

Summary of Vermont Revenue Collections

Senate Committee on Finance
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JFO

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Revenue Collections to Date



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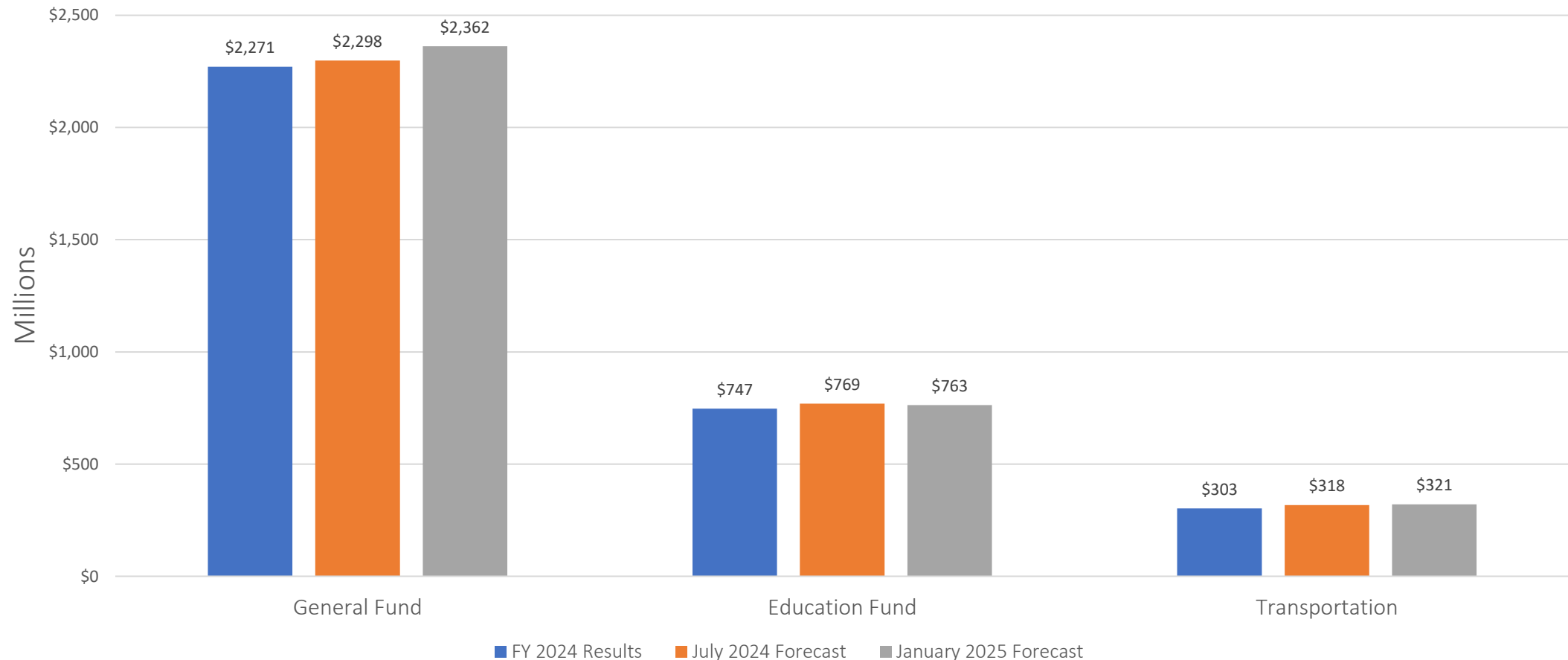
- Through March 2025:
 - General Fund collected \$1,678.7 million
 - Education Fund collected \$577.4 million
 - Transportation Fund collected \$230.5 million

	Mar-25 (millions)	Month vs. Target (millions)	% over (under) target	YTD (millions)	YTD vs Target (millions)	% over (under) target
General Fund	\$175.3	\$4.1	2.4%	\$1,678.7	\$37.5	2.3%
Education Fund	\$55.7	(\$1.5)	-2.6%	\$577.4	\$3.5	0.6%
Transportation Fund	\$24.4	(\$2.9)	-10.7%	\$230.5	(\$2.3)	-1.0%

