.

The Vermont Chamber of Commerce understands the interest expressed by this committee to modernize Vermont's tax system to better reflect the 21st century world. However, to do this in a fully reasoned way we request that the legislature not alter the tax treatment of SaaS, IaaS and PaaS, and instead consider following the recommendations of the Tax Structure Commission and The Vermont Future's Project's [Vermont Taxing Dilemma](#) White Paper to undertake a Tax Incidence Study in order to make sure that any future changes to the sales tax system are done in a fully informed way.