

STATE CONSUMPTION TAX IDEA 2/11/10 rev 4/24/11 6//21/16

Purpose: stimulate thrift, investment, enterprise, growth

Desiderata: consumption base, simplicity, progressive rates like Bradford X tax

Conditions: can be calculated without audit; annual filing, no burden on sellers

Gross income base:

Wages
Dividends
Interest
Capital gains (realized)
Gifts & Bequests
Social Security payments
Pension payments
IRA, 401k distributions
Unemployment insurance
Royalties
Prizes
Rents
Bank CD distributions
Money borrowed

Unlimited deductions (for savings)

Vermont Enterprise Account
Debt repayment
Medical care (net of insurance)

Subject to transfer tax* (credited against VT estate tax upon death) on amount >\$1 m

IRA, 401k contributions
Health Savings Accounts
Bank CD purchase
Managed investment account
Real Estate investment
Residential purchase
Interest on mortgages
Charitable contributions

Tax = Gross income base less deductions x graduated rate*, plus transfer tax*

*Not possible to estimate rate without detailed economic data

State sales tax is retained – but sales taxes paid on purchases within state using state affinity credit card (available only to residents) are credited against consumption tax liability.