

Fair Share for Vermont:

We can build a Vermont that works
for everyone who lives here

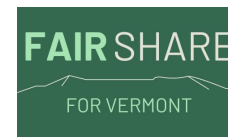
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Public Assets Institute

Fund Vermont's Future and Fair Share for Vermont Campaign Manager

March 12, 2025

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Fair Share for Vermont:

A campaign to raise state revenue by increasing taxes on the wealthiest Vermont residents

- Led by the Fund Vermont's Future coalition
 - ACLU of Vermont, Public Assets Institute, Vermont Conservation Voters, Vermont Early Childhood Advocacy Alliance, Vermont Natural Resources Council, Vermont-NEA, Voices for Vermont's Children
- Fair Share for Vermont Campaign launched November 2023
- House passed Fair Share policy 2024 legislative session, did not face full consideration in Senate

1. Income inequality in Vermont has been growing for decades

100 years of gains and losses in income inequality

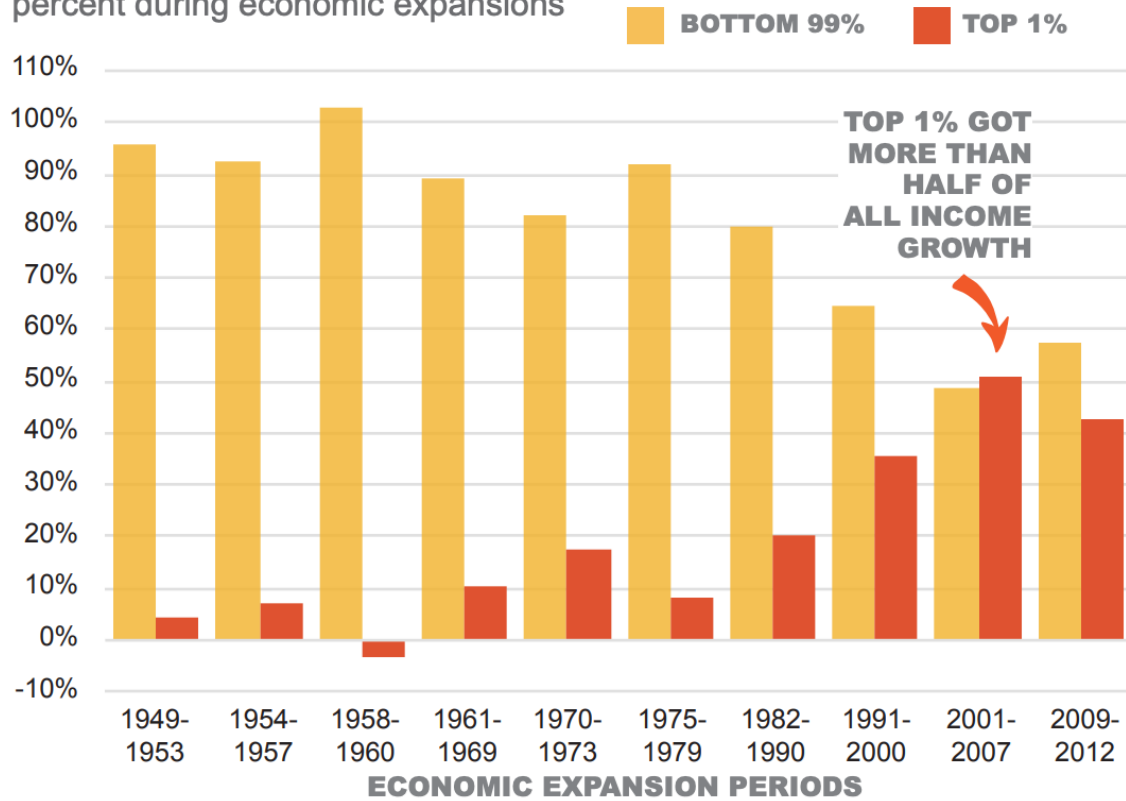
Share of income going to the top 1% of Vermonters, 1920-2020



