

An Overview of the Ten-Year Tax Study

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Joint Fiscal Office

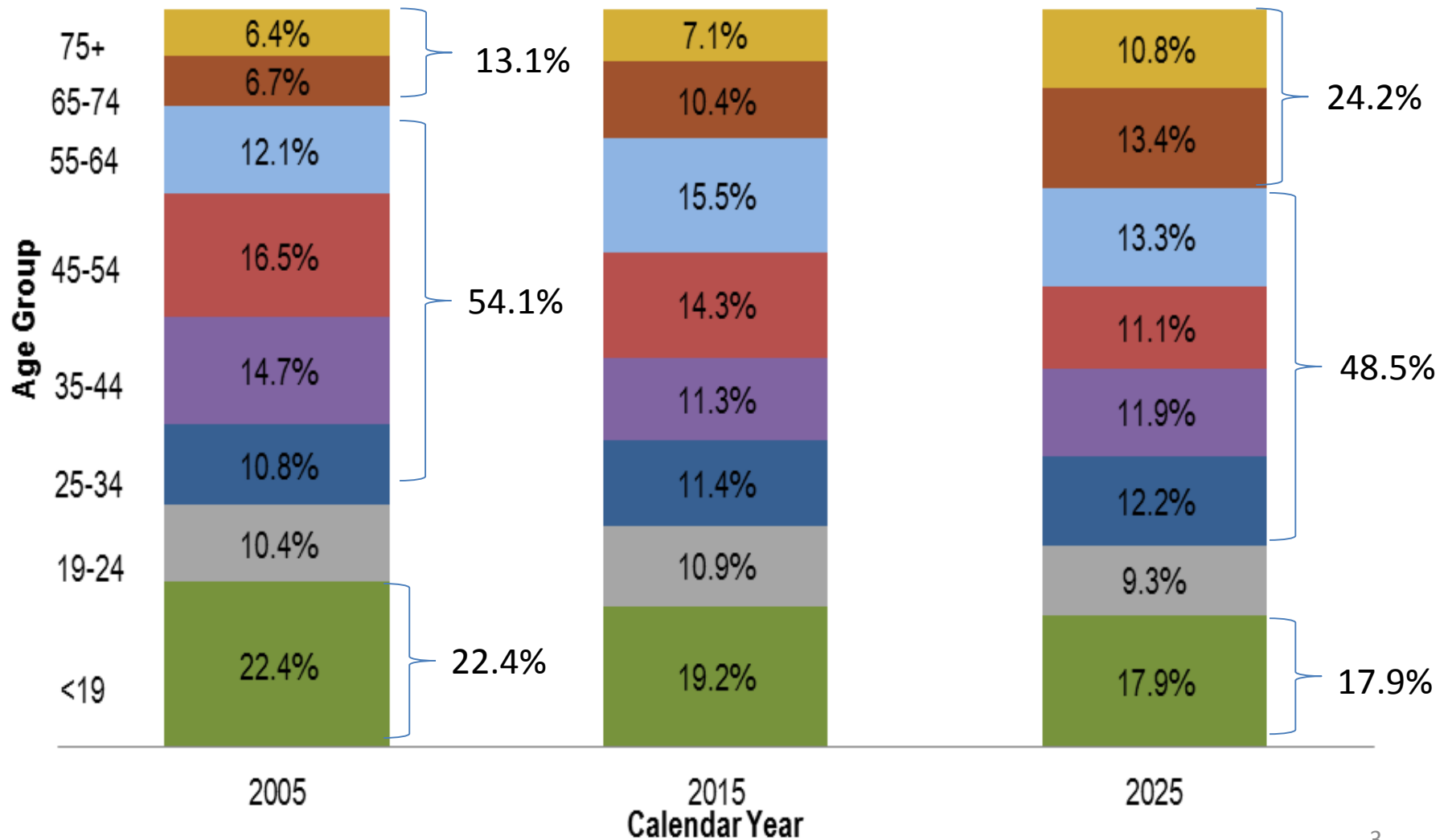
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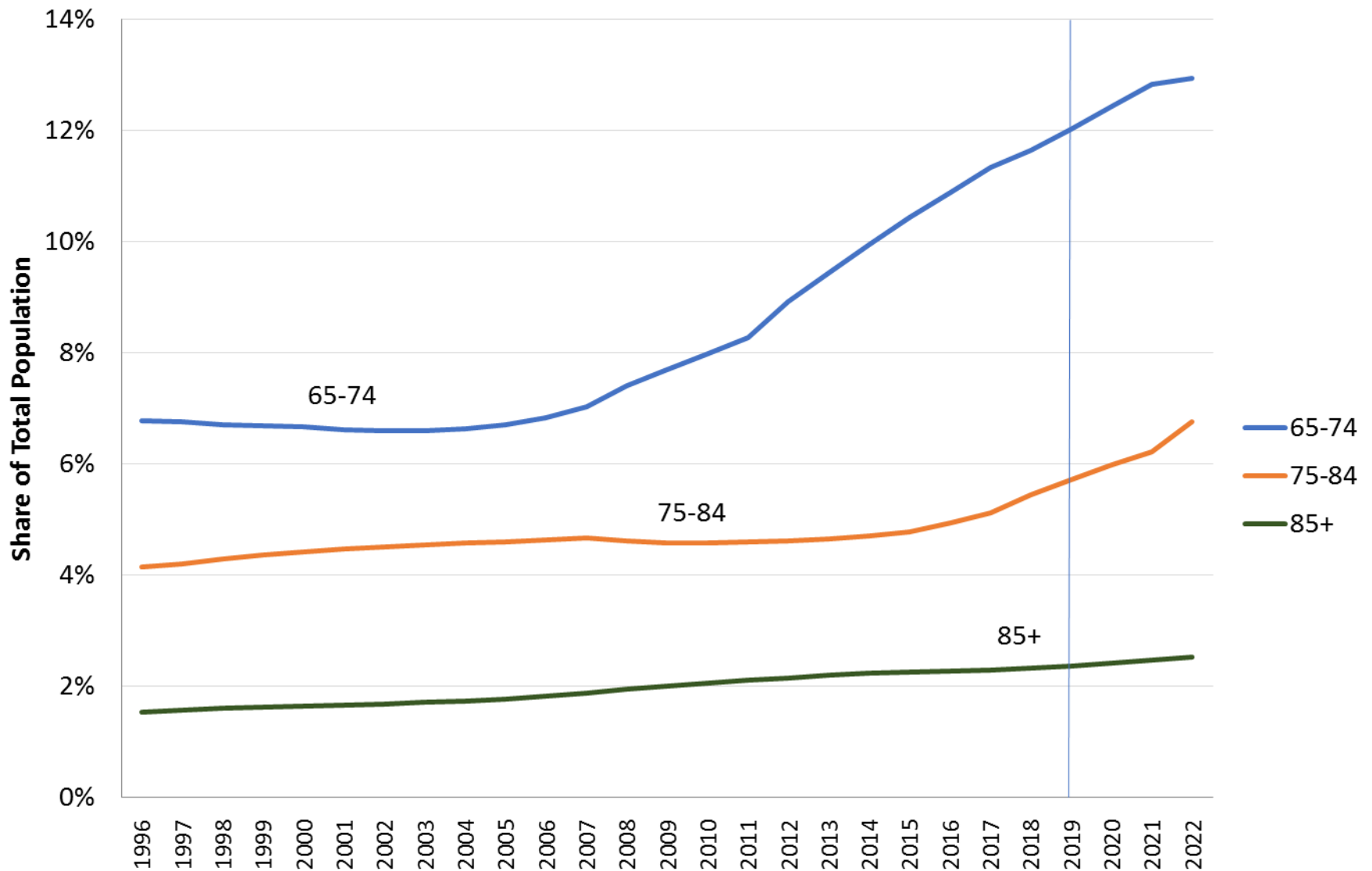
Major Findings

- The aging of Vermont has the potential to curb or reduce state revenues
- Vermont's progressive income tax structure results in relatively low effective tax rates
- Consumption taxes are regressive for many
- Property tax structure is relatively flat
- Case study analysis compares typical VT taxpayers to those in other states

