

# VERMONT

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& CURE™  
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Date: 2/4/2021

Janet Ancel  
Chair  
House Committee on Ways and Means Committee  
State of Vermont

Dear Madam Chair,

Regarding the proposal to streamline the Manufacturing and Machinery Equipment Tax Credit that was included in the Governor's budget, I believe this is an issue that holds back manufacturing job growth in our state.

VSC Holdings, dba Vermont Smoke & Cure was an entrepreneurial company that grew rapidly overtime and invested heavily in assets to grow. VSC had a Sales & Use tax audit in 2018. It was a painful and lengthy process which resulted in \$110k of Use taxes mainly on fixed assets that were purchased and installed long before my start of employment at VSC.

Having spent most of my career manufacturing in states that give a manufacturing exemption on all product equipment, I was personally surprised to see how Vermont currently defines exempt equipment only as "first step through initial packaging".

This caused VSC to be taxed on every piece of equipment downstream from our "initial" form-fill-seal machine including quality assurance Xray equipment, even though "quality" equipment has a state exemption, simply because it was located downstream of "initial" packaging. I fought hard with the Tax Dept against this matter but was unsuccessful at changing the outcome. This was an enormous drain on our limited resources and impacted our company's productivity.

Frankly, the Tax law as written today makes no sense for food manufacturers whose primary or "initial" packaging is not typically a saleable item. For example, the VSC meat stick, in the initial film alone, is not suitable to sell to any customer. Initial food packaging is usually just an oxygen barrier to slow decomposition and extend sellable shelf life. VSC, like most food manufacturers, uses secondary and tertiary packaging to have a saleable item that is shelf manageable in retail and palletizable for transport. Why would the State of Vermont penalize food companies in this way when craft food is a major source of our economic development?

The specific language suggested by Will Baker in the (MANUFACTURING EXEMPTION PROPOSAL – draft 1.1) Page 1 of 7 2/3/2021 - AJS - 09:00 AM will solve these food manufacturing problems:

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(vii) to package the property being manufactured or processed in  
16 any container or wrapping in which such property is normally sold or  
17 transported, even if the machinery operates after the point of initial packaging;"

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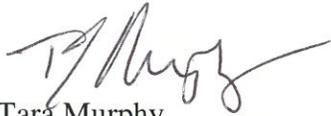
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“(xiii) to inspect or conduct quality control on the product, even if  
14 the inspection or quality control machinery operates after the point of initial  
15 packaging.

VSC is in the process of expanding now. We can double our work force in the next five years. This will include more packaging and quality equipment procurement. I recommend that the legislature make the change to expand the exemption to all manufacturing equipment in the production process. Vermont companies need predictability so they can expand and perfect their products without fear they might accidentally end up with a large, inadvertent tax bill.

Sincerely,



Tara Murphy  
President, VSC Holdings, LLC

