

Tax Foundation's Ranking of Vermont Highlights Need for Tax Policy Changes, Business Group Says

by Neil Downing

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"The Great Recession has magnified the fact that, with our relatively small tax base of individual and corporate taxpayers, we have reached our capacity on tax rates," Lisa Ventriss, the group's president, told Tax Analysts on September 24.

"Like many states, our future budget forecasts are frightening and we must begin to radically alter the ways in which we prioritize, structure, and fund critical services," said Ventriss, whose group's membership includes 120 chief executive officers of Vermont businesses and employers.

"Unless we begin to restructure our revenue structure, Vermont runs the risk of alienating those taxpayers who are themselves highly mobile and whose incomes are highly volatile," Ventriss said.

"It is possible, we believe, to generate the same level of revenue from less volatile and more stable sources without displacing the tax base upon which our future success depends," she said.

Vermont ranked 41st of the 50 states, according to the "2010 State Business Tax Climate Index," published September 22 by the Tax Foundation, a nonprofit group in Washington that monitors fiscal policy at the federal, state, and local levels. (For coverage, see *State Tax Notes*, Sept. 28, 2009, p. 862, *Doc 2009-21124* [[PDF](#)], or *2009 STT 182-1* [📄](#). For the report, see *Doc 2009-21222* [[PDF](#)] or *2009 STT 184-1* [📄](#).)

Still, the state's ranking has improved somewhat in recent years. It was 46th for fiscal 2006, 44th for fiscal 2007, 43rd for fiscal 2008, 43rd for fiscal 2009, and now 41st for fiscal 2010, according to the Tax Foundation.

Bill Schubart, chair of the state's recently formed Blue Ribbon Tax Structure Commission, said of Vermont's current ranking, "The good news is that we're better than we were. But we can do better."

Schubart also noted that the Tax Foundation ranking focuses solely on taxes. But there are other factors to consider, such as a state's regulatory climate, its physical characteristics, and its overall education level, he told Tax Analysts on September 25.

"A lot of Vermont businesses located here because the education level is very high," Schubart said.

On the individual components of the overall Tax Foundation ranking, Vermont scored better in some areas than others. For example, it ranked 14th of the 50 states when it comes to sales tax, 18th for state unemployment insurance tax, and 28th for corporate tax. But it ranked 41st for individual income tax and 44th for property tax.

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