Shares of Vermont's Population by Age Group; 2005, 2015, and Projected for 2025

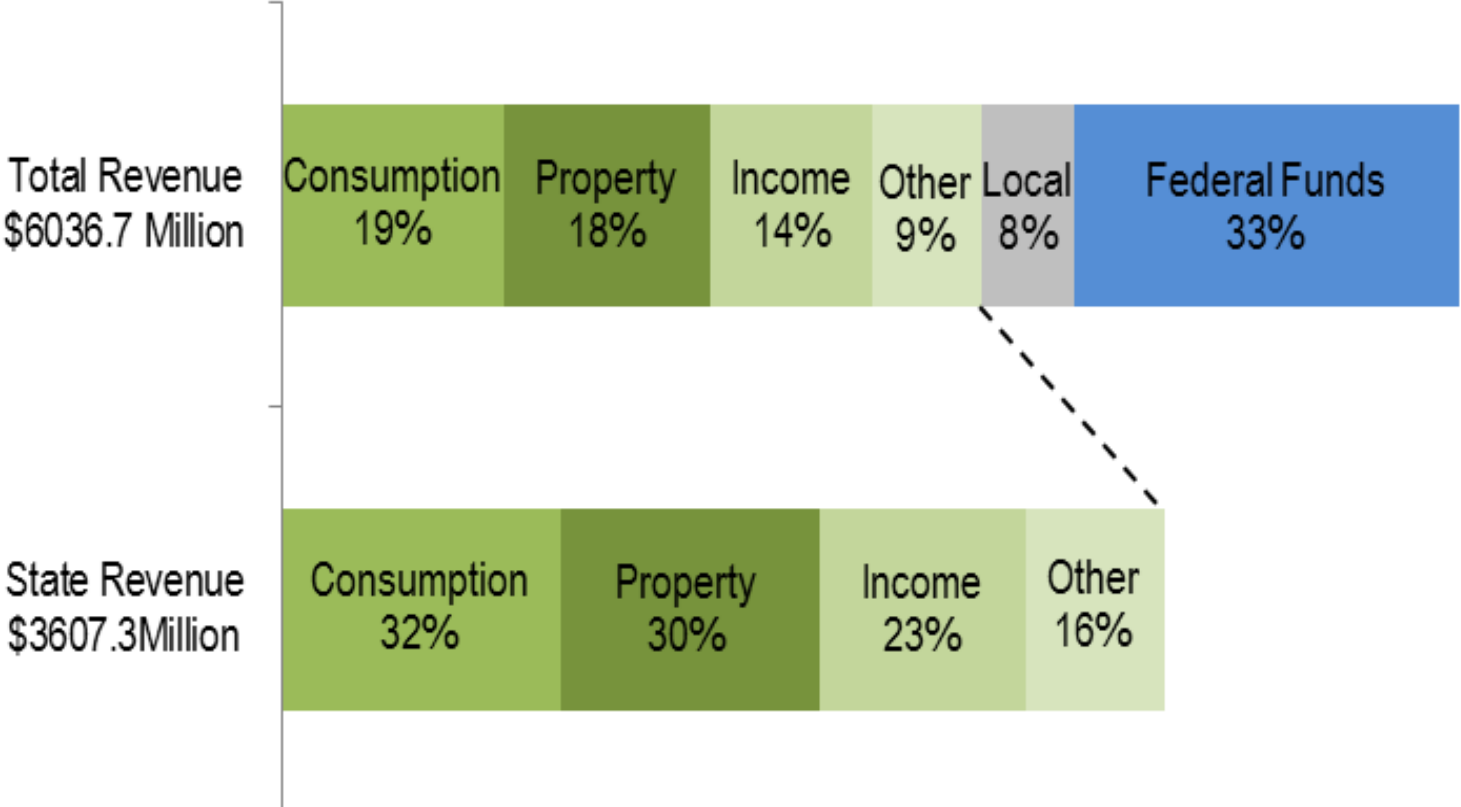


Shares of Older Vermonters: 65-74, 75-84, and 85+; 1996-2022

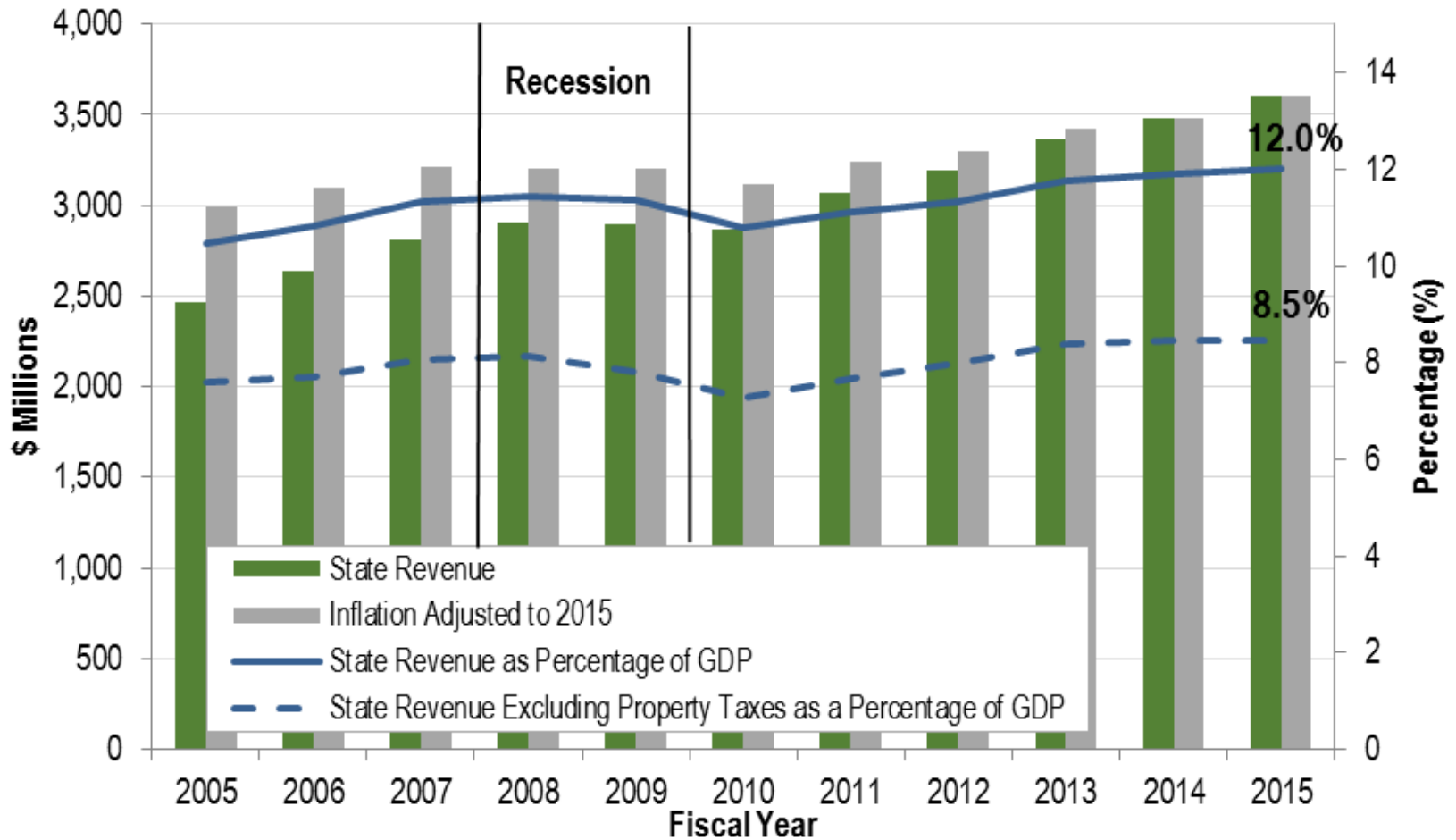


Sources: U.S. Census Bureau, historical numbers, and Consensus Population Estimates, October 2018.

Total Revenue and State Revenue, Fiscal Year 2015



Total State Revenue and as a Percentage of Vermont's Gross Domestic Product, FY 2005 – FY 2015



Comparison of State Revenue from Six Sources, Inflation Adjusted, FY 2005 to 2015

