

To: Commissioner Craig Bolio, Vermont Department of Taxes
Senator Ann Cummings, Chair, Senate Committee on Finance
Representative Janet Ancel, Chair, House Committee on Ways and Means

From: Austin Davis, Government Affairs Manager, Lake Champlain Chamber

Date: November 12, 2020

RE: Adapting in the Wake of U.S. Treasury Notice 2020-75 on SALT Deductions

As you likely are aware, on November 9th, the U.S. Treasury issued Notice 2020-75 announcing proposed regulations that allow a particular workaround of the \$10,000 cap created by President Trump's 2017 "Tax Cuts and Jobs Act" on state and local taxes (SALT) for some businesses. The Lake Champlain Chamber believes that this opening may provide an opportunity to extend a benefit to struggling small businesses, at no cost to the state of Vermont, while also reducing the cost of administration in some instances for the Department of Taxes.

We understand there is still a great deal to explore, however, such opportunities for a revenue-neutral win-win are rare, and we ask that you give this one serious consideration. Some New England states already have enacted a policy to facilitate such a workaround by enacting legislation under which noncorporate businesses can pay state income taxes at the entity level rather than at the individual level on their owners' returns. Specifically, under this regulation, the SALT cap would not apply to income tax payments made by Partnerships and S Corporations, and to capitalize on this, Vermont would need to allow for the option for state income taxes to be paid at the entity-level.

We suggest that in the months leading up to the upcoming biennium that the issue be explored further by;

- The Department of Taxes assesses the cost savings associated with ease of administration, particularly those likely associated with non-residential withholdings.
- The Joint Fiscal Office working with the Office of Legislative Counsel to develop language mirrors that of other New England states and ensures a revenue-neutral outcome for Vermont.