

**Provisional Consensus Revenue Forecast
for the
General Fund, Transportation Fund, and
Education Fund [Partial]**

Fiscal Years 2018 through 2020

January 18, 2018

Prepared for the Vermont Emergency Board

PREPARED BY:



400 Cornerstone Drive, Suite 310 | P.O. Box 1660 | Williston, VT 05495-1660
(802) 878-0346 | (800) 765-1377 | info@epreconomics.com | www.epreconomics.com

ECONOMIC, POLICY, AND FINANCIAL ANALYSTS

A. Discussion of the Updated “Provisional” Staff Recommended Consensus Revenue Forecast Update

- For the first time since the consensus revenue forecasting process began back in the mid-1990s, the staff recommended consensus revenue forecast update is being issued on a **provisional basis**. Although the staff recommended consensus forecast includes estimated State revenue impacts for many of the key Personal Income Tax provisions of the recently enacted federal **Tax Cuts and Jobs Act** (the “Act”) and represents the staff’s “best-so-far” estimate of those impacts, many of the Act’s complex provisions—including the all of the Corporate Tax provisions in the Act—remain uncertain and require additional detailed analysis in order to properly quantify their State revenue impacts.
 - Accordingly, additional research and analysis remains on-going for all provisions that may impact State revenues (see Section B for details), and the staff recommends that the Emergency Board remain open to receiving updated consensus impact estimates as they further develop over the session as additional information and initial data on actual filing experience is received and analyzed.
 - Staff will continue to review/update the analysis these provisions with the objective of providing periodic or interim updates, adjustments, as warranted, and/or an updated staff recommended consensus revenue forecast update on or around early April.
- The unusual provisional nature of this staff recommended consensus revenue forecast update is the result of the historically unique, higher than usual level of forecast risk found for the Personal Income Tax and Corporate Income Tax components of the G-Fund.
 - This higher than usual level of forecast risk in the two income taxes is a direct reflection of the extraordinarily large and sweeping structural scope and nature of many of the changes to those two critical revenue-producing G-Fund components related to the enactment of the federal tax reform legislation.
 - Therefore, consistent with the objectives of the consensus forecasting process that have been in place for roughly two decades, this unusually high level of forecast risk related to the federal tax reform changes creates an obligation for the staff recommendation to call

out this heightened level of forecast risk.

- This is especially so because this unique level of forecast uncertainty involves two critically important G-Fund tax sources involving roughly \$870 million of the nearly \$1.5 billion consensus forecast for fiscal year 2018 (corresponding to nearly 60 percent of the total).
- Going forward, the sweeping scope of the federally enacted tax changes makes it likely that this somewhat unique,¹ heightened level of risk to the consensus forecast is likely to be around for at least a few consensus forecast update cycles. It will likely remain until the “new norms” associated with taxpayer behavior in response to the Act are established—for the new set of taxpayer motivations—and new seasonal receipts patterns for the Personal Income Tax and Corporate Income Tax components become established.
 - Indeed, there is already strong evidence that a shift in taxpayer behavior has already occurred with the surge in 4th Quarter² Personal Income Tax Estimated Payments at the end of last December—in response to new federal limitations on the deductibility of State and Local Taxes Paid currently for tax years 2018 through 2025.³
 - It is likely that other new patterns in taxpayer behaviors and in the seasonality of receipts will develop and will begin to emerge over the course of the next several tax and fiscal years. This will almost certainly complicate the analysis of state tax revenues versus consensus forecast expectations—at least over the near-term time horizon.
- With the above as context and considering: (1) the still positive, forward momentum in the Global, U.S., and Vermont economies for the on-going—though aging—economic expansion, (2) actual receipts performance over the first half of fiscal year 2018, and (3) other various technical issues, the staff recommended January 2018 consensus forecast update calls for a provisional forecast upgrade for revenue expectations across all three fund aggregates that

¹ At least, it is somewhat unique in that it only comes around once every few decades when the Congress enacts structural federal tax reform legislation.

² Of calendar year/tax year 2017.

³ It is presently unclear if this provision will be made permanent for tax years beyond 2025.

are part of the consensus forecasting process. As such, this recommendation includes recommended forecast upgrades for the G-Fund (although this recommendation is provisional), the T-Fund, and the E-Fund [Partial] for each of the fiscal years in the fiscal year 2018 through fiscal year 2020 consensus forecast update time frame.

