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



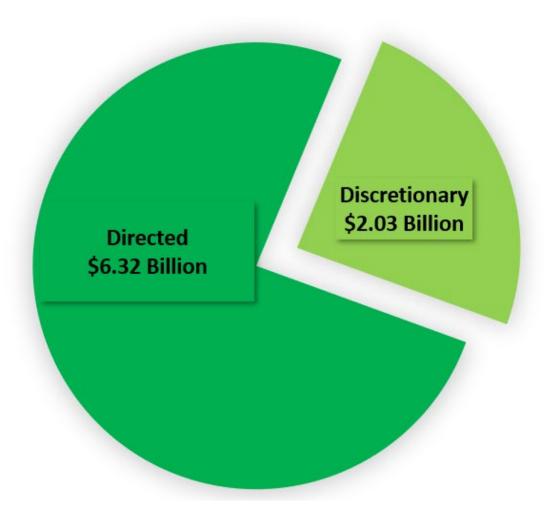
State of Vermont Total Budget FY23



\$8.35 Billion



State of Vermont FY23 Budget



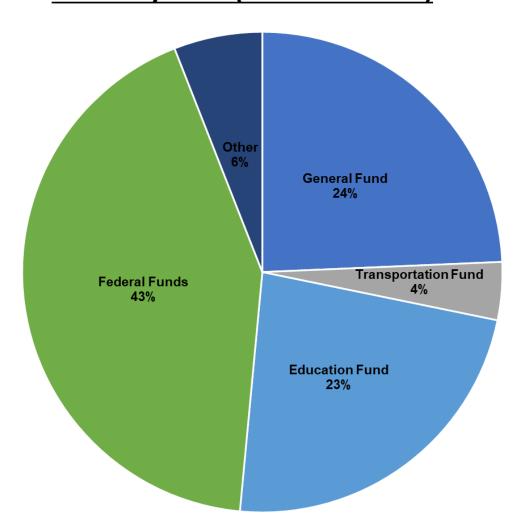
\$8.35 Billion



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

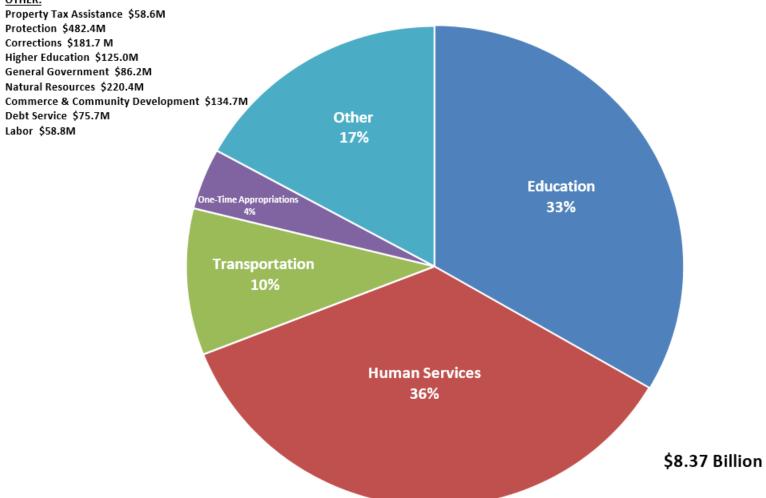


\$8.35 Billion



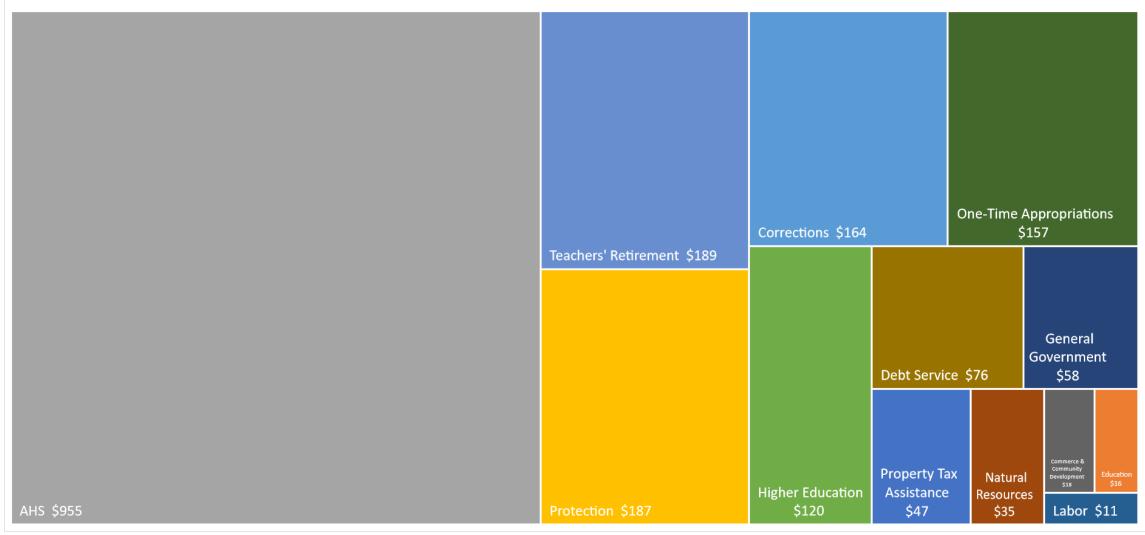
State of Vermont Expenditures by Function (FY24 Governor's Proposal)





