

Rutland Herald

Editorial

Faux populism

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A new study done for the Legislature on taxes in Vermont shows that the state's tax burden is not as extreme as it is often portrayed.

The Joint Fiscal Office is a nonpartisan arm of the Legislature, and it produced the report in response to a legislative request. It showed that Vermont's level of taxation varies: For low-income taxpayers it is low; for high-income taxpayers it is high. The study examined a range of individual tax returns at varied incomes in a varied group of states, and Vermont's tax burden overall was relatively low.

That is in contrast to the portrait presented in an oft-cited study by the Tax Foundation, which characterizes Vermont as having the highest tax burden in the nation. Gov. James Douglas is fond of citing that report, using it as ammunition in his effort to resist new programs and taxes.

The old joke about Bill Gates walking into a bar explains the main flaw of the Tax Foundation study. Before Gates walked into the bar, the per-capita income of the bar patrons may have been \$40,000. After he walked in, the per-capita income was, perhaps, \$1 billion. The Tax Foundation measures per-capita tax burden in the states, and according to that method, Vermont ranks high.

But states have available to them a variety of measures to lessen for most people the burden of the revenues it raises. Among them is progressive taxation, by which the rich are taxed at a higher rate than the poor. Vermont has one of the most progressive tax systems in the nation and among the 12 states that were part of the study. (The other states were Connecticut, Massachusetts, New York, New Hampshire, Florida, Oregon, Maine, Wisconsin, North Carolina, Minnesota, and Washington.)

Thus, a taxpayer with an adjusted gross income of more than \$1 million would pay \$75,000 in state taxes in Vermont. In New Hampshire, the same taxpayer would pay \$19,499, mainly because there is no income or sales tax.

Progressive taxation allows the state to tax middle-class or low-income taxpayers at a lower rate. Thus, a married Vermonter filing singly who has an adjusted gross income of \$45,000 would pay \$1,970 in state taxes in Vermont. In Massachusetts, the same taxpayer would pay \$2,869.

The new study has produced a fierce response from Gov. James Douglas, who has tried to characterize it as a partisan document designed to pave the way for new taxes. It is nothing of the sort.

The Joint Fiscal Office works for all members of the Legislature — Republican, Democratic and Progressive — and is charged with producing objective fiscal analysis. The fierceness of Douglas' response is a gauge of the threat he sees from the objective facts of the report.

By repeatedly emphasizing his view that Vermonters face one of the highest tax burdens in the nation, Douglas uses a distorted picture to put Vermont state government in a fiscal straitjacket.

There are political advantages to harping on the issue of taxes, as Presidents Reagan and George W. Bush have shown. No one likes to pay taxes, and for people who are struggling, taxes at any level are too high. Dwelling on supposedly high taxes thus becomes a form of faux populism. But the straitjacket Douglas deploys has the effect of preventing the state from initiating programs that would actually help those who are struggling, such as universal health care and improved education.

Douglas' principal criticism of the Joint Fiscal Office study is that it didn't include property taxes. But if it had, Vermont might well have fared comparatively better. That's because for schools Vermont pegs its residential property tax to income, which decreases the burden for most Vermonters.

There are other ways that Vermont's tax burden might actually be less onerous than reported by the Joint Fiscal Office. States with high levels of tourism and large numbers of vacation homes enjoy revenues from out-of-staters in sales and rooms and meals taxes and property taxes.

The Joint Fiscal Office report is not an invitation to spend more money. Even if Vermonters are not taxed as steeply as Douglas claims, no one wants to see spending driven up heedlessly. Lawmakers must continue to make decisions about new programs on their merits, and they must continue to weigh the cost to taxpayers.

At the same time, budget constraints imposed on the basis of a misconceived notion of the state's tax burden may prevent the state from addressing pressing needs. Douglas' constant fear-mongering about high taxes does the state a disservice by distorting the real choices available to Vermonters.