- For the G-Fund, the provisional staff recommendation includes a forecast upgrade of \$8.1 million for fiscal year 2018, a forecast upgrade of \$29.7 million for fiscal year 2019, and a forecast upgrade of \$38.3 million for fiscal year 2020 (see Table1).

Table 1: Summary Table of Differences January 2018 Consensus Forecast versus the July 2017 Forecast (By Fund)						
<i>Includes Selected PI Tax Provisions of Federal Tax Reform</i>						
Current Law-Provisional	2018		2019		2020	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
General Fund <i>[Available to the General Fund]</i>	\$8.1	0.5%	\$29.7	1.9%	\$38.3	2.4%
Transportation Fund <i>[Available to the Transportation Fund]</i>	\$1.4	0.5%	\$2.1	0.8%	\$2.9	1.0%
Education Fund <i>[Partial]</i>	\$0.4	0.2%	\$1.1	0.5%	\$1.3	0.6%
Total--"Big 3 Funds"	\$9.9	0.5%	\$32.9	1.6%	\$42.5	2.1%
MEMO #1: TIB [2]						
Gasoline	\$0.4	3.2%	\$1.1	8.4%	\$0.4	3.2%
Diesel	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%
Total TIB	\$0.4	2.8%	\$1.1	7.2%	\$0.4	2.8%
Notes:						
[1] Does not include Corporate Tax Changes under the recently passed federal Tax Reform legislation.						
[2] Totals in the TIB may not add due to rounding.						
Prepared by: Economic & Policy Resources, Inc.						

- Nearly all of this forecast upgrade in the G-Fund is attributable to expected increases in State tax liabilities associated with the recently enacted federal tax reform/reduction legislation for the key provisions impacting the Personal Income Tax. Although the Act included a mix of negative and positive individual provisions impacting the State's Personal Income Tax, the initial consensus estimate is that the provisions impacting the State's Personal Income Tax on balance will result in modestly higher⁴ State Personal Income tax receipts in the G-Fund over the forecast update time period.

⁴ Initial impact modeling conducted by the Tax department and JFO staff indicate a positive State revenue impact in the Personal Income Tax of roughly \$30.4 million on a calendar year tax liability basis for tax year 2018. This is not a final, all-inclusive estimate in that it could be missing important liability changes for higher income filers whose taxable income may have significant amounts of pass-through business income. This number therefore should be used-interpreted with caution.

- In addition, a significant portion of the staff recommended forecast upgrade is also attributable to the stronger recent actual economic performance (which also is in part attributable to the policy changes enacted under the Act which, for example, contributed to a strong positive price performance in U.S. equity markets), and the upgraded forecast for the economy over the near-term forecast horizon as the “stimulative effect” of the tax reform legislation⁵ is expected to boost the near-term macroeconomic outlook.
- Because the recent performance of the economy and equity markets and the near-term economic outlook have clearly been impacted by the debate surrounding, and the final enactment of the federal tax reform legislation, it is impossible to forensically separate out the specific effects on a component-by-component basis that the debate and enactment of federal tax reform and other factors have had on the staff recommended forecast upgrade.⁶
 - Moreover, these provisional revenue estimates for the Personal Income Tax and Corporate Income Tax as of the January 18th of the Emergency Board are not settled, and could therefore change significantly over the next 60-90 days as further research and analysis is completed.
 - While this provisional revenue estimate includes what are believed to be the most significant provisions of the federal tax legislation that are likely to impact Personal Income Tax receipts in Vermont, this provisional consensus forecast update does not yet include all provisions that may affect State tax receipts because it does not include any estimates of State revenue impacts associated with structural changes in the Corporate Income Tax—which are structural and in many cases far-reaching.
 - Between the passage of the Act in late December and the January 18, 2018 Emergency Board meeting, there simply was not enough time to reliably assess the State revenue impacts of these far-reaching

⁵ On the downside, the legislation is expected to add significantly to the federal budget deficit over the next 5 to 10 years.

