


Vermont's \$8 Billion State Budget: Where Does It Come From and Where Does It Go?



Adam Greshin
Commissioner, Department of Finance & Management

Craig Bolio
Commissioner, Department of Taxes

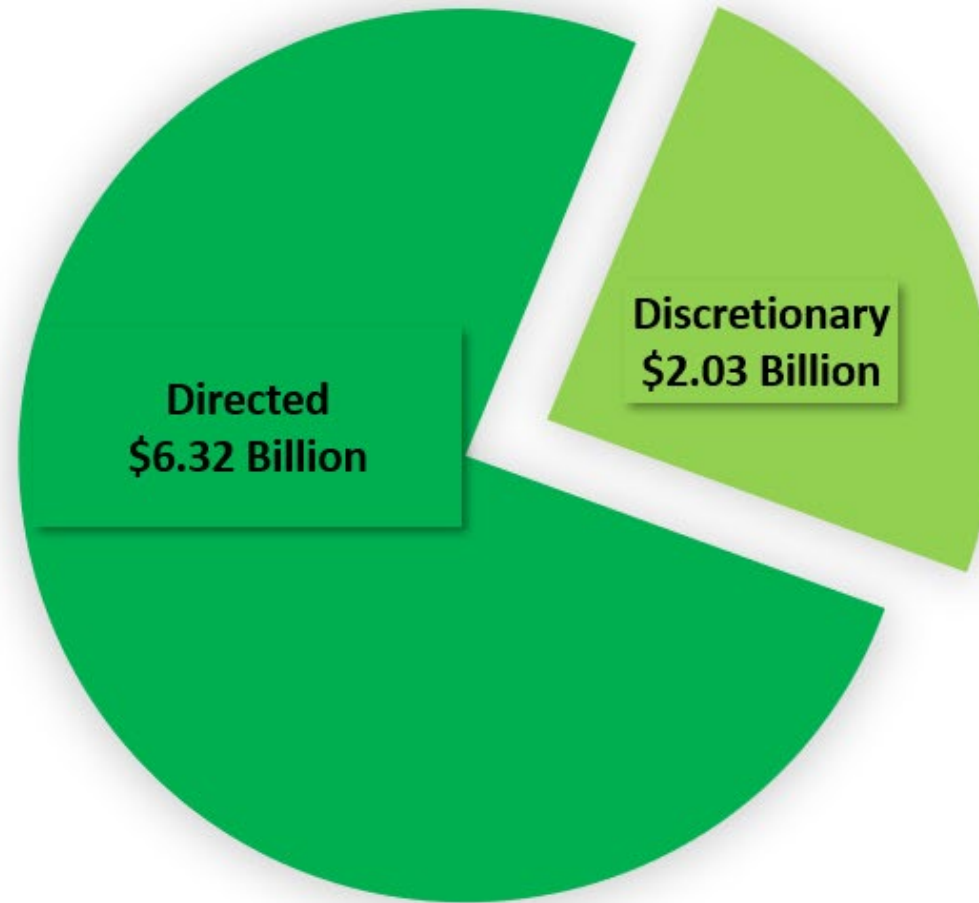
January 30, 2023

**State of Vermont
Total Budget FY23**



\$8.35 Billion