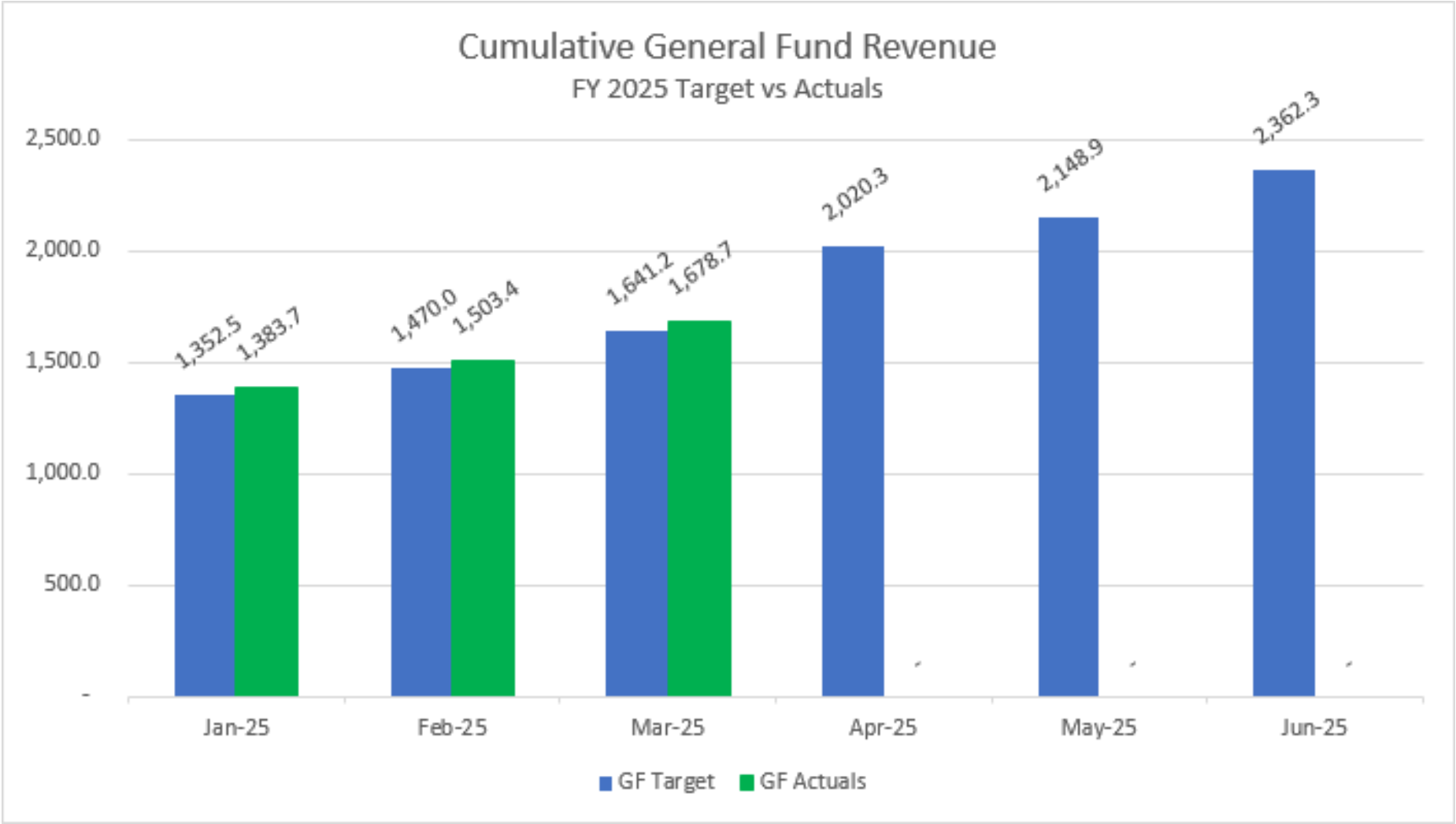


Forecast Update

Revenue Forecast Comparison (\$ in millions)



General Fund Revenue Collections to Date (\$ in millions)



General Fund Composition

- Personal Income Tax (PIT)
 - 55% of total GF revenue
- Corporate Income Tax (CIT)
 - 11% of total GF revenue
- 69% of Meals and Rooms Tax
 - 7% of total GF revenue
- Health Care Revenues
 - 15% of total GF revenue
- Other Taxes
 - Property Transfer Tax
 - Estate Tax
 - Bank Franchise Tax
 - Insurance Premium Tax
 - Liquor
 - Beverage
 - Miscellaneous taxes and fees