Data source: Frank-Sommeiller-Price Series for Top Income Shares by US States since 1917

Recent expansions rewarded the haves

Share of Vermont income growth going to top 1 percent and bottom 99 percent during economic expansions

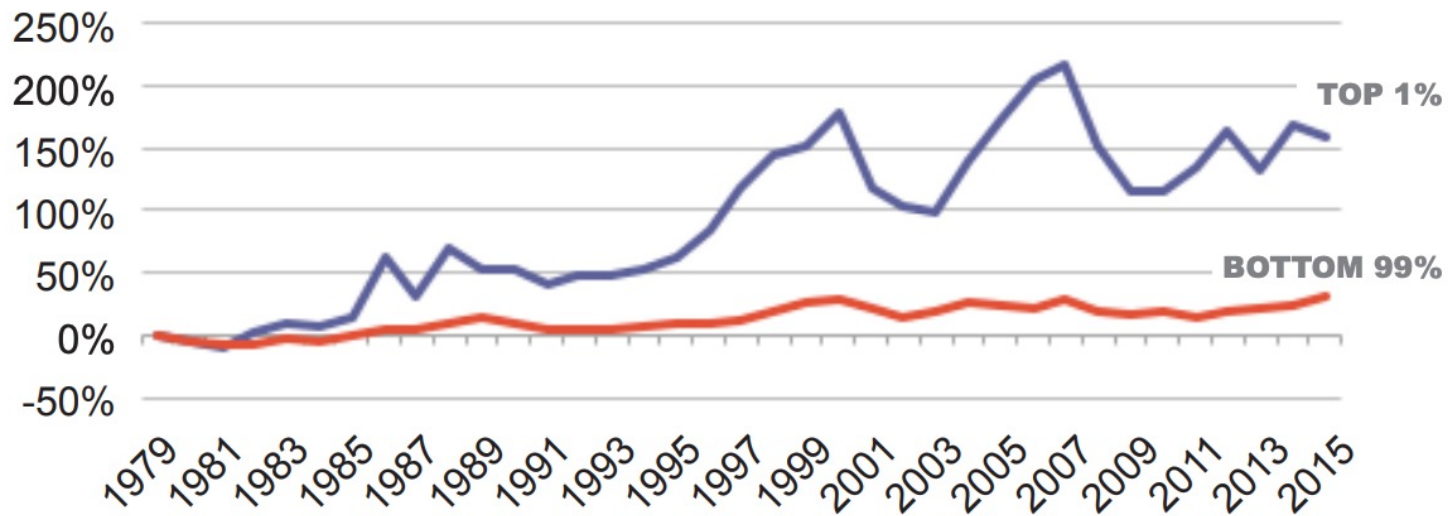


Data source: Mark Frank, Estelle Sommeiller, Mark Price, and Emmanuel Saez, "Annual Top Income Shares by U.S. State, 1917-2013"

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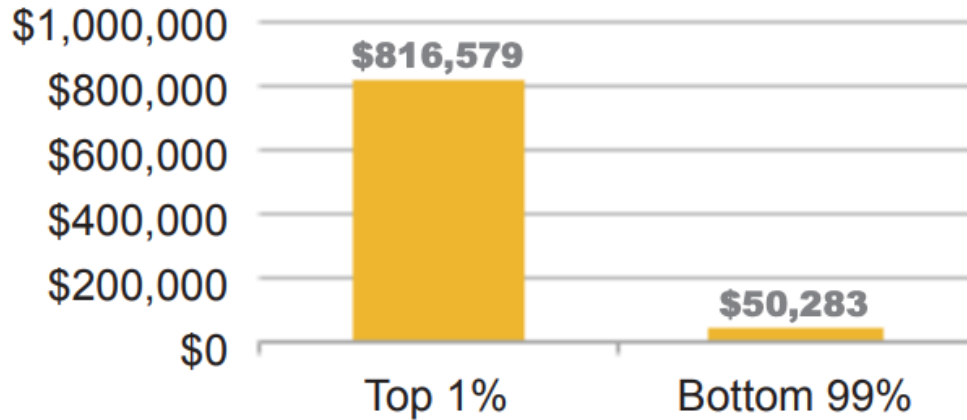
Incomes of the top 1 percent increased more than everyone else's