State of Vermont FY23 Budget

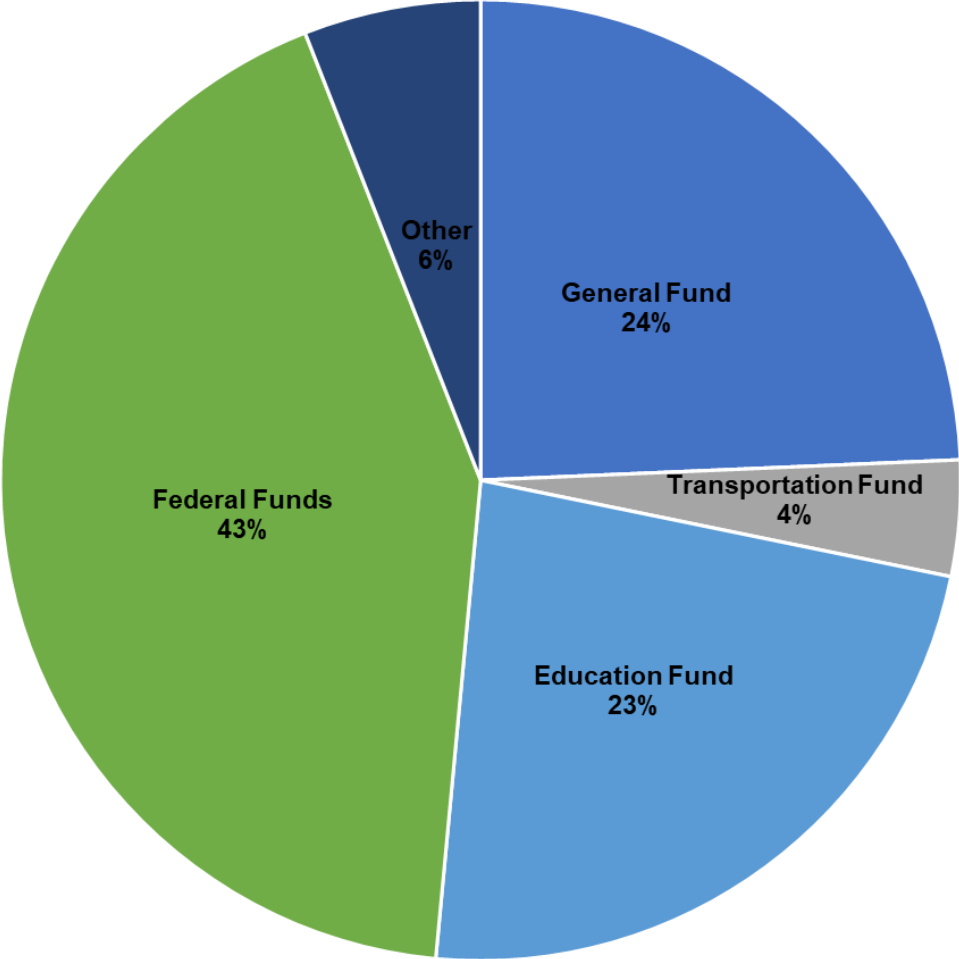


\$8.35 Billion

State of Vermont Assets by Fund (FY23 As-Passed)

OTHER:

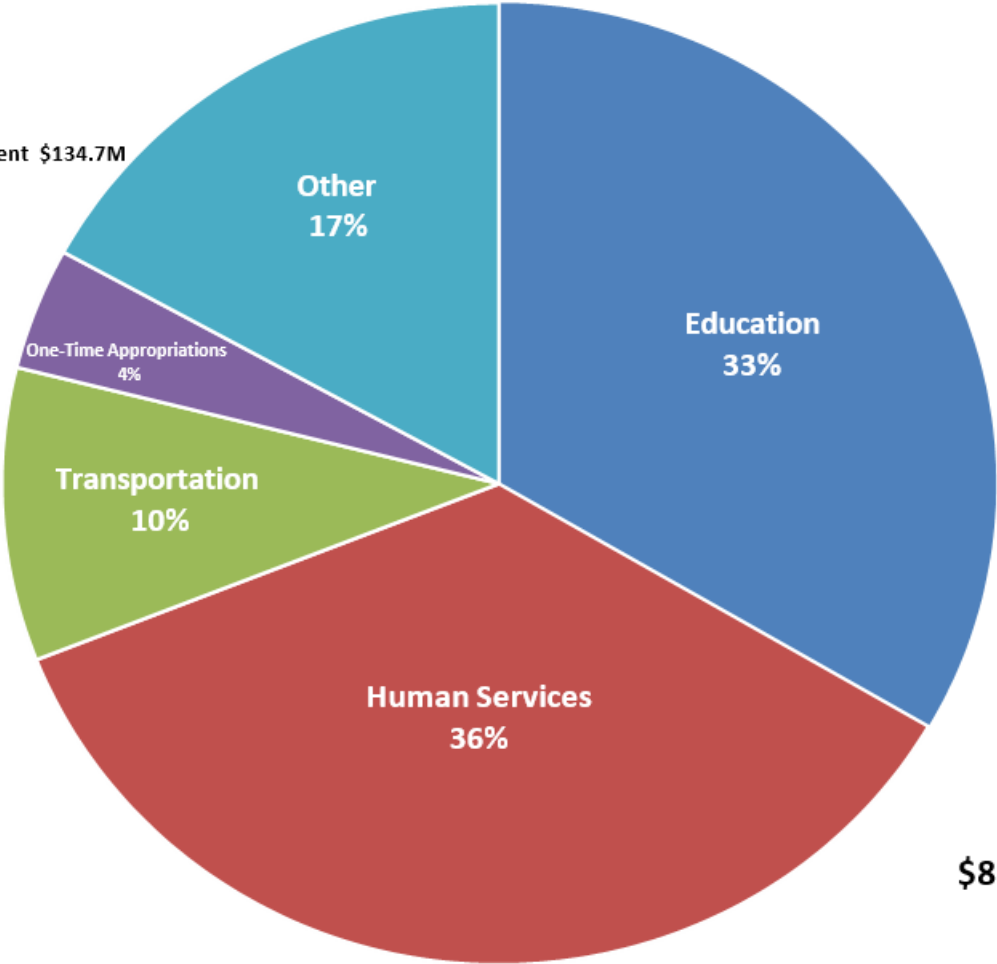
Local Match \$4.6M
Enterprise Funds \$13.6M
Pension & Private Purp. Trust Funds \$5.7M
Special Funds \$473.8M