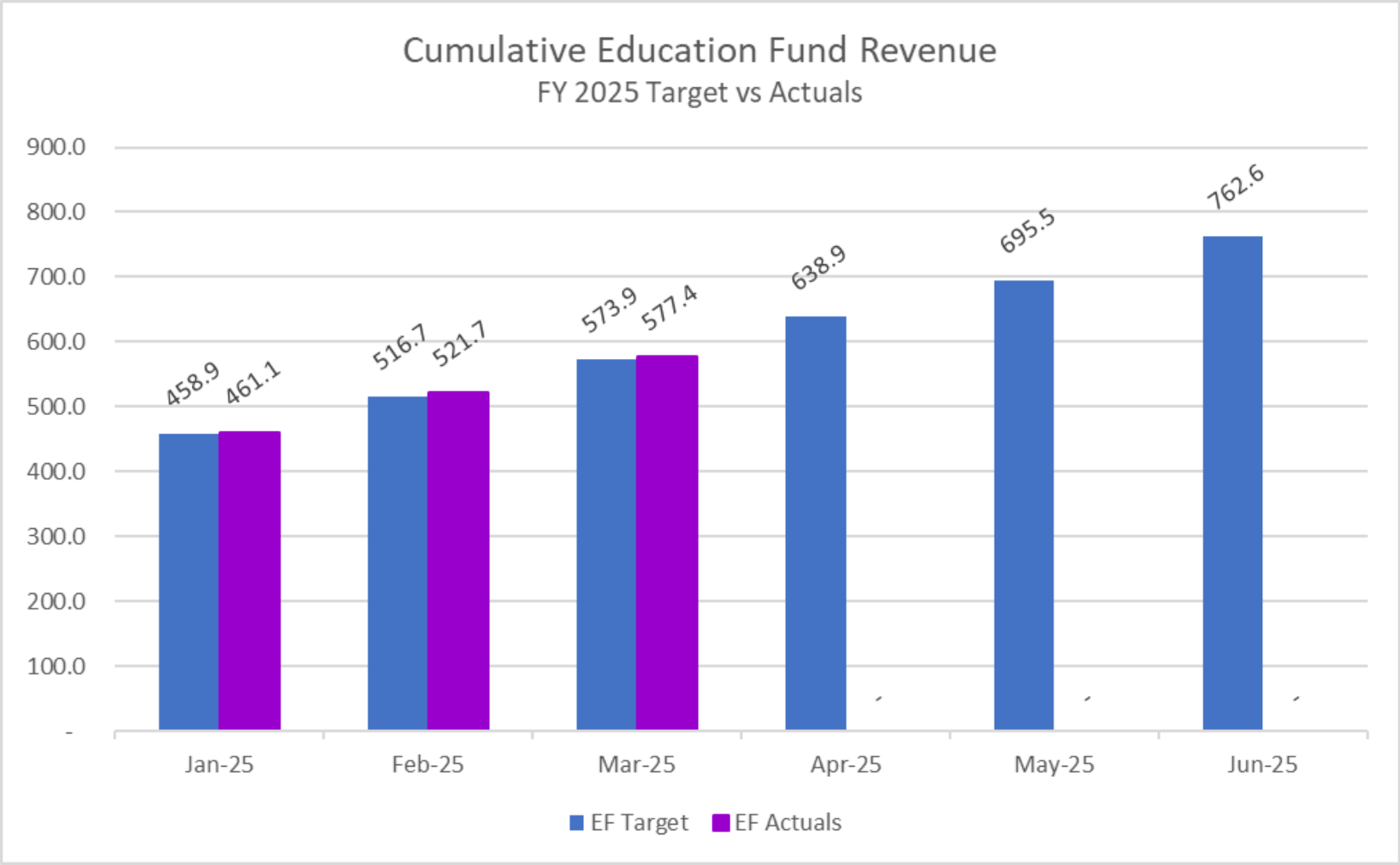


General Fund Summary

- PIT revenue ended the month of March above target by \$1.0 million, or 1.7%
 - For the year, PIT is above forecast by \$18.1 million, or 2.2%.
- CIT revenue was above target by \$2.5 million, or 6.9%
 - For the year, CIT revenue is above forecast by \$3.3 million, or 1.9%.
- Estate Tax revenue was above target by \$0.2 million, or 11.1%
 - For the year, it is above forecast by \$21.2 million, or 96.8%
 - Per 16 V.S.A. § 2885, in fiscal years where there is a General Fund surplus and the General Fund Stabilization Reserve is funded at the statutorily-required level, Estate Tax collections that exceed 125% of the July forecast are automatically allocated to the Higher Education Endowment Trust Fund
 - So far in fiscal year 2025, \$43.1 million has been collected
 - Of receipts to date, \$28.9 million will be deposited in the General Fund and \$14.3 million (and any additional Estate Tax collected through June 30) will be deposited into the [Higher Education Endowment Trust Fund](#)



