

**From:** Pepper, James [James.Pepper@vermont.gov]  
**Sent:** Tuesday, February 23, 2016 12:56 PM  
**To:** Childs, Michele  
**Subject:** Fwd: S.241 - tax dept budget talking points  
**Attachments:** 02232016-S.241-budget.docx; ATT00001.htm

James Pepper  
Director of Intergovernmental Affairs  
802-279-1086 (c)  
802-828-6403 (o)

Begin forwarded message:

**From:** "Morgan, Candace" <[Candace.Morgan@vermont.gov](mailto:Candace.Morgan@vermont.gov)>  
**Date:** February 23, 2016 at 12:53:58 PM EST  
**To:** "Pepper, James" <[James.Pepper@vermont.gov](mailto:James.Pepper@vermont.gov)>, "Allen, Susan" <[Susan.Allen@vermont.gov](mailto:Susan.Allen@vermont.gov)>, "Byrne, Emily" <[Emily.Byrne@vermont.gov](mailto:Emily.Byrne@vermont.gov)>, "Pallito, Andy" <[Andy.Pallito@vermont.gov](mailto:Andy.Pallito@vermont.gov)>  
**Cc:** "Peterson, Mary" <[Mary.Peterson@vermont.gov](mailto:Mary.Peterson@vermont.gov)>, "Mousley, Gregg" <[Gregg.Mousley@vermont.gov](mailto:Gregg.Mousley@vermont.gov)>  
**Subject:** S.241 - tax dept budget talking points

Let me know if you have any questions or need us anywhere for backup. Will be meeting with Rep. Ancel re estate tax but can come if needed.

Thanks!!

-----  
**Candace Morgan** | Director  
Policy, Outreach, and Legislative Affairs | Vermont Department of Taxes  
133 State Street | Montpelier, VT 05633-1401  
o: 802.828.0141 | c: 802-522-9050 | [tax.vermont.gov](http://tax.vermont.gov)

**New email address:** [candace.morgan@vermont.gov](mailto:candace.morgan@vermont.gov)

*This email may contain confidential tax information. The information is intended only for use by the individual or entity addressee. If you are not the intended recipient, you are prohibited from any disclosure, copying, distribution or the taking of any action in reliance on the contents of this information, and any such action would subject you to civil and/or criminal prosecution under state and Federal confidentiality laws. If you received this email in error, immediately delete this email and contact us at 802-828-0141 or [candace.morgan@vermont.gov](mailto:candace.morgan@vermont.gov) for further instructions.*

## **S.241 – Tax Department Budget Needs (FY2017)**

- This budget ask was put together with research and numbers from other states (WA and CO).
- Enforcement structure similar to CO's with seed to sale tracking
- Ad valorem excise tax at the point of retail sale
- High level of cash in industry. Based on other states should assume between 30-75% in cash. Cash heavy businesses mean an increase burden for compliance and collection in the future. The module is designed to mitigate that risk.

### Software Module Implementation

- Initial ask was for \$1.5M spread out over two years. Currently there is \$500,000 in FY2017.
- Module is more expensive because it connects to a centralized enforcement system that monitors industry in real-time. In CO this has helped streamline compliance. CO warned that this is critical for tax and enforcement to work together to effectively regulate and tax cannabis.
- Up-front cost is offset over the aggregate by automating expensive resource-intensive processes and better ensuring accurate tax collection

### Positions

Tax Department has requested two positions in FY2017 budget to begin building capacity for this new tax type. By contrast, Colorado has added 22 FTEs to work on cannabis taxation in the industry's first two years. Washington and Alaska (which is just ramping up for legalization) are adding more positions to deal with cannabis taxation this year.

- Business Analyst (approx. \$80,000; PG25)
  - o Would serve as the subject matter expert (SME) for implementation of the excise tax and then the SME for the tax when it launches in our successful IT project (Nov 2017)
  - o 8 FTEs currently in these roles who all have working knowledge of the tax types they will be implementing.
  - o To ensure the continued success of our IT project, this position will be the SME for design sessions, testing scenarios, and outreach post-launch.
- Policy Analyst (approx. \$80,000; PG26)
  - o CO and WA emphasized the increase in legal work during their implementation of a recreational marijuana
  - o Legal work will entail issuing formal rulings, technical bulletins and fact sheets; communicating with other states; monitoring federal and state legal cases that would impact Vermont's cannabis industry
  - o Currently there are 3 policy analysts who are at capacity doing ongoing research, answering taxpayer questions, and promulgating rules for our existing tax types

