

# How does VEGI money get to an applicant?

- Department of Taxes verifies that the company hit their targets
  - For payroll and jobs, they verify by looking at wage withholding
  - For capital expenditures, they verify by looking at the depreciation schedules for the company
- So how does the money get to the company?
  - Employers withhold state and federal income taxes on behalf on their employees for each paycheck. Each employer has a withholding account with the Department of Taxes for state income taxes.
  - Department of Taxes, upon verification of the targets, will place a credit in the withholding account of the company.
  - Department generates a check against the withholding account, which gets sent to the company (similar to a tax refund)

# How do we “book” VEGI for budgeting?

- For the current program, a certain amount of VEGI awards will be paid out by the Tax Department
- These awards (between \$2-5 million a year) are incorporated into the revenue forecast.
  - Tom Kavet reduces the personal income tax revenues in the forecast to account for this.
  - Tom does not lower the revenue forecast by the \$15m cap each year
- If VEGI were repealed, revenues would be increased by the hypothetical amount of **new** awards
  - Over the course of 9 years, previous awards would be continued to paid out.

# Governor's Budget and VEGI

- Includes an expansion of the VEGI program, largely in the structure of awards.
- How it would work:
  - For businesses with less than 100 employees:
    - Cost-benefit model determines the potential net revenue benefit for the state.
    - VEDA offers the business a forgivable loan with a 3-year term.
    - If the company hits its payroll, job, and/or capital investment requirements, VEDA will forgive the loan.
    - Department of Taxes, upon verification of the targets, will reimburse VEDA.
    - If the company does not hit the targets, some portion of the loan will become repayable.
  - For businesses with more than 100 employees and a proposal of \$20m in capital investment
    - “A direct cash payment in annual installments in a format the Council specifies...”
    - In theory, the money would flow to the company in the same way current VEGI awards do.

# Governor's Budget and VEGI

- Pilot program for businesses under 100 employees contains \$1 million in funding for VEDA
  - If this does not pass, in theory, this \$1 million would become available, one-time.
- The Vermont Investment Incentive includes \$3 million in FY21.
  - It is our understanding that this money would “go out the door” in FY21.
  - This is an estimate by the Administration. Could be larger and ongoing.
  - If this does not happen, available resources would increase by \$3 million in FY21 and possibly more in out years.