

Initial high-level comments from JFO staff on TSC draft

1) Will there be an analysis of the tax structure as a whole?

The Tax Structure Commission's [authorizing language](#) charged:

The Commission shall prepare a structural analysis of the State's revenue system and offer recommendations for improvements and modernization and provide a long-term vision for the tax structure. The Commission's analysis shall include a review of Vermont's income taxes, consumption-based taxes, the education financing system, tax expenditures, and property and asset-based taxes. The Commission shall have as its goal a tax system that provides sustainability, appropriateness, and equity. For guidance, the Commission may use the Principles of a High-Quality State Revenue System as prepared by the National Conference of State Legislatures [NCSL].

The draft chapters we reviewed seem to cover the second sentence in that statutory charge but not the first and third. In other words, the drafts analyze specific types of taxes but focus less on examining how those pillars fit together into one tax system.

2) Will there be a discussion of the Principles of a High-Quality State Revenue System and how the Commission is applying them to its analysis of the State's tax structure?

The Tax Structure Commission's authorizing language also listed NCSL's nine principles. We know that early in your tenure you developed a statement of [goals, purposes and principles](#) that expressed your interpretation of NCSL's principles as well as a [longer discussion](#) of how the Blue Ribbon Tax Commission and other entities have evaluated the principles.

Furthermore, we saw how [your draft introduction](#) references the principles. We were curious whether an analysis of these principles will be applied across your subsequent chapters and recommendations. For example, will there be a discussion of how the third principle ("A high-quality revenue system relies on a balanced variety of revenue sources") is impacted by your collection of recommendations?

3) Will there be a discussion of how your set of recommendations shifts the way Vermont compares to other states in the region and/or nationally?

Another one of NCSL's principles notes: "A high-quality revenue system is responsive to interstate and international economic competition." Policymakers pay close attention to the various state rankings and are always curious to see how Vermont stacks up. One of the compliments we most often heard about your demographics paper was how it consistently showed Vermont data stacked beside that of surrounding states and the nation.

In addition, one of the first questions the legislature and administration tend to ask about any policy proposal is “what other states do it this way and what is their experience?”

4) Will the Commission discuss its recommended income taxes in aggregate?

In the draft we reviewed, Chapter 2 focuses on funding education and recommends a move to an income tax. Chapter 4 focuses on existing income taxes. Will there be a bridge to discuss how the two chapters relate to each other? Will there be an analysis of the weight of the combined income tax within the recommended tax system? Should policymakers consider a maximum combined marginal income tax rate or effective tax rate when determining whether an education income tax plan is viable and competitive? Or, if you’re looking at total tax burden, what level of analysis would be needed to determine overall winners and losers?

5) Consider addressing the interplay between revenue sources and funds.

While the system is your main charge, it’s also important to flag how a change to a specific tax type will impact other areas. For example, current law dedicates Sales Tax revenue to the Education Fund. If your proposal to broaden the base and lower the rate allocates some of the revenue to programs that will hold low-income Vermonters harmless, what are the implications for the Education Fund?

6) Will there be an executive summary and/or summary of recommendations?

Traditionally, reports have summaries and a concise list of recommendations to provide the thrust of the report without reading every chapter. It’s not mandatory but we thought we’d ask.