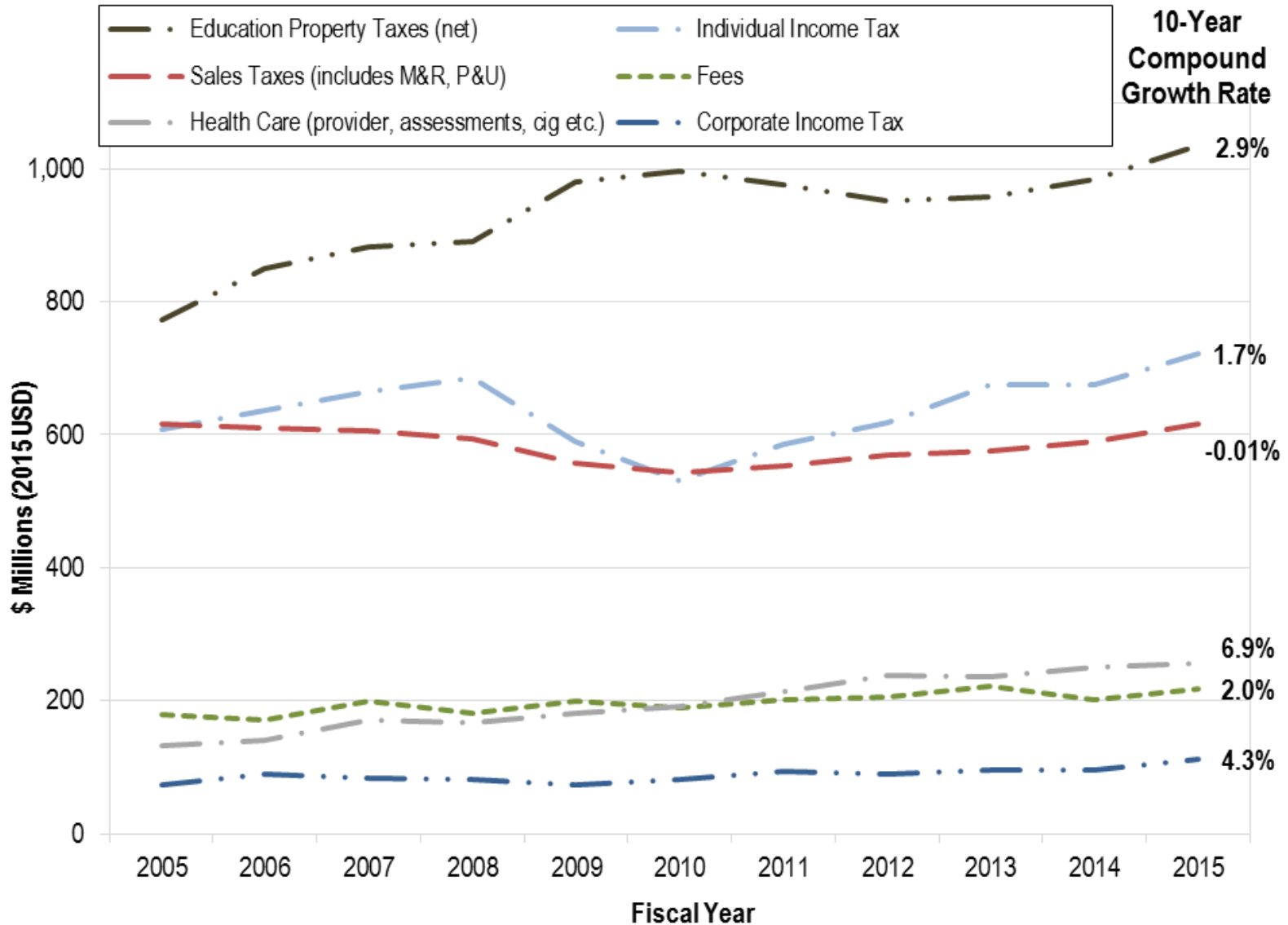
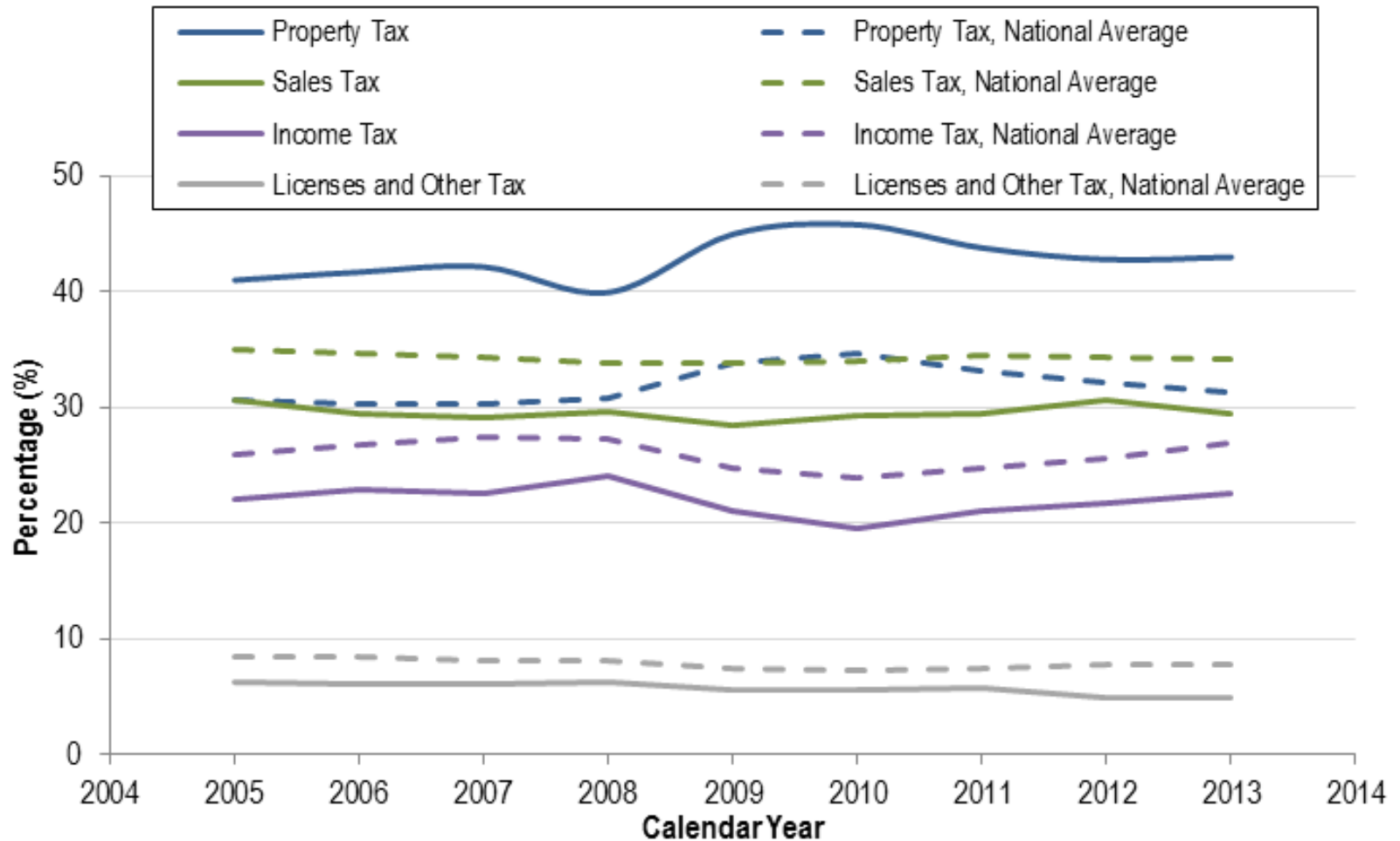
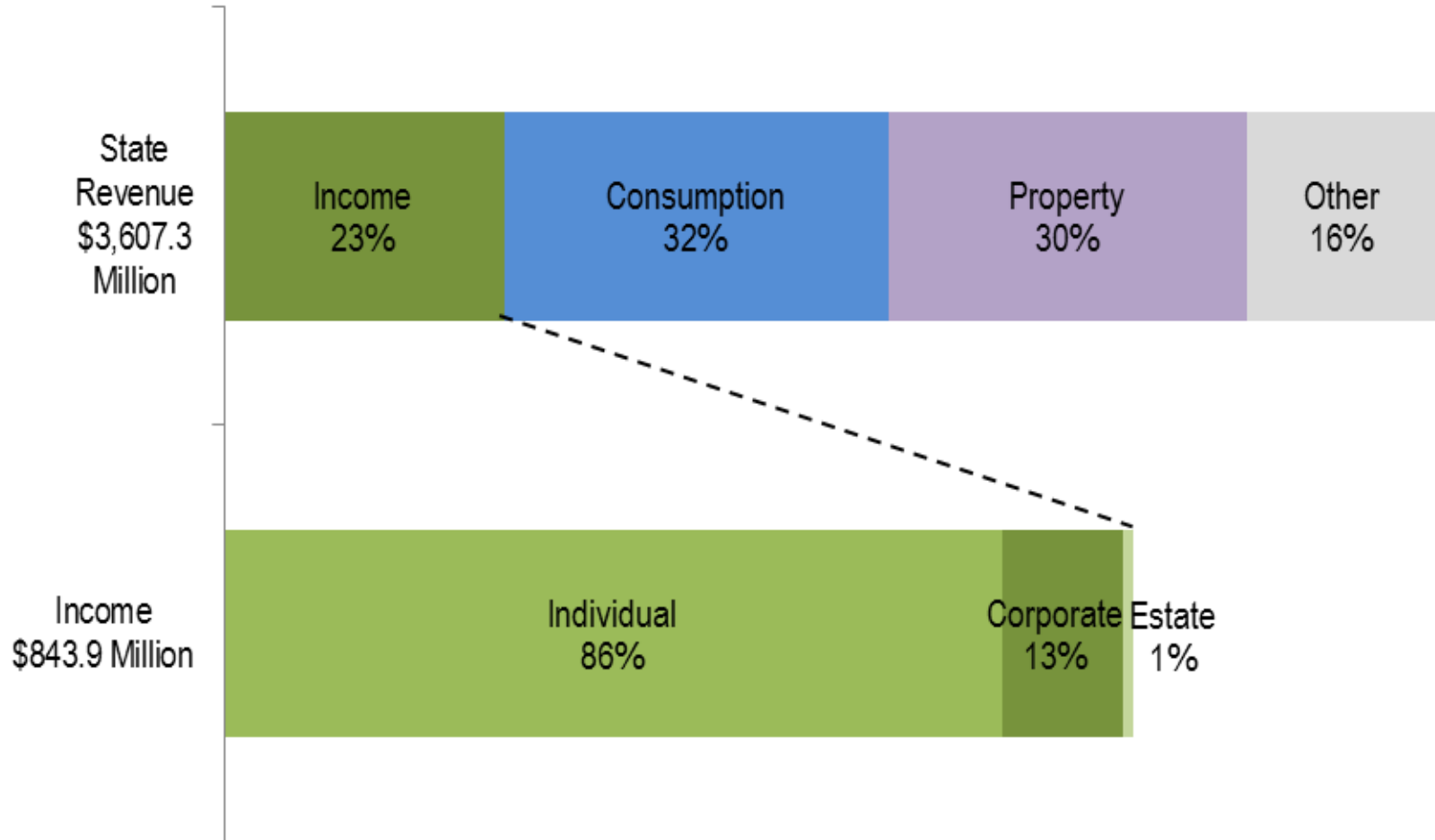


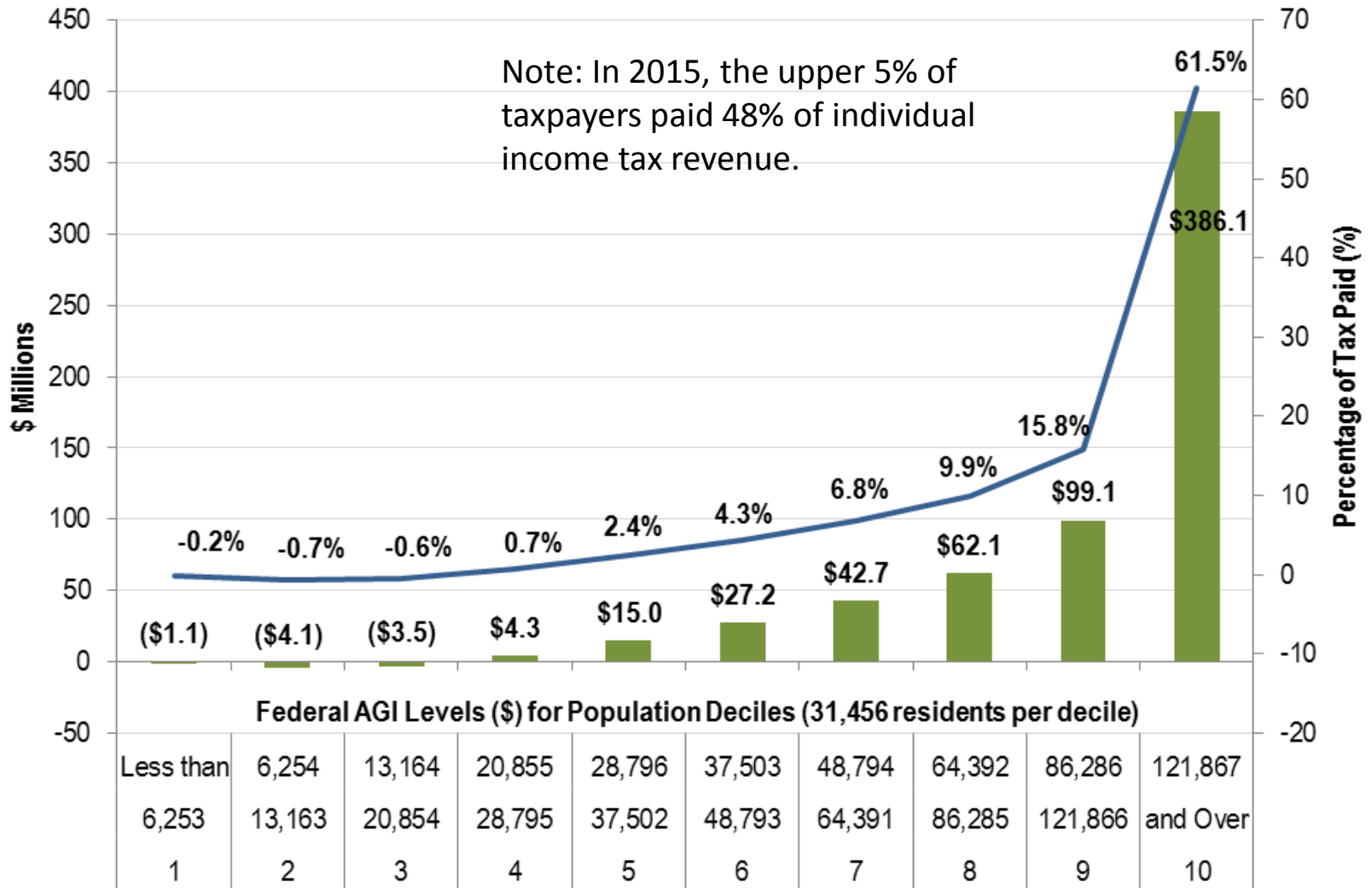
Figure 10. Historical Distribution of Income, Property and Consumption Taxes in Vermont, 2005-2013