\$8.35 Billion

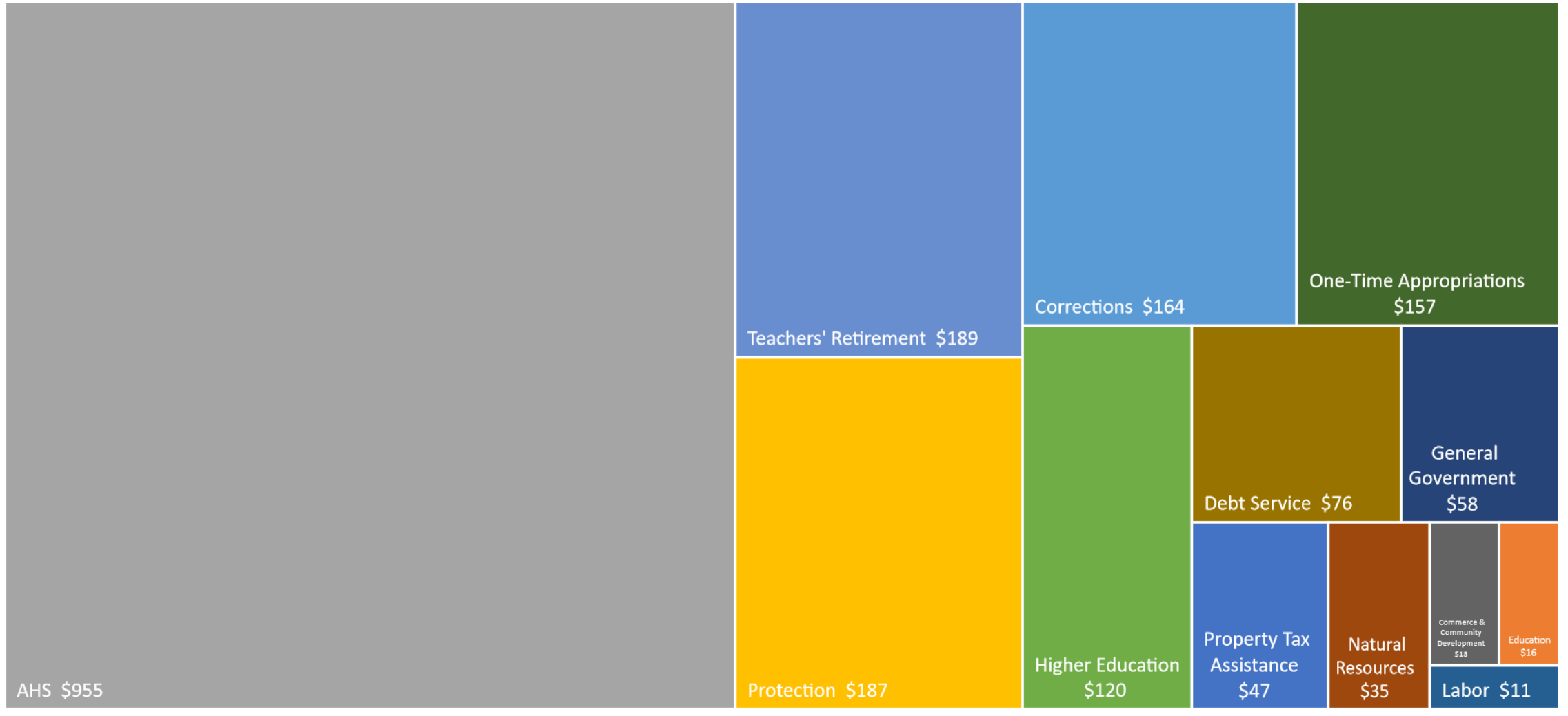
State of Vermont Expenditures by Function (FY24 Governor's Proposal)

