Representative Kate Logan

Testimony to House Ways & Means

February 13, 2026

RE: H.794

1. Background on income inequality (see below for further information gathered from Public Assets Institute materials)

2. Overview of the bill:

- Section 1: title
- Section 2: Personal income tax surcharge
- Section 3: Wealth proceeds tax
- Section 4-7, 10: Property tax classifications
- Section 8-9: School Construction Aid Special Fund
- Section 11: Effective dates
    - Income tax retroactive to 1/1/2026
    - Wealth tax 1/1/2027
    - Property tax 1/1/2028

3. The revenue estimate from Public Assets Institute is that the surcharges (2% increase on income over $250k, additional 6% increase on income over $500k) would raise **$344 million** in annual state revenue, and the 4% wealth proceeds tax would raise **$75 million** in annual state revenue. Together, it is estimated that they would raise **over $400 million in annual state revenue**.

4. The surcharge option in my legislation is based on a plan to recapture revenue that went to the federal government prior to implementation of President Trump's Big Beautiful Bill Act, plus our original plan (from the prior session) of a 3% surcharge on income over $500k. The recapture plan is a 2% surcharge on income over $250k and an additional 3% surcharge on income over $500k, which would have recaptured approximately 100% of the federal tax cut for the top 1% and approximately 10% of the federal tax cut for the next 4%. The argument for adding in the original plan to get to the proposal in your legislation is that even before the most recent round of federal tax cuts, the wealthiest Vermonters were not paying their fair share–in fact, they were paying a smaller portion of their income in state and local taxes than many middle-income families.

5. The wealth proceeds tax is using a federal tax form (called Net Investment Income Tax (NIIT)) that only applies to the proceeds of wealth for high-income households. This makes implementation simple. This mechanism of using the NIIT federal tax form to tax the proceeds of wealth was recently implemented in Minnesota. The wealth proceeds tax is only putting a surcharge on the proceeds of wealth, not taxing wealth itself–so increasing taxes on things like capital gains, interest, and dividends. The majority of income that the wealth proceeds tax would tax receives preferential treatment at the federal level (meaning, it is taxed at a lower rate than earned income, which is made through a paycheck).

6. School Construction Fund needs to be capitalized. We propose to capitalize the Fund with a non-homestead residential tax rate at a factor of 2. If the the non-homestead residential tax rate is to be allocated for other purposes, then I recommend capitalizing the Fund with a property tax surcharge on seasonal homes with a value of $1 million or more.

Public Assets Institute background data

Trump Tax Cuts Data

(Institute on Taxation and Economic Policy-ITEP)

- The top 1% of Vermonters will save $200.5 million in total in federal taxes, which is an average of $57 thousand per filer
- The top 5% will save $441.1 million in federal taxes
- The top 20% will save $736.2 million in federal taxes
- The average tax savings for a filer in the top 1% is over 500 times the average tax savings for a filer in the bottom 20%, who will see an average of $110 in tax savings

Note: This is the latest in a long string of federal-level tax cuts that have primarily cut taxes for the wealthy

Non-Federal Tax Cuts Data

1. The top 1% of Vermonters currently pay a smaller portion of their income in state and local taxes than many middle-income taxpayers: (Public Assets Institute Chart)

2. The average income of the top 1% of Vermont income-earners is 20 times as large as the average income of the bottom 99% (Public Assets Institute)

    a. In 2022, average annual income for the bottom 99% of Vermont income-earners was nearly $70,000. That same year, average annual income for the top 1% was $1.4 million

3. Incomes of the top 1% of Vermont income-earners is growing much faster than those of the bottom 99%: (Public Assets Institute)

    a. If incomes for the bottom 99% of Vermont income-earners had grown as quickly as those of the top 1% between 1974 and 2022, the average income for the bottom 99% would be $130,000 higher: $199,000 compared to $69,000.

4. In same year, the top 1% of Vermont taxpayers earned a combined $4.6 billion.

5. After meeting their basic needs, the top 1% of Vermonters have more than enough (in income) left over (Public Assets Institute Chart)