



Testimony Re: Drafting Request 26-0804

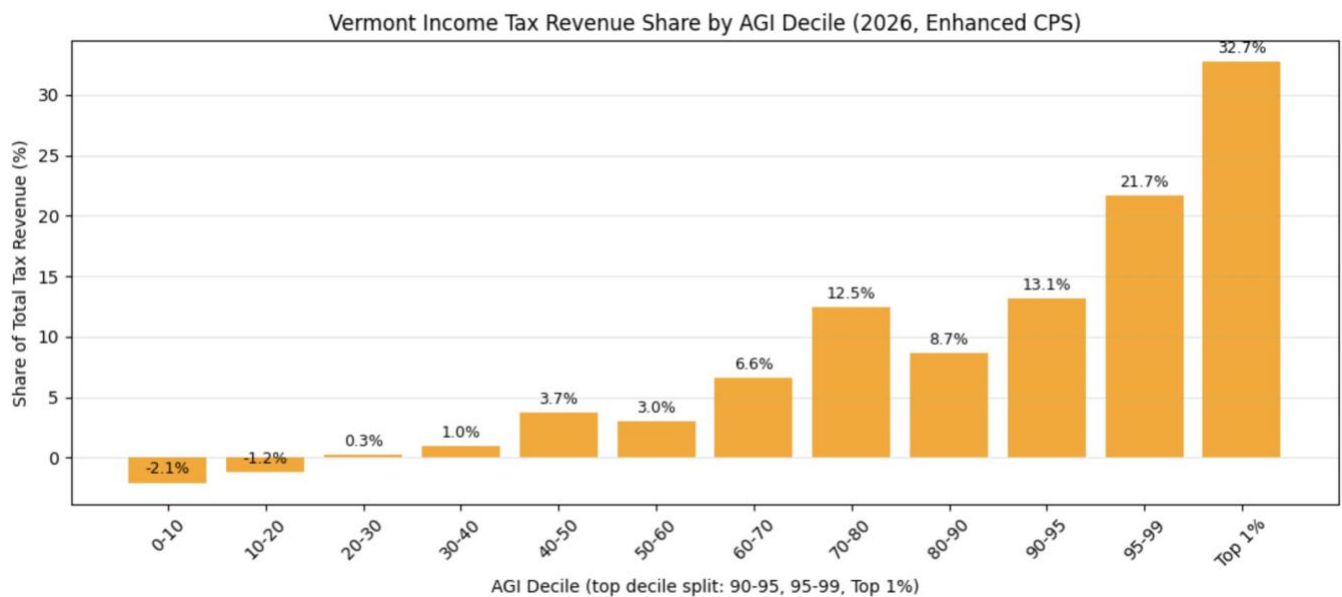
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Vermont House Committee on Ways and Means

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Chair Kornheiser, Vice Chair Canfield, Ranking Member Kimbell, and members of the committee, thank you for the opportunity to provide testimony on this legislation. My name is Hayden Dublois, and I am testifying on behalf of FGA Action, which promotes policy reforms in a number of issue areas. As a former Vermonter myself, I always appreciate the opportunity to offer comments on proposed legislation in the Green Mountain State. For the reasons outlined below, I would encourage the committee to not advance drafting request 26-0804.¹

Vermont has one of the most progressive tax structures in the nation.² Currently, the top one percent of tax filers in Vermont pay nearly one-third of the state’s personal income taxes, while the top 10 percent pay roughly two-thirds.³ In contrast, the bottom 10 percent have a negative tax liability due to refundable tax credits, while the 50 percent shoulder just 1.7 percent of the state income tax burden.⁴



In other words, Vermont’s tax code is already heavily skewed in a manner in which the highest-income earners pay far more than their fair share.