OTHER:
Property Tax Assistance \$58.6M
Protection \$482.4M
Corrections \$181.7 M
Higher Education \$125.0M
General Government \$86.2M
Natural Resources \$220.4M
Commerce & Community Development \$134.7M
Debt Service \$75.7M
Labor \$58.8M



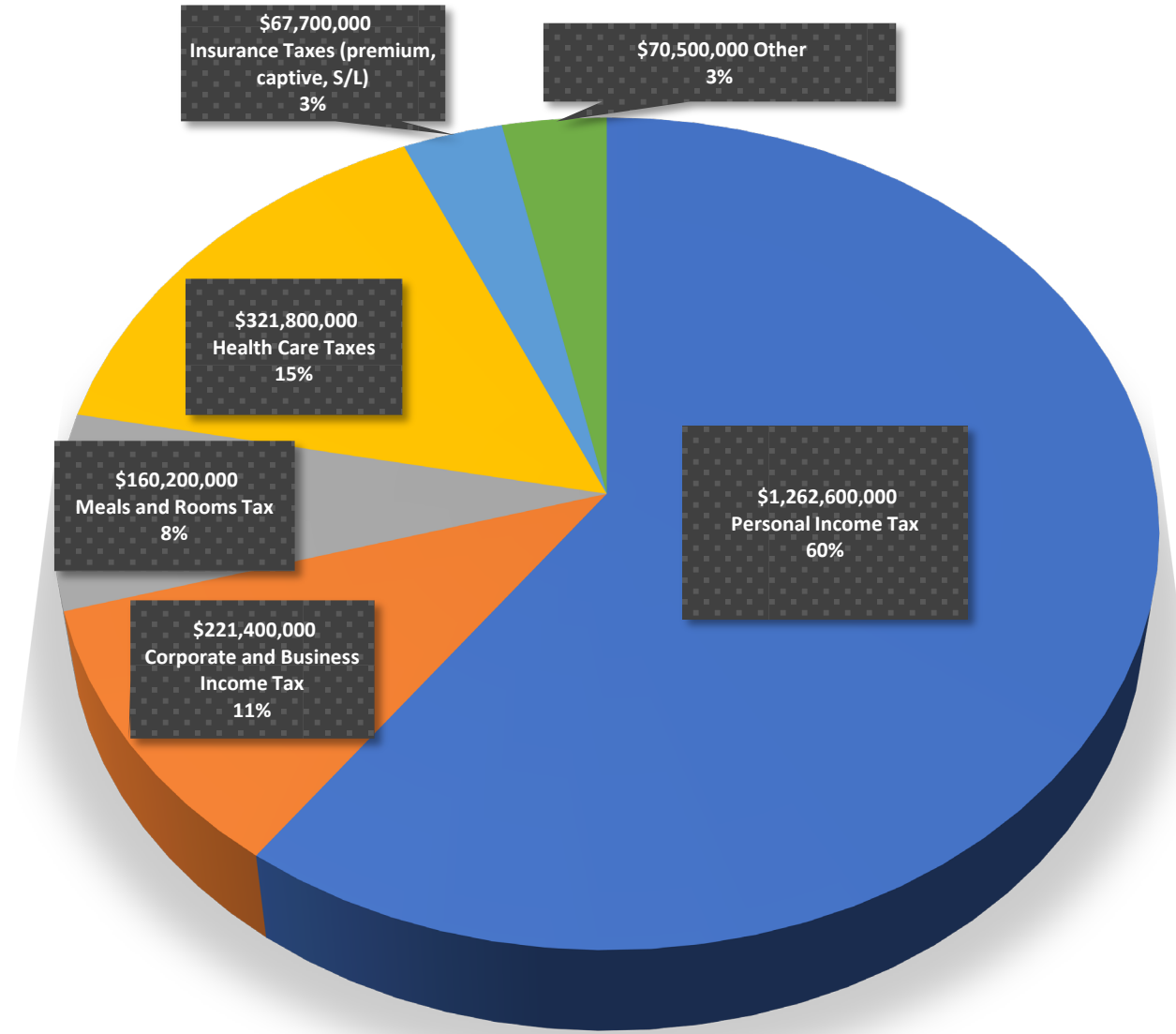
\$8.37 Billion

FY23 As Passed General Fund By Function (\$ millions)



