Vermont Tax Structure Commission

One Baldwin Street • Montpelier, VT 05633 • (802) 828-2295 • taxcommission@leg.state.vt.us

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Prepared by: Seán Sheehan

Three Keys to Viewing Principles of Good Tax Systems

In creating the Vermont Tax Structure Commission, Act 11 notes: "For guidance, the Commission may use the *Principles of a High-Quality State Revenue System*." This directive refers to a document that the National Conference of State Legislatures (NCSL) developed in conjunction with the Lincoln Institute of Land Policy in 1985 and has since updated several times, most recently in 2007.

NCSL's *Principles* opens by paying homage to Adam Smith's *The Wealth of Nations*. According to *Principles,* Smith's 18th century criteria for judging revenue systems remain useful but need to be revaluated to address modern realities. In turn, updated versions of *Principles* note that developments at the turn of the 21st century – such as increasing pressures on state revenue systems, the narrowing of tax bases, and the intensification of interstate and international economic competition – underscore the need to further adapt the principles to meet new challenges.

Therein lies one key to using the principles – understanding that they are **an evolving approach to applying a set of ideals within a constantly changing world**.

In addition to NCSL's work, numerous variations of the principles have been articulated and revised over the years by various governmental and non-governmental organizations, including by the American Institute of CPAs, Organization for Economic Cooperation and Development, U.S. Joint Committee on Taxation, U.S. Government Accountability Office, and Vermont's Blue Ribbon Tax Structure Commission. These organizations' various interpretations follow in Appendix A, B, and C of this document.

A second key? Understanding that the principles are **a complex set of considerations, conflicting ideals, and tradeoffs.**

One oft-cited example is the conflict between simplicity and fairness. Indeed, it can be hard to design a tax that is simple to understand and efficient to administer yet optimally aligned with people's ability to pay (vertical equity) while also ensuring that people in similar circumstances pay similar amounts (horizontal equity).

A second example is the tension between economic neutrality and competitiveness. On the one hand, an ideal tax system would "prevent the distortion of individual and business behavior." On the other: "Interstate and international economic competition has intensified in the past decade, increasing pressures on policymakers to use revenue systems as a tool of economic development."

Principles navigates this tension by both dismissing economic neutrality purism _*and*_ advocating for careful design and oversight, stating: "A high-quality revenue system may include [deductions, exemptions and credits intended to foster certain activities]. But policymakers should be certain that these measures not only would do what is expected of them, but also reach their goal at a reasonable cost."

Furthermore, *Principles* cautions practitioners against viewing tax policy in a silo. Instead, when used in pursuit of a state's goals, tax policy options should be considered alongside both the spending side of fiscal policy and the state's overall economic attributes. The competition principle states: "In evaluating its competitive position, a state should be aware that tax policy is only one consideration in business location decisions…. Levels of public services, energy and labor costs, access to markets, and availability of capital are some of the other factors affecting economic development. The total package is the measure of a state's competitiveness."

The same logic could apply to competition for individuals as well as businesses, for example when states compete to attract in-migrants for their labor force.

In other words, the nine principles are not nine litmus tests. A productive debate would not consist of cherry-picking an individual principle and using it as a cudgel to bash an opponent's proposal. Rather a thorough evaluation would focus on using a framework to understand how a tax works in practice, how efficiently it achieves its intended purpose, what unintended consequences it has, and what options exist for improvement or replacement.

Thus, a third key is that the principles are a **framework for use in thoughtful evaluation, participatory deliberation, and continual improvement of the tax system.**

Recognizing that nine criteria can quickly become unwieldly, some practitioners have used fundamental questions as a framework to evaluate existing taxes and/or proposals. For example, in a 2003 review of all taxes collected by the Vermont Department of Taxes, the Department evaluated each tax according to four questions, one for each core criterion. These criteria are in Appendix D.

The Tax Structure Commission has mapped NCSL's principles to the three components of its legislated charge: sustainability, appropriateness, and equity. The Commission uses these principles to frame its conversations with stakeholders and to ground deliberations as it works to analyze Vermont's tax structure, recommend improvements and modernization, and provide a long-term vision for the state's revenue system. The map can be found in Appendix E.

Appendix A: Excerpt from *Principles of a High-Quality State Revenue System* by National Conference of State Legislatures (updated 2007)

Source: National Conference of State Legislatures, Principles of a High-Quality State Revenue System.

