

Revenue/Tax Briefing: Tax Structure Commission

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Bus Tour of Revenue/Tax World

- 1) Quick stop at Tax School
- 2) Major landmarks
 - 1) Personal Income Tax
 - 2) Sales and Use Tax
 - 3) Corporate Income Tax
- 3) Quick stop for other tax types
- 4) Snapshot of Fees
- 5) Tax Expenditures



Tax School



Anatomy of a tax

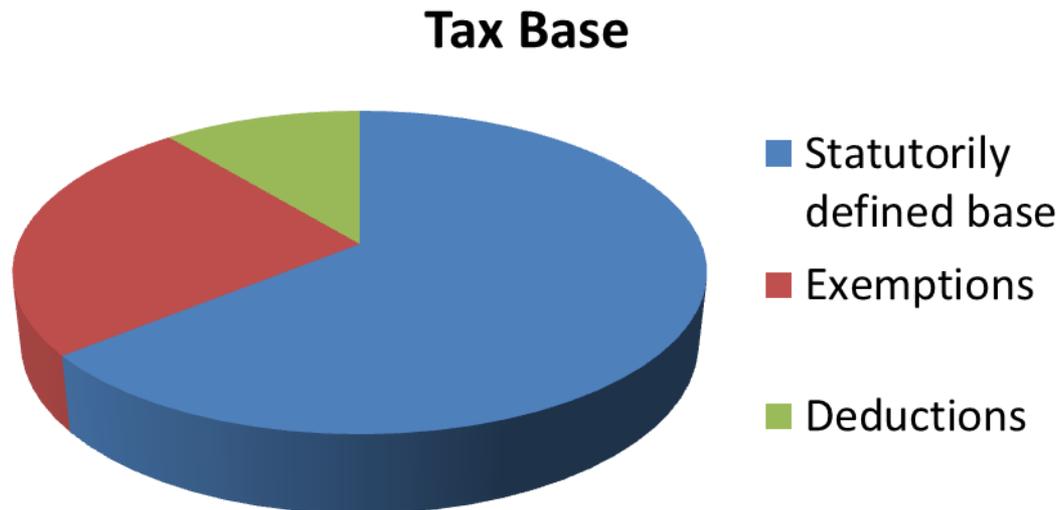
Tax Base (x) Rate = Liability (minus credits)

The bigger the base, the lower the rate
The higher the rate, the smaller the base



Tax Base

- ▶ A **tax base** is defined by what is included by the statutory language, minus any **exemptions** and **deductions**.



Exemptions

- An **exemption** is a systemic exclusion from the tax, and is usually limited to a particular group of taxpayers.
 - Example: Vermont has a property tax, but most libraries are statutorily exempt from the paying the tax, even if their property would otherwise be taxable.
- An exemption can be a **full exemption** or a **partial exemption**.
 - Full exemptions obviously cost more, while partial exemptions require more compliance work by the taxpayer and the Department of Taxes.



Deductions

A **deduction** is an amount that an individual taxpayer is permitted to subtract from his or her tax base, which typically has the effect of reducing his or her liability.

$$\mathbf{BASE (x) RATE = LIABILITY}$$



Deduction lowers
the base



Tax Rates

- Tax rates can be fixed or tiered.
- Vermont's sales tax is an example of a fixed rate.
- Vermont's income taxes are examples of tiered rates.
 - Tiered rates are typically structured as a series of brackets.
 - Most tiered rates are structured to be progressive: liability increases smoothly from bracket to bracket.
 - Taxpayer pays only the assigned rate for each dollar within that bracket.



Tax Brackets: Terminology

▶ For tiered rates, a taxpayer’s “**marginal tax rate**” is the tax paid on the last dollar in the base.

- ▶ Example: a taxpayer with \$20,000 in income
- ▶ Marginal Rate= 10%

▶ A taxpayer’s “**effective tax rate**” is the actual rate of tax for the entire liability

▶ $\frac{\text{Total tax liability}}{\text{Total base}} * 100$

▶ Example: taxpayer with \$20,000 in income

- ▶ First \$10,000 in income taxed at 5% = \$500
- ▶ Second \$10,000 in income taxed at 10% = \$1,000
- ▶ $\frac{\$500 + \$1,000}{\$20,000} * 100 = 7.5\%$

Taxable Income	Rate
\$0-10,000	5%
\$10,001-100,000	10%
\$100,001-1,000,000	15%
\$1,000,000+	20%



Liability modifications - credits

- A **credit** is an amount that reduces a taxpayer's tax liability. It does not reduce the base or the rate, but lowers the resulting liability.
- Credits can be either refundable or nonrefundable. A **refundable credit** means that the taxpayer receives a payment if the credit reduces his or her liability below zero.
 - \$100 tax liability, but a \$150 refundable credit = zero liability + \$50
- A **nonrefundable credit** can reduce a liability to zero, but not any further.
 - \$100 tax liability, but a \$150 nonrefundable credit = zero liability + a possible carryforward against future liability



Structure of Briefing

- ▶ What is it?
- ▶ How much do we collect?
- ▶ Who pays it?
- ▶ What's new and current?



Personal Income Tax

Form **1040** Department of the Treasury—Internal Revenue Service **2018** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Simplified U.S. Individual Income Tax Return Married filing separate return Qualifying widow(er) Head of household

Your first name and initial Last name Your social security number

Standard deduction: Someone can claim you as a dependent You were born before January 2, 1954 You are blind

Spouse or qualifying person's first name and initial (see inst.) Last name Spouse's social security number

Standard deduction: Someone can claim your spouse as a dependent Your spouse was born before January 2, 1954 Your spouse is blind Your spouse itemizes on a separate return or you were dual-status alien

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. **Presidential Election Campaign.**
 Full-year health care coverage (see instructions) if you want \$3 to go to this fund (see inst.) You Spouse

City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6.

Dependents (see instructions):

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input type="checkbox"/> if qualifies for (see inst.):

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to accurately reflect all amounts and sources of income I received during the tax year. Declaration of preparer (other than tax joint return? See instructions. Keep a copy for your records.

