

Tax Structure Commission: Draft Chapter Feedback

Please note that the Department of Taxes' review of and comments on the draft chapters is in no way an endorsement of any of the commissioner's recommendations, verification of any cited figures, or validation of any legal conclusions. Our comments are being offered out of respect for the public service being performed by the commission and to fulfill our obligation to provide technical support under the commission's authorizing statute ([Act 11 of 2018, Sec. H.17](#)). Not all sections have necessarily been reviewed in depth.

General Comments

- Please explain or define acronyms, abbreviations, technical tax terms, and Vermont-specific terms whenever possible
- Please include citations for data sources whenever possible
- *Please note: Generally the Joint Fiscal Office conducts tax policy studies for the legislature. The Tax department is occasionally asked to study issues related to tax administration or ones that impact small groups of taxpayers and rely on granular data*

Chapter 2 – Taxes Used to Fund Education (v11-15-2020)

- Page 5: the \$400,000 house and \$200,000 house at the same income level only pay different municipal taxes if household income is over \$47,000
- Page 6: Is this table from the Joint Fiscal Office or the ACS?
- Page 7: How many households are in each household income band of figure 5?
- Page 8: The analysis related to the association between income and per pupil spending would be helpful to see because legislative committees and administrations often ask about that. It could be included as an appendix
- Page 13: Why is employee health insurance not a cost of K-12 education? Is it “volatile” or just increasing faster than the rate of inflation?
- Page 17: In the various approaches, is the commission recommending taxing residential property that is not part of the housesite at the non-homestead rate in all cases? (unclear as written)
- Could the commission calculate and present how the five different education tax proposals would impact three different example households?

Chapter 3 – Consumption Taxes (V11-16-2020)

- Vermont's Motor Vehicle Purchase and Use tax (“Purchase and Use”) is also a consumption tax
- Did the commission consider the Gross Receipts Tax? This is a more common alternative to the Sales Tax in the United States than the VAT
- Page 5: The several exemptions from the Vermont sales tax were enacted by various Legislatures over many decades. Each exemption is specifically prescribed based on specific products or use of products. There is no mandate, requirement or analysis to exempt necessities or tax non-necessities. Many products that generally are considered necessary are taxed, and some exemptions appear to have been enacted without regard to necessity.

- Page 5: Example 3 regarding tuxedo rentals is incorrect. It is true that limousine rentals are considered services, as the service includes a driver. However, tuxedo rentals are rentals of tangible property, which generally are taxable. However, because the sale of clothing is exempt, the rental of clothing is also exempt.
- Page 6: Values for median income and poverty line might be helpful in the text or table rather than the appendix
- Approximate counts for programs such as 3squares, WIC, and LIHEAP would be helpful
- A summarizing table that relates the tax expenditure associated with a class of exempted goods to how much is paid by low income Vermonters would be helpful
- Page 12: Quote is from the Act 57 statutory language requesting the study, not the Vermont Department of Taxes
- Page 22: What is the “State Sales Tax Breadth” statistic and the associated rank in the third and fourth columns? The \$627 per capita figure in the fifth column appears to be for sales tax only, not including Vermont’s Meals and Rooms Tax of 10% and Purchase and Use tax. This is not an apples-to-apples comparison given the way sales taxes are applied in other states

Chapter 4 – Income Tax Reform (V11 – 16 – 2020)

- For reference, Act 11 of 2018 is the “legislative change made to use federal AGI” as the starting point for VT taxes. <https://tax.vermont.gov/research-and-reports/legislative-updates/2018>
- Page 2: More recent data is available on the tax department’s website regarding how much tax is paid by each percentile. Importantly, the 2018 data reflects the federal TCJA (2017) and Vermont’s changes enacted in 2018 which increased the overall progressivity of Vermont’s income tax. <https://tax.vermont.gov/data-and-statistics/income-tax>
- Page 2: More recent data is available on Vermont’s tax expenditures <https://lifo.vermont.gov/subjects/revenue-and-tax/tax-expenditure-reports>
- Page 3: All of the marginal rates were lowered by .2%, not just the top rate. Also, the number of brackets was reduced from 5 to 4 (the top two were condensed)
- Page 3: Substantial changes were made to the Renter Rebate in Act 160 of 2020 <https://lifo.vermont.gov/assets/Meetings/Tax-Structure-Commission/2020-11-23/a9ad3851f8/Current-Law-vs.-Act-160-Renter-Rebate-Reform-Side-by-Side.pdf>
- Page 4: Generally, the acronym “PIT” is used to refer to Personal Income Tax
- An explanation of the distinction between LLCs and LLPs and how they are taxed might be helpful
- Page 10: At the request of the legislature, the VT DoT recently studied many of these issues: <https://tax.vermont.gov/sites/tax/files/documents/RP-1232.pdf>
The tax department will not have the necessary data in the immediate future to examine the impacts of single sales factor apportionment because of the recent changes to the sales factor (switch from cost of performance to market based sourcing), and the first year(s) of new data being obscured by the impacts of the pandemic, and the filing period structure of CIT