Education Fund Revenue Collections to Date (\$ in millions)



Note: reflects non-property tax revenues only



Education Fund Composition

- Sales and Use Tax
 - 79% of non-property EF revenue
- 25% of Meals and Rooms Tax and 100% of the Short-term Rental Surcharge
 - 9% of non-property EF revenue
- 33% of Purchase and Use Tax
 - 7% of non-property EF revenue
- Lottery
- Investment Income
- Property Tax Revenue

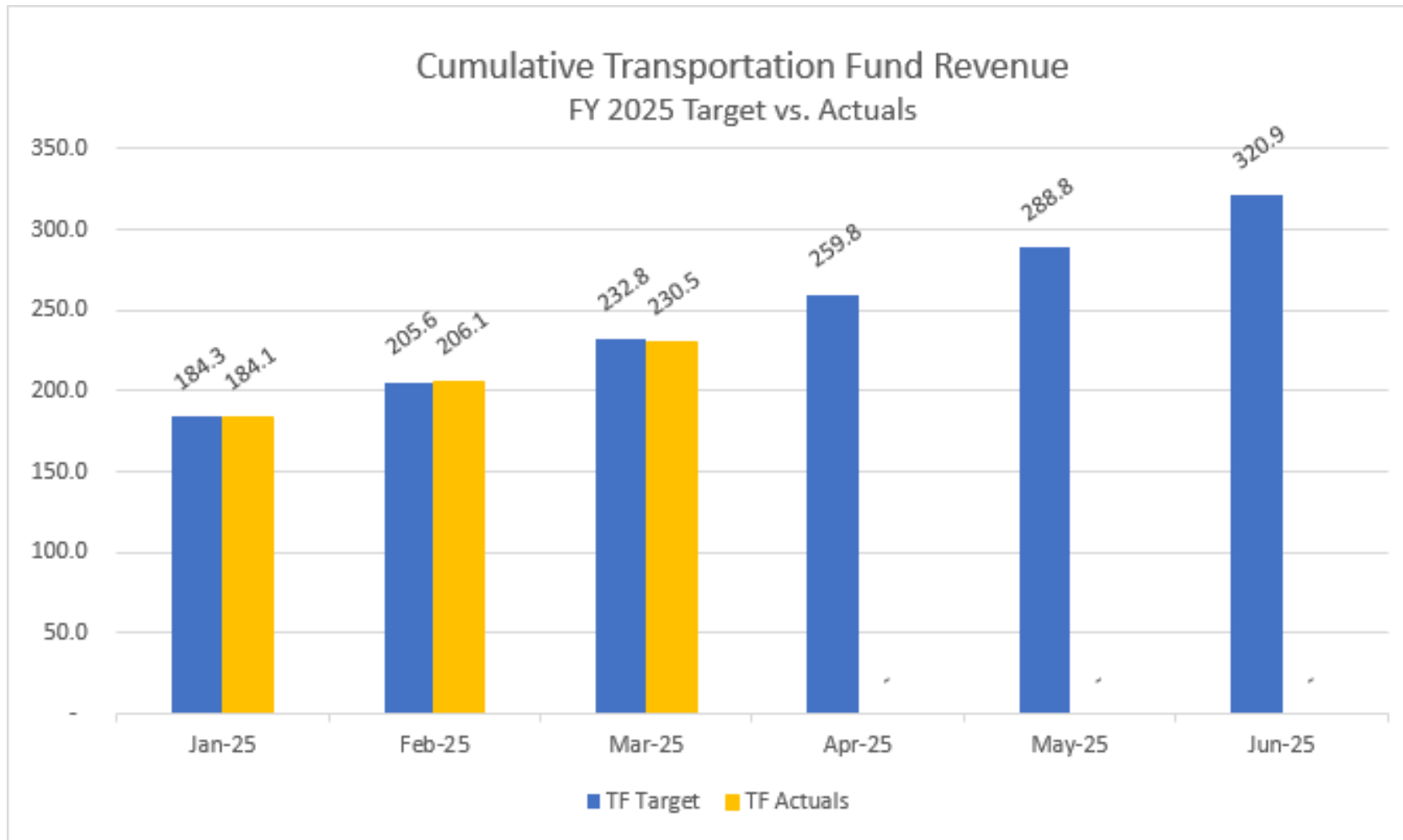


Education Fund Summary

- Sales and Use Tax revenue was below target in March by \$0.2 million, or -0.4%
 - For the year, it is above forecast by \$4.7 million, or 1.0%
- Meals and Rooms Tax revenue was above target by \$0.2 million, or 2.7%
 - For the year, it is above forecast by \$1.4 million, or 2.6%
 - The 3% Short-term Rental Surcharge is now in effect
- Purchase and Use Tax revenue was below target by \$0.3 million or, -7.5%
 - For the year, it is above forecast by \$0.1 million, or 0.3%
- Lottery revenue was below target by \$1.1 million, or -36.3%
 - For the year, it is below forecast by \$2.0 million, or -8.7%



Transportation Fund Revenue Collections to Date (\$ in millions)



Transportation Fund Composition

- Gasoline Tax
 - 22% of TF revenue
- Diesel Tax
 - 6% of TF revenue
- 67% of Purchase and Use Tax
 - 32% of TF revenue
- DMV fees
 - 32% of TF revenue
- Other taxes and fees



Transportation Fund Summary

- Gasoline Tax revenue was below target by \$0.4 million, or -7.1%, in March
 - For the year, it is above target by \$0.2 million, or 0.3%
- Diesel Tax revenue was right on target
 - For the year, it's above target by \$0.2 million, or 1.5%
- Purchase and Use Tax revenue was below target by \$1.1 million, or -12.8%
 - For the year, it is below forecast by \$0.8 million, or -1.1%
- DMV Fees were below target by \$1.8 million, or -14.1%
 - For the year, they are below forecast by \$1.8 million, or -2.4%



Headwinds Facing Vermont Revenue



Headwinds Facing Vermont Revenue

- Vermont's revenues are sensitive to economic conditions, which are in turn influenced by the many factors including:
 - Tariffs
 - Consumer Confidence
 - Credit Markets
 - Tourism
 - Federal Tax Changes
 - Other federal actions
 - *Following slides will focus on just two of these.*



Federal Tax Changes



Federal Tax Changes

- On April 10, 2025, the U.S. House passed a budget reconciliation that would make the Tax Cuts and Jobs Act (TCJA) tax cuts permanent and allow for an additional \$4.5 trillion in cuts over the next 10 years
 - Without action, the act's federal PIT provisions would expire at the end of 2025
