

Recommendation 1: Restructure the Personal Income Tax

What Happened?

1A	Shift tax base from federal Taxable Income to federal Adjusted Gross Income.	Statute amended to shift tax base to federal AGI in 2017 (Act 73) for TY2018.
1B	Eliminate standardized and itemized deductions.	A VT standard deduction and personal exemption (eliminated at federal level) were created in 2018 (Act 11 Spec. Session
1C	Implement a lower, flatter rate and bracket structure.	Top bracket (8.95%) eliminated in Act 11; bottom 3 tax brackets decreased 0.2%; 4th bracket (8.8%) dropped to 8.75%.
1D	Implement a residential credit as a transparent alternative to deductions.	Not implemented, but in 2018 a Vermont standard deduction and personal exemptions were enacted.
1E	Evaluate all remaining personal income tax expenditures for opportunities for removal.	Specific actions taken: 2009 (#1 Sp. Session) tightened capital gains exclusion and included first addback of state & local income taxes; 2015 (#57) tightened cap on SLIN taxes and also capped remaining federal itemized deductions. Federal itemized deductions not previously added back were eliminated in 2018 (#11 Sp. Session).
1F	Reduce the number of filing statuses from four to two, single and joint.	Not implemented.

Recommendation 2: Broaden the Sales Tax Base

What Happened?

2A	Levy the general sales tax on all consumer-purchased services with limited exceptions for certain health and education services and business-to-business service transactions.	Not implemented.
2B	Eliminate all consumer-based sales tax expenditures retaining only the exemptions for food and prescription drugs.	Not implemented.
2C	Cut the sales tax rate from 6 percent to 4.5 percent.	Rate remains at 6%.
2D	Move as aggressively as possible with other states to collect tax revenue due on Internet purchases.	VT began amending the laws governing taxation of sales & use tax in 2003 to comply with multistate efforts to streamline this tax in order to collect taxes due on internet purchases; added language in 2016 (#134) requiring remote noncollecting sellers to notify VT purchasers that sales & use tax is due on nonexempt purchases; Wayfair decision (2018) eliminated need for these statutory requirements.
2E	Levy a sales tax on soda by removing its tax exemption as a food product.	Added 2015 (Act 91).

Recommendation 3: Enhance Scrutiny of Tax Expenditures

What Happened?

3A	Develop a legislative intent for each tax expenditure.	Act 75 (2005) required biennial reports detailing tax expenditures and their fiscal effect on major state taxes; Act 200 (2014) added new provisions throughout the statutes to provide statutory purposes for tax expenditures; Act 134 (2015) required new system of expedited and full reviews.
3B	Report the foregone revenue value of each tax expenditure biennially in the tax expenditure budget and refine the capacity to evaluate these values annually.	Requirement for Governor to present tax expenditure budget created in 2009. House passed bill in 2010 session (H.791) with stated purpose "to provide for the reauthorization, amendment to, or repeal of tax expenditures." Bill included estimates of foregone revenue, as do all biennial reports. Tax and JFO prepare this budget report.
3C	Sunset all tax expenditures that remain in the tax code in a multiyear cycle so that the Legislature evaluates and affirms these policy choices and require a sunset for new tax expenditures as a matter of good, transparent public policy.	Act 190 (2008) required Tax Commissioner to recommend to Legislature that any expenditures with revenue loss less than \$50k or if claimed by fewer than ten taxpayers in each of three preceding years be repealed two years hence (repealed in 2011). Act 33 (2015) charged the JFO with developing a strategy to evaluate the effectiveness of each Vermont tax expenditures. Act 134 (2016) further amended the reporting of expenditures.
3D	Require an evaluation of the valuation of tax exempt properties on the grand list, particularly those that qualify for the public, pious, and charitable exemption from the property tax. Any such mandate ought to be accompanied by a sufficient appropriation from the Legislature to avoid levying an unfunded mandate on local officials.	Act 190 (2008) required Tax Commissioner to recommend to Legislature that any expenditures with revenue loss less than \$50k or if claimed by fewer than ten taxpayers in each of three preceding years be repealed two years hence (repealed in 2011). Act 33 (2015) charged the JFO with developing a strategy to evaluate the effectiveness of each Vermont tax expenditures. Act 134 (2016) further amended the reporting of expenditures.

Recommendation 4: Invest in Tax Policy Resources

What Happened?

4A	Develop or ascertain a tax incidence study so that the Legislature may understand the full ramifications of its tax policy choices.	There has been considerable discussion on this topic over the years but no action taken, due primarily to cost and data issues.
----	---	---