



THE BROADER ECONOMIC IMPACTS OF DR 26-0804

House Committee on Ways and Means
Amy Spear | April 16, 2026

An aerial photograph of a town situated on a lake. In the foreground, there is a marina with several boats docked at a pier. A large, light-colored building, possibly a church or a community center, is visible near the water. The town extends into the background, with a prominent church steeple. The sky is clear and blue.

**BROADER
THAN IT
APPEARS**

THREE HIDDEN CONSEQUENCES

The bill reaches far beyond passive wealth. It:

- Taxes active business income
- Creates 3% minimum floor tax on AGI over \$150,000
- Makes family business sales more expensive



SCOPE

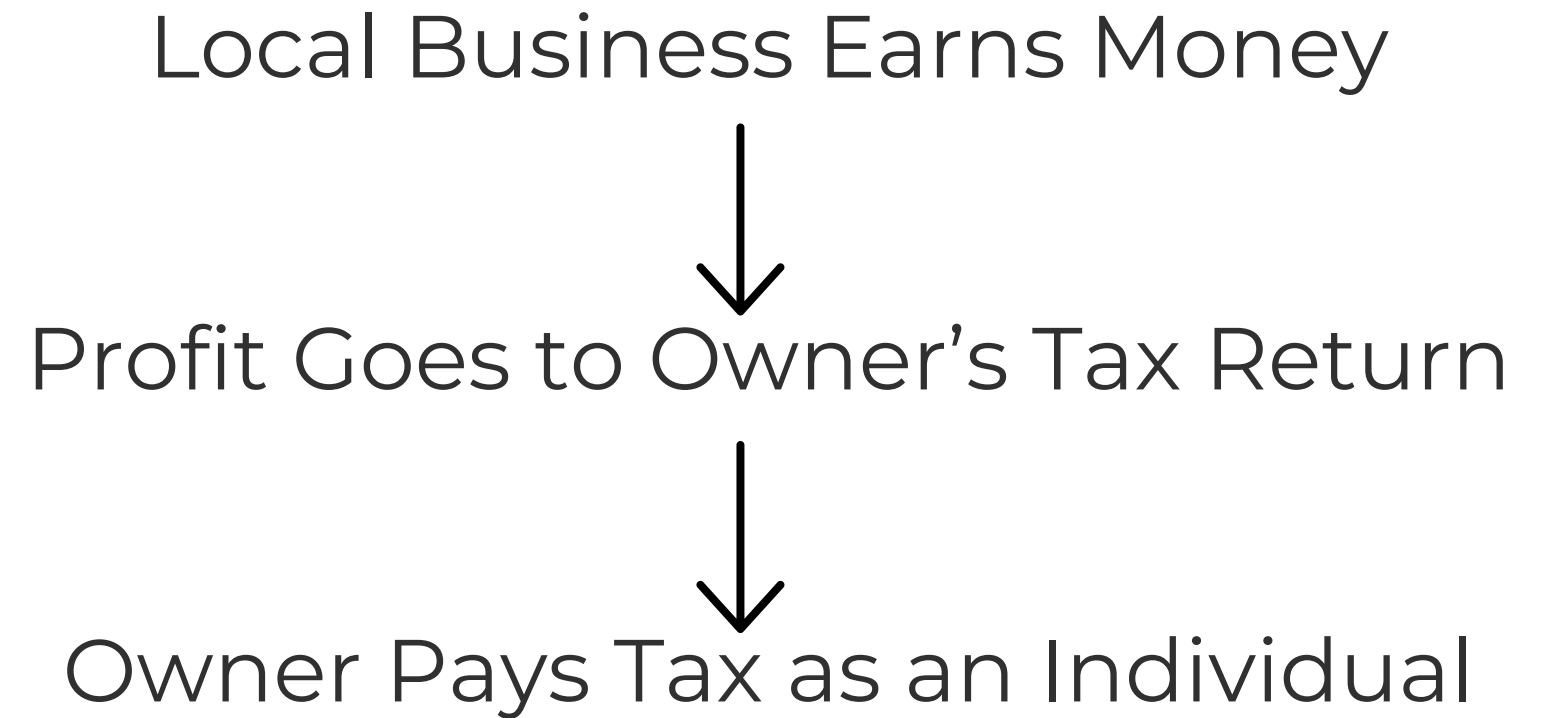
TAX DEPT ANALYSIS SHOWS THIS IS BROAD

- Vermont top rate rises to 13.3%
- Highest top marginal rate in the nation
- Capital gains make up 69% of taxable investment base
- Rents, royalties, and passive income are included



HOW SMALL BUSINESSES ARE TAXED

PERSONAL INCOME TAX CHANGES OFTEN BECOME SMALL BUSINESS TAX CHANGES



EXAMPLES

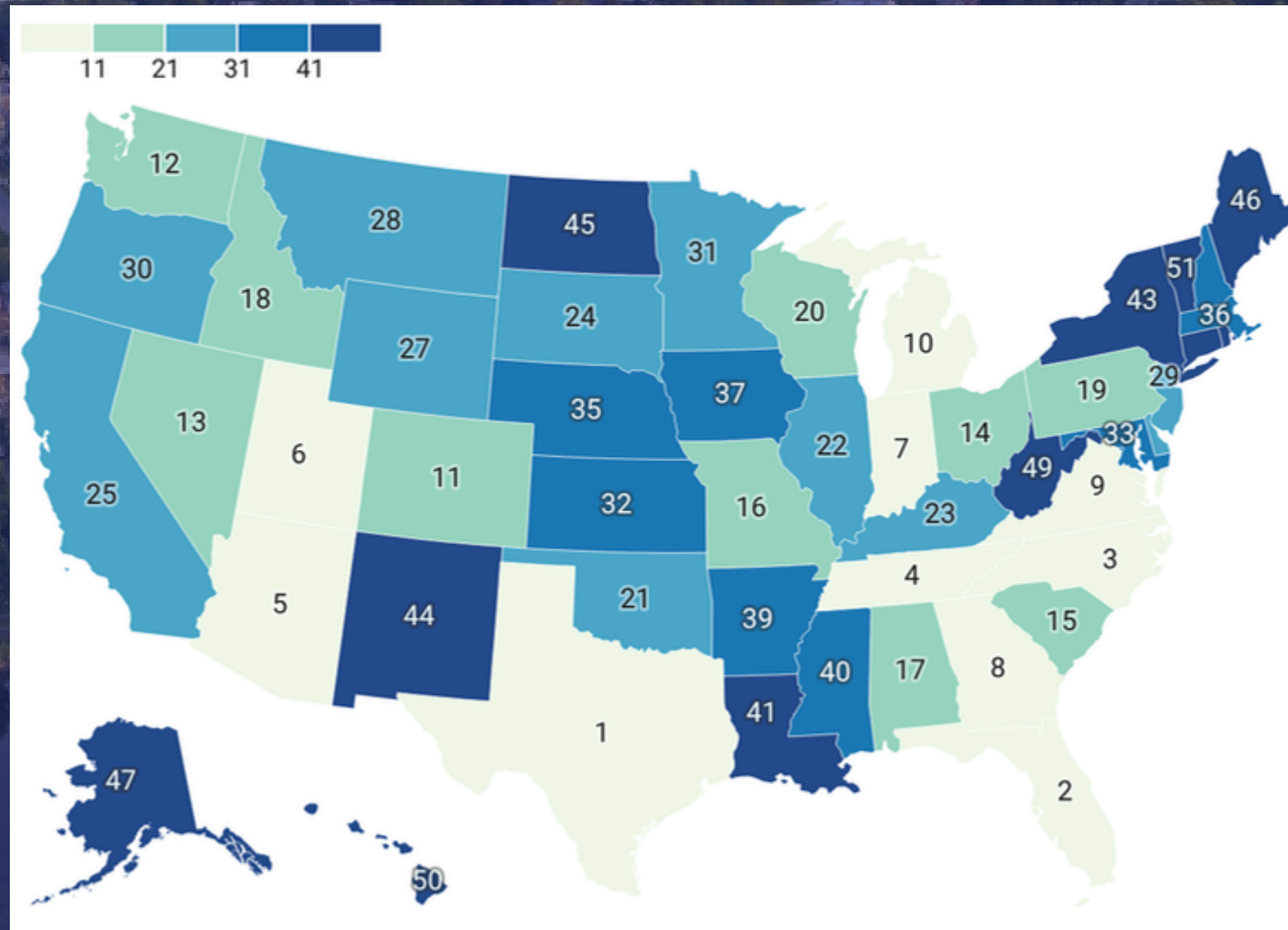
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|----------------------|-------------------------|-----------------------|
| Inn or B&B | Small Manufacturer | Dairy & Maple Farms |
| Construction Company | Specialty Food Producer | Independent Retailers |