Your signature	Date	Your occupation
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation

Paid Preparers

Print/Type preparer's name	Preparer's signature
Firm's name	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Clear ALL fields

Save and go to Important Printing Instructions

Save and Print

DUE DATE: April 17, 2018 Please PRINT in BLUE or BLACK INK

DEPT USE ONLY

2017 **Income Tax Return** **FORM**
VERMONT **IN-111**



1 Taxpayer Information

Taxpayer's Last Name	First Name	Initial	Taxpayer's Social Security Number
Spouse's or CU Partner's Last Name	First Name	Initial	Spouse's or CU Partner's Social Security Number
Mailing Address (Number and Street/Road or PO Box)			Taxpayer's Driver's License Number State
City	State	ZIP Code	Spouse's/CU's Driver's License Number State
<input type="checkbox"/> Check here if this is an AMENDED return	<input type="checkbox"/> Check if taxpayer died during 2017	<input type="checkbox"/> Check if Spouse or CU Partner died during 2017	<input type="checkbox"/> Check here if using RECOMPUTED Federal Return information
1. VT School District Code	2. 911 street address on 12/31/2017 - Number, street/road name (Do not use "PO Box," "same," or Town name)		

2 Tax Filing Information

FILING STATUS

<input type="checkbox"/> 3. Single	<input type="checkbox"/> 4. Head of Household	<input type="checkbox"/> 5. Married Filing Jointly	<input type="checkbox"/> 6. CU Partner Filing Jointly	<input type="checkbox"/> 7. Qualifying Widow(er) with dependent children	<input type="checkbox"/> 8a. Married Filing Separately	<input type="checkbox"/> 8b. CU Filing Separately	Enter Spouse or CU Partner full name _____ Enter Spouse or CU Partner Social Security Number _____
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9. Exemptions Claimed (federal Form 1040-Line 6d; 1040A-Line 6d; 1040EZ/1040NR-EZ-enter 0, 1, or 2) 9. _____

Personal Income Tax- What is it?

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2017** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2017, or other tax year beginning , 2017, ending , 20 . See separate instructions.

Your first name and initial Last name Your social security number

If a joint return, spouse's first name and initial Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. **▲** Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Foreign country name Foreign province/state/county Foreign postal code **▲ Presidential Election Campaign**
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. You Spouse

Filing Status

1 Single
 2 Married filing jointly (even if only one had income)
 3 Married filing separately. Enter spouse's SSN above and full name here. **▲**
 4 Head of household (with qualifying person). (See instructions.)
 If the qualifying person is a child but not your dependent, enter this child's name here. **▶**
 5 Qualifying widow(er) (see instructions)

Check only one box.

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a
 b Spouse

c Dependents:	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)	Boxes checked on 6a and 6b
(1) First name Last name				No. of children on 6c who: • lived with you • did not live with you due to divorce or separation (see instructions)
			<input type="checkbox"/>	Dependents on 6c not entered above
			<input type="checkbox"/>	
			<input type="checkbox"/>	
			<input type="checkbox"/>	
d. Total number of exemptions claimed				Add numbers on lines above ▶

Income

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7
8a	Taxable interest. Attach Schedule B if required	8a
b	Tax-exempt interest. Do not include on line 8a	8b
9a	Ordinary dividends. Attach Schedule B if required	9a
b	Qualified dividends	9b
10	Taxable refunds, credits, or offsets of state and local income taxes	10
11	Alimony received	11
12	Business income or (loss). Attach Schedule C or C-EZ	12
13	Capital gain or (loss). Attach Schedule D required. If not required, check here <input type="checkbox"/>	13
14	Other gains or (losses). Attach Form 4797	14
15a	IRA distributions	15a
b	Taxable amount	15b
16a	Pensions and annuities	16a
b	Taxable amount	16b
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17
18	Farm income or (loss). Attach Schedule F	18
19	Unemployment compensation	19
20a	Social security benefits	20a
b	Taxable amount	20b
21	Other income. List type and amount	21
22	Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶	22

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

23	Educator expenses	23
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24
25	Health savings account deduction. Attach Form 8889	25
26	Moving expenses. Attach Form 3903	26
27	Deductible part of self-employment tax. Attach Schedule SE	27
28	Self-employed SEP, SIMPLE, and qualified plans	28
29	Self-employed health insurance deduction	29
30	Penalty on early withdrawal of savings	30
31a	Alimony paid	31a
b	Recipient's SSN ▶	
32	IRA deduction	32
33	Student loan interest deduction	33
34	Reserved for future use	34
35	Domestic production activities deduction. Attach Form 8903	35
36	Add lines 23 through 35	36
37	Subtract line 36 from line 22. This is your adjusted gross income ▶	37

For **Adjusted Gross Income**

Personal Income Tax- What is it?

(based on Tax Year 2018)

Federal Form

1040

Adjusted Gross Income

minus

Subtractions from Adjusted Gross Income

Standard Deduction

\$6,000 for single filer,
\$12,000 for married filer

Personal Exemptions

\$4,150 for you, your
spouse, and any
dependents

Other Subtractions

- Capital Gains Exclusion
- Social Security Exemption
- Interest income from U.S. bonds

plus

Additions to Adjusted Gross Income

Examples included: interest from VT state and local bonds, non-Vermont state and local bonds, bonus depreciation

equals

Vermont Taxable Income

How to calculate tax liability

Vermont Taxable Income (VTI)

Multiplied by

Income tax rates at various brackets
of income

Married Filing Jointly

Taxable Income				
over	But not over	Pay	+ % on Excess	of amt over
0	64,600	0.00	3.35%	0
64,600	156,150	2,164.00	6.60%	64,600
156,150	237,950	8,206.00	7.60%	156,150
237,950	-	14,423.00	8.75%	237,950

Single Individuals

Taxable Income				
over	But not over	Pay	+ % on Excess	of amt over
0	38,700	0.00	3.35%	0
38,700	93,700	1,296.00	6.60%	38,700
93,700	195,450	4,926.00	7.60%	93,700
195,450	-	12,659.00	8.75%	195,450

Equals

Initial Vermont Tax Liability (Before Credits)

How to calculate final tax liability

Initial Vermont Tax Liability (Before Credits)

minus

Non-Refundable Credits

Credit for child and dependent care expenses, credit for elderly and disabled, investment tax credit, [Charitable Tax Credit](#)

minus

Refundable Credits

[Earned Income Tax Credit](#)