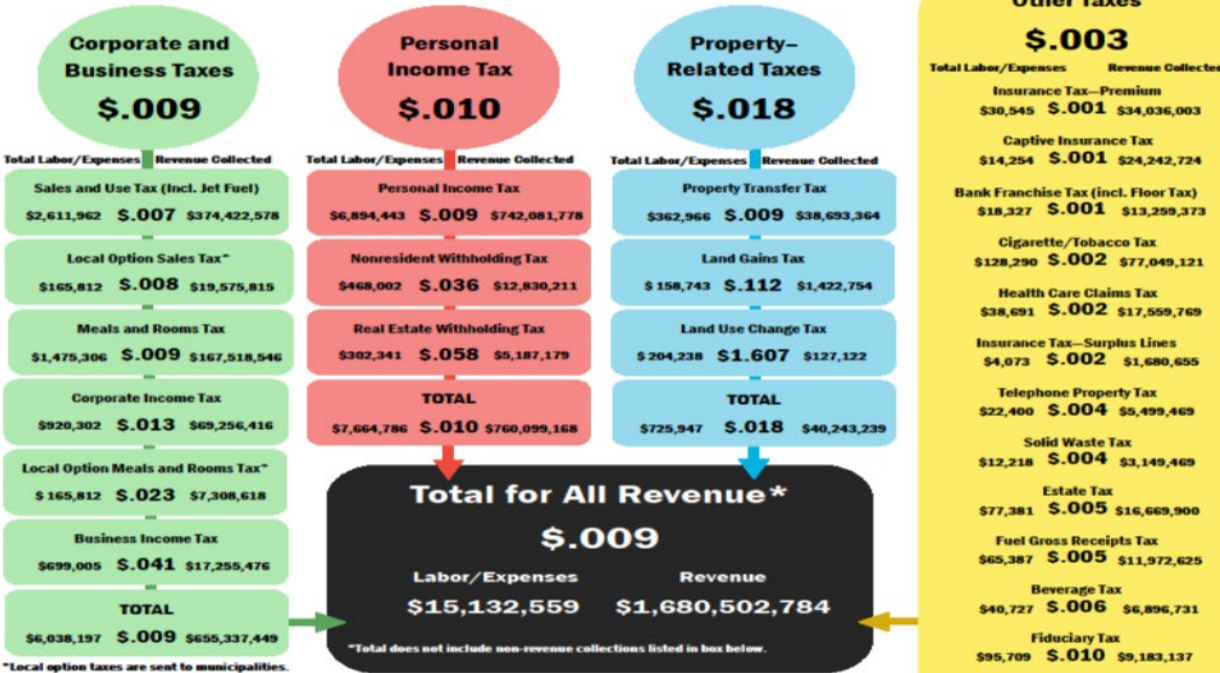
\$2.033 Billion

FY2023 General Fund Tax Revenues



What's the cost to collect \$1 in revenue?

Fiscal Year 2017 (July 2016-June 2017)