ITEP TAX EQUALITY INDEX

	State	▼ Index Value	Lowest 20%	Lowest 40%	Middle 60%	Top 20%	Top 1%
1	District of Columbia	3.1%	4.8%	9.1%	11.8%	11.6%	11.4%
2	Minnesota	2.6%	6.2%	7.5%	10.1%	10.0%	10.5%
3	Vermont	2.3%	6.3%	7.8%	9.8%	10.4%	10.1%
4	New York	1.6%	11.1%	11.6%	13.3%	13.4%	13.5%
5	California	0.8%	11.7%	10.7%	10.7%	11.1%	12.0%
6	New Jersey	0.7%	8.8%	9.2%	11.2%	10.5%	10.5%
7	Maine	0.2%	8.6%	9.1%	10.4%	10.3%	9.5%
8	Massachusetts	-0.1%	8.2%	8.9%	9.7%	8.7%	8.9%
9	New Mexico	-0.5%	7.1%	8.5%	11.0%	9.9%	8.1%
10	Oregon	-0.7%	12.0%	10.6%	10.4%	10.6%	10.4%

Vermont is already the 3rd most progressive tax system in America.

VERMONT IS ALREADY HIGHLY PROGRESSIVE — AND RANKED 49TH IN ECONOMIC OUTLOOK



Source: Camoin Associates



HIDDEN CONSEQUENCE

THIS REACHES BUSINESS OWNERS

Many Vermont businesses are structured as pass-through entities. That means business profits are taxed on owners' personal returns.

That includes

- Local family businesses
- LLCs
- Farms
- Inns
- Manufacturers

A business owner may look wealthy on paper while most income is already committed to payroll and equipment.

An aerial photograph of a town and marina at dusk. The town is built on a hillside overlooking a large body of water. In the foreground, there is a marina with several boats docked. The sky is a deep blue, and the lights of the town and marina are visible.

HIDDEN CONSEQUENCE

THE 3% RULE CAN TAX INCOME NOT REALLY AVAILABLE

Example: A business owner reports \$300,000 AGI.

But much of that money may already be committed to:

- **Payroll**
- **Equipment**
- **Debt Payments**

Under this bill, the minimum tax still applies.



HIDDEN CONSEQUENCE

SELLING A FAMILY BUSINESS GETS HARDER

Capital gains make up 69% of the investment proceeds tax base.

That means:

- Business sales are central to this bill
- Retiring owners may face three tax layers
- Family and employee transfers become harder



QUESTIONS

IF AFFORDABILITY IS THE GOAL, DOES THIS SOLVE THE RIGHT PROBLEM?

This bill does not directly:

- ✗ Build housing
- ✗ Lower childcare costs
- ✗ Reduce healthcare premiums

But it may:

Reduce business reinvestment
Make succession harder
Hurt workforce recruitment