1. A high-quality revenue system comprises elements that are complementary, including the finances of both state and local governments.

The elements of a high-quality state revenue system are complementary rather than contradictory. Since state revenue systems have developed gradually and tax policy is used to address multiple objectives, state revenue systems are likely to include inconsistencies. However, a clear sense of the objectives of a revenue system can help to minimize these inconsistencies. Principles 2 through 9 look at specific objectives.

One especially important issue is the relationship of state and local governments. States can limit or expand the powers of local governments-cities, towns, counties, school districts and special districts; state mandates can create obligations that force local governments to raise revenue; and local resistance to property taxes can force higher state tax rates. The division of responsibilities between state and local governments differs greatly among the states and has a significant effect on the governments' revenue needs.

State and local governments often compete for tax bases. State policymakers should consider how state tax decisions affect local governments and vice versa. State lawmakers also should consider how state authority for local governments to levy sales, income or excise taxes affects taxpayers. For example, different rates and filing requirements across jurisdictions increase the costs of taxpayer compliance. State and local officials should cooperate to avoid a patchwork of rate structures across the state since a revenue system that minimizes complexity eases compliance costs (Principle 5) and improves the efficiency of revenue collections (Principle 6).

A high-quality state revenue system reflects the limitations and financial responsibilities that state government places upon local governments. For example, state policymakers should be explicitly aware of the costs that state mandates impose on local governments, and local governments should have the authority to raise sufficient revenues to meet these obligations. If local governments lack the revenue bases necessary to provide services mandated by state government, state policymakers should consider statewide solutions to avoid extreme inequalities. In some cases, state governments may subsidize local governments to reduce local tax burdens or increase service levels for governments that lack enough taxing capacity to meet some state standard of services. This approach needs to be weighed against the principle of local autonomy, in which local voters decide which services they want to receive and raise the money to pay for them.

State tax and expenditure limitations can undermine the ability of state and local governments to meet their responsibilities. Limitations can have different effects upon different governments, depending, for example, on a government's ability to charge for its services or find new revenue sources. Limitations may shift burdens or create new ones, and they can undermine the ability of local citizens to increase or reduce the level of services they are willing to fund.

2. A high-quality revenue system produces revenue in a reliable manner. Reliability involves stability, certainty and sufficiency.

Stability, certainty and sufficiency provide the framework for discussing reliability.

Stability. The amount of revenue collected should be relatively constant over time, not subject to unpredictable fluctuations. A high-quality state revenue system promotes stability by imposing a mix of taxes, with some responding less sharply to economic change. For example, taxes (such as progressive personal income taxes) whose revenue yield grows faster than personal income in good times but slower than personal income in bad times should be offset by taxes (such as broad-based sales taxes) whose yield tends to be more consistent over the business cycle. A diversified revenue structure with broad bases tends to be more stable than an undiversified structure with narrow bases (Principle 3). Some instability in state revenue systems is inevitable, however, because fluctuations in the business cycle affect all state revenue sources somewhat.

Certainty. Certainty provides that the number and types of tax changes will be kept to a minimum. Individuals and businesses should not be subject to frequent changes in tax rates and bases because frequent changes interfere with their economic choices and their ability to make long-term financial plans and decisions. This concept reinforces the need for stability because an unstable revenue stream is more likely to require continual tax changes.

Sufficiency. Sufficiency requires that revenue be adequate to balance the state budget in the short run and change at approximately the same rate as desired state spending, whatever that may be. A high-quality revenue system produces enough revenue to finance the level of services that the state chooses to provide (as determined by what the voters and elected officials are willing to fund). The level will vary according to the political, cultural, social and economic characteristics of the state. Developing a revenue system that is capable of producing the desired level of revenue will help lawmakers avoid frequent tax increases or spending cuts.

Further, a high-quality revenue system minimizes the use of tax earmarking, the practice of designating a particular revenue source for a specific expenditure. State programs may be placed in jeopardy if they are funded solely by earmarked revenues because there is no guarantee of a consistent revenue stream (stability) nor of adequate ongoing revenue (sufficiency). Further, earmarking often imposes rigidities into the budgeting system that do not permit flexible allocations of general revenue among competing uses. When earmarking is used, there should be a direct link between the recipient of the funds and the earmarked revenue source (e.g., the highway department receiving gasoline tax revenues). This use is justified on the grounds that all or a portion of the earmarked revenue source is supporting the benefit received. Generally, earmarking should not be used for general expenditures.

