



H.489 An act relating to revenue

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Senate Finance Committee

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Vermont Businesses for Social Responsibility is a statewide business association with over 750 members--large and small from a variety of business types. 74% of our members have been in business in Vermont for more than 10 years. (89% more than 5 years). VBSR members subscribe to the “multiple bottom line” approach to doing business. Knowing that people, planet, and profit are intrinsically linked.

*Messages From our members
(2014 member policy survey):*

**Vermont is a good place to do business-
85% said yes.**

**When asked do you get good value for the
Vermont taxes you pay? – 78% said yes.**

The greatest barrier to the success of our member businesses is the cost of providing health insurance and the cost of housing for employees. Year after year, “taxes” ranks lower than availability of affordable housing, access to affordable childcare, and the restrictions of the state’s public transportation infrastructure.

VBSR Guiding Tax Principles

Tax policy should be designed to raise revenues sustainably and meet our obligations and benefit the state’s people, communities and environment. While we certainly need to be

mindful about tax system “competitiveness” as compared to other states, we caution that competitiveness should be assessed on a true “apple to apple” comparison that focuses on effective rates. Comparative tax burdens should also be evaluated with respect to government services delivered.

Fairness: A fair tax structure places a similar assessment on people and corporations of similar circumstances and ensures a level playing field for all. A fair tax system is progressive and minimizes the impact on low-income residents by being based on a capacity to pay.

Economic Competitiveness: A competitive tax code requires a broad base, in order to keep overall rates low. Vermont’s tax system should encourage the development of a strong local economy and encourage people to spend money in state as a means of building our tax base.

Simplicity: We believe that the Vermont tax system should strive toward simplicity in rules and administration and encourage the use of new technologies to streamline the filing and compliance processes. Tax assessment and determination should be easy to understand by an average taxpayer.

Transparency: VBSR supports efforts to enable citizens to understand and participate in the assessment of revenue and spending decisions.

Accountability: A high quality tax system clearly links the paying of taxes to specific investments in the public good.

Sustainability: A sustainable tax system relies on predictable and consistent tax bases that meet the revenue needs of the state and minimizes the use of regressive taxes and short-term sources of money. Uncertainty in the future of a tax structure undermines public confidence and makes long-term policy planning difficult for individuals, businesses and government.

Income Tax

#1: Restructure the Personal Income Tax

VBSR supports shifting the tax base from federal taxable income to Adjusted Gross Income by eliminating standard and itemized deductions because:

- It increases Vermont's income tax base from \$10 billion to \$15 billion, allowing the state to reduce overall rates and rely less on other forms of revenue that are regressive or not sustainable.
- Right now Vermont is out of step with the rest of the nation – most states do not allow for the pass through of federal deductions, making comparisons on tax rates between states difficult and confusing.
- It increases the progressivity of our income tax system by eliminating deductions that tend to only benefit those of a high income.

#2 Alternative Minimum Tax

Creating an AMT would prevent a small group of high-income earners from zeroing out their income tax obligations through the use of deductions and exemptions. This practice is fundamentally unfair and results in a few wealthy Vermonters being subsidized by middle class families and those high income earners who are paying income taxes. In the absence of

moving completely to AGI, implementing an AMT would ensure that all high-income earners in Vermont pay at least as much as middle-class Vermonters.

#3 Charitable Contributions

Vermont's non-profit community is essential to the state's well being. While we support broad tax reform, we don't want to take any actions that harm the sustainability of our non-profits. The committee should consider the concerns raised by these organizations.

Sales Tax

VBSR supports expanding the sales tax to services because it mirrors changing consumer patterns as the economy focuses more on consumer services and less on consumer goods. These transactions should be treated the same.

An expansion of the sales tax base should be coupled with a lowering of the overall rate. VBSR believes that business-to-business services should be exempt from the state sales tax. Additionally, soda and candy are not food. The sales tax exemption for these items should be eliminated.

In Summary

Vermont policy debates need to move beyond the "all taxes are bad for business" and "the sky is falling" rhetoric and take a deeper look at the realities of our current tax system.

Reforming our tax code by moving to a system that is more equitable opens up an array of new tax policy options for the state, including reducing or eliminating other taxes or raising new revenue to balance the state budget. Additionally, it will bring added clarity to debates over Vermont's economic competitiveness in terms of tax policy by making comparisons between states easier.

