



Vermont Businesses
for Social Responsibility

VBSR Testimony in Support of Mandatory Worldwide Combined Reporting

February 29, 2024

Our Mission: To leverage the power of business for positive social and environmental impact
Our Vision: A just, thriving, and transformative economy for all people and the planet

Vermont Businesses for Social Responsibility (VBSR) is a statewide, nonprofit business association with a mission to leverage the power of business for positive social and environmental impact. VBSR is the oldest state-level socially responsible business association in the nation, home to the highest number of certified B Corporations per capita and represents over 700 member businesses across 46 industries.

Local businesses hold an inherent value at the core of their communities and are often more beneficial to the local economy than large, out-of-state corporations. Vermont businesses employ Vermont residents, contribute to local taxes, and reinvest revenue into the local economy- creating a cycle that benefits everyone. For over a decade, VBSR administered the Local First Vermont program to preserve and enhance Vermont communities' economic, human, and natural vitality by promoting the importance of purchasing from locally owned independent businesses rather than large multinational corporations.

I am here today to express VBSR's support in changing Vermont's corporate tax structure from domestic or "water's edge" combined reporting to mandatory worldwide combined reporting. Closing the "water's edge" loophole and mandating that companies include their U.S. profits held in offshore tax havens when calculating taxes will move our State towards a tax policy to level the playing field for businesses here.

Small businesses are the lifeblood of the U.S. economy: they create two-thirds of net new jobs and drive U.S. innovation and competitiveness. A 2019 SBA report found that small businesses accounted for 44% of U.S. economic activity. ¹Vermont has 78,883 small businesses, most of which are sole proprietors. Vermont small businesses employ 157,131 workers, 60.2% of the State's workforce. These businesses would not be impacted by moving to mandatory global combined reporting. ²

The result of multinational corporations avoiding federal and State income tax by holding profits in offshore tax havens costs Vermont as a state and puts an undue tax burden on our small businesses who do not have the regulatory hall-pass to dodge paying their fair share in corporate income tax. In addition, compared to their multinational counterparts Vermont businesses have less access to economies of scale, including supply chain advantages, less political capital, less cash flow, and fewer opportunities to engage in practical research and development . For example, as Artificial Intelligence continues advancing, global corporations will be the first to apply the technologies to increase profits.

¹ <https://advocacy.sba.gov/2019/01/30/small-businesses-generate-44-percent-of-u-s-economic-activity/>

² <https://vermontbiz.com/news/2022/september/02/2022-vermont-small-business-profiles-available>

We urge you to shift to mandatory worldwide combined reporting to aid our small businesses to compete on a level playing field where we can; in this case, the field is corporate taxation.

VBSR believes that tax policy should reflect and complement the State's economic goals. A competitive tax code targets broad bases to keep overall rates low. Vermont's tax system should encourage the development of a robust local economy and encourage people to spend money in-state. As representatives of our local business community, we are here today to express the public will to hold multinational corporations to their fair share. VBSR members are not alone: the Pew Research Center issued a 2023 report that indicated that six in ten adults now say that the fact that some corporations don't pay their fair share (61%) bothers them a lot.³

Vermont is under pressure to invest in infrastructure, social services, public schools, increasing public safety, expanding access to quality childcare, and so much more. The problems we face will only grow with climate change while our State's budget is stretched too thin. In this context, multinational corporations are allowed to continue to legally minimize what they pay in taxes while our local businesses are held to different tax standards. VBSR urges the members of this committee to take the lead in developing effective taxation regulations that eliminate corporate tax avoidance.

³ <https://www.pewresearch.org/short-reads/2023/04/07/top-tax-frustrations-for-americans-the-feeling-that-some-corporations-wealthy-people-dont-pay-fair-share/>