

## Commissioner Brighton and Trenholm Questions on Sales Tax Draft

### Commissioner Brighton

1. Do the estimates include tax revenue that would come from nonresidents? Can we flag the ones that do not include nonresidents, and maybe indicate a range for what that might mean?
2. Should we say Medicaid goes up to 138%?
3. While I appreciate the idea of using existing programs like SNAP and LIHEAP to get money back to people, I'd like to discuss this and look at other mechanisms. It would be great if we could use this exercise to eliminate benefit cliffs, and help people meet their basic needs.
4. Does the education spending include spending on tuition at state schools? Would that be taxed?
5. Could we talk more about the provider tax and health care choices? I have lots of questions, like:
  - Does the 25% cap preclude us from charging the same tax on all providers as long as we only use the part needed to meet 25% of our match for Medicaid (and the rest goes into a return to taxpayers based on sliding scale)?
  - How does the provider tax rate compare with a 6% sales tax?
  - Would a flat tax meet all the federal requirements for a provider tax eligible for use as a Medicaid match?
  - My understanding is that Medicaid and Medicare have limits on what they pay for certain procedures. Assuming a sales tax pushes the price above the limit, wouldn't it then be paid by the consumer (and not by insurance)?
  - How is the sales tax on physicians' work in 4 states different than a provider tax?
  - Basically, I'm not clear on whether the provider tax is a business input and, if so, why we would tax it.

### Commissioner Trenholm

- Page 7, I do not agree with the blanket conclusion as written. There are compelling reasons for a case to tax services from many directions, but all things considered I don't agree with a blanket conclusion.
- What are the costs to the state and businesses to administer the additional areas to be taxed and the rebates to low-income taxpayers?

- Will this now create larger unintended benefits to the low-income population that could or should be considered in evaluating all sources of assistance from the state?
- How would taxing higher education work? Does that mean that the \$42K paid for tuition to, say, Champlain College would be subject to 6% sales tax, adding another \$2,520 to that student's debt when they graduate?
- Would state-run education programs be subject to collection of the tax? Exemption would create an unfair advantage for, say, UVM over Champlain and have other effects on the industry not considered here.
- Although the Tax Foundation suggests this approach, have any other states proposed or implemented such a program?
- With respect to healthcare, it is not clear to me how a rebate would work for low-income Vermonters if the services are already provided at no cost. Would the tax be collected from the individual and then rebated? If the tax was collected from the payer, wouldn't that create a windfall to the recipient of the service? Who would administer this program?
- Page 10, I think rephrasing "hospitals inflate their charges to private insurance companies" should be done. Something like to offset the lack of ability to recoup the cost of services that cannot be billed, hospitals must increase charges to payers to compensate for this loss.
- We should also consider for health care, the complexity in administration. What should the tax be levied on, the "retail cost of the service" or what the insurance company actually pays for the service? Also, what about the billing adjustments in the insurance world, how would that factor into administration of a sales tax on healthcare services?
- I feel as part of the conclusion we should add stronger language that the expansion of the sales tax base should be used to lower the rate, and possibly to fund climate change initiatives in conjunction to reducing the rate. It should not be seen as an additional source of revenue for general spending.
- How would this increase in revenue play into the Education property tax rates since the sales tax is now used as a funding source?
- Relative to the statistics on tourism and sales tax revenue being only 10% in the table, does that include meals and rooms tax which are taxes on tourism?
- Should we suggest an annual excise tax on alternative fuel vehicles to fund the decrease in the transportation fund revenue due to the decrease in gas consumption and the decrease in the gas tax?