Cumulative change in income, top 1% and bottom 99%, 1979-2015



Data source: Estelle Sommeiller and Mark Price, "The New Gilded Age: Income Inequality in the U.S. by State" (Washington: Economic Policy Institute, 2018).
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Vermont's top 1% averaged 16 times the income of the other 99% Average income, top 1% and bottom 99%, 2015



Data source: Sommeiller and Price, "The New Gilded Age."
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Updated 2022 data from Public Assets Institute shows that Vermont's top 1% now averages 20 times the income of the other 99%. The average income among the top 1% is \$1.4 million per year, while the average income among the bottom 99% is \$69 thousand per year.

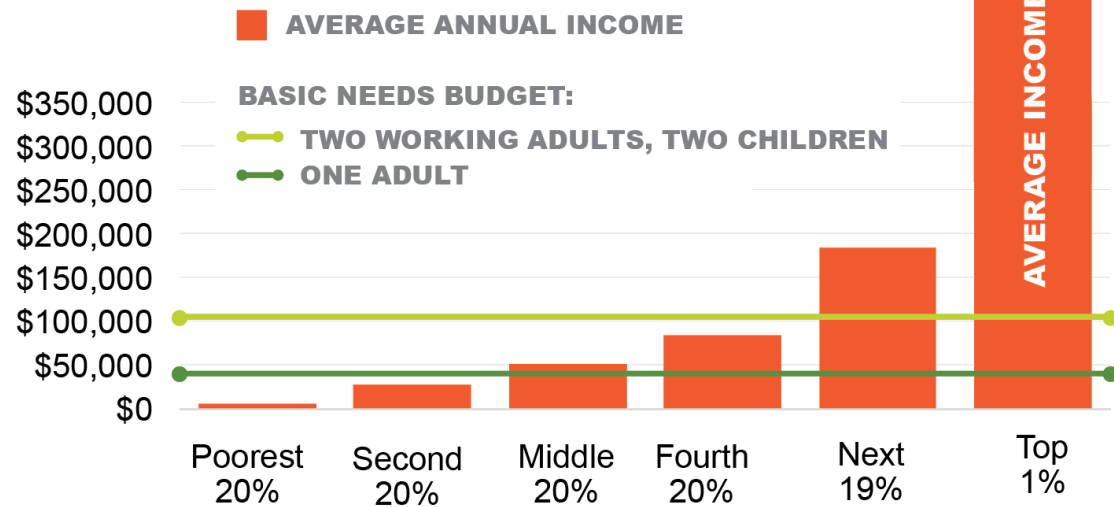
If incomes for the **bottom 99% of Vermont income earners** had grown at the **same rate as the top 1%** between 1974 and 2020, their **average income would have been \$100,000 more in 2020.**

Average income of the bottom 99% (2020): **\$59,000**

Average income of the bottom 99% (if incomes had grown at same rate as top 1%, 2020): **\$159,000**

Many low- and middle-income Vermonters fell short of their basic needs. The top 1% had more than enough left over