3. A high-quality revenue system relies on a balanced variety of revenue sources.

A high-quality revenue system relies on a diverse and balanced range of sources. All taxes have their advantages and disadvantages, but reliance on a diverse assortment can cancel out their biases. One of the goals of a revenue system is economic neutrality to prevent the distortion of individual and business behavior. If reliance is divided among numerous sources and their bases are broad, rates can be made low in order to minimize the impact on behavior. A broad base itself helps meet the goal of diversification since it spreads the burden of the tax among more payers than a narrow basis does. And the low rates that broad bases make possible can improve a state's competitive position relative to other states.

There is merit in the notion that states and local governments should balance their tax systems through reliance on the "three-legged stool" of income, sales and property taxes in roughly equal proportions, with excise taxes, business taxes, gaming taxes, severance taxes and user charges playing an important supplemental role.

Special economic circumstances or policy decisions have led some states to develop revenue systems that do not rely on a broad range of revenue sources. States with extensive mineral resources (such as Wyoming), unique tourist attractions (such as Florida), or particular concern for decentralization (such as New Hampshire) rely on more narrowly based tax systems than most states. Some state policymakers defend taxes with narrow bases on the ground that rates have to be raised substantially to increase revenue very much. They feel that, because it is politically difficult to increase rates sharply, narrow tax bases help to limit the growth of government spending. Although such states may not modify their present systems extensively, they should attempt to avoid excessive reliance on any single revenue system.

Ultimately, whatever the mix, the revenue system should reflect the state's attempt to reach its fiscal policy objectives. The reasons for selecting one set of revenue instruments over another should be clear. State policymakers should be encouraged to evaluate new revenue systems, especially if they can be shown to be more equitable (such as fees that pass a portion of the service cost to users), but revenue decisions should comply with the state's fiscal policy objectives.

4. A high-quality revenue system treats individuals equitably. Minimum requirements of an equitable system are that it imposes similar tax burdens on people in similar circumstances, that it minimizes regressivity, and that it minimizes taxes on low-income individuals.

Equity traditionally has been measured in terms of individuals' ability to pay taxes and has two main components-horizontal equity and vertical equity. Horizontal equity requires that people in similar circumstances have similar tax burdens. Vertical equity refers to the distribution of tax burdens among people in different circumstances.

There is no general agreement on what vertical equity means in practice. Vertical equity raises complicated questions about how much (and whether) taxes should increase as income increases. Reliance upon sales, excise and property taxes tends to make state and local revenue systems regressive, that is, low-income people pay a larger proportion of their income in taxes than higher income people do. Although some might argue that a high-quality revenue system should be proportional (where taxes account for the same proportion of income as income rises) or progressive (where taxes account for a higher proportion of income as income rises), at the very least a high-quality revenue system minimizes regressivity. The progressivity or regressivity of the entire system is more important than that of any particular tax.

An equitable revenue system minimizes taxes on low-income households. As part of the Tax Reform Act of 1986, the federal government exempted those with poverty-level income from taxation. Since that time, a number of states also have exempted very poor households from income taxes, and some provide for reimbursement of a portion of sales and property taxes to low-income taxpayers. State earned income tax credits offered in 15 states supplement the federal earned income tax credit and provide tax reductions and wage supplements for low- and moderate-income working families. The basis for such policies is the concept of the ability to pay; such policies also help preserve the economic independence of the working poor.

5. A high-quality revenue system facilitates taxpayer compliance. It is easy to understand and minimizes compliance costs.

A high-quality revenue system facilitates taxpayer compliance by avoiding a maze of taxes, forms and filing requirements. This reduction in complexity helps taxpayers better understand the system and reduces the costs of compliance.

Reducing complexity also helps taxpayers confirm that taxes are being applied fairly and uniformly. Because tax compliance is largely voluntary, it is important that taxpayers feel the system is fair.

Some complexity is inevitable, however. As stated in Principle 1, a state revenue system pursues multiple policy objectives that lead to some complexity. For example, some states have created sales tax credits for low-income households to reduce the regressivity of the sales tax. Applying for the credits becomes more complex and burdensome for eligible individuals, but the benefits of low-income tax relief are considered to outweigh the trouble of applying. Compliance is facilitated by certainty (future tax obligations are predictable), consistency (tax bases are identical throughout a state), simplicity (taxpayer costs are reduced), and stability of revenue collections (changes in the rates and bases of the taxes are minimized).