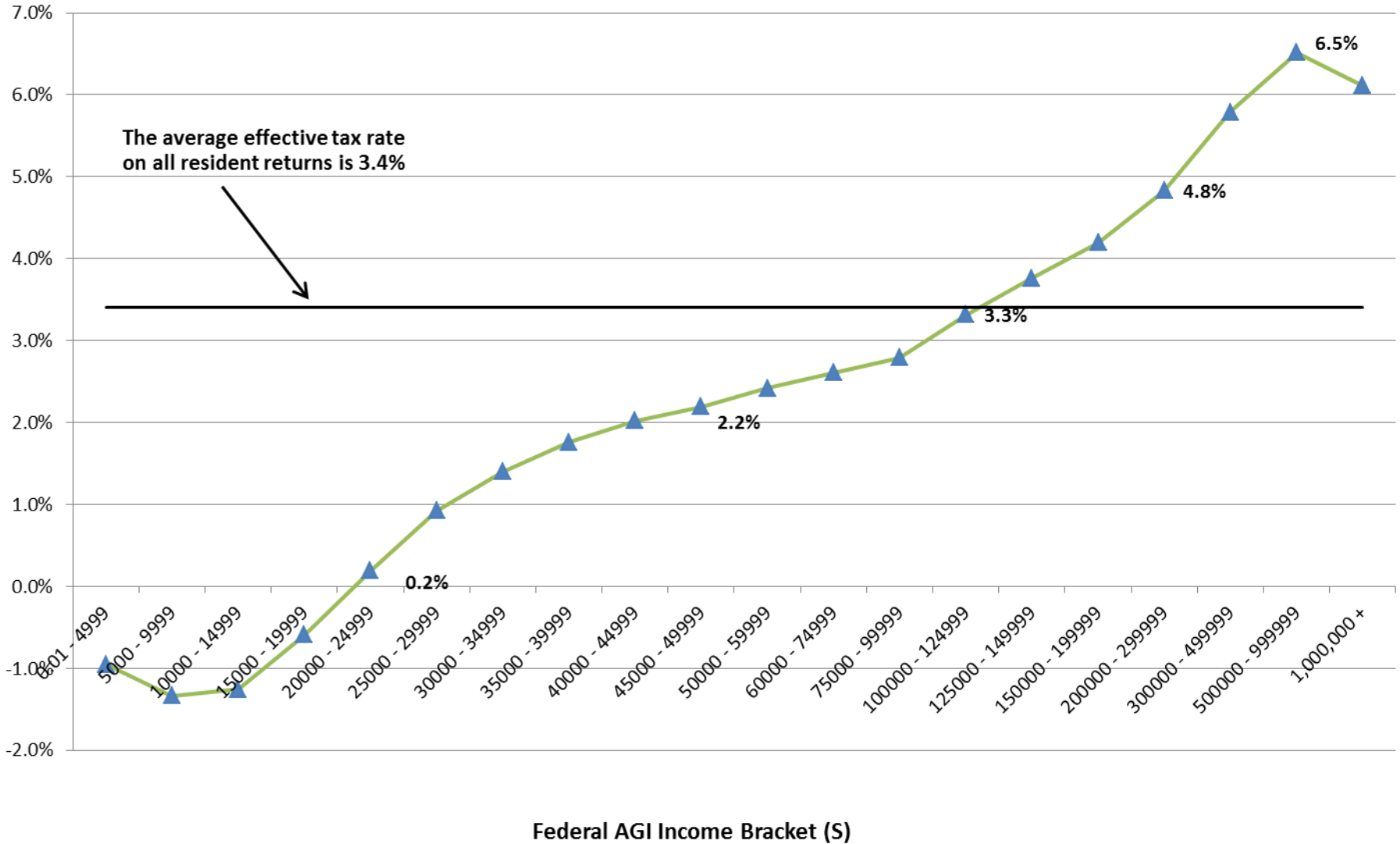
1. Vermont's Income Tax, FY 2015



Income Tax Revenue and Percentage of Total Tax Paid by Decile of Resident Tax Filers, Tax Year 2015



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



Migration of High-Income Filers, Those who have income >\$300,000 in year of migration

Figure 17. Migration of Vermont Resident High Income Filers, CY 2005-2014

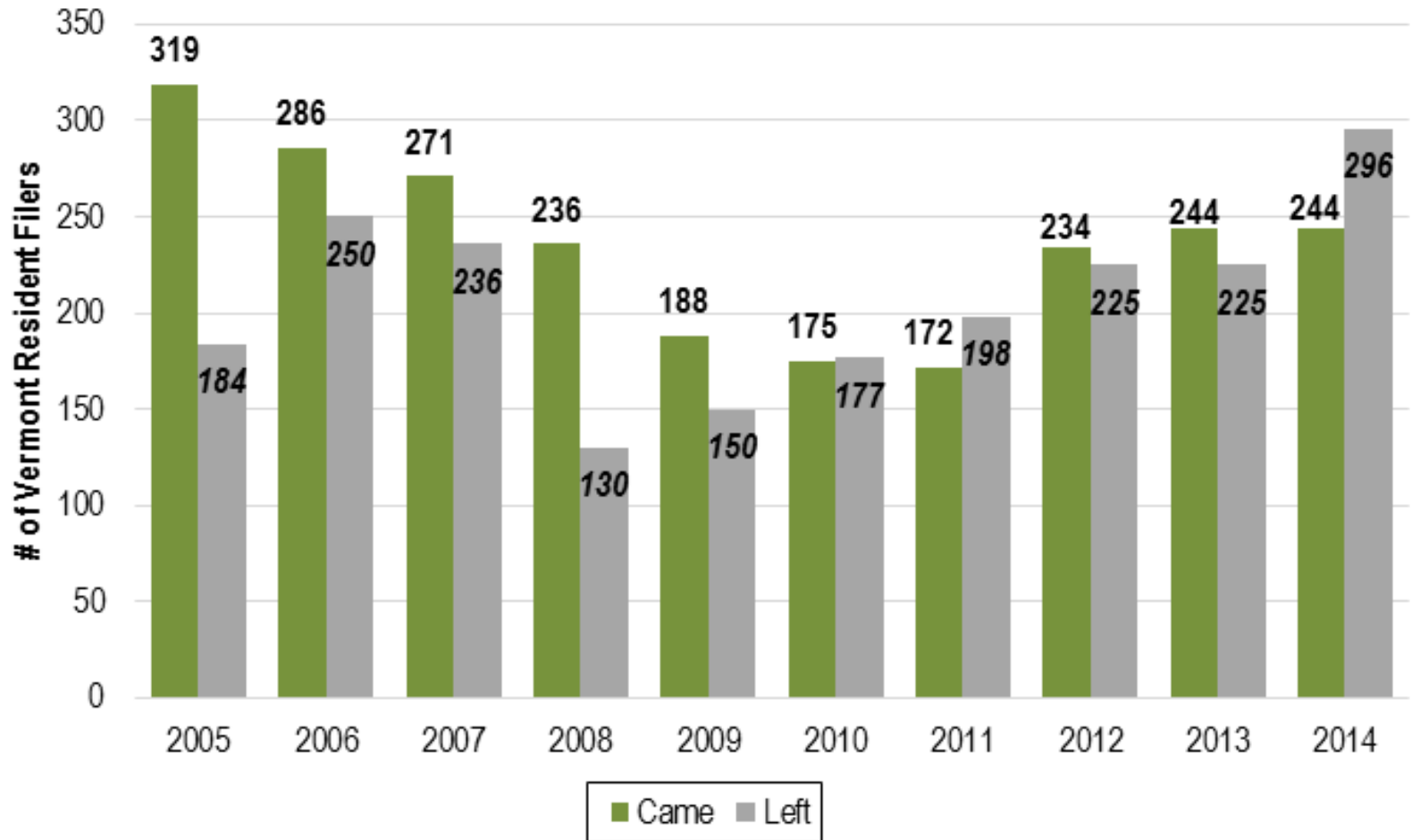
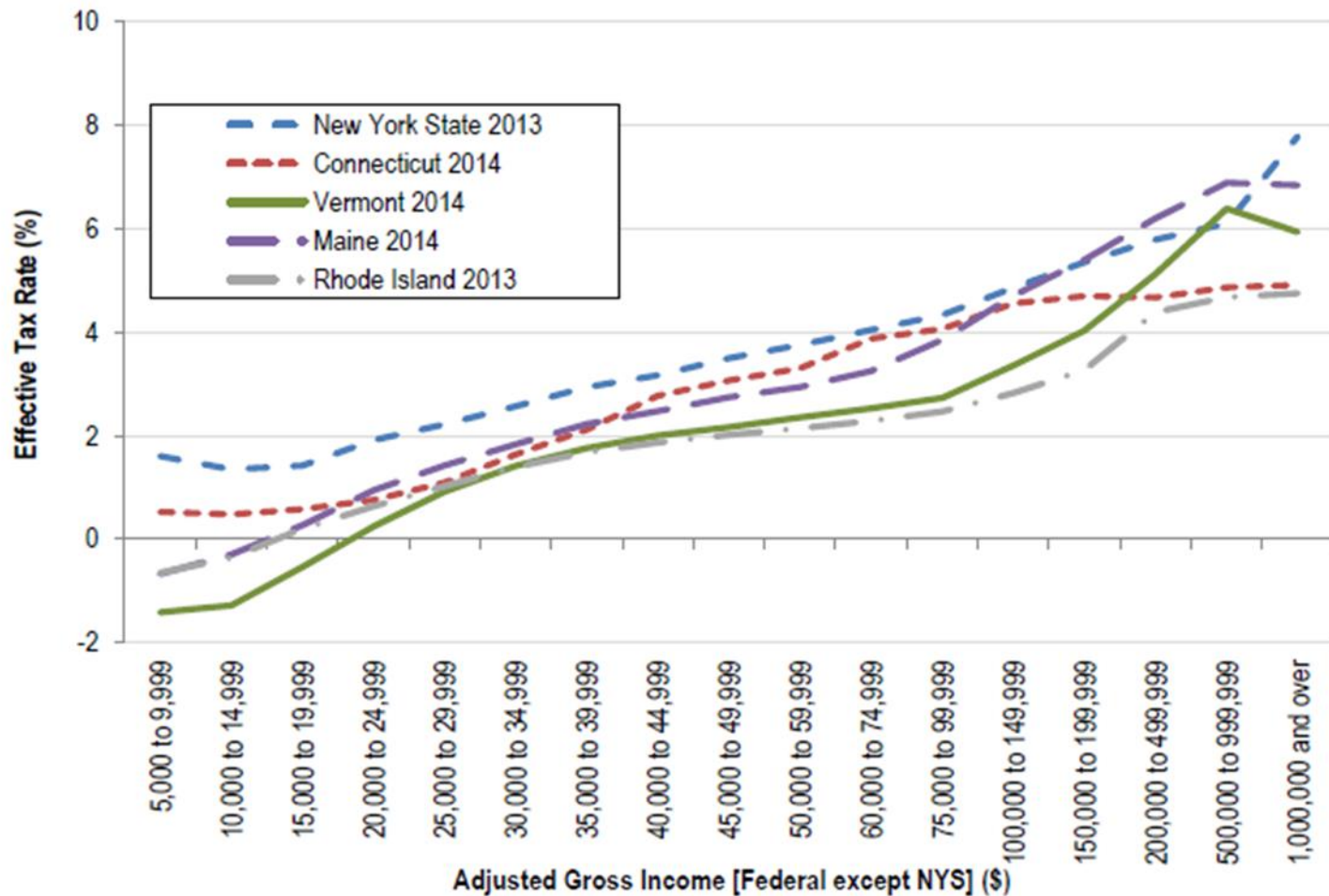