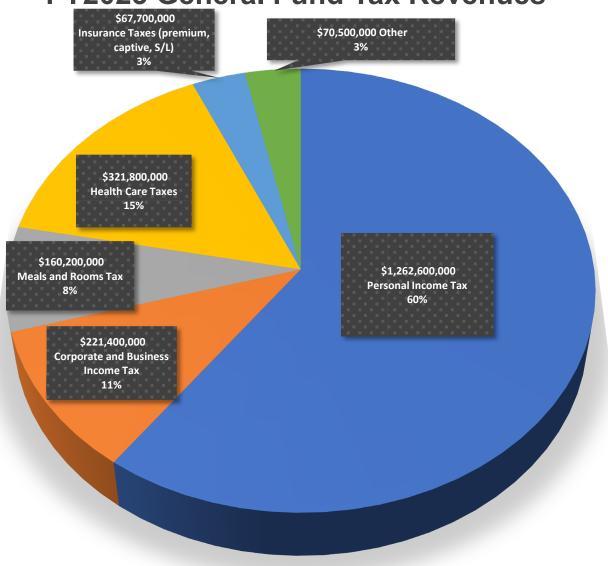


FY23 As Passed General Fund By Function (\$ millions)





FY2023 General Fund Tax Revenues





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



Fiscal Year 2017 (July 2016-June 2017)

Corporate and **Business Taxes**

\$.009

Personal **Income Tax** Property-

\$.018

Total Labor/Expenses Revenue Collected Total Labor/Expenses Revenue Collected Sales and Use Tax (Incl. Jet Fuel)

\$2,611,962 \$.007 \$374,422,578

Local Option Sales Tax*

\$165,812 \$.008 \$19,575,815

Meals and Rooms Tax \$1,475,306 \$.009 \$167,518,546

Corporate Income Tax \$920,302 \$.013 \$69,256,416

Local Option Meals and Rooms Tax*

\$165,812 \$.023 \$7,308,618

Business Income Tax \$699,005 \$.041 \$17,255,476

TOTAL

\$6,038,197 \$.009 \$655,337,449

\$.010

Personal Income Tax \$6,894,443 \$.009 \$742,081,778

Nonresident Withholding Tax \$468,002 \$.036 \$12,830,211

Real Estate Withholding Tax \$302,341 \$.058 \$5,187,179

TOTAL \$7,664,786 \$.010 \$760,099,168 **Related Taxes**

Total Labor/Expenses Revenue Collected Property Transfer Tax \$362,966 \$.009 \$38,693,364

Land Gains Tax

\$ 158,743 \$.112 \$1,422,754

Land Use Change Tax

\$204,238 \$1.607 \$127,122

TOTAL \$725,947 \$.018 \$40,243,239

Total for All Revenue*

\$.009

Labor/Expenses

Revenue

\$15,132,559 \$1,680,502,784

Total does not include non-revenue collections listed in box below

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	\$503,684	13,279	\$37.93
Homestead Declaration	\$917,964	170,663	\$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 or General Property Tax Administration is \$1,402,969. This figure represents Vermont Department of Taxes staff time and expenses only and does not inclu expenses provided by other state agencies.