Average annual adjusted gross income by quintile and basic needs budget, 2022



Data sources: Vermont Joint Fiscal Office; Vermont Department of Taxes
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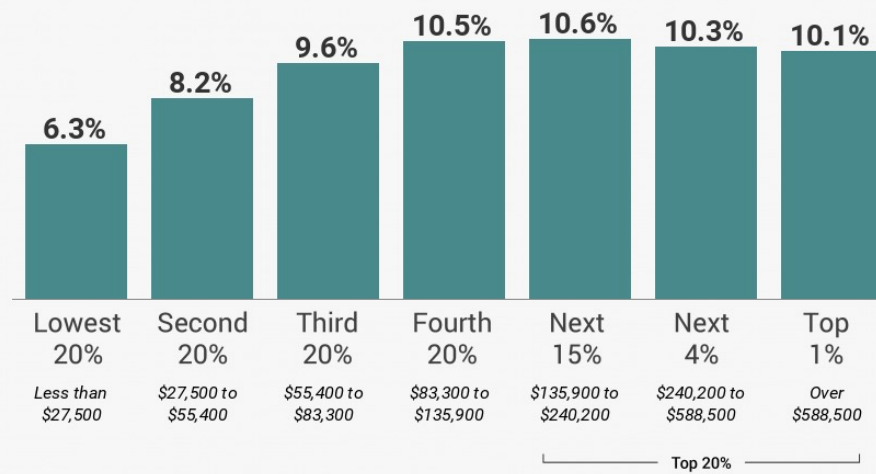
2. Vermont's tax system is regressive at the top

Vermont



Total Taxes

Share of family income

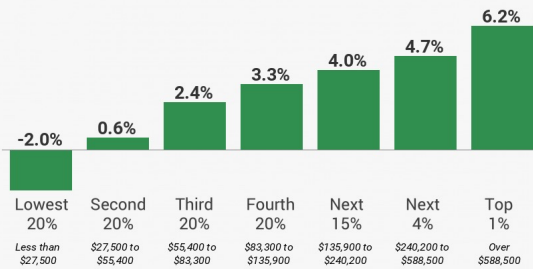


Vermont



Personal Income Taxes

Share of family income



Top 20%

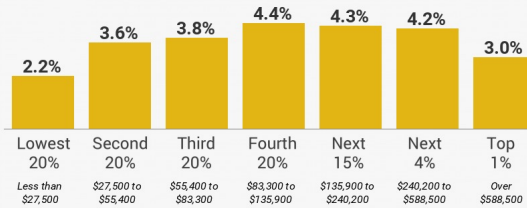
ITEP | WhoPays?

Vermont



Property Taxes

Share of family income



Top 20%

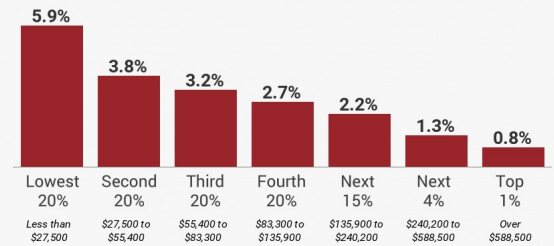
ITEP | WhoPays?

Vermont



Sales & Excise Taxes

Share of family income



Top 20%

ITEP | WhoPays?

