

Vermont Tax Structure Commission
Preliminary Draft Outline for Final Report
Updated 5/31/2020

I. Introduction

- A. Our charge from the legislature, including building on the previous work of the BRTC and others, and what our charge is not (spending, budget structure, education reform, etc.)
- B. Our guiding principles, including looking at the whole structure for balance and sustainability, fairness, and simplicity.
- C. How we did this work: review of existing work, testimony from X legislators, Y advocates, Z admin officials, x1 biz group reps, y1 members of the public, etc

II. How to think about the overall tax structure: Progressivity, Equity, Sustainability, Volatility

III. Our changing landscape and implications for the tax structure over the next 20 years

- A. Demographic – aging, urbanizing, fragmenting
 - 1. Migration study
- B. Technology and economy: shift to online, shift to services, electrification
- C. Climate change
- D. Distribution of income and wealth
 - 1. Difficulties of assessing and taxing wealth
 - 2. Estate and inheritance taxes
 - 1 Step-up basis for inherited assets.

IV. Taxes used to fund education.

- A. Education property tax
 - a. What the projected trends suggest about net education property tax revenue in the future
 - b. Issues raised in testimony, including complexity and lack of understanding among taxpayers
 - c. Recommendation re State taking over appraisals of big, complicated properties
 - d. Recommendations re. education portion of property tax – four options, and recommendation
 - e. Recommendations to improve local administration of property tax
- B. Other recommendations
 - a. Education portion of sales & use
 - b. Portion of education spending that actually social services spending

V. Sales tax reform

- A. What the projected trends suggest about sales tax revenue in the future
- B. Recommendation for online transactions
- C. Recommendation re. services
- D. Recommendations re. current exclusions

V. Income tax reform

- A. What the projected trends suggest about future income tax revenue.
- B. Recommendation re. mandatory composite filing

- C. Other recommendations
- VI. The Taxing of Bads instead of Goods
- VII. Obsolete and inefficient taxes
- VIII. Recommended timeline and order
- IX. Unmet needs and future work
 - A. Health care
 - B. Climate change
- X. Conclusion

Appendices

1. Summary list of recommendations
2. Stakeholder involvement/testimony/information gathering
 - A. Proposals considered regarding education tax
 1. VLCT: Reduce Education Fund reliance on property taxes, which currently make up about 2/3 of Education Fund revenues, in order to leave more property tax with the municipalities to fund everything else they need.
 2. Public Assets Institute: Move state-wide school funding to income-based tax for everyone.
 3. Vermont NEA: Move to income-based tax for everyone to fund education.
3. Demographic paper
4. The Blue Ribbon Tax Commission
 - A. BRTC recommendations that have been implemented
 - B. BRTC recommendations that have not been implemented, and why
5. Commissioner biographies
6. Staff biographies
7. Observations about education spending
8. Cliffs and Mountains
 - A. As income rises, people lose child-care subsidy faster than they earn
 - B. As income rises, people lose the EITC faster than they earn