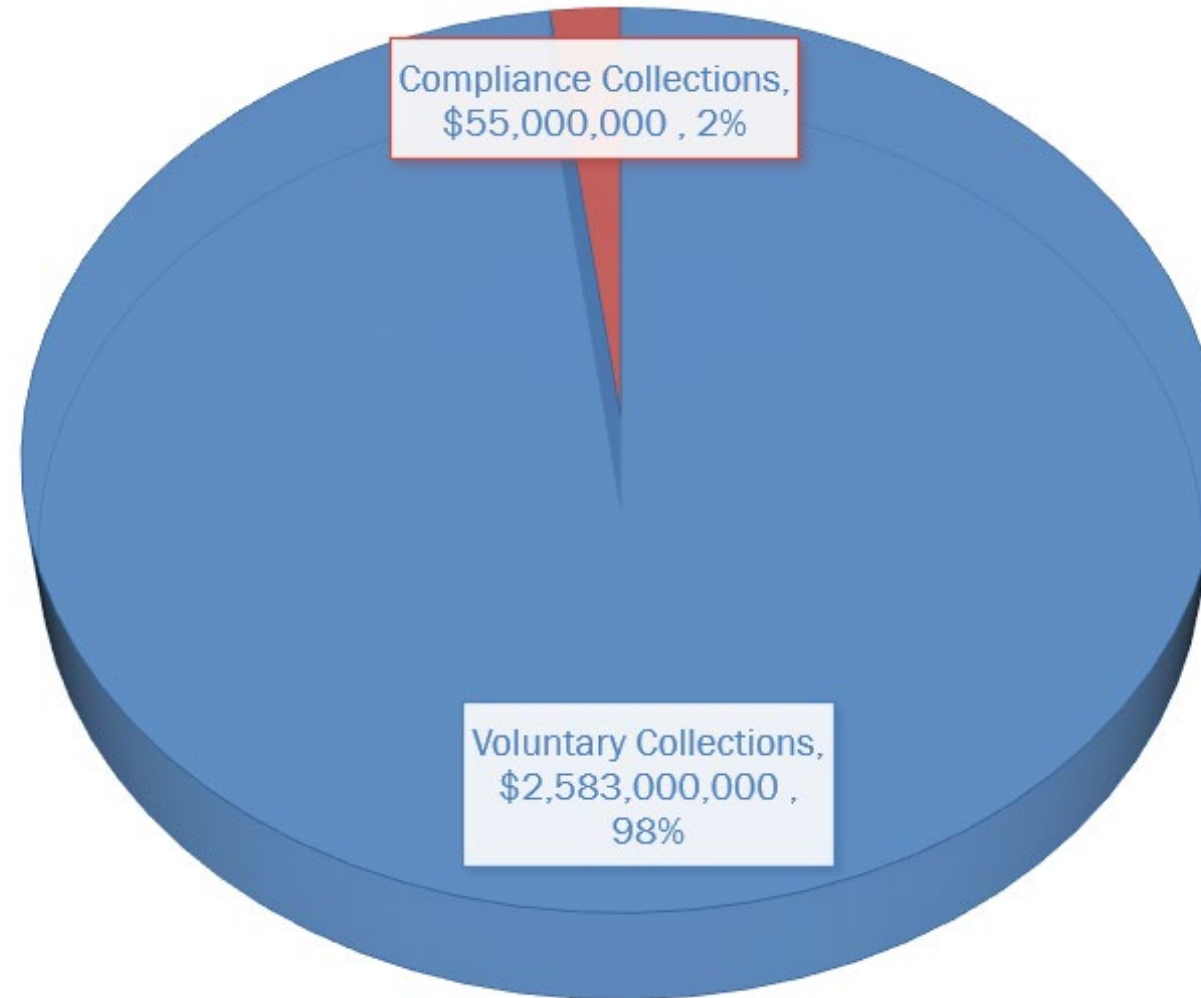
Credit Programs

	Labor/Expenses	# of Entities Served	Cost per Entity
Current Use	\$943,272	18,370	\$50.36
Property Tax Income Sensitivity	\$490,270	120,481	\$4.07
Renter Rebate	\$503,084	13,279	\$37.93
Homestead Declaration	\$917,964	170,863	\$5.38
Tax Increment Financing	\$40,139	7	\$5,734.08
Vermont Employment Growth Incentive (VEGI)	\$208,726	36	\$5,797.95

Note: The labor/expenses for General Property Tax Administration is \$1,402,969. This figure represents Vermont Department of Taxes staff time and expenses only and does not include labor/expenses provided by other state agencies.