Figure 19. FY 2015 Vermont Income Tax Expenditures by Value



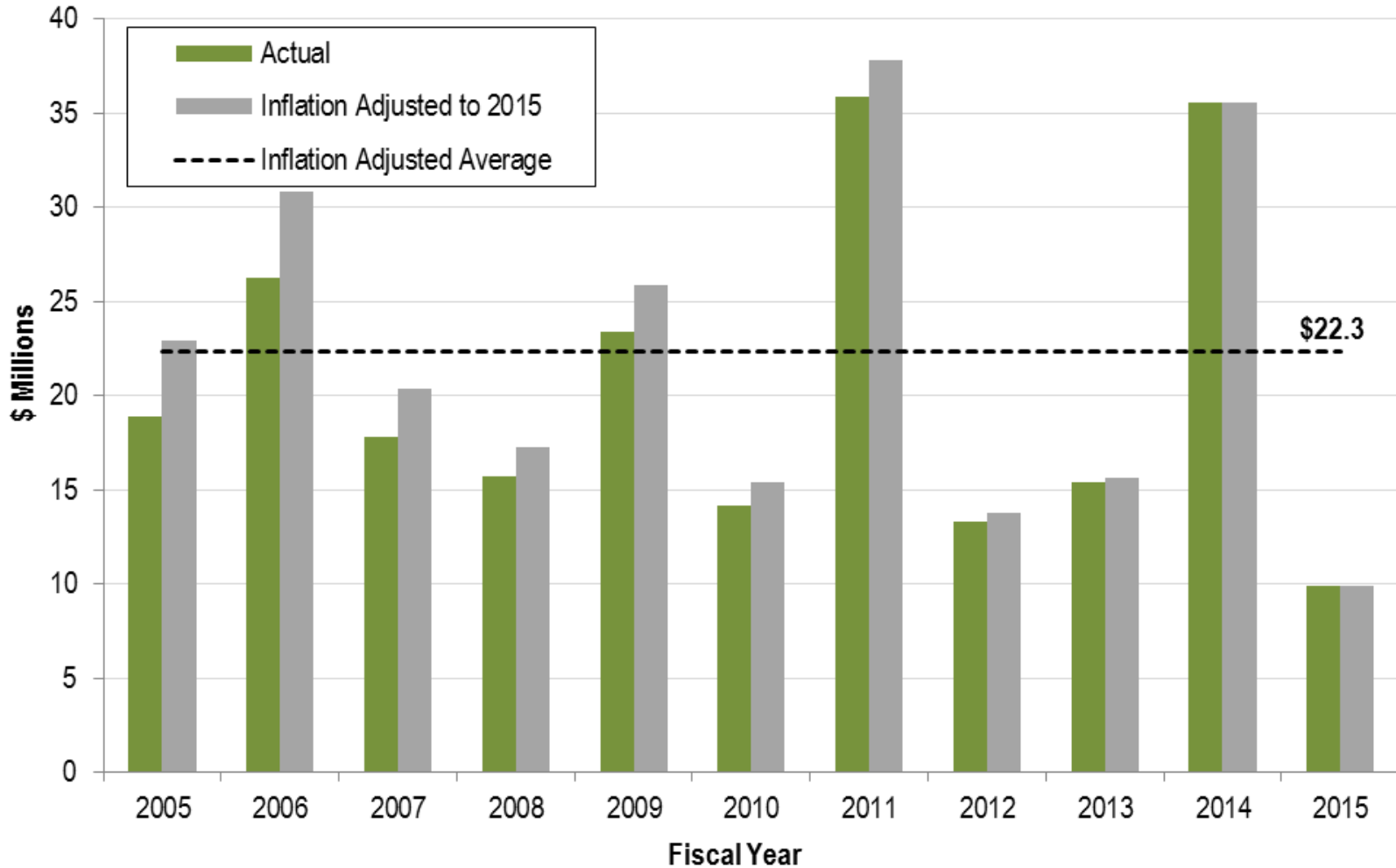
Note: No discussion of the corporate income tax here – you have an expert!

Figure 20. Effective Rate Comparison by AGI Level for the New England States and New York, Tax Liability as a Percentage of Federal AGI, 2013 and 2014

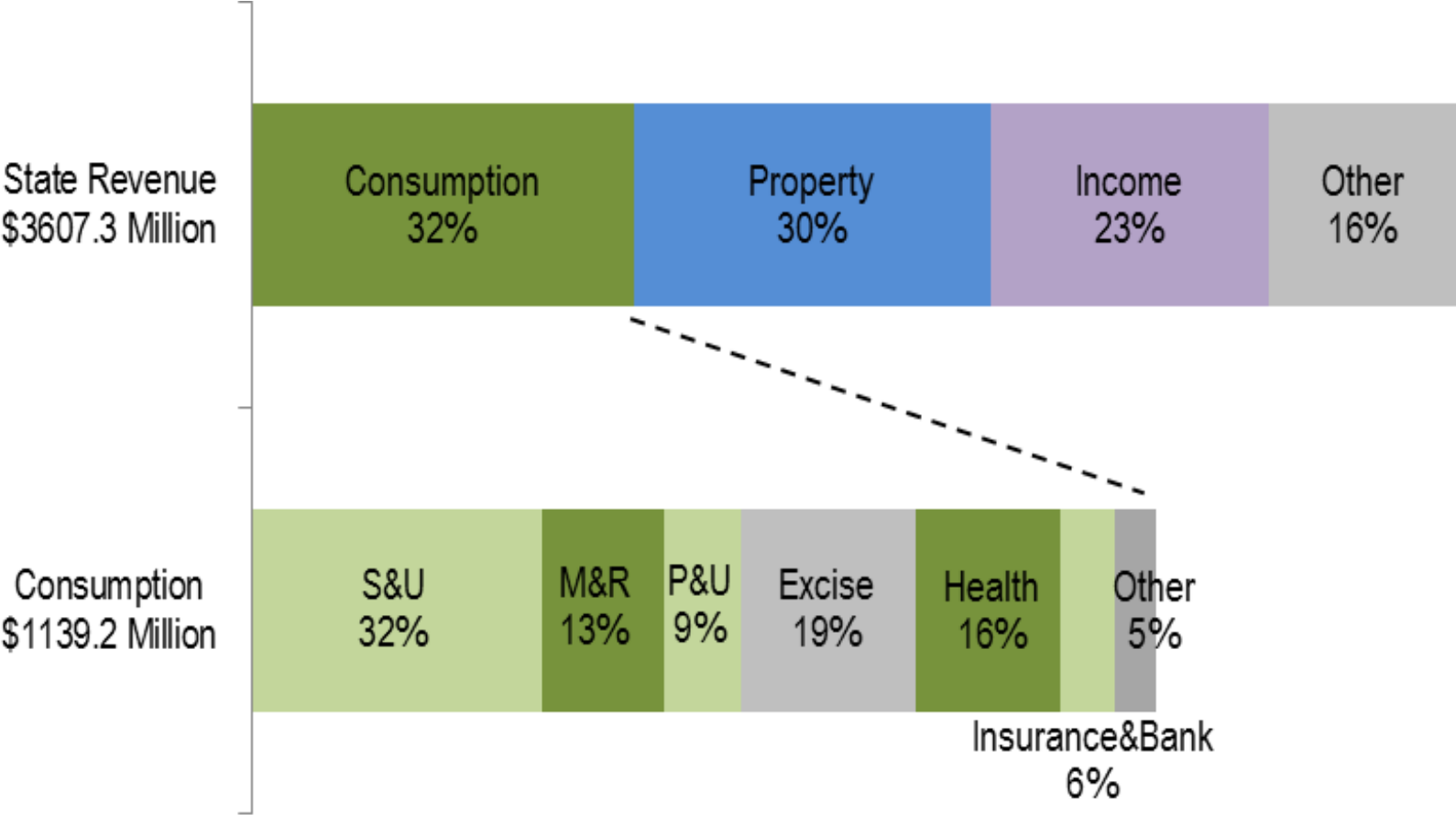


Note: The Effective Income Tax Rate is calculated using Federal AGI, except in New York, which uses state AGI in its calculation. New Hampshire does not tax income, and data was unavailable for Massachusetts.

Estate Tax Revenue, FY 2005 to 2015



2. Consumption Taxes in Vermont, FY 2015



An Example of an Excise Tax

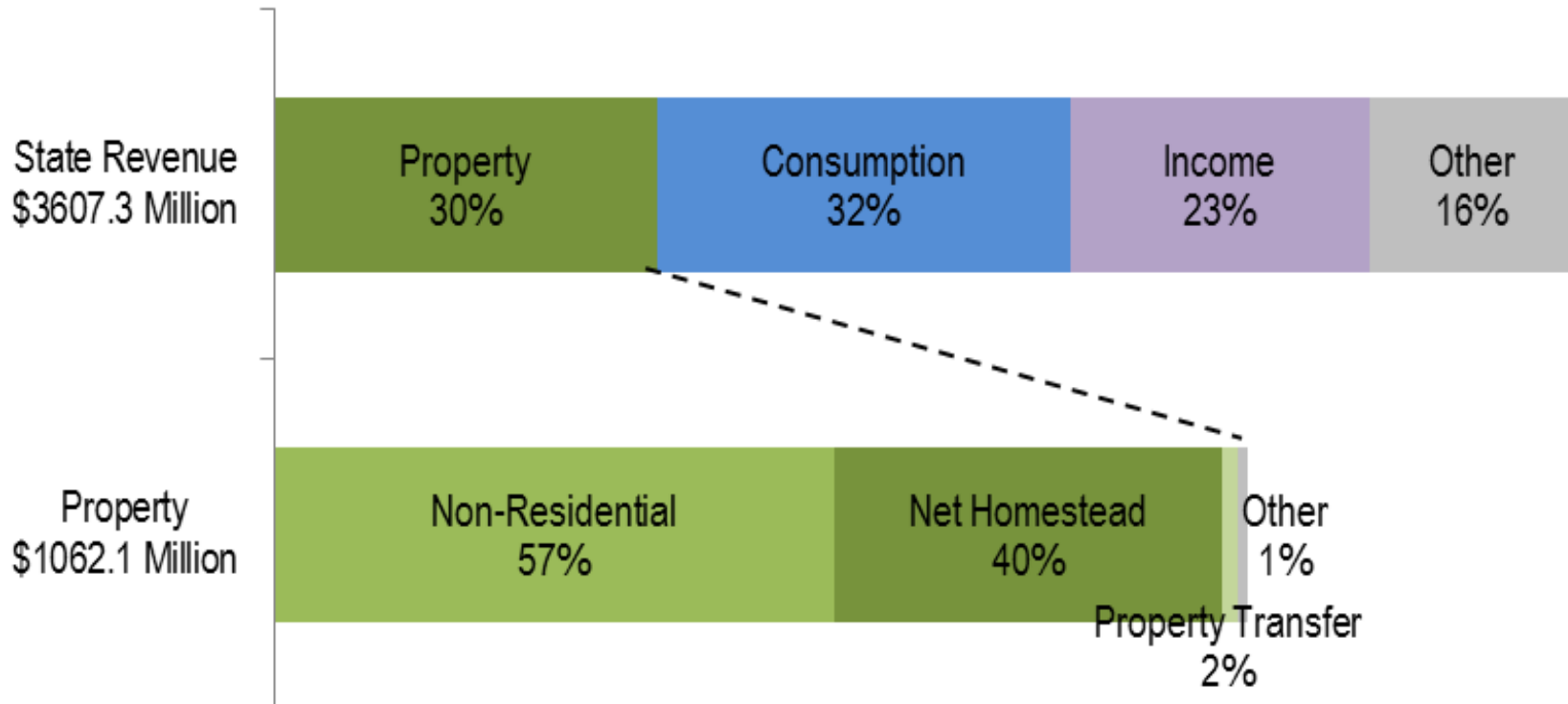
Also levied on alcoholic beverages and motor fuel