Vermont’s demographic trends reflect this. In the most recent taxpayer migration statistics from the Internal Revenue Service (IRS), Vermont’s net domestic migration was essentially flat.⁵ But the states that most new Vermonters are coming from—Massachusetts, New Jersey, New York, etc.—tend to have similar (or higher) top marginal tax rates.⁶ And the states that most Vermonters are leaving for—North Carolina, Florida, South Carolina, etc.—tend to have much lower tax burdens.⁷

■ **Top five net gains for Vermont**

State	Outflow	Inflow	Net
Massachusetts	1,706	2,240	+534
New Jersey	307	560	+253
New York	2,106	2,306	+200
California	595	784	+189
Pennsylvania	515	654	+139

■ **Top five net losses for Vermont**

State	Outflow	Inflow	Net
North Carolina	848	431	-417
Florida	1,634	1,239	-395
South Carolina	534	236	-298
Maine	698	511	-187
New Hampshire	1,994	1,865	-129

Put simply, those moving into Vermont are getting a slight tax break or effectively seeing no difference in their tax liability—a fiscal reality that would cease to exist if Vermont raised its taxes on top earners. And the number of those moving out of Vermont to lower-tax destinations would only further accelerate the dangerous out-migration of wealth from Vermont.

To estimate the effects of this bill draft, we used the open source PolicyEngine-US microsimulation package to construct a model built upon the enhanced Central Population Survey (CPS) dataset—a Census microdata file statistically calibrated to IRS Statement-of-Income tax-return records. Our figures from 2024 are updated forward to 2026 for the baseline distribution analysis, and to FY27 - FY29 for the policy effects.

Based on our analysis, in the first full fiscal year of implementation (FY28), **this proposal would hike taxes by approximately \$186 million** (similar to the Legislative Joint Fiscal Office’s estimate

of \$174 million), with \$121 million coming from the income tax rate changes and \$65 million coming from the new investment tax.⁸

However, our analysis goes a step further. Based on dynamic policy responses using elasticities from literature reviews, this proposal would be estimated to:

- Cause roughly **282 additional high-income filers to leave Vermont each year**, or shift their primary residency to avoid paying state income taxes;
- Result in **a loss of \$336 million in adjusted gross income (AGI)** associated with these migrating filers (in FY28);
- Create **a broader statewide earnings loss of \$407 million**, as the migration of these individuals would pull money out of the Vermont economy (in FY28);
- **Reduce state GDP by \$442 million** (in FY28); and
- **Lower sales tax revenue by about \$3.5 million** (in FY28).⁹

In other words, these policy changes would impose irreparable harm. They would cause a flight of high-income individuals out of Vermont, have harmful effects for Vermont workers and businesses alike as wealth leaves the state, further imbalance the state's tax structure, and destabilize the Vermont economy.

For these reasons, drafting request 26-0804 should be rejected.

¹ Vermont General Assembly, "Drafting Request 26-804," State of Vermont (2026), https://legislature.vermont.gov/Documents/2026/Workgroups/House_Ways_and_Means/Bills/DR_26-0804/W~Kirby_Keeton~DR_26-0804_Draft_2.3_4-14-2026~4-16-2026.pdf.

² Vermont Business Magazine, "Vermont is one of six states to have a progressive tax system," Vermont Business Magazine (2026), <https://vermontbiz.com/news/2026/april/17/vermont-one-six-states-have-progressive-tax-system>.

³ Author's calculations using a proprietary microsimulation model through the PolicyEngine-US microsimulation package with enhanced CPS data calibrated to IRS Statement-of-Income tax-return records and updated accordingly.

⁴ Ibid.

⁵ Internal Revenue Service, "SOI tax stats - Migration data 2022-2023," U.S. Department of the Treasury (2026), <https://www.irs.gov/statistics/soi-tax-stats-migration-data-2022-2023>.

⁶ Ibid.

⁷ Ibid.

⁸ Author's calculations using a proprietary microsimulation model through the PolicyEngine-US microsimulation package with enhanced CPS data calibrated to IRS Statement-of-Income tax-return records and updated accordingly.

⁹ Ibid.