3. Federal tax changes have disproportionately benefitted the wealthiest Vermonters

100 years of gains and losses in income inequality

Share of income going to the top 1% of Vermonters, 1920-2020



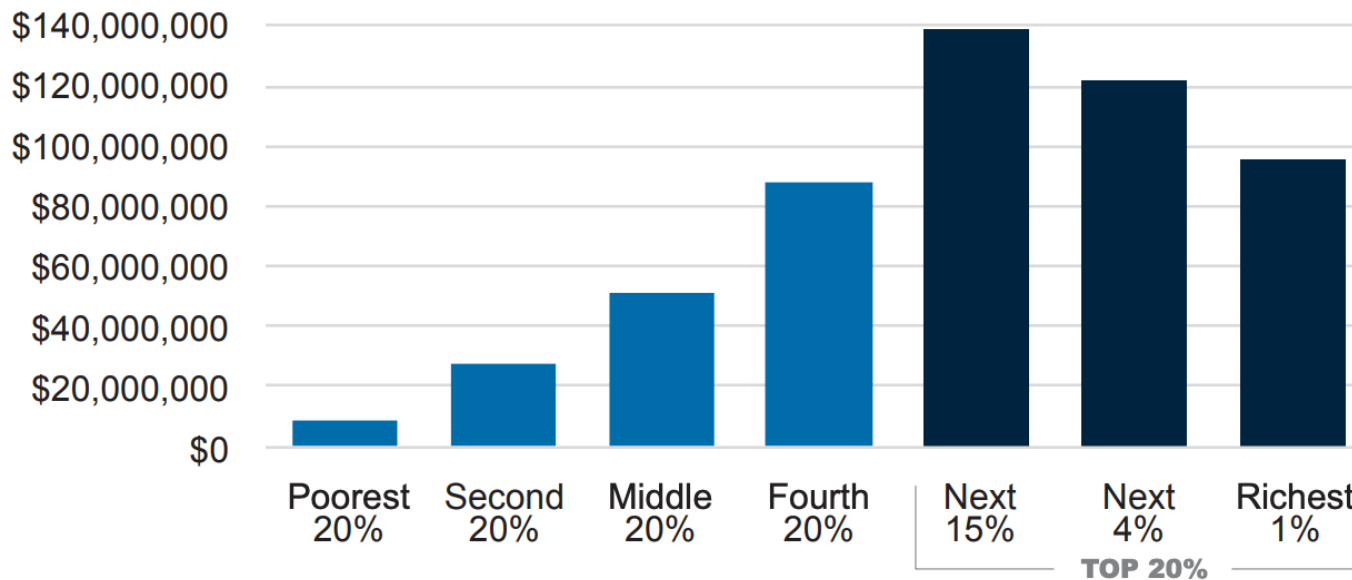
Data source: Frank-Sommeiller-Price Series for Top Income Shares by US States since 1917

2017 Tax Cuts and Jobs Act (TCJA)

- Personal income tax rate reductions
 - Top marginal rate decrease from 39.6% to 37%
- Corporate tax rate reductions
 - Cut corporate taxation from 35% to 21% (flat rate)
- Doubled the estate tax exemption
 - (the amount wealthy households can pass on tax-free to heirs—from \$11 million per married couple to \$22 million)

Trump tax cuts for the top 20% of Vermonters totaled \$350 million in 2018

Estimated total federal tax benefit to Vermonters from Tax Cuts and Jobs Act, by income group, 2018



Data source: Institute on Taxation and Economic Policy
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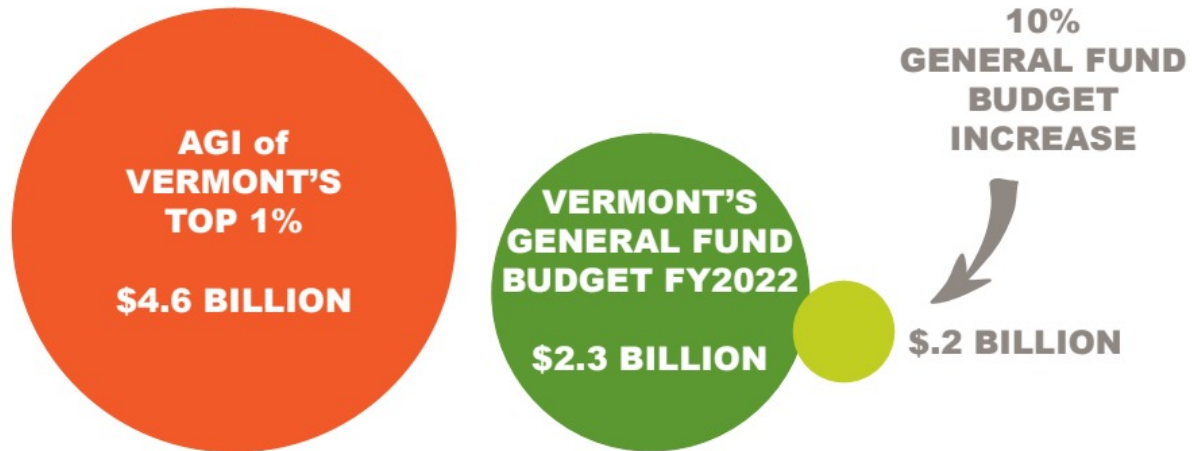
Current Federal Landscape