Although compliance costs should be minimized for all types of taxpayers, policymakers should be aware of special compliance burdens that primarily affect businesses. In particular, businesses may be subject to numerous rates and requirements if they operate in multiple jurisdictions. States can reduce this burden by working with local governments to coordinate business tax policy and administration (Principle 1), consolidating industry-specific taxes into general forms, and coordinating business tax policy with other states and the federal government.

6. A high-quality revenue system promotes fair, efficient and effective administration. It is as simple as possible to administer, raises revenue efficiently, is administered professionally, and is applied uniformly.

Tax administration involves assessing and collecting taxes. A tax system that is easy to administer reduces the likelihood of errors and facilitates fairness. Professional and uniform tax administration-both throughout the state and within individual jurisdictions-enhances the effectiveness of the system by improving taxpayer compliance. Poor tax administration will mean that tax burdens are distributed among taxpayers in ways the law did not intend. If the tax system is administered fairly, individuals and businesses are more likely to pay their rightful share of the tax burden.

Also, an easily managed system increases the efficiency of revenue collections, since a smaller proportion of revenue is used to pay for tax administration.

7. A high-quality revenue system is responsive to interstate and international economic competition.

Interstate and international economic competition has intensified in the past decade, increasing pressures on policymakers to use revenue systems as a tool of economic development.

Benefits have to be measured against costs when state revenue systems are used as a tool of economic development policy. Interstate tax competition can deplete state resources without significantly enhancing job creation, and concessions in the form of tax breaks can erode tax bases. In evaluating its competitive position, a state should be aware that tax policy is only one consideration in business location decisions; service levels are also important.

But tax levels matter. Any state that imposes a tax burden far different from that of its neighboring states runs the risk of hurting its economy. This does not mean it must match every tax advantage of its neighbors. Levels of public services, energy and labor costs, access to markets, and availability of capital are some of the other factors affecting economic development. The total package is the measure of a state's competitiveness. Taxes should help in providing similar treatment for all industries and all firms within a given industry within a state.

8. A high-quality revenue system minimizes its involvement in spending decisions and makes any such involvement explicit.

The primary purpose of a revenue system is to raise money. One of the goals of a revenue system is to be economically neutral (Principle 3), a goal that is inconsistent with the use of tax policy to make budget decisions or to influence behavior. Revenue systems can affect budgets in two main ways-through deductions, exemptions and credits intended to foster certain activities and through the use of earmarking.

A high-quality revenue system may include such devices. But policymakers should be certain that these measures not only would do what is expected of them, but also reach their goal at a reasonable cost. Tax deductions, credits and exemptions shift tax burdens from a favored set of taxpayers to less favored taxpayers. For this reason, the costs should be explicit and should be reviewed annually. Earmarked taxes also may fail in the long run to perform as efficiently as originally expected, providing a different amount of revenue for services or programs than policymakers would allocate if it were a matter of appropriation. All these devices tend to remain on the law books without regular consideration of their impact and possibly after the need for them is gone.

On the other hand, these measures have many uses, and they will continue to be part of state revenue systems. They should be used carefully with full consideration given to the tax shifting that may be involved and to the long-term costs and benefits. Since the budget process makes expenditures explicit, the revenue system ideally should leave expenditures to the budgetary system.

9. A high-quality revenue system is accountable to taxpayers.

The essence of accountability is that tax laws should be explicit, not hidden. Proposals for changes should be well publicized to stimulate debate. Local governments, in particular, may suffer from media and voter inattention and may need to devote special efforts to alert voters to proposed changes. Truth-in-taxation policies that require clearly written notices to taxpayers and hearings on tax increases are simple methods of providing accountability. For state governments, tax expenditure budgets are ways of enhancing accountability. A tax expenditure budget shows the costs, expressed in lost tax revenue, of a tax credit or exemption that is intended to benefit some group of taxpayers or encourage a public policy goal. It shows revenue losses just as a regular budget shows expenditures. For example, states may exempt a portion of retirement income from personal income taxes or provide deductions for business subsidies for child care. In addition to identifying the revenue loss from such tax preferences, tax expenditures also provide data that can be used to evaluate the effectiveness and efficiency of these policies.

