

## Despite Clouds, Signs of Improving Economic Weather

Notwithstanding a spike in unemployment in July, the Vermont labor force has shown largely positive signs this year. After falling for 25 straight months, the labor force increased in five of the first seven months of 2014. The labor force includes people employed as well as those out of work but actively seeking jobs. In July, the net number in the labor force grew by 200, a rise of 1,118 unemployed and a decrease of 916 employed.

	JUL 2014	JUN 2014	JUL 2013
Labor Force	351,102	350,900	351,208
Employment	338,024	338,940	335,402
Unemployment	13,078	11,960	15,806
Unemployment Rate	3.7%	3.4%	4.5%

Source: U.S. Bureau of Labor Statistics

### Flagging tax revenue

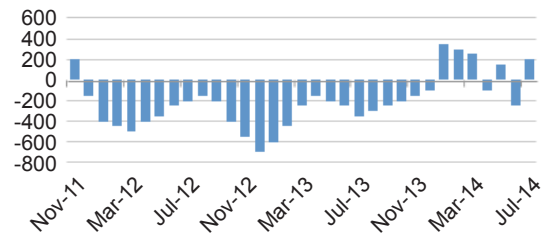
Vermont income tax receipts dropped 20 percent—\$124 million—during the recession and did not rise above the pre-recession level until fiscal 2013. Income taxes were up less than 2 percent for fiscal 2014, which ended June 30. The slow growth in income and sales taxes for the first half of this year led state officials to reduce the revenue forecast for fiscal 2015 by about \$30 million.

### Personal income: Not just wages

The income tax is the largest source of General Fund revenue, but represents a small share of Vermonters' personal income. Personal income includes sources beyond salaries and wages, such as Social Security and dividends. Personal income is more than the IRS's "adjusted gross income" or Vermont's "taxable income." But it's a common measure of state economic wellbeing. In 2013 it was \$28.7 billion. As a percentage of personal income, Vermont income taxes averaged 2.2 percent from 2008 to 2013.

### Vermont's Labor Force Was Mostly Up in 2014

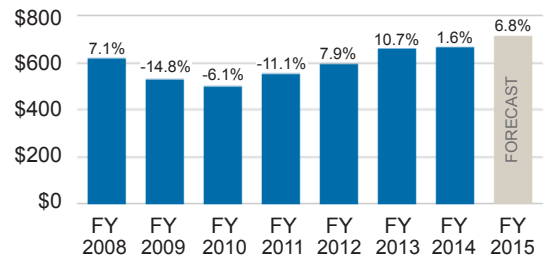
Month over month change in labor force, seasonally adjusted



Data source: Vermont Department of Labor

### Income Tax Growth Slowed Last Year

Personal income tax receipts, FY2008-2015, in millions



Data source: July 2014 Economic Review and Revenue Forecast Update

### Income Taxes Take a Slim Slice of Personal Income

Vermont personal income, personal income taxes, 2008-2013, in billions



Data source: U.S. Bureau of Economic Analysis; Vermont Tax Department and Department of Finance and Management