Table 16. Vermont Tobacco Products Taxes, 2016



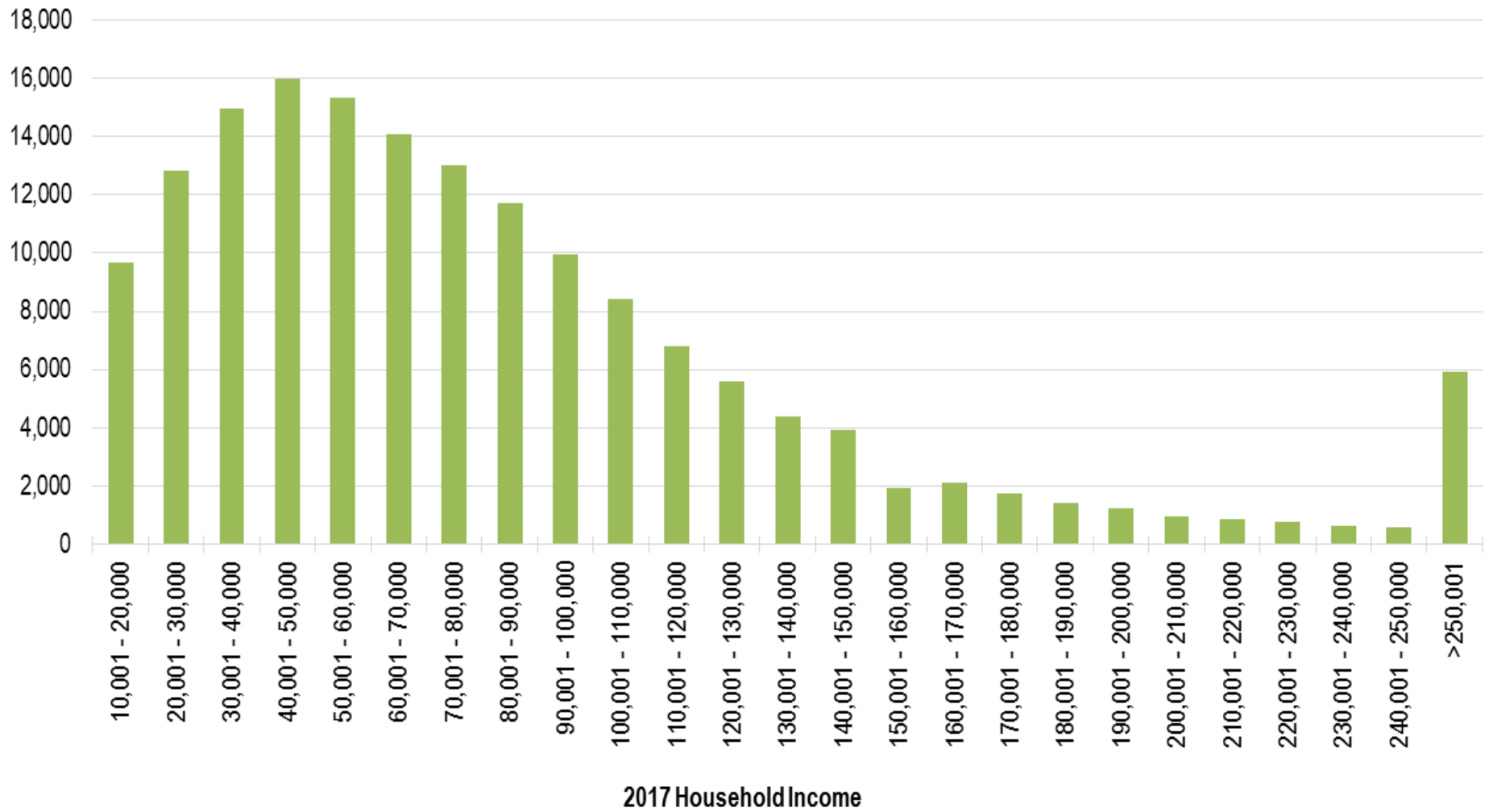
Tobacco Product	Weight	Wholesale Price	Packaging	2016 Tax Rate
Cigarettes	tax is by mills	N/A	Pack of 20	\$3.08 per pack
Roll Your Own (RYO)	one cigarette = 0.0325 ounces	N/A	any number of units	\$4.47 per ounce
Little Cigars	Up to 4.5 lbs per 1,000 sticks	N/A	Pack of 20 or equivalent rate	\$3.08 per pack
Cigars	More than 4.5 lbs per 1,000 sticks	Less than \$2.18 per cigar	any number of units	92% of wholesale price
	More than 4.5 lbs per 1,000 sticks	\$2.18 - \$9.99 per cigar	any number of units	\$2.00 per cigar
	More than 4.5 lbs per 1,000 sticks	\$10.00 or more per cigar	any number of units	\$4.00 per cigar
Snuff	tax is by weight	\$2.57 per ounce	1.2 oz container	\$3.08 per container
New Smokeless Tobacco	tax is by weight	\$2.57 per ounce	1.2 oz container	\$3.08 per package

3. Property-Based Taxes in Vermont, FY 2015

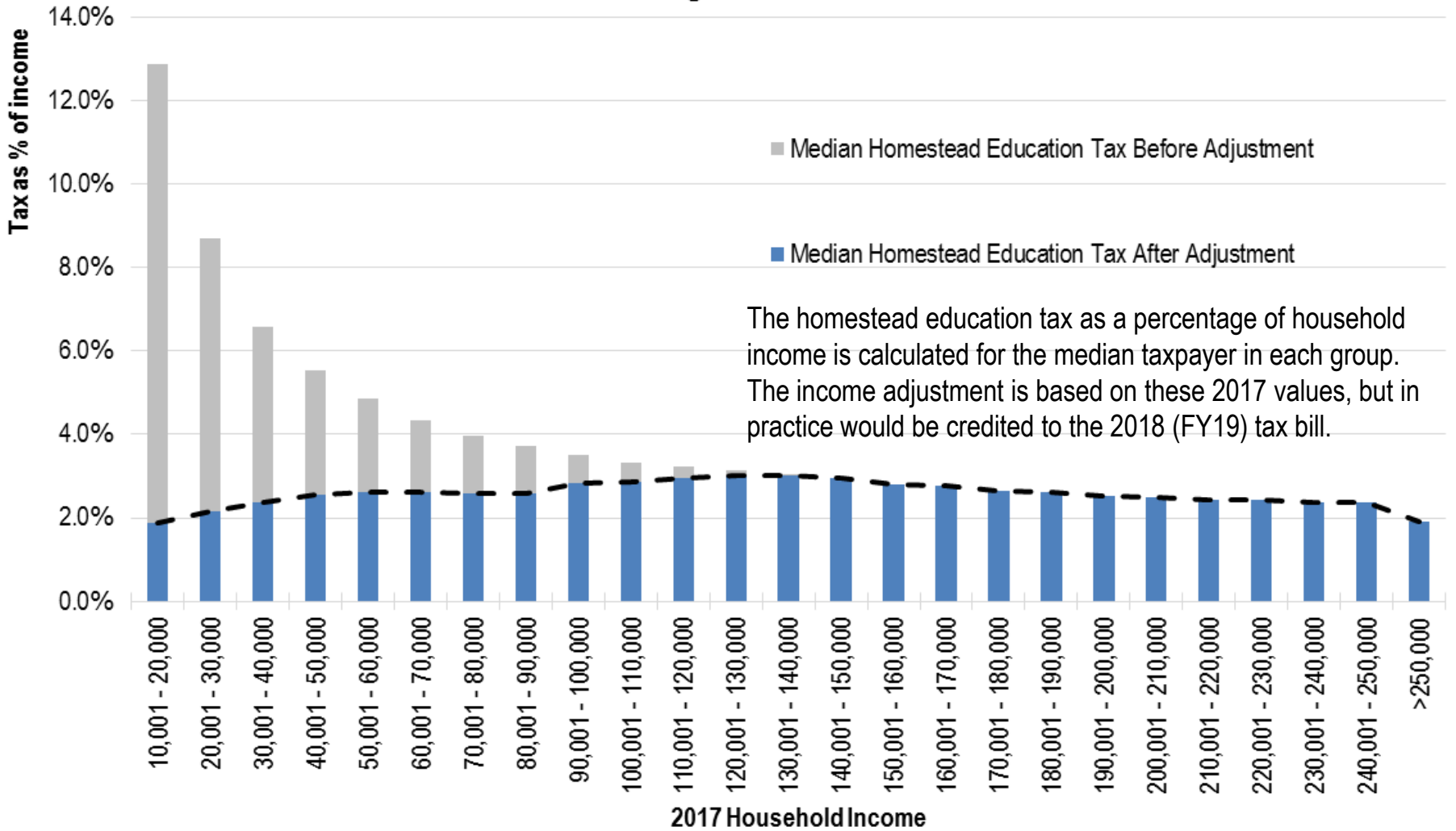


Of \$1,062 million in property-based taxes, \$1,034 million was education tax (net homestead tax and non-residential tax). The remainder was municipal tax.

Number of Homestead Properties by Household Income Category - CY 2017



Education Tax as Percentage of Household Income - CY 2017



The Non-residential Education Tax

- The **Non-residential Education Tax** applies to properties other than homesteads, including second homes and rental, commercial, and industrial properties. In fiscal year 2017, the base Non-Residential Education Tax rate was \$1.535 per \$100 of property value.