Note:
 Updated budget ~\$24m
 Updated revenue ~\$2.65b

Voluntary Reporting at Vermont Department of Taxes

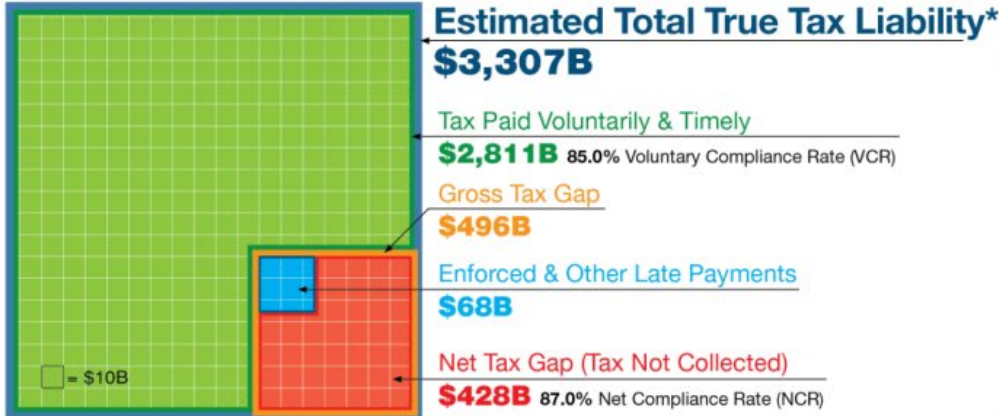


Tax Gap Estimates for Tax Years 2014–2016

(Money amounts are in billions of dollars; estimates are annual average amounts.)



Research, Applied Analytics & Statistics



Calculating the Net Tax Gap

$$\begin{aligned} & \text{Nonfiling} \\ & \text{Underreporting} \\ & + \text{Underpayment} \\ & \hline & \text{Gross Tax Gap} \\ & - \text{Enforced \& Other Late Payments} \\ & \hline & \text{Net Tax Gap} \end{aligned}$$

Total True Tax Liability	Tax Paid Voluntarily & Timely	Gross Tax Gap					Enforced & Other Late Payments	Net Tax Gap (Tax Not Collected)
		Nonfiling	Underreporting	Underpayment	Gross Tax Gap			
\$3,307	\$2,811	\$39	+\$398	+\$59	= \$496	-\$68	= \$428	
By Type of Tax								
Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax
\$1,740	\$1,383	\$32	+\$278	+\$47	= \$357	-\$51	= \$306	
			Business Income: \$130, Non-Business Income: \$60, Credits: \$42, Income Offsets [1]: \$25, Filing Status: \$5, Other Taxes [2]: \$4, Unallocated Marginal Effects [3]: \$11					
Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax
\$354	\$313	#	+\$37	+\$4	= \$41	-\$8	= \$34	
			Large Corporations: \$23, Small Corporations: \$14					
Employment Tax	Employment Tax	Employment Tax [4]	Employment Tax	Employment Tax	Employment Tax	Employment Tax	Employment Tax	Employment Tax
\$1,131	\$1,038	\$7	+\$82	+\$5	= \$93	-\$6	= \$87	
			Self-Employment Tax: \$53, FICA & Uncollected FICA TAX: \$28, FUTA: \$1					
Estate Tax	Estate Tax	Estate Tax	Estate Tax	Estate Tax	Estate Tax	Estate Tax	Estate Tax	Estate Tax
\$22	\$17	\$<0.5	+\$1	+\$3	= \$5	-\$3	= \$2	

NOTES:

* Totals include Excise Tax.
#—No estimate.
Detail may not add to totals due to rounding.

[1] Includes adjustments, deductions, and exemptions.

[2] Includes the Alternative Minimum Tax and taxes reported in the "Other Taxes" section of the Form 1040 except for self-employment tax and unreported social security and Medicare tax (which are included in the employment tax gap estimates).

[3] Is the difference between (1) the estimate of the individual income tax underreporting tax gap where underreported tax is calculated based on all misreporting combined and (2) the estimate of the individual income tax underreporting tax gap based on the sum of the tax gaps associated with each line item where the line item tax gap is calculated based on the misreporting of that item only. There may be differences if the marginal tax rates are different in these two situations.

[4] Self-employment tax only.