Multiplied by

Vermont Apportionment Percentage

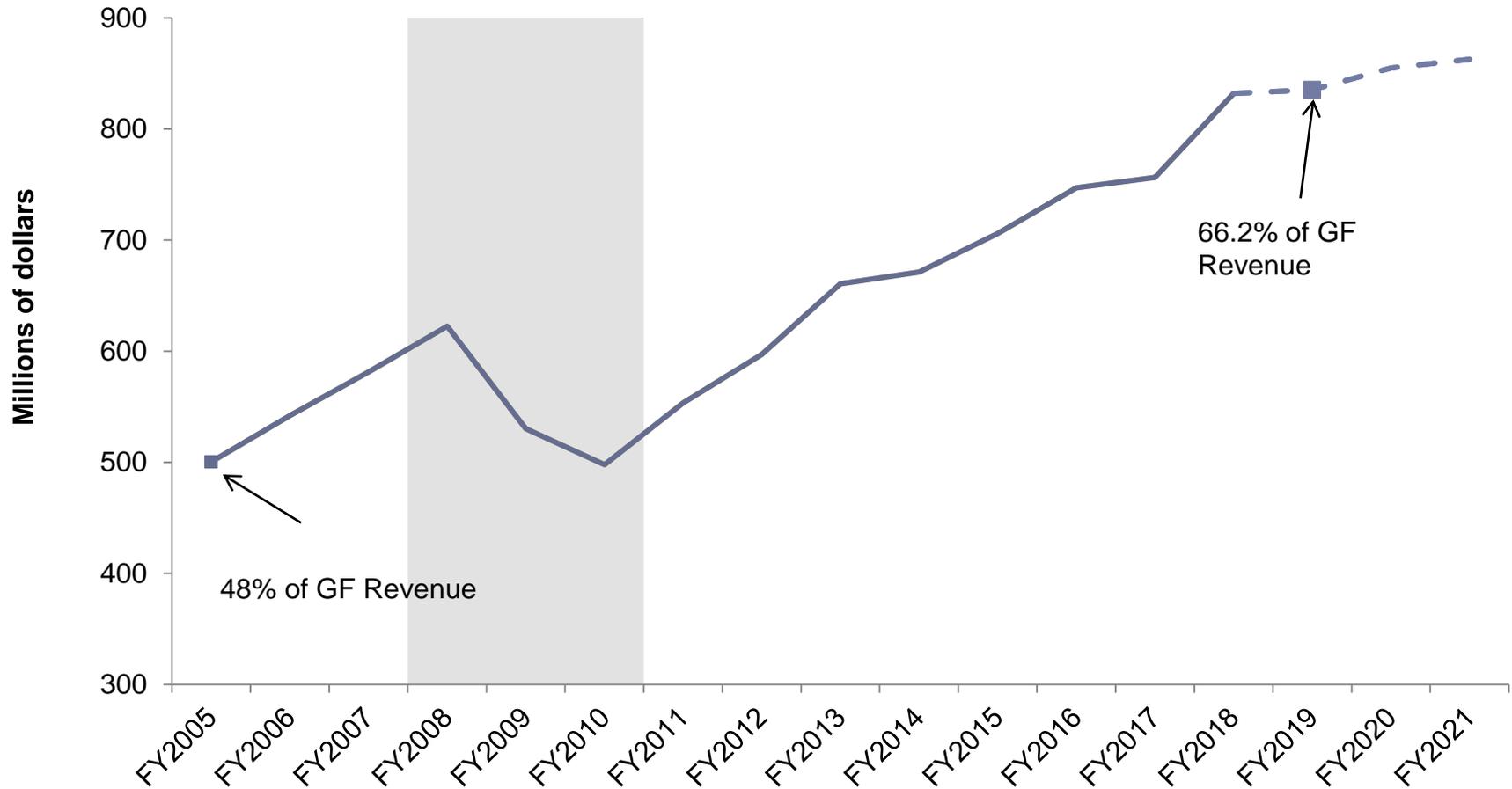
The percentage of income based in Vermont

Equals

Final Vermont Tax Liability (or Refund)

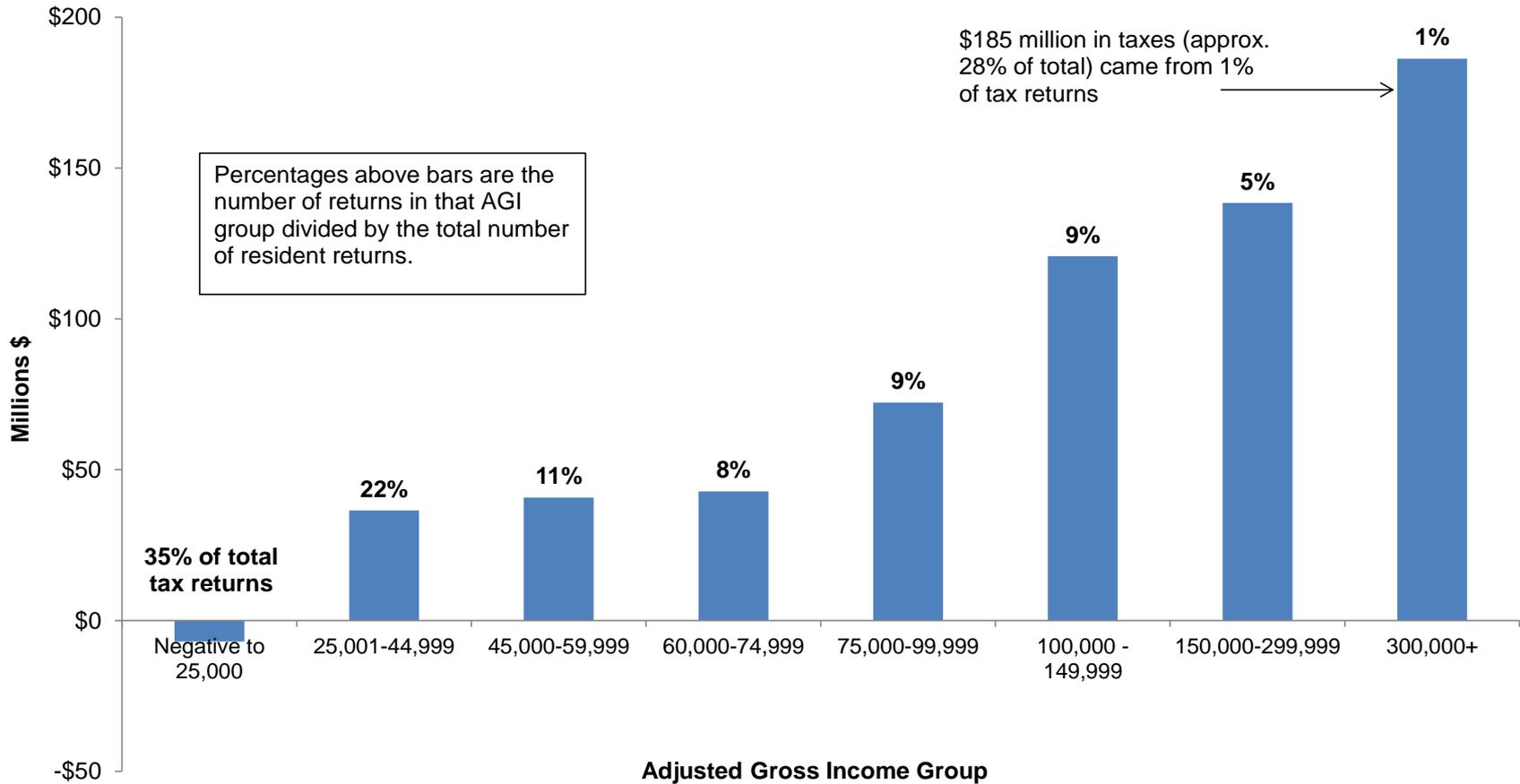
Personal Income Tax: How much do we collect?