- Likely extension of TCJA, and likely including additional tax benefits for the wealthiest
- TJCA extended:
 - Average Vermont taxpayer in the top 1% would save **\$27,810** in federal taxes
- TCJA extended without SALT cap:
 - Average Vermont taxpayer in the top 1% would save **\$54,150** in federal taxes

4. We have the capacity to increase taxes at the top

Capacity to Increase Taxes on Highest Earners:

Income of top 1 percent is double the General Fund budget Adjusted gross income (AGI) of top 1 percent of Vermont filers, 2022, General Fund budget, FY2022



Data source: Vermont Department of Taxes; Vermont Joint Fiscal Office
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Why Revenue?

We need more state revenue to meet the needs of all Vermont residents

Examples of needs:

1. \$6.3 billion in school construction needs
2. Chronic underfunding of Reach Up, conservation efforts, basic services
3. Federal uncertainty

To address these needs (and many more) we need to raise revenue by increasing taxes on those most able to pay.

Recap (so far)...

1. Incomes for the highest earners in Vermont are increasing faster than incomes for everybody else
2. The highest income earners in Vermont are paying a smaller portion of their income in state taxes than middle- and upper middle-income Vermonters
3. The highest income earners have benefited disproportionately from federal level tax cuts
4. There is the capacity to increase taxes on the wealthiest Vermont residents
5. Vermont has significant needs that require more revenue

Which means...

- Economic capital is currently being concentrated at the top
- Middle income families are subsidizing the taxation of high-income earners
- The state is not collecting sufficient revenue
 - And inevitable costs from underfunded government services disproportionately affect lower and middle- income Vermonters

Fair Share Proposal

New Income Tax Bracket for High-Earners

- New tax bracket for personal marginal income over \$500,000
- New tax bracket would be taxed at 11.75% (current top marginal rate: 8.75%)
- This would affect the top 1.1% of Vermont taxpayers (~3,500 filers) and would raise over \$74 million annually
- New tax bracket passed Vermont House in 2024 session, but did not face full consideration in the Senate

Additional (longer term) Proposal: Taxing Unrealized Gains

- During the 2024 legislative session, Fair Share for Vermont supported H.827, legislation to tax a portion of unrealized gains for individuals with over \$10 million in assets
- Currently, gains in the value of assets are only taxed at the point of sale (example: Person 1 buys stock at \$10 and sells at \$20—they would pay capital gains taxes on \$10 of growth (taxed at personal income tax rates))
- This means that net worth can balloon, without a person paying corresponding taxes
- This creates a tax loophole for wealthy individuals to grow their net worth without paying taxes through the “buy, borrow, die” model
 - 1. Buy: Person 1 buys stock at \$10
 - 2. Borrow: Person 1 borrows against stock, which is now valued at \$20 (using that asset as collateral for loans, therefore not needing to cash out the stock)
 - 3. Die: Person 1’s stock (now worth \$20) is passed down to Person 2. Value of stock resets to \$20. Stock appreciates to \$30, and Person 2 sells. They only pay capital gains taxes on \$10 of growth (instead of the \$20 of growth over the lifetime of the asset)
- Unrealized gains taxation would tax a portion of asset growth before the point of sale (on a year by year basis) for very wealthy individuals (this legislation would have affected individuals with over \$10 million in assets)

Take Action!

Ask your legislators to raise state revenue by increasing taxes on the wealthiest Vermonters

- Point to Fair Share proposal to create a new tax bracket on marginal income over \$500,000

Get in Touch!

Head to fairsharevt.org and sign up to receive email updates

Send me an email! anika@publicassets.org

