

# Commissioner Brighton's Draft Outline on Principles and Tax Structure – v11-25-2020

*Status: Decision to split this topic out as its own chapter made at 11-23 meeting. Commissioner Brighton's comments and outline below to be discussed at 11-30 meeting.*

## Chapter 3: Tax Structure Principles

### Thoughts on Chapter 2 – Tax Structure Principles

I envision 2 parts to this chapter; the first would be an overview of the principles and what they mean, and the second would look at how our current and recommended taxes measure up.

The first part should be really concise and short.

In the second part, each of the 3 principles (sustainability, equity, appropriateness) would be applied to each of the 3 verticals (income, consumption, education/property) and then to the structure as a whole.

The actual principles are in black. My comments are in red.

## Overview of Principles

Can use some of the Doc from Sean and NCSL

Also Steve wrote about these in the intro to his Tax Structure draft

Also Deb wrote about these in Volatility and Progressivity draft

My recommendation would be to present fairly generic information in this part, combining pieces from all of the above, and move most of the discussion about VT into the section below

## Discussion of how current structure and recommended changes relate to Principles

### 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.

How the verticals relate:

Pieces we have: Steve's Tax Structure Draft

To do: Individual summary for each of the 3 verticals

#### Structure and Sustainability

In progress: Updating Tax Study discussion of balance relative to other states by looking at the income portion of the ed tax as a tax on income, not property—before and after recommended change

### 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.

How the verticals relate:

Pieces we have: To review: Steve's Tax Structure Draft

To do: Individual summary for each of the 3 verticals

#### Structure and Sustainability

To review: incidence study draft

To review: Trends in income and wealth

### 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 transparent and accountable to taxpayers.
- Is responsive to interstate and international competition.
- Minimizes its involvement in spending decisions and makes any such involvement explicit.

How the verticals relate:

Pieces we have: To review: Steve's Tax Structure Draft

To do: Individual summary for each of the 3 verticals

#### Structure and Sustainability

To do: Why the horizontals are important and what they indicate

This would mean our next homework assignments would be for us each to be responsible for looking at our tax, current and with recommendations, and see how it measures up. Steve's document contains some of this for each tax, so it is a good starting point.