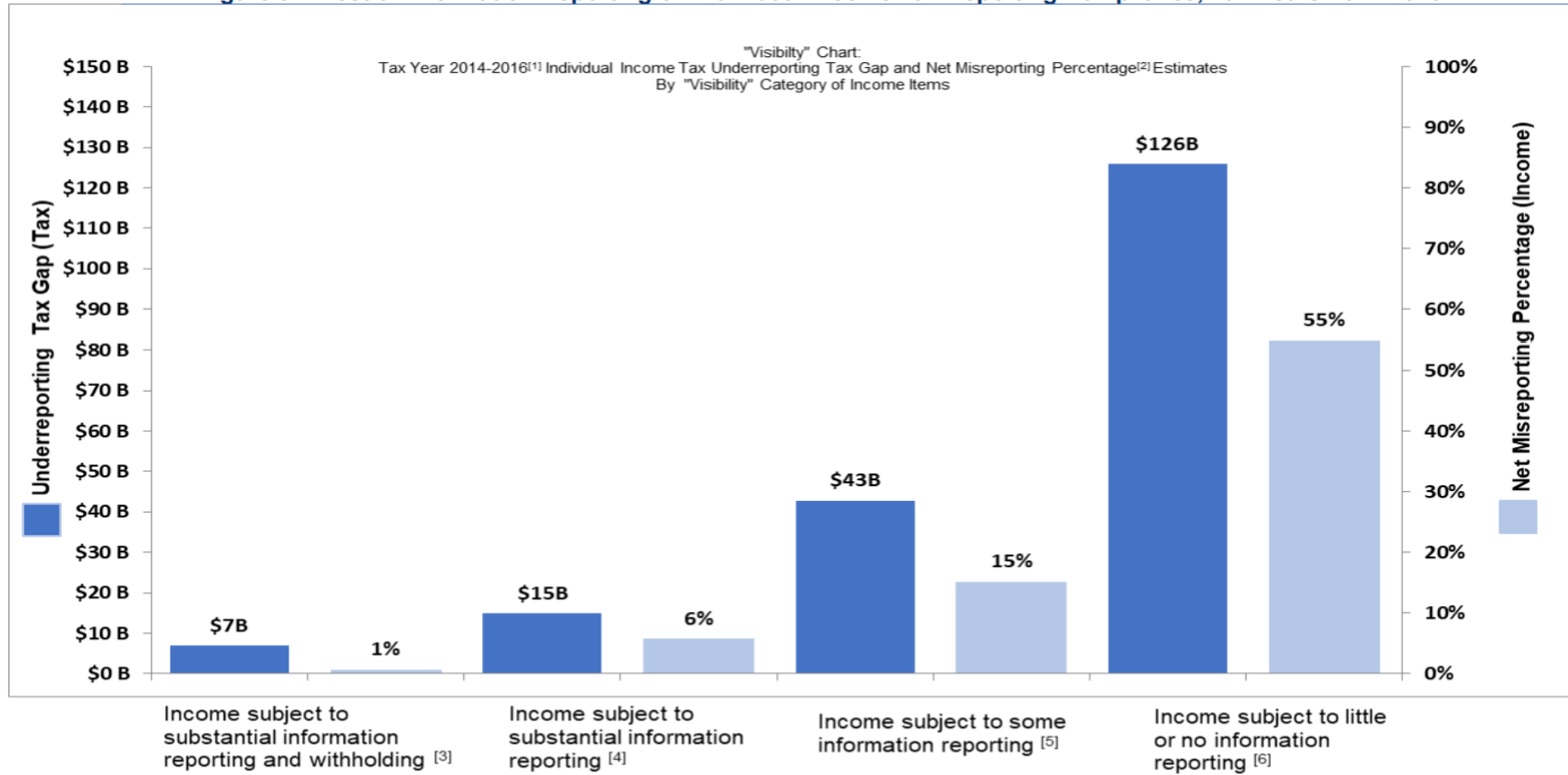
Revised 03/2022

IRS Pub 1415

[Publication 1415 \(Rev. 10-2022\) \(irs.gov\)](https://www.irs.gov/publications/pub1415)



Figure 3. Effect of Information Reporting on Individual Income Tax Reporting Compliance, Tax Years 2014-2016



^[1] The TY 2014--2016 estimate is the annual average for the TY 2014, 2015, and 2016 timeframe. This chart displays the tax gap attributable to the underreported income category and the rate at which that income is misreported as measured by the Net Misreporting Percentage.

^[2] The Net Misreporting Percentage is the ratio of the net misreported amount to the sum of the absolute values of the amounts that should have been reported, expressed as a percentage. The net misreported amount for the items in this chart is understatements of income less overstatements of income. On net, income is understated.

^[3] Includes wages & salaries.

^[4] Includes pensions & annuities, unemployment compensation, dividend income, interest income, State income tax refunds, and taxable Social Security benefits.

^[5] Includes partnership/S corp. income, capital gains, and alimony income.

^[6] Includes nonfarm proprietor income, other income, rents and royalties, farm income, and Form 4797 income.

IRS Pub 1415

[Publication 1415 \(Rev. 10-2022\) \(irs.gov\)](https://www.irs.gov/publications/p1415)



Thank you!