Personal Income Tax Collections since FY2005
(Not Adjusted for Inflation)



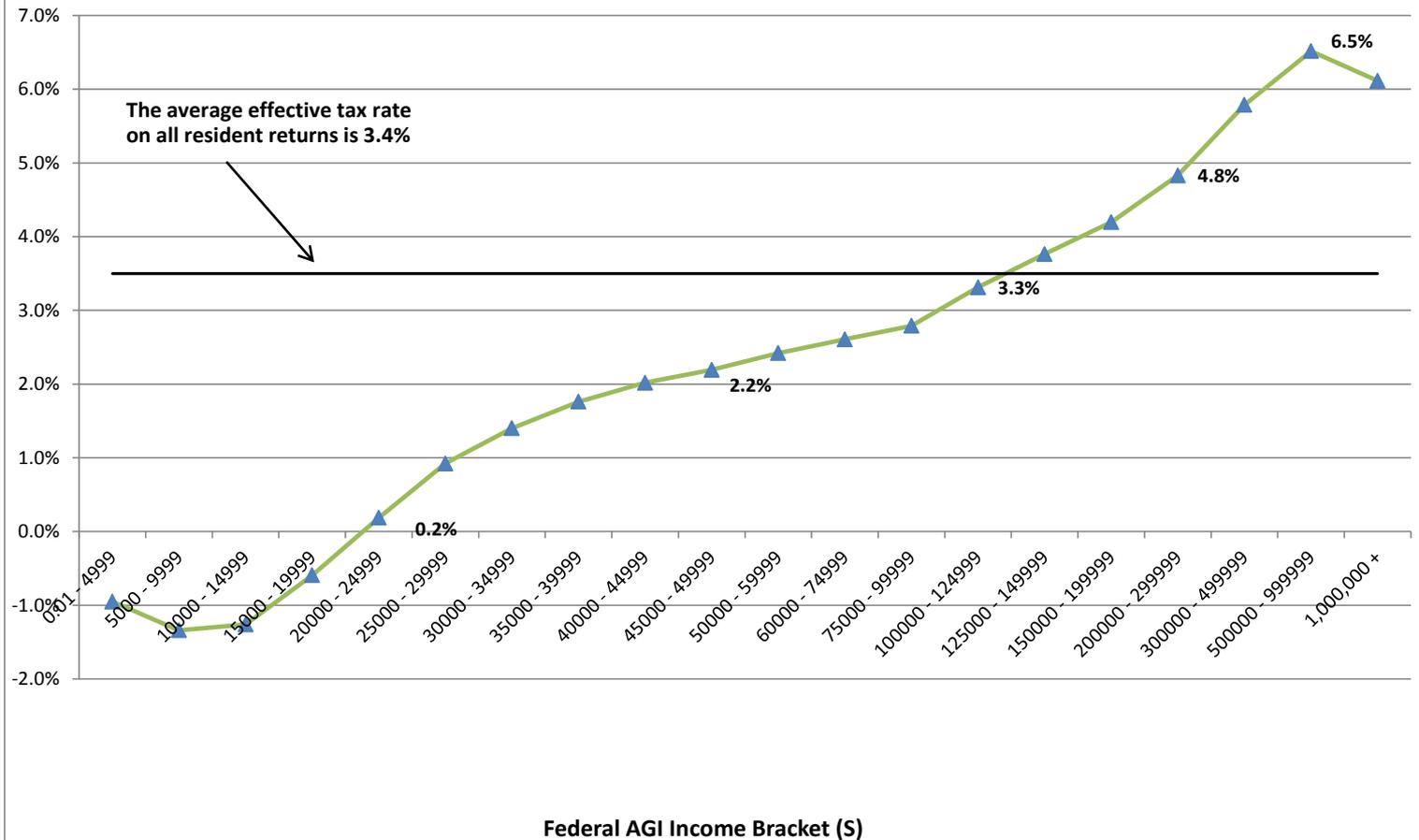
Personal Income Tax- Who Pays?

Total Vermont Taxes Paid by Residents, TY2016



Personal Income Tax- Who Pays?

**2016 Vermont Effective Personal Income Tax Rates,
or Net Vermont Tax Divided by Federal Adjusted Gross Income (AGI)-
Residents Only**



Personal Income Tax- What's New?

- ▶ **Tax Cuts and Jobs Act of 2017**
 - ▶ Changed definitions of Federal taxable income, personal exemptions, and deductions
 - ▶ Would have impacted Vermont personal income taxes by expanding the base through Federal Taxable Income
- ▶ **Act 11 of 2018 Special Session**
 - ▶ Major overhaul in Vermont Personal Income Tax system
 - ▶ “Decouples” from Federal system except AGI
 - ▶ Creates new VT exemptions and deductions
 - ▶ Simpler brackets and lower rates
 - ▶ New Social Security Exemption
 - ▶ New Charitable Tax Credit



Sales & Use Tax



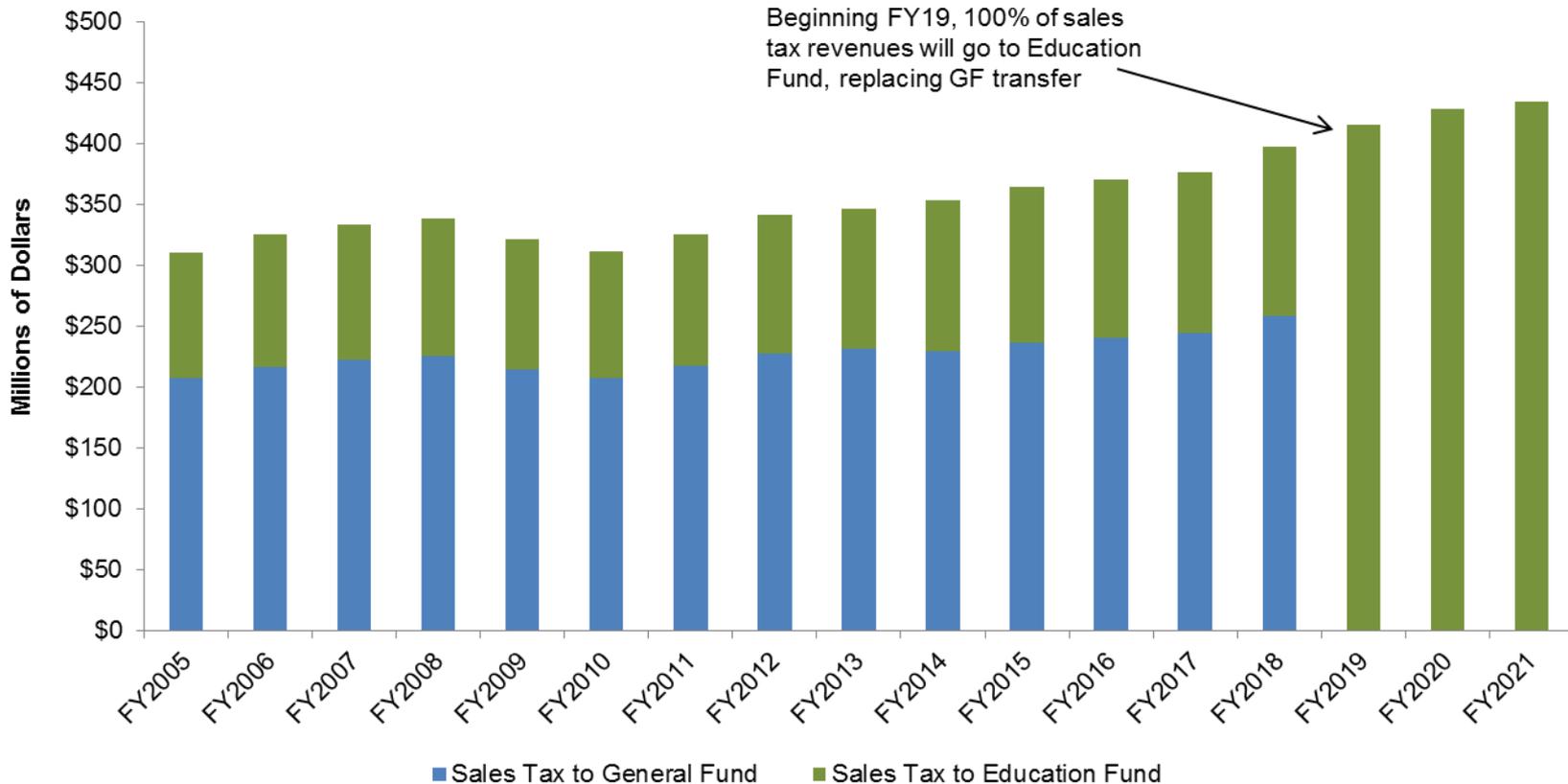
Sales and Use Tax- What is it?

