



NFIB Vermont
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April 15, 2026

Representative Emilie Kornheiser, Chair
House Committee on Ways & Means
Vermont State House, Room 45

Personal and Investment Income Taxes (26-0804)

Dear Chair Kornheiser and Committee Members,

The National Federation of Independent Business (NFIB) represents more than 800 small businesses in Vermont. Our members operate in every industry - from family farms to main street shops - and are typically very small, with 80% employing fewer than 20 people.

We write to share our concerns with the proposed income and investment tax increases in draft bill 26-0804. Vermont small businesses compete across state and national lines, and tax rates play a major role in where businesses – and workers – decide to locate and invest.

Increasing the top personal income tax rate to 13.3% on income above \$534,000 for married couple filing jointly and comparable thresholds for other filers would have a tremendously negative impact on thousands of small business owners in Vermont.

According to data from the United States Census Statistics of U.S. Businesses, 92% of Vermont businesses are small pass-through entities with zero to 20 employees that pay taxes on their personal income tax returns. The proposed rate of 13.3% would tie California for the highest personal income tax rate in the country but apply it [at a far lower income threshold](#) (~\$500,000 vs. \$1,000,000).

A top personal income tax rate of 13.3% also means many small pass-through businesses would pay a top personal tax rate 56% higher than the state's top corporate tax rate (8.5%).

Finally, a tax of 4% on investment income starting at a threshold of \$125,000 will be a drag on small business investment and cause taxable income to leave the state.¹ To our knowledge, [only Minnesota](#) has adopted a version of the federal Net Investment Income Tax (NIIT). However, that NIIT rate is 1% and applies to investment income above \$1 million.

Sincerely,

A handwritten signature in black ink, appearing to read 'John L. Reynolds', is written over a light blue horizontal line.

John L. Reynolds
NFIB Vermont State Director
john.reynolds@nfib.org

¹ Fox, Fritzt, Walzcak, "A 9.25 Percent Top Income Tax Rate Would Drive Jobs, Investment, and Economic Opportunity Out of Michigan," Tax Foundation, January 2026.