Table 25. Statewide Education Property Values and Tax, FY 2015

FY 2015	Number of Parcels	Property Value (\$M)	Education Tax (\$M)
Homestead (net tax)	167,025	37,503.4	423.8
Non-Residential	155,487	40,415	610.2
Total	322,512	77,918.4	1,034.0

The majority of the education tax is paid based on property values, but ~66% of homestead parcels receive some type of adjustment

Figure 37. FY 2015 Education Property Tax Paid



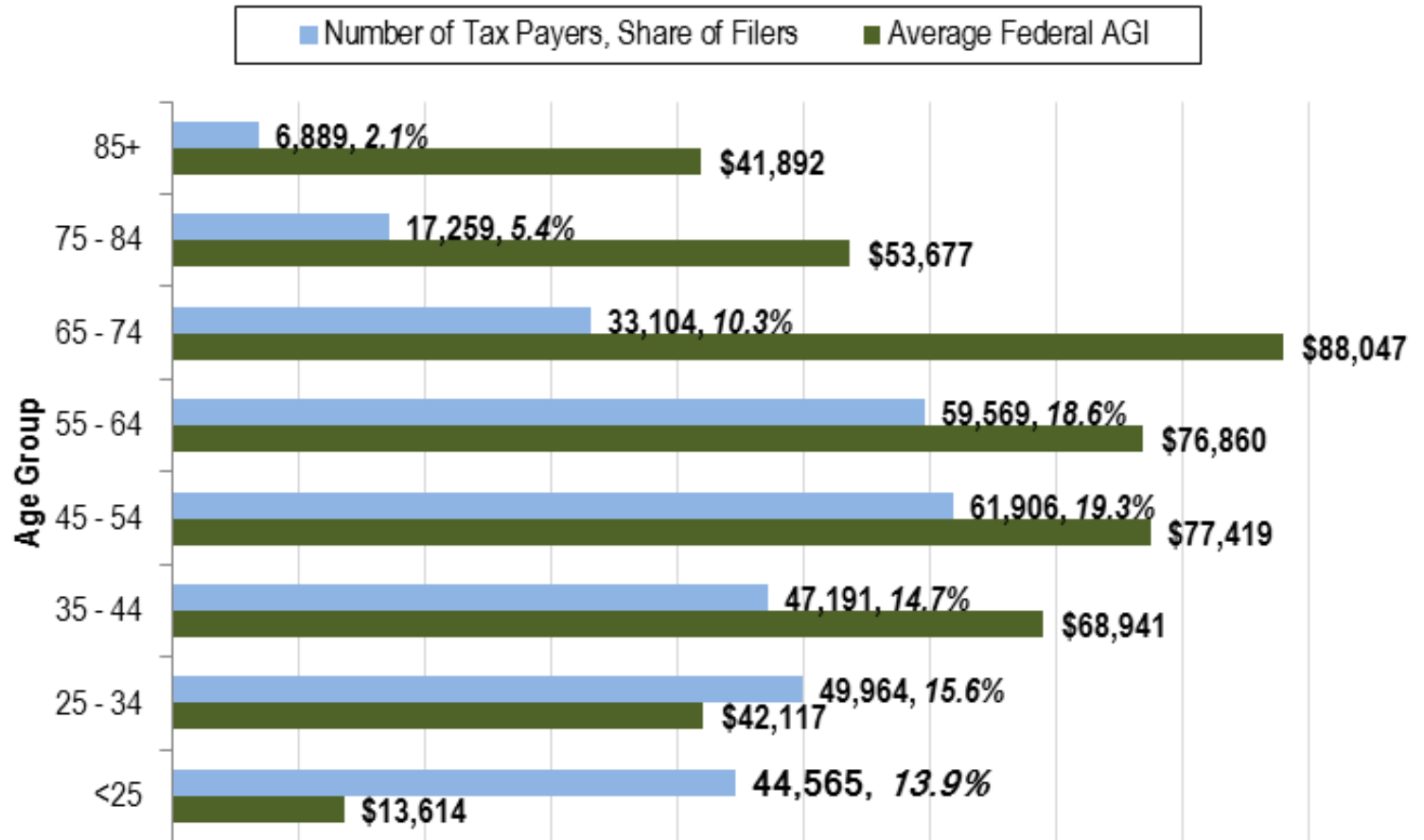
Because three years of sales determine current property values, any short-term fluctuations in value are dampened, making the Education Property Tax relatively predictable and stable.

Other property tax topics

- Education property tax expenditures
- State comparisons
- Property transfer tax
- Land gains tax
- Land use change tax
- Solar property tax, wind-powered electric generating tax, etc.

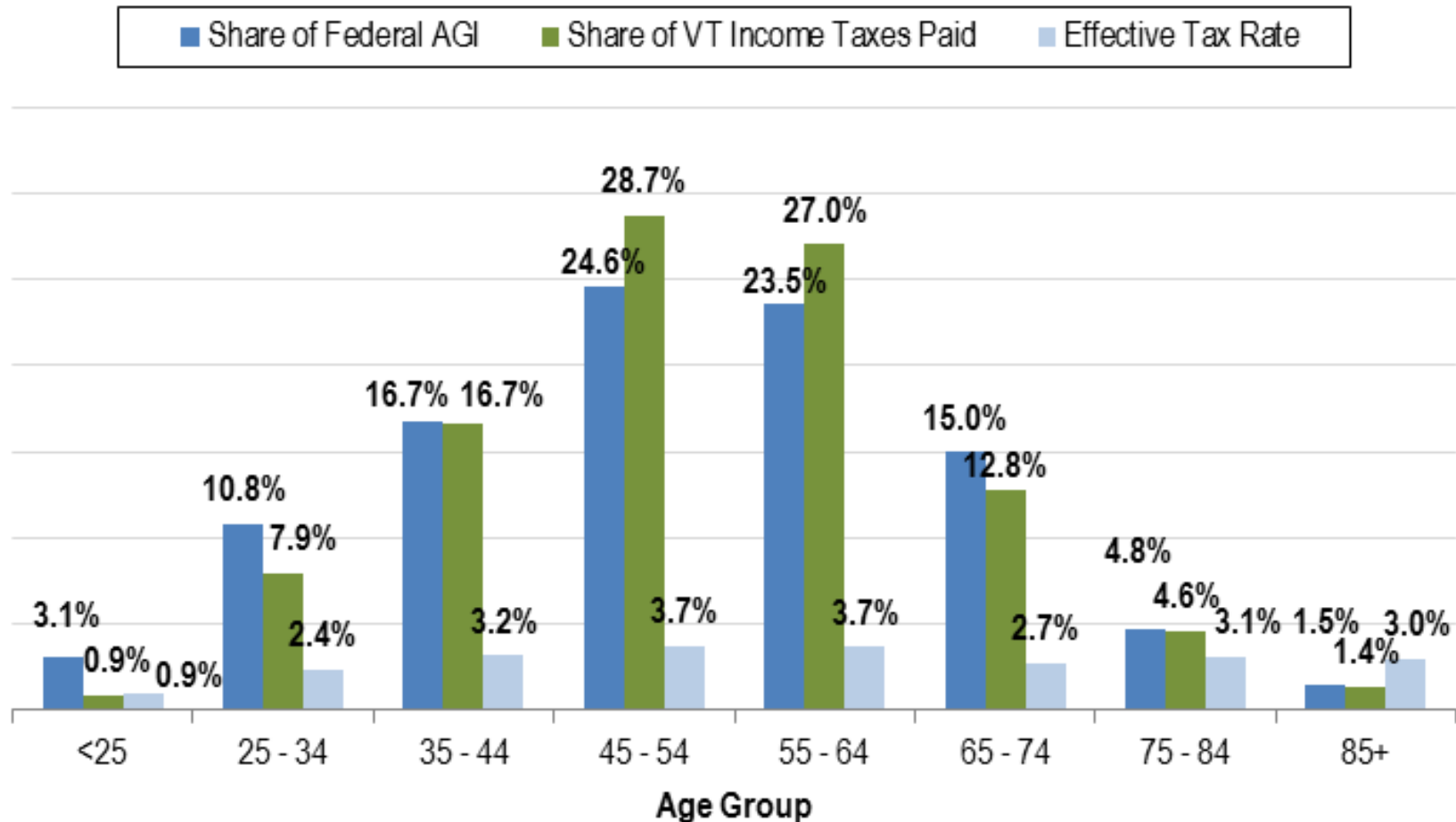
How Demographics Affect Taxes Paid: Personal Income Taxes

Figure 41. Share and Number of Tax Filers and Average Federal AGI by Age Group, 2014



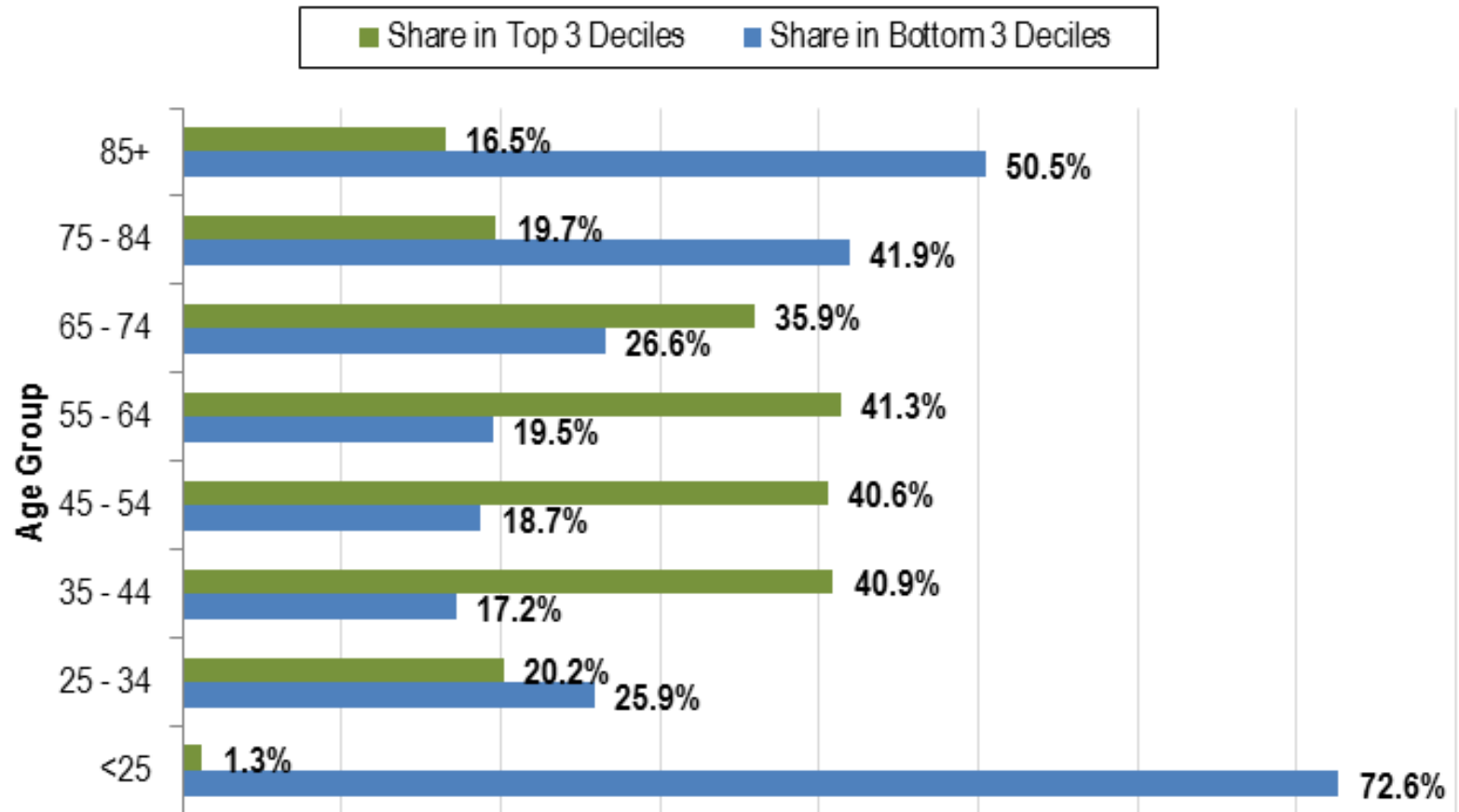
Source: Vermont Department of Taxes, [Chainbridge model](#)