- ▶ 6% on the retail sales of tangible personal property unless exempted by law.
- ▶ Destination based
 - ▶ Applied where the buyer takes possession of the item or where it was delivered.
- ▶ Does not apply to most services
- ▶ Revenues dedicated exclusively to the Education Fund beginning in FY2019
- ▶ Exemptions aplenty! (more on that later)



Sales & Use Tax: How much do we collect?

Sales Tax Collections Since FY2005
(Not Adjusted for Inflation)



Sales & Use Tax- Who pays it?

- ▶ Remitted by the retailer, final point of sale. Everyone pays but...
- ▶ Exemptions for groups and goods
 - ▶ Organizations who don't pay sales tax
 - ▶ 501(c)(3) organizations
 - ▶ Federal, state, local governments
 - ▶ Purposes and goods exempted-usually to make it more progressive
 - ▶ Clothing
 - ▶ Groceries
 - ▶ Medical products
- ▶ Sales taxes (and most consumption-based taxes) considered to be regressive:
 - ▶ Lower-income residents pay higher percentage of income in sales taxes
 - ▶ They spend a higher proportion of their income on taxable goods



Sales & Use Tax- What's new?

▶ Internet/Remote Sales

- ▶ Prior to June 2018, states could only collect sales tax if a vendor had a “nexus” in the state (Quill Decision)
- ▶ Supreme Court overruled Quill in June 2018: Wayfair Decision
 - ▶ States can now legally collect sales tax from remote sellers

▶ Current Vermont law

- ▶ Sellers are required to remit if they have greater than \$100,000 in sales in Vermont or over 200 transactions
- ▶ Prior to Wayfair, Vermont was already collecting from large online vendor's direct sales (Amazon, Wal-Mart, Home Depot)



Corporate Income Tax



Corporate Income Tax- What is it?

- ▶ **Background: Types of Businesses**
 - ▶ C-Corporation: Larger business, profits accrue to corporation, 100+ shareholders
 - ▶ S-Corporation: Usually smaller businesses, profits dispersed to smaller number of shareholders
 - ▶ Sole Proprietors: Profits go to a single owner on their income
- ▶ Tax on the net income of a C-Corporation
- ▶ Taxable income determined by formula using property, payroll and sales
- ▶ Vermont requires unitary combined reporting
 - ▶ Two types of business:
 - ▶ Unitary Combined: Those that file a VT return but are part of a larger company (13% of returns)
 - ▶ Not Combined: Those businesses that are not part of a larger company (87% of returns)
- ▶ Many businesses do not pay Corporate Income Tax.
 - ▶ They pay through personal income tax instead