⁶ The recent stock market performance no doubt reflects a combination of the still growing global and U.S. economies and also investors’ expectations that a reduction in corporate taxes would be a positive for share prices. Just how much of the stock market’s recent positive price performance is attributable to the first factor or second factor is unknown.

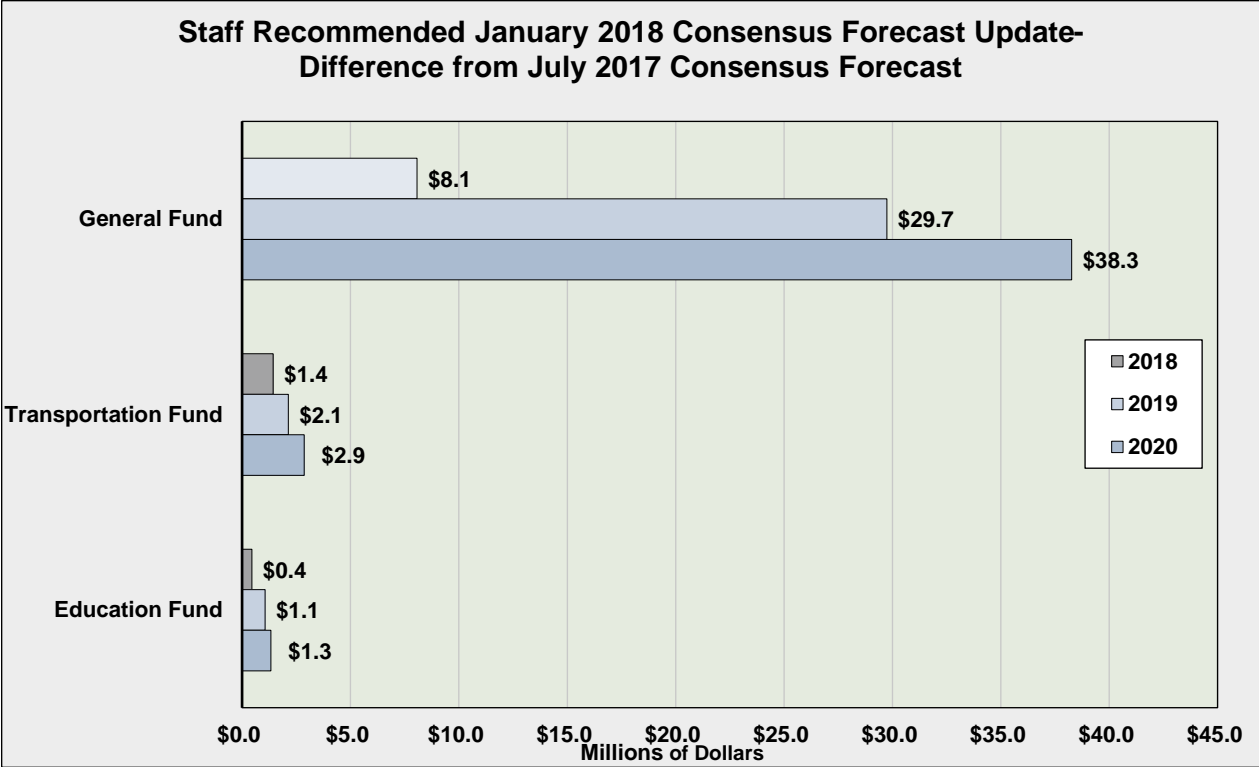
Corporate Tax changes. More in-depth analysis on a company by company basis is required to develop reliable State revenue impact estimates.

