

The Facts on Vermont's Business and Tax Climate

Compiled by Lake Champlain Regional Chamber of Commerce and GBIC, 2009

These recently publicized facts on Vermont's business and tax climate and how we compare to other states is based upon an internet search of various studies and reports:

Vermont's State/Local Tax Burden Among Nation's Highest

During the past three decades, Vermont's state and local tax burden has consistently ranked among the nation's highest. In 2009, Vermont's state and local tax burden ranks at 10.3 %, the 8th highest nationally, and above the national average of 9.7%. Vermont taxpayers pay \$4,410 per-capita in state and local taxes.

www.retirementliving.com

Vermont's Business Tax Climate Ranks 43rd

Vermont ranks 43rd in the Tax Foundation's State Business Tax Climate Index (2009), which measures the impact on business of five major elements of the tax system: the percentage of income taken by all taxes, the individual income tax rates, the corporate income taxes, the sales tax rate, and the complexity of the tax system. Ranks of neighboring states are as follows: New Hampshire (8th), New York (49th), Connecticut (37th), Maine (40th) and Massachusetts (32nd).

Vermont's Economic Outlook Ranks 49th

Vermont ranks 49th in a forecast based on a state's standing in state policy variables such as personal and corporate income tax rates, property tax burden, sales tax burden, recently legislated tax changes, public employees per population, debt service as a share of tax revenue, state liability system, minimum wage, worker's compensation costs and tax expenditure limits. However, the state ranked 16th in terms of economic performance which was based on personal income per capita growth, domestic migration and non-farm payroll employment growth. "Rich State, Poor States", American Legislative Exchange Council 2009.

CNBC Rankings for Business 2009

CNBC recently ranked all 50 states using publically available data on 40 different measures of competitiveness. Vermont rankings were as follows: 35th for Cost of Business, 32nd for Workforce, 2nd for Quality of Life, 17th for Economy, 46th for Transportation, 39th for Technology and Innovation, 4th for Education, 26th for Business Friendliness, 36th for Access to Capital and 43rd for Cost of Living.

Forbes Ranks Vermont as Having Nation's Largest Tax Burden

In a March, 2009 article, Forbes.com had an article which led off with the following:

"In early April, fears of IRS tax men are warranted, but in many places it's the state government that residents should be worried about. Take Vermont. It levies the nation's largest tax burden on individuals. Ask anyone living there if the green mountains, popular ski slopes and quaint bed and breakfasts are enough to soften the blow of \$3861 per person kicked up annually to the state government. You'll likely get a lot of "nos."

Anderson Economic Group ranks Vermont as Third Highest State Business Tax Burden

This consulting group constructed a measure that compares taxes businesses pay to business profits earned within each state. In the average state, businesses pay taxes equivalent to 16.69% of profits. Vermont businesses pay 26.45 %, with only Maine (27.40%) and Montana (30.61 %) paying higher burdens. Among the states with the lowest tax burdens are North Carolina (10.88%) Delaware (11.03 %) Connecticut (12.63%) Minnesota (12.58%), and Ohio 12.02%).

Governing.com Grades the States - Vermont a B Minus

Governing Magazine (January, 2008) cited Vermont as having one of the highest per capita tax structures in the nation. It also described a lack of a strategic plan focusing on five to 10 year outcomes as a significant weakness.

Vermont has one of the Most Expensive Individual Income Tax Systems

Vermont's income tax system is composed of five brackets with a top rate of 9.4% kicking in at \$372,950. Only seven other states have higher rates.

Vermont's Corporate Income Tax Rate is Among the Highest in the Nation

According to the 2009 ALEC State Economic competitiveness index, Vermont's corporate tax structure ranks 33rd in the nation with a top rate of 8.5%. Despite the high rates, Vermont's corporate income tax collections are among the lowest in the nation.

Vermont Economic Indicators (New England Economic Indicators, March, 2009)

- Vermont suffered the sixth-worst rate of job loss in the United States. However, the state's year-end unemployment rate was the second in New England.
- Although the state's foreclosure and serious delinquency rates deteriorated, they remained the lowest regionally.
- For the third straight year, Vermont was the only New England state to experience decreased exports.
- Vermont's index of economic activity posted the sharpest decline in New England.
- Vermont saw its labor market continue to tighten in 2008, losing a total of \$10,900 jobs – a decline of 3.5 percent which ties Rhode Island for the highest rate of job loss in New England. Only five other states saw steeper drops in employment.

Vermont's Sales Tax Rate at National Median

Vermont's state and local sales tax rate stands at 6%, ranking among the highest with 22 other states. Vermont's cigarette tax stands at \$2.24 per pack (ranked 7th highest nationally).

Vermont Taxes: Comparatively High

In 2007, according to a publication from the Vermont Joint Fiscal Office, Vermont ranked 2nd highest in terms of state tax revenues collected at \$4,119 (national average is \$2,487 per capita). Vermont ranked 4th in the state tax revenue collected per capita in 2007, 6th in state and local property taxes collected (2006), 12th in direct government expenditures (2006), 4th in K-12 Education spending per pupil (2006) and 6th in public welfare expenditures (2004).