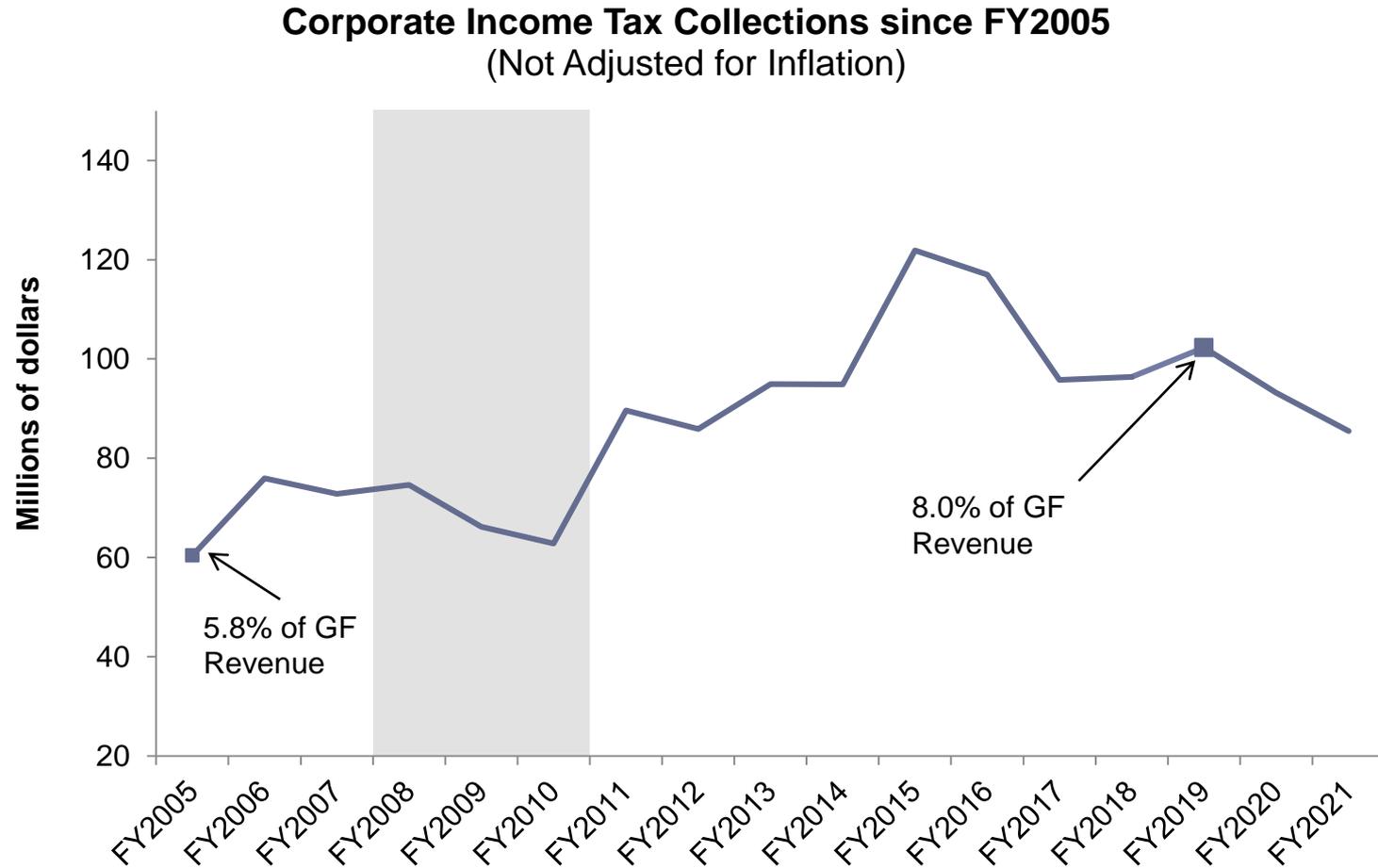


Corporate Income Tax – What is it?

Corporate Income Tax Table	
Taxable Income Bracket	Tax Rate
\$3,751 up to \$10,000	6.00%
\$10,000 up to \$25,000	7.00%
\$25,000 and over	8.50%



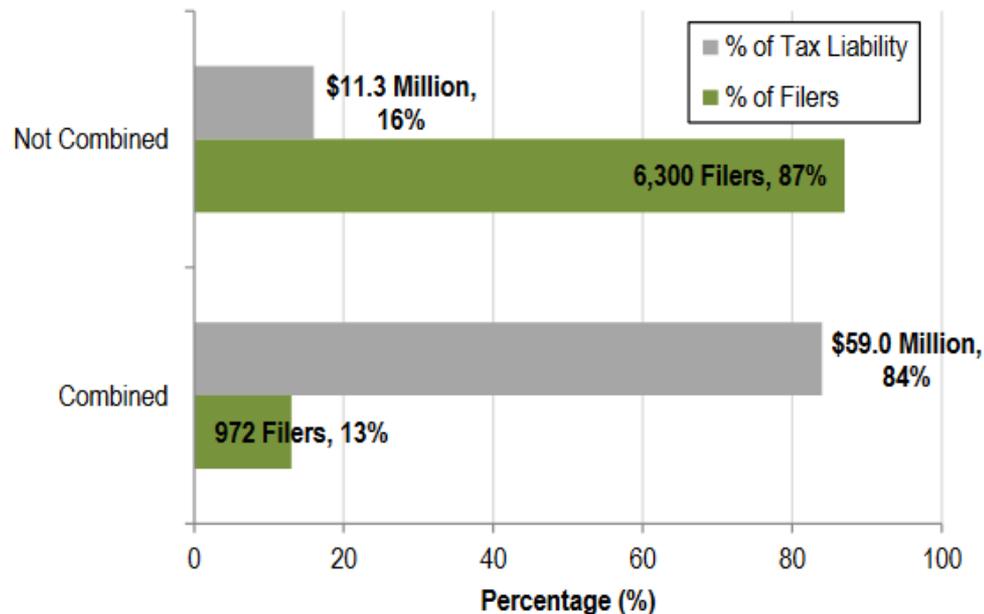
Corporate Income Tax- How much do we collect?



Corporate Income Tax – Who pays it?

- ▶ Only C Corporations
- ▶ Most revenue comes from a minority of larger unitary combined returns

Figure 22. Corporate Income Tax by Type of Return: Unitary Combined or Not Combined, Tax Year 2014



Corporate Income Tax – What's New

▶ Tax Cuts and Jobs Act of 2017

- ▶ Changed the rules around treatment of foreign profits which could lead to one-spikes in Corporate Taxable Income
- ▶ Lots of uncertainty about when Vermont could see jumps in Corporate Tax revenues
 - ▶ Some evidence that we have already, although it could be slowing



Other major revenue sources

▶ **Meals and Rooms Tax**

- ▶ 9% on taxable meals and rented rooms, 10% on alcohol portion of meals
- ▶ \$173 million in FY18
- ▶ Beginning FY19, 25% of revenues to EF, 75% to GF

▶ **Cigarette and Tobacco Products Tax**

- ▶ \$3.08 per pack for cigarettes, 92% of wholesale price for other tobacco products
- ▶ \$71 million in FY18
- ▶ Revenues dedicated to State Healthcare Resource Fund

▶ **Insurance Premiums Tax**

- ▶ 2% per year on the gross amount of premiums written in Vermont
 - ▶ Paid in lieu of CIT
 - ▶ \$57 million in FY18
 - ▶ Revenues dedicated to GF
-



Other major revenue sources

**TABLE 1 - STATE OF VERMONT (POST-H.911 REVENUE ALLOCATIONS)
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - January 2019**

