

12. Conclusion

Reforming and restructuring a state tax system is hard. It is probably harder than creating an entire tax system from scratch. Our economy, technology, and climate are changing faster than ever, and designing a tax system that will evolve appropriately as our world changes is daunting. In addition, the modern economy is growing more complex, which makes designing a fair and sustainable tax system that is as simple as possible even more challenging.

Then there is the human factor. People are properly cautious about ~~change, and change~~ and are even more wary of change that involves their money. There are hundreds and hundreds of companies, industries, and interest groups in Vermont, each of which is naturally more focused on their own well-being than on Vermont's overall well-being. The goal of making our system more fair implies that it is not perfectly fair right now, which in turn means that right now some people are bearing more than their fair share of the tax burden, and some are bearing less. That means that moving toward more fairness means that some people will have a greater relative burden than they do now. They will not like that. You will hear from them.

The main objections they will raise are:

- 1) *The sales tax is already regressive and expanding it to necessities like groceries will make it more regressive. We note that we recommend expanding the sales tax base only AFTER you have restructured the support system for low-income Vermonters to ensure they are not harmed by these changes.*
- 2) *Applying the sales tax to things like education will make it less affordable at a time when there's already an affordability crisis in higher education. We note that exempting education from the sales tax has not made education readily accessible, and a 3.6% sales tax will not be the difference between affordable and unaffordable. On a \$40,000 college tuition bill, 3.6% is \$1440. Grants of \$10,000 or \$20,000, or very low-interest, long-term loans, are a rather more meaningful way to make education more affordable.*
- 3) *Some of them will be concerned about the administrative burden of collecting and remitting the sales tax, although as noted, every corner store in the state has figured out what products to charge sales tax on and which are exempt, and in many cases who should pay the sales tax and who is exempt.*

We are confident that you will hear these objections because we heard them. We hope we have addressed them adequately and appropriately. We are also aware that the Governor and the legislature have been convening commissions like ours regularly since at least 1929. When the legislature was considering a cigarette tax in 1938, a lobbyist published a brochure arguing against the cigarette tax because it would be regressive and would damage Vermont businesses.¹ The more things change . . .

¹ Gillies, P. (1997). The Evolution of the Vermont State Tax System.

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Gillies also points out that “every five years or so another commission is appointed to study the system and propose improvements that will repair the problems of fairness, progressivity, and a sufficient tax base to justify funding of necessary expenses . . .”²

Our commission is part of that series, preceded by the Blue Ribbon Tax Commission and undoubtedly followed by another commission in the not-too-distant future. Our goals were to design a tax system for Vermont that would be as good as possible for as long as possible.

Evolving our tax system is difficult and daunting and complicated, but it is vitally important for the well-being of our Vermont community. We wish you luck, patience, and wisdom as you undertake this part of the journey. We are grateful to everyone in the legislature and the administration for your work on this, and for everything you do every day for Vermont. We are grateful for the opportunity you gave us to contribute, we hope this report is useful to you, and we stand ready to help in any way we can.

Respectfully submitted,

² Gillies, P. (1997). The Evolution of the Vermont State Tax System.