Accountability in a larger sense means that policymakers must examine the costs and benefits of using revenue measures as tools to put nonfiscal policies into effect. Since tax policy inevitably will be used to reach other policy objectives, lawmakers have a responsibility to ensure that the policy produces the intended effect and does so at a reasonable cost. Earmarked funds, tax expenditures and all other special tax preferences should be reviewed regularly to assess their efficiency and effectiveness as policy measures.

Appendix B: Excerpt from *Guiding Principles of Good Tax Policy* by American Institute of CPAs (2007)

Source: American Institute of CPAs, Guiding Principles of Good Tax Policy: A Framework for Evaluating Tax Proposals

Formulations of principles of good tax policy

The following table shows how the guiding principles correspond to commonly used formulations of criteria used to analyze tax systems.

AICPA principles of good tax policy	OECD tax principles	U.S. Joint Committee on Taxation (JCT) analysis criteria	U.S. Government Accountability Office (GAO) criteria for a good tax system
Equity and fairness	See neutrality below.	Is "the tax system fair? Does the tax system treat similarly situated individuals similarly? Does the tax system account for individuals' different capacities to bear the burden of taxation?"	Equity includes two principles: (1) ability to pay (horizontal and vertical equity), and (2) benefits received. "When making judgments about the overall equity of government policy, it is important to consider both how individuals are taxed and how the benefits of government spending are distributed."
Certainty	See simplicity below.		
Convenience of payment	"Compliance costs for taxpayers and administrative costs for the tax authorities should be minimized as far as possible."		
Effective tax administration	See convenience of payment above.	"Can the tax system be easily administered by the government and can it induce compliance by all individuals? Is enforcement costly? Can some individuals successfully avoid their legal liabilities?"	Administrability including "processing returns, enforcement, and taxpayer assistance."
Information security	Structural features should keep pace with technological changes.		
Simplicity	"The tax rules should be clear and simple to understand so that taxpayers can anticipate the tax consequences in advance of a transaction, including knowing when, where and how the tax is to be accounted."	Is "the tax system simple? Is it costly for taxpayers to determine their tax liability and file their taxes?"	Simplicity in terms of the "compliance burden (record keeping, planning, return preparation, and responding to audits)."

AICPA principles of good tax policy	OECD tax principles	U.S. Joint Committee on Taxation (JCT) analysis criteria	U.S. Government Accountability Office (GAO) criteria for a good tax system
Neutrality	"Business decisions should be motivated by economic rather than tax considerations. Taxpayers in similar situations carrying out similar transactions should be subject to similar levels of taxation."	See economic growth and efficiency below.	The system should not distort economic decisions.
Economic growth and efficiency	"The systems for taxation should be flexible and dynamic to ensure that they keep pace with technological and commercial developments."	Does "the tax system promote or hinder economic efficiency? That is, to what extent does the tax system distort taxpayer behavior by imposing high marginal tax rates on labor, saving, or other activities? Does the tax system create a bias against the domestic production of goods and services? To what extent does it promote economic growth?"	Economic efficiency of tax changes should be considered.
Transparency and visibility			Transparency of "tax calculations, logic behind tax laws, tax burden and compliance."
Minimum tax gap	"The potential for tax evasion and avoidance should be minimized while keeping counteracting measures proportionate to the risks involved."	"Can some individuals successfully avoid their legal liabilities?"	
Accountability to taxpayers[3]			"Taxpayers understand the extent to which the tax laws are enforced."
Appropriate government revenues	"Taxation should produce the right amount of tax at the right time."		

Appendix C: Excerpt of the *Final Report* of the Blue Ribbon Tax Structure Commission (2011)

Source: Blue Ribbon Tax Structure Commission, Final Report, 15-16

Fairness, Actual and Perceived: Minimum requirements of an equitable revenue system are that it imposes similar burdens on people in similar circumstances, minimizes regressivity, and minimizes taxes on low-income people. The Commission set forth three touchstones:

- *Broad Base and Low Rate:* Policymakers should avoid enacting targeted deductions, credits, and exclusions. If such tax preferences are few, substantial revenue can be raised with low tax rates.
- *Progressive:* Taxes ought to be based on the capacity to pay, treating individuals and businesses equitably within their tax classes.
- *Ubiquity:* Everyone, regardless of income or assets, should pay something to feel vested in the system that serves them.