Figure 42. Shares of Federal AGI and Vermont Income Taxes Paid by Age Group, 2014



Source: Vermont Department of Taxes, [Chainbridge model](#)

Figure 43. Shares of Vermont Tax Filers in the Bottom Three and Top Three Deciles of Federal AGI by Age Group, 2014



Source: Vermont Department of Taxes, Chainbridge model

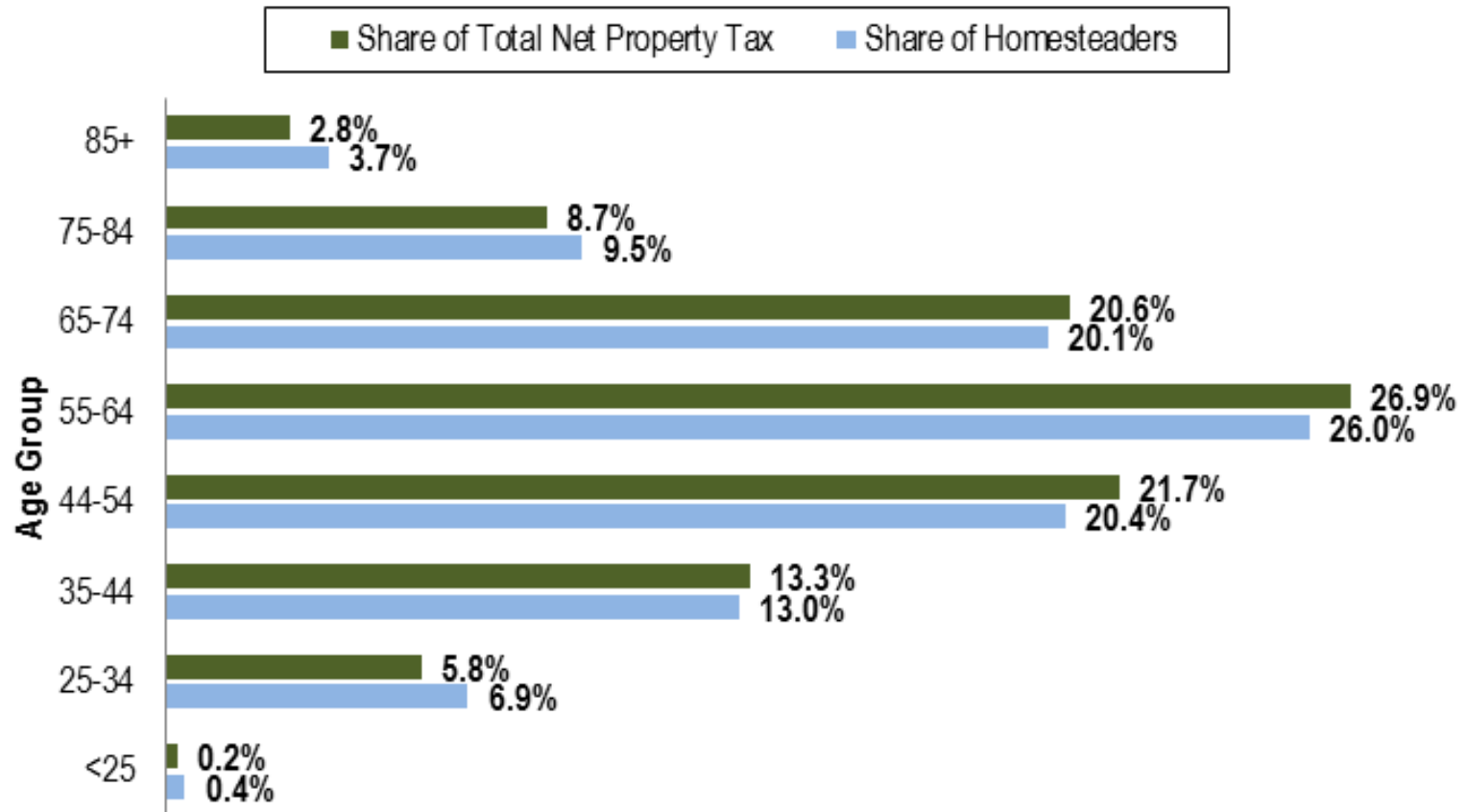
Consumption Taxes by Age Group

Table 31. Share of After-Tax Income in the U.S. Spent on Consumption Categories by Age Group, 2014

Household Income	<25	25-34	35-44	45-54	55-64	65+
Income after taxes	\$28,986	\$56,052	\$72,891	\$77,125	\$63,815	\$42,509
Shares of after-tax income spent (%)						
Food away from home	7.3	5.4	5.0	4.6	4.3	4.9
Alcoholic beverages	1.0	1.0	0.7	0.7	0.8	1.3
Owned dwellings	3.9	7.6	10.6	10.8	10.8	12.9
Utilities, fuels, and public services	6.9	5.9	5.9	6.0	6.7	8.6
Vehicle purchases (net outlay)	9.7	7.3	5.9	5.9	5.6	5.7
Gasoline and motor oil	5.4	4.1	3.8	3.7	3.7	3.8
Healthcare	3.6	4.9	5.4	5.9	7.9	13.6
Tobacco products and smoking supplies	0.8	0.6	0.5	0.6	0.6	0.5
Life and other personal insurance	0.1	0.2	0.4	0.6	0.8	0.8

Sources: Consumer Expenditure Survey, 2014; JFO calculations

Figure 45. Shares of Homesteaders and Total Net Property Tax Paid by Age Group, 2015

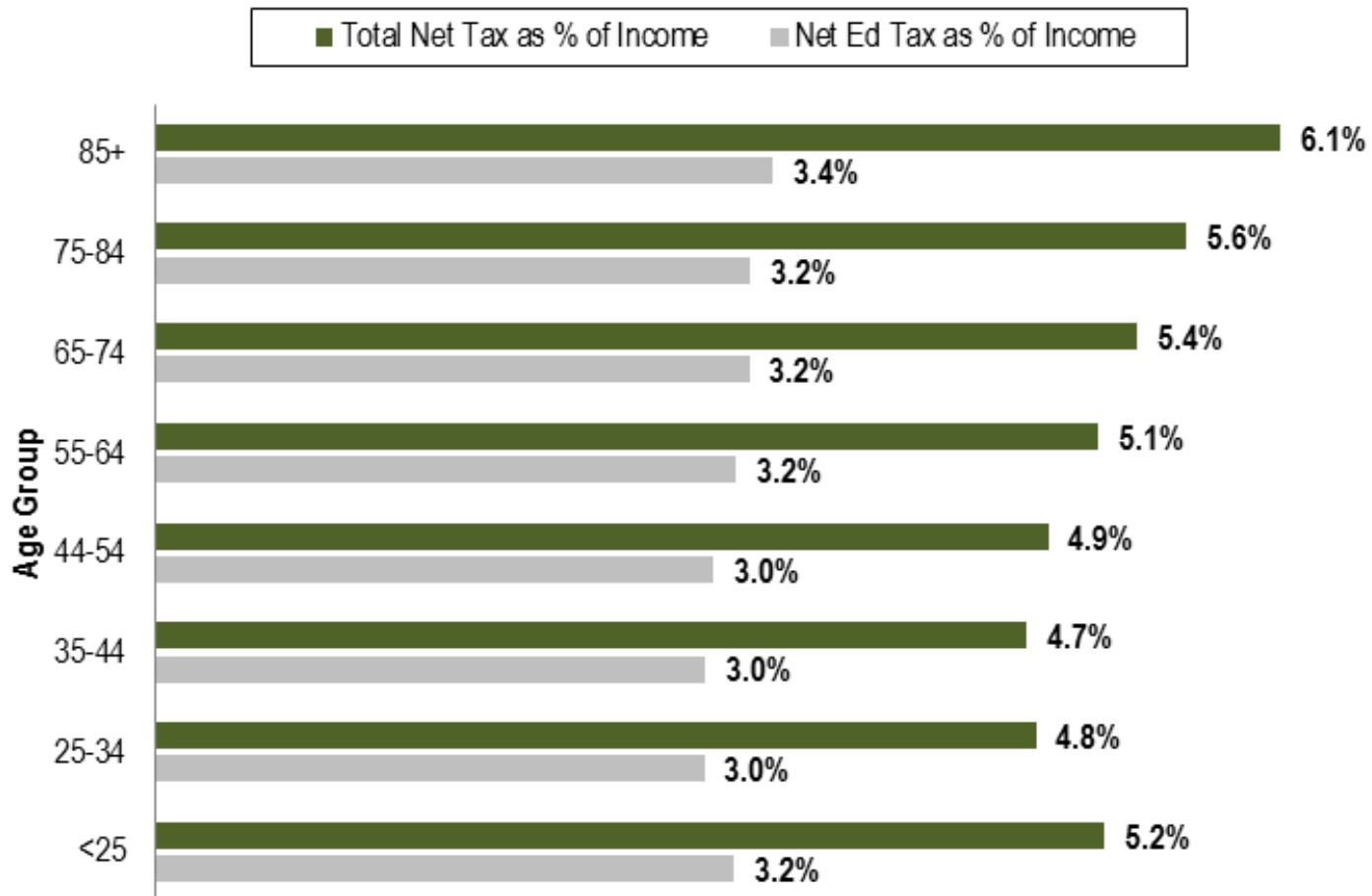


Source: Vermont Department of Taxes, Deb Brighton

Homestead Property Tax by Age Group

Total net property taxes include net municipal taxes

Figure 46. Average Homestead Property Tax as a Share of Income, By Age Group, 2015



Source: Vermont Department of Taxes, Ad Hoc Associates

Also in the Tax Study

- Representative household case studies
 - Look at 7 representative households across all 50 states plus DC
 - Compare personal income taxes, consumption taxes, and property taxes

Where to Find It?

- **The Vermont Tax Study, 2005-2015**
 - <https://ljfo.vermont.gov/assets/docs/reports/6ca6f1666c/2017-10-Year-Tax-Study-Full-Report-Compressed.pdf>
- **10-page Summary**
 - <https://ljfo.vermont.gov/assets/docs/reports/7988191a80/2017-VT-Tax-Study-Summary-1-17-2017.pdf>