- Recent proposals include exempting social security, tips, and overtime income from PIT
- Other proposals include creating an itemized deduction for auto loan interest if it was manufactured in the U.S., lowering the corporate rate to 15% for domestic production activities, repealing the Inflation Reduction Act Green Energy Tax Credit, and restoring the full State and Local Tax (SALT) deduction



Federal Tax Changes

- Vermont's PIT code starts with the federally-defined Adjusted Gross Income (AGI)
- Any potential changes to the AGI definition would flow through directly to Vermont's PIT code, barring any legislative action
- Following the passage of TCJA in 2018, Vermont decoupled several areas of its tax code from the federal code to largely follow the pre-TCJA status quo
 - This included creating a State-defined standard deduction and personal exemption for the first time
- Recent reports state that some in Congress voted yes on the budget reconciliation in return for promises of cuts to federal entitlement programs
 - This could create additional pressure on the General Fund to maintain current service levels, especially in conjunction with any potential revenue decreases



Other Federal Actions



Other Federal Actions – Hospital Provider Tax

- States are allowed to use revenues from taxes on health care providers (provider taxes) to help finance the state share of Medicaid expenditures, as long as they meet certain conditions
- One of those conditions is the state cannot hold providers harmless, meaning states cannot guarantee, directly or indirectly, that the tax paid will be returned to providers to make them whole
 - As part of this, there is what is known as “safe harbor,” which is the presumption that this requirement is met if provider tax is equal to or less than 6% of net patient revenue
- A current proposal at the federal level would lower that safe harbor to 3%
 - This could result in an approximately a \$104 million loss of State match dollars for Vermont, equivalent to a total of \$252 million loss of gross Medicaid dollars in the program



Other Federal Actions – Federal Employees

- There are 3,285 federal civilian employees and many other federal contract employees that work in Vermont
- Recent federal workforce layoffs and cancelled contracts could eliminate some of these jobs
- For example, recent USAID cuts resulted in [150 layoffs at Tetra Tech](#)
- Widespread layoffs would put downward pressure on PIT revenue if people can't quickly replace lost income



Questions?