- At this time, the uncertainty associated with many of these provisions means it is not clear whether the impact of the Corporate Tax changes will be “on balance” positive or negative, and it is premature to speculate about even an order-of-magnitude dollar amount related to these provisions for the State’s Corporate Income Tax.
 - Therefore, it is possible—even likely—that this provisional consensus revenue forecast update can be expected to change significantly as further research, analysis, and taxpayer filing information relevant to State revenue impacts due to the Act are further refined.
- Lastly, and beyond the prospective State revenue receipts impacts resulting from the Act, the fiscal year 2018 and fiscal year 2019 staff recommended consensus forecast update also includes a refinement in the timing of the M&A-based Corporate Tax refunds that were originally estimated total \$16.3 million in fiscal year 2018.
 - For this staff recommendation, the revised consensus forecast expects that just over half of the original \$16.3 million in M&A Corporate Tax refunds will have been “settled” by the end of fiscal year 2018. This would leave roughly \$8.0 million in “un-settled” M&A-related, forward-looking Corporate Refunds exposure left to be included in fiscal year 2019.⁷
- For the T-Fund, the staff recommendation calls for a consensus forecast upgrade totaling +\$6.4 million over the three fiscal year period, primarily reflecting the somewhat stronger near-term outlook over all for the economy.
 - For fiscal year 2018, the staff recommendation is for a +\$1.4 million increase (corresponding to +0.5%) to \$277.6 million versus the consensus forecast adopted last July. The recommended forecast upgrade is tied to somewhat higher receipts in MvP&U Tax and the

⁷ And potentially longer, should any dollar amount differences between the State’s review-determinations and taxpayers’ requests require further adjudication and/or possibly litigation to definitively resolve any differences.

Other Fees category and somewhat less of a decline in fuel tax receipts than was expected last Summer.

- For the fiscal year 2019, staff recommends a \$281.0 million consensus forecast. This corresponds to a +\$2.1 million (or +0.8%) increase over the consensus forecast adopted last July. The forecast upgrade is similarly tied better receipts prospects MvP&U Tax, the Other Fees category and the fuel taxes versus last July.
 - The fiscal year 2020 staff recommendation calls for a +\$2.9 million (or +1.0%) forecast upgrade to a \$285.5 million consensus forecast versus the consensus forecast last July. Again, the forecast upgrade is linked to improved receipts prospects in the MvP&U Tax, Other Fees, and the fuel tax categories versus consensus expectations in the consensus revenue forecast for fiscal 2020 adopted by the Emergency Board last July.
- For the portion of the E-Fund that is included in the consensus forecasting process, staff recommended forecast calls for a modest upgrade totaling +\$2.8 million over the three year period.
 - The E-Fund forecast upgrade reflects the more supportive macroeconomic environment for household consumption following the policy deliberations and final enactment of the federal tax reform initiative.
 - The updated consensus forecast recommendation also carries through the one percentage point increase in the E-Fund's share of source Sales & Use Tax receipts (or from 35% of the total through fiscal year 2018 to 36% of the total beginning is fiscal year 2019) as passed during the 2017 legislative session that was first included in the consensus forecast last July.



- For fiscal year 2018, the staff recommendation across all three fund aggregates in total calls for a total provisional upward adjustment in the consensus forecast staff recommendation of \$9.9 million (or +0.5%) versus the consensus forecast adopted by the Emergency Board of last July.
 - For fiscal year 2019, the staff recommendation across all three fund aggregates is for an additional \$32.9 million provisional upward adjustment in the consensus forecast staff recommendation (corresponding to an upward adjustment of +1.6%) versus the consensus forecast adopted by the Emergency Board of last July.
 - The staff recommendation for fiscal year 2020 includes a total downward adjustment of \$42.5 million (or +2.1%) versus the consensus forecast of last July as adopted by the Emergency Board.

- In terms of the dollar amounts by fund aggregate, the provisional staff recommended consensus forecast update is comprised of the forecasted dollar amounts as presented below in Table 2 (below).
 - For the G-Fund, the staff recommends a provisional consensus forecast of \$1,493.6 million for fiscal year 2018, a provisional \$1,568.2 million consensus forecast for fiscal year 2019, and a \$1,610.9 million

provisional consensus forecast amount for fiscal year 2020.

- For the T-Fund, the staff recommendation for the January 2018 consensus forecast update is for \$277.6 million in receipts for fiscal year 2018, followed by a consensus forecast dollar amount of \$281.0 million in fiscal year 2019, and a recommended consensus forecast dollar amount of \$285.5 million for fiscal year 2020.
- For the E-Fund, the staff recommends a consensus forecast of \$198.4 million for fiscal 2018, followed by a \$207.8 million staff recommended consensus forecast for fiscal year 2019, and a staff recommended consensus forecast of \$212.6 million for fiscal year 2020.