CURRENT LAW BASIS

*including all Education Fund
allocations and other out-transfers*

	FY 2015	%	FY 2016	%	FY 2017	%	FY 2018	%	FY 2019	%	FY2020	%	FY2021	%
	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>
REVENUE SOURCE														
Personal Income	\$705.9	5.2%	\$747.0	5.8%	\$756.5	1.3%	\$832.0	10.0%	\$824.9	-0.8%	\$853.2	3.4%	\$858.7	0.6%
Sales and Use*	\$237.0	3.1%	\$241.0	1.7%	\$244.9	1.6%	\$258.6	5.6%	\$0.0	NM	\$0.0	NM	\$0.0	NM
Corporate	\$121.9	28.5%	\$117.0	-4.0%	\$95.8	-18.1%	\$96.4	0.6%	\$122.5	27.2%	\$97.5	-20.4%	\$85.2	-12.6%
Meals and Rooms	\$150.8	5.7%	\$154.2	2.2%	\$165.3	7.3%	\$173.2	4.8%	\$136.1	-21.4%	\$140.7	3.4%	\$144.4	2.6%
Cigarette and Tobacco	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM
Liquor	\$18.2	2.9%	\$18.3	0.8%	\$19.1	4.4%	\$19.8	3.6%	\$20.2	1.9%	\$20.7	2.5%	\$21.1	1.9%
Insurance	\$55.3	-3.1%	\$56.2	1.7%	\$57.0	1.3%	\$57.5	1.0%	\$57.8	0.5%	\$58.3	0.9%	\$58.7	0.7%
Telephone	\$7.7	-14.9%	\$3.2	-59.2%	\$5.7	80.6%	\$4.7	-16.8%	\$4.1	-13.7%	\$3.6	-12.2%	\$3.2	-11.1%
Beverage	\$6.7	4.2%	\$6.7	0.6%	\$6.9	2.9%	\$7.1	2.5%	\$7.2	1.3%	\$7.4	2.7%	\$7.5	2.0%
Electric**	\$9.4	-28.2%	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM
Estate***	\$9.9	-72.2%	\$12.5	26.5%	\$16.7	33.3%	\$22.9	37.6%	\$19.1	-16.7%	\$20.9	9.4%	\$21.8	4.3%
Property	\$10.9	8.7%	\$11.5	6.0%	\$12.6	9.0%	\$12.4	-1.5%	\$13.5	8.8%	\$14.4	7.2%	\$15.1	4.5%
Bank	\$10.7	-2.0%	\$10.7	-0.6%	\$13.2	24.0%	\$13.1	-1.3%	\$12.4	-5.2%	\$12.6	1.6%	\$12.8	1.6%
Other Tax	\$2.0	4.5%	\$1.8	-9.0%	\$2.2	18.0%	\$1.8	-15.2%	\$2.4	30.3%	\$2.5	4.2%	\$2.6	4.0%
Total Tax Revenue	\$1346.4	3.5%	\$1380.1	2.5%	\$1395.7	1.1%	\$1499.5	7.4%	\$1220.2	-18.6%	\$1231.8	0.9%	\$1231.1	-0.1%
Business Licenses	\$1.1	0.2%	\$1.1	-1.6%	\$1.2	16.8%	\$1.2	-2.9%	\$1.0	-17.3%	\$1.1	12.0%	\$1.1	1.8%
Fees	\$22.1	7.0%	\$23.0	4.2%	\$48.5	110.8%	\$47.1	-2.9%	\$47.6	1.1%	\$48.4	1.7%	\$49.1	1.4%
Services	\$1.5	12.5%	\$2.8	86.6%	\$3.0	7.9%	\$2.9	-4.2%	\$3.3	14.5%	\$3.4	3.0%	\$3.5	2.9%
Fines	\$3.5	-3.1%	\$3.7	5.5%	\$4.4	21.0%	\$3.5	-19.8%	\$3.6	1.0%	\$3.6	1.7%	\$3.7	1.1%
Interest	\$0.2	51.9%	\$0.6	136.1%	\$1.2	108.2%	\$2.3	96.1%	\$5.2	126.4%	\$5.5	5.8%	\$5.7	3.6%
All Other****	\$1.0	-20.4%	\$1.3	25.9%	\$2.9	128.5%	\$2.4	-18.8%	\$1.1	-53.4%	\$1.3	18.2%	\$1.4	7.7%
Total Other Revenue	\$29.4	4.7%	\$32.3	10.1%	\$61.2	89.3%	\$59.4	-3.0%	\$61.8	4.1%	\$63.4	2.6%	\$64.5	1.8%
TOTAL GENERAL FUND	\$1375.8	3.6%	\$1412.4	2.7%	\$1457.0	3.2%	\$1558.9	7.0%	\$1282.0	-17.8%	\$1295.1	1.0%	\$1295.6	0.0%

Source: Legislative Economist's Forecast, July 2018

Fees



Fees

- ▶ Monetary charges for services or products provided to, or regulation of, specific classes or individuals or entities.
 - ▶ Examples: Driver's license fees, Act 250 fees, securities registration fees, professional licensing fees
 - ▶ Most fees set by General Assembly (with exemptions)
 - ▶ Most fees should be reasonably related to cost of service or regulation related to fee (with exemptions)
- ▶ Most individual fees go to special funds, but...
- ▶ Most fee revenue goes to general fund or T-fund
 - ▶ Fees raise roughly \$200 million annually
 - ▶ FY18: \$47.1 million GF and \$86.0 million TF



Fees

▶ Executive Branch Fee Report

- ▶ Due annually for certain areas of State government
- ▶ Shall contain each fee, amount of each fee, revenue raised, dedicated fund, among other information
- ▶ Who's up in 2019? “Protection to Persons and Property”

▶ Judicial Branch Fee Report – next due in 2020

▶ Fee Bill

- ▶ Statute requires Governor to submit a fee request each year
- ▶ Request goes to the House Committee on Ways and Means, which shall:
 - ▶ Consult with other committees with jurisdiction over fee subject
 - ▶ Prepare and introduce a “consolidated fee bill”



Tax Expenditures



VERMONT **Tax Expenditures** **2019 Biennial Report**

January 15, 2019
Pursuant to 32 V.S.A. § 312.



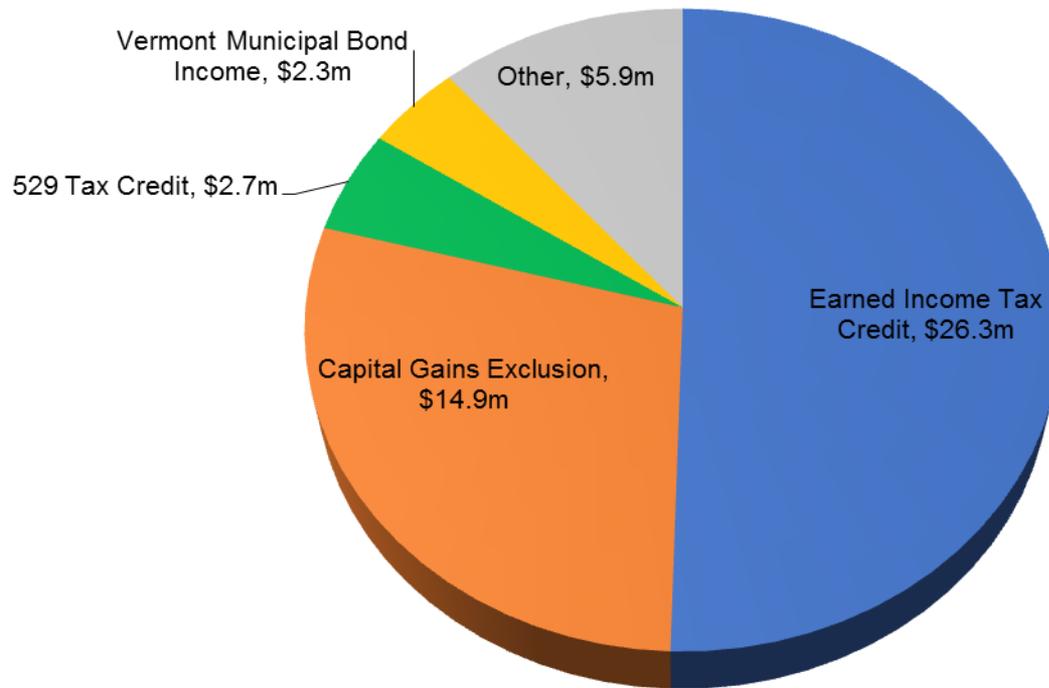
Tax Expenditures

- ▶ Statutory provisions which reduce the amount of revenue that would otherwise be collected
- ▶ Done to encourage a particular activity or limit the amount of taxes collected from certain groups
- ▶ Examples:
 - ▶ Tax credits and deductions
 - ▶ Earned Income Tax Credit, Social Security deduction
 - ▶ Exemptions from the tax base
 - ▶ Clothing exempt from the sales tax
- ▶ JFO publishes a report every two years
 - ▶ 2019 report due January 15, 2019