Other Taxes

\$.003

Insurance Tax-Premium \$30,545 \$.001 \$34,036,003

Captive Insurance Tax \$14,254 \$.001 \$24,242,724

Bank Franchise Tax (incl. Floor Tax) \$18,327 \$.001 \$13,259,373

Cigarette/Tobacco Tax \$128,290 \$.002 \$77,049,121

Health Care Claims Tax \$38,691 \$.002 \$17,559,769

Insurance Tax—Surplus Lines \$4,073 \$.002 \$1,680,655

Telephone Property Tax \$22,400 \$.004 \$5,499,469

Solid Waste Tax \$12,218 \$.004 \$3,149,469

\$77,381 \$.005 \$16,669,900

Fuel Gross Receipts Tax \$65,387 \$.005 \$11,972,625

\$40,727 \$.006 \$6,896,731 **Fiduciary Tax**

\$95,709 \$.010 \$9,183,137 Wind Energy Property Tax \$8,145 \$.010 \$821,782

Defender General Collections \$4,073 \$.015 \$271,575

Fire Training Tax \$28,509 \$.024 \$1,200,132

Solar Energy Tax \$16,291 \$.044 \$367,062

Telephone Company Tax \$10,182 \$.049 \$208,274

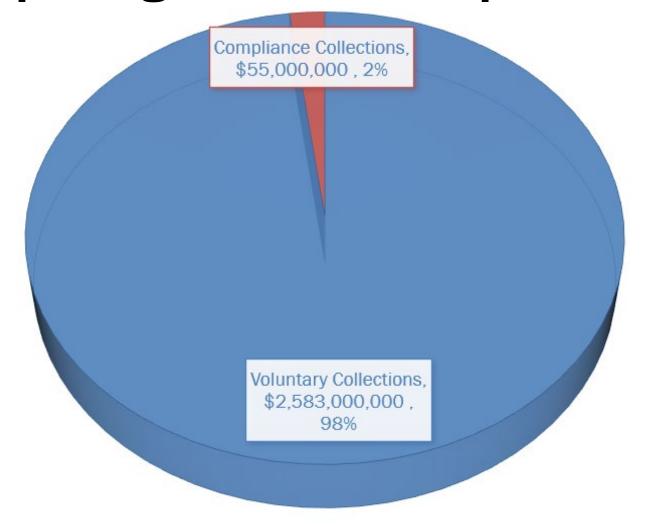
Railroad Company Tax \$20,220 \$.052 \$386,410

Hazardous Waste Tax \$68,206 \$.185 \$368,718

TOTAL \$703,628 \$.003 \$224,822,928 Note: Updated budget ~\$24m Updated revenue ~\$2.65b



Voluntary Reporting at Vermont Department of Taxes





Tax Gap Estimates for Tax Years 2014-2016





Total **Gross Tax Gap** True Tax Paid Enforced **Net Tax Gap** Tax Voluntarily Under-Gross & Other Late (Tax Not Liability & Timely Nonfiling Tax Gap Underreporting Collected) payment **Payments** \$3,307 \$2.811 \$39 +\$398 +\$59 =\$496 - \$68 = \$428 By Type of Tax Individual Individual Individual Individual Individual Individual Individual Income Tax Income Tax Income Tax Income Tax Income Tax Income Tax \$1,740 \$32 = \$357 - \$51 = \$306 \$1,383 + \$278 +\$47 Income Filing Other Unallocated Business Non-Income Business Credits Offsets Status Taxes Marginal Income [2] Effects [3] \$130 \$60 \$42 \$5 \$11 Corporation Corporation Corporation Corporation Corporation Corporation Corporation Income Tax Income Tax Income Tax Income Tax Income Tax \$354 \$313 + \$37 - \$8 = \$34 +\$4 = \$41 Small Large Corpo-Corporations rations \$23 \$14 **Employment** Employment Employment Employment Employmen Employment Employment Tax [4] Tax Tax \$1,131 \$1,038 \$7 + \$82 =\$93 - \$6 = \$87 Self-FICA & FUTA Employ-Uncollected ment Tax FICA TAX \$28 \$1 \$53 Estate Estate Estate Estate Estate Estate Tax Tax Tax Tax Tax Tax Tax \$22 \$17 - \$3 = \$2 \$<0.5 + \$1 +\$3 = \$5 Revised 03/2022

* 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.

DEPARTMENT OF FINANCE & MANAGEMENT

IRS Pub 1415

Publication 1415 (Rev. 10-2022) (irs.gov)

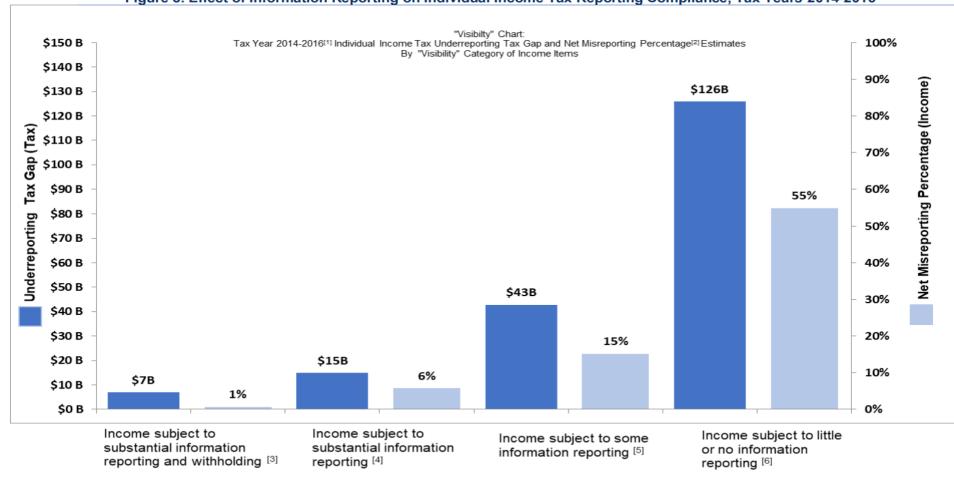


Figure 3. Effect of Information Reporting on Individual Income Tax Reporting Compliance, Tax Years 2014-2016

[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.

IRS Pub 1415

Publication 1415 (Rev. 10-2022) (irs.gov)



^[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 <u>income</u> less overstatements of <u>income</u>. 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.

^[8] Includes nonfarm proprietor income, other income, rents and royalties, farm income, and Form 4797 income.



Thank you!