Economic Competitiveness: A competitive tax system is responsive to international and interstate competition by providing a level playing field devoid of unnecessarily high rates and compliance burdens. While the tax code may be designed to encourage entrepreneurial development in specialty fields such as Vermont's captive insurance industry, policymakers must bear in mind that most such business organizations in Vermont are structured as passthrough entities where the revenue passes through to personal income. Also, competitiveness means a tax structure that discourages tax liability-shopping and interstate migration.

Simplicity: Administrative costs are a loss to society, and complicated taxation undermines voluntary compliance by creating incentives to shelter and disguise income. Consider:

- Ease of taxpayer compliance
- Ease of tax department administration
- Reduction of the appellate process cost through clarity and simplicity
- Encouragement of E-filing

Transparency: Tax legislation should be based on sound legislative procedures and careful predictive analysis. A good tax system requires informed taxpayers who understand how tax assessment, collection, and compliance works. There should be open hearings, and revenue estimates should be fully explained and replicable. Educating taxpayers is important to a functioning society.

Tax Neutrality: Neutrality means that the fewer economic decisions that are made for tax reasons the better. The primary purpose of taxes is to raise needed revenue, not to micromanage the economy, society, or the environment. The tax system should not favor certain industries, activities, or products. The tax system should minimize interference in spending decisions and make any such involvement explicit.

Sustainability: For the state, sustainability demands that the tax system produce sustained, predictable, and consistent revenues by relying on a balanced revenue portfolio that will withstand economic changes. For taxpayers, sustainability means consistency in tax policy. When tax laws are in constant flux, long-range financial planning is difficult for individuals and businesses. Lawmakers should avoid enacting temporary tax laws, retroactive changes, tax holidays, and should minimize annual tax changes.

Executive and Legislative Accountability to Tax Payers: Government functionality depends on:

- visionary leadership, skilled management, and public accountability;
- a strategic, measurable and accountable budget system;
- a transparent revenue system that does not distort the economy.

Good government ensures that tax payers can link their tax investments to good government management practice by developing and publishing agreed-upon social and economic measures with which to measure government efficiency and effectiveness as well as economic and social outcome.

Revenue Neutrality and Interoperability: Revenue neutral tax reform means the new tax system should raise the same amount of revenues as the current system. Interoperability means that the Commission may shift Vermont's revenue portfolio to collect more of one tax and less of another provided the net effect is zero. For example, the Commission's proposals raise more tax revenue on the sales tax and less through the income tax. Tax portfolio is the balance of revenue streams that fund Vermont's government, and it is an important concept in its own right. Vermont has one of the five most balanced tax portfolios in the Country. Accordingly, it is important not to change this balance without due consideration.

Appendix D: Framework Questions Utilized by Vermont Department of Taxes (2003)

In a 2003 review of all taxes collected by the Vermont Department of Taxes, the Department evaluated each tax on four criteria: [1]

- Efficiency—Is the tax easy to understand and comply with, minimizing the burden on taxpayers, and easy to administer, utilizing public resources efficiently?
- Equity—Is the tax fair, i.e., is the tax burden equitably distributed amongst the tax-paying population? Both vertical and horizontal equity are important.
- Sustainability—Does the tax provide a sustainable and stable source of revenues to fund program or general fund expenditures?
- Competitiveness—Are tax rates, or effective tax burdens, in line with neighboring states?

Appendix E: Tax Structure Commission's Legislative Charge Mapped to Principles (2019)

Source: Tax Structure Commission, *Goal, Purpose, and Principles*

Principles	
A tax system that provides:[2]	A high-quality revenue system:[3]
Sustainability	• Comprises elements that are complementary, including the finances of both state and local governments. • Produces revenue in a reliable manner, prioritizing stability, certainty, and sufficiency. • Relies on a balanced variety of revenue sources.
Equity	• Imposes similar tax burdens on people in similar circumstances. • Imposes a higher burden on people with greater ability to pay, and minimizes taxes on individuals with low income. • Promotes equity and fairness, both actual and perceived.
Appropriateness	• Is easy to understand and minimizes compliance costs. • Is as simple as possible to administer, raises revenue efficiently, is administered professionally, and is applied uniformly. • Is responsive to interstate and international competition. • Minimizes its involvement in spending decisions and makes any such involvement explicit. • Is transparent and accountable to taxpayers.

[1] Vermont Department of Taxes, Principles of Good Tax Policy, 2003

[2] Vermont General Assembly, Act 11 Sec.H.17 of 2018

[3] National Conference of State Legislatures, Principles of a High-Quality State Revenue System