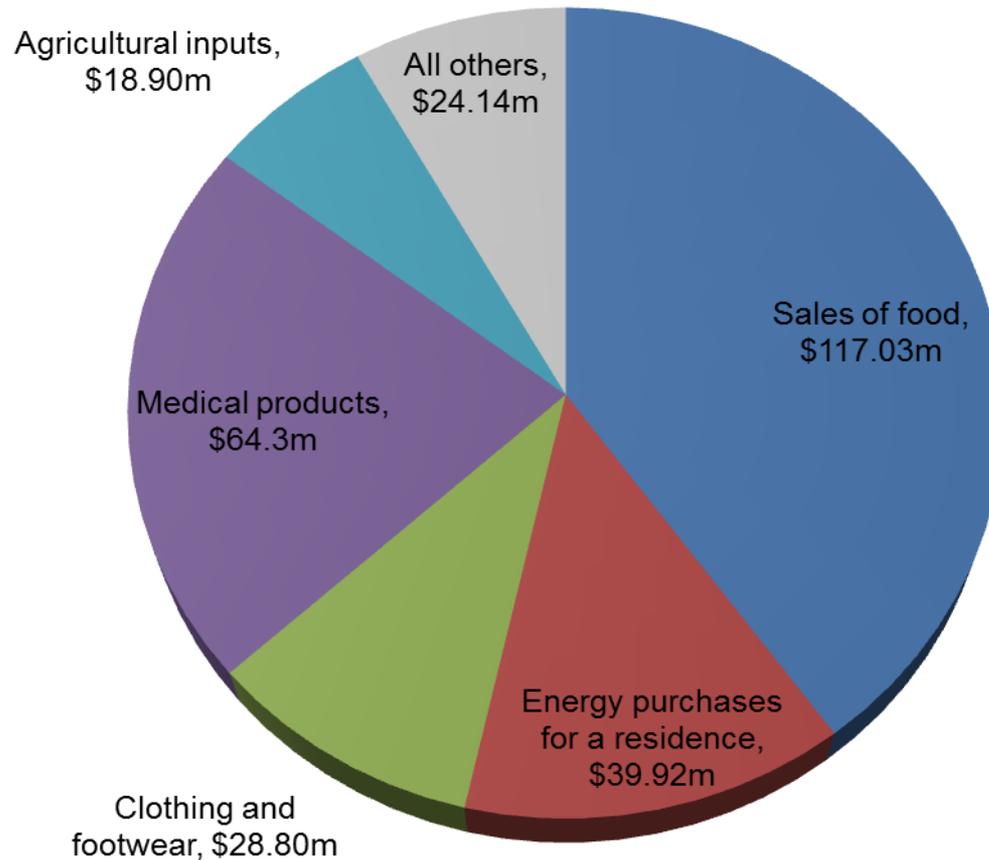
Personal Income Tax- Tax Expenditures

**FY2017 Vermont-Specific Personal Income Tax Expenditures:
\$52.09 million**



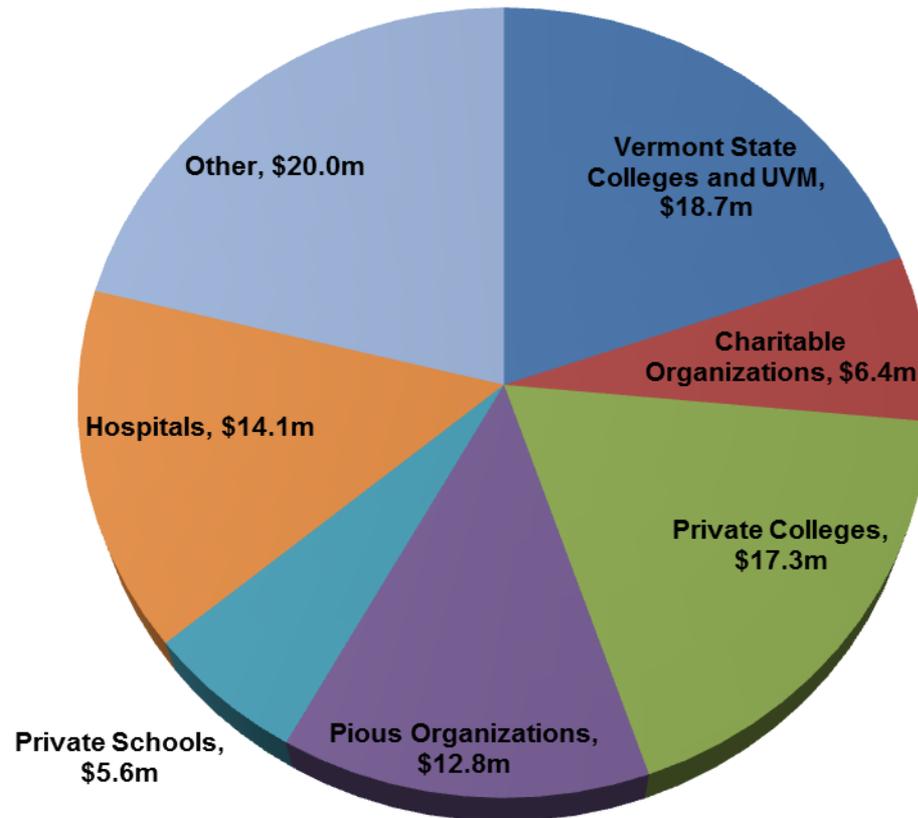
Sales and Use Tax Expenditures

FY2017 Estimated Sales Tax Exemptions: \$293 million



Property Tax Expenditures

FY2018 Property Tax Expenditures: \$94.8 million



Resources

- ▶ JFO Website, Revenue/Tax Page
 - ▶ Revenue Forecasts for information on revenues:
<https://ljfo.vermont.gov/subjects/revenue-and-tax/state-forecasts>
 - ▶ Ten Year Tax Studies for overview of whole system:
<https://ljfo.vermont.gov/subjects/revenue-and-tax/ten-year-tax-studies>
 - ▶ Tax Expenditure Reports: <https://ljfo.vermont.gov/subjects/revenue-and-tax/tax-expenditure-reports>
- ▶ Fiscal Facts: <https://ljfo.vermont.gov/publications/fiscal-facts>
- ▶ Department of Taxes, Research and Reports:
<https://tax.vermont.gov/research-and-reports>
- ▶ Contact me with any question!
 - ▶ gcampbell@leg.state.vt.us
 - ▶ 802-828-5768