Table 2: Staff Recommended Provisional Consensus Forecast (By Fund)			
(\$ Millions)	2018	2019	2020
Available to the General Fund	\$1,493.6	\$1,568.2	\$1,610.9
Available to the transportation Fund	\$277.6	\$281.0	\$285.5
E-Fund [Partial]	\$198.4	\$207.8	\$212.6
Total	\$1,969.6	\$2,057.0	\$2,109.0
TIB Funds			
Gasoline TIB	\$12.9	\$13.7	\$14.1
Diesel TIB	\$2.0	\$2.0	\$2.0
Total TIB Funds	\$14.9	\$15.7	\$16.1
Prepared by: Economic & Policy Resources, Inc.			

- The staff recommendation also includes a small consensus forecast upgrade for the Gas TIB⁸ component across the fiscal year 2018 through fiscal year 2020 time frame, and an essentially unchanged Diesel TIB forecast over the same period.
 - For Gas TIB receipts for fiscal year 2018, fiscal year 2019, and fiscal year 2020, the staff recommendation calls for +\$0.4 million (or +3.2%) increase versus the consensus forecast last July, a staff recommended +\$1.1 million upgrade for fiscal 2019 (or +8.4%) versus the consensus forecast last July, and a +\$0.4 million staff recommended consensus forecast increase (or +3.2%) versus the consensus forecast adopted last July for fiscal year 2020—reflecting the revised energy price forecast and somewhat healthier economy.
 - For Diesel TIB receipts, the staff recommendation is unchanged

⁸ The term TIB refers to the Transportation Infrastructure Bond Fund.

across the fiscal year 2018 through fiscal year 2020 time frame. The staff recommendation for Diesel TIB receipts includes no significant changes across the forecast time horizon.

B. Fiscal 2018 First Half Actuals Versus Last July's Consensus Forecast

- The staff recommended provisional consensus revenue forecast update for January 2018 incorporates a combination of the revised economic outlook for the U.S. and Vermont economies (as a result of the deliberations surrounding and the actual enactment of the federal tax reform initiative), recent trends and developments in revenue receipts and refunds activity over the first half of fiscal year 2018, and the results of an initial, preliminary assessment of key provisions of the Tax Cuts and Jobs Act as passed in late December of 2017.
 - The revised staff recommended provisional consensus forecast update for all funds also includes updates to Vermont specific revenue changes such as the change in the allocation percentage of "Source" Sales & Use Tax between the G-Fund and the E-Fund beginning in fiscal year 2019.
- For the first half of fiscal year 2018, actual receipts across all three fund aggregates tracked closely to expectations—despite ups and downs among individual components in individual months.
 - Receipts during the second quarter of the fiscal year tracked modestly stronger than first quarter receipts, with a strong surge in receipts in the Personal Income Estimated Payments component during the month of December likely reflecting the first cash flow impacts associated with the newly enacted federal tax law.
 - Combined receipts finished the first half of fiscal year 2018 at +\$16.0 million or 1.7% above the combined consensus cash flow target for the first half of fiscal 2018 \$920.0 million.
- For net revenues available to the G-Fund, receipts over the first half of fiscal year 2018 were +\$13.4 million above the consensus through December target of \$688.3 million (corresponding to a difference of +2.0% versus the cumulative consensus cash flow target for G-Fund receipts over the first half).

- Among the “Big Four” tax sources for the G-Fund, the first half of fiscal year 2018 versus consensus expectations differences included a significant upside performance by the Personal Income Tax (at +\$9.8 million or +2.7% versus cumulative consensus expectations— although a good part of this is tied to higher than expected December 2017 PI Estimated Payments cash flow anomaly tied to federal tax reform identified above), a good performance by the Meals & Rooms Tax (at +\$1.4 million versus cumulative expectations through December), and an essentially “on-target” performance by the Sales & Use Tax (at -\$0.1 million versus cumulative through December expectations). The Corporate Tax had a characteristically volatile first half performance (at +\$1.5 million versus through December cumulative consensus expectations). This volatility was caused for the most part by Corporate Refunds, where a mix of factors resulted in an up-and-down first half of fiscal year 2018.

Table 3: Through December Results by Fund - FY 2018

G-Fund Revenues by Component (\$Thousands)	Monthly Revenues	Monthly Target	Diff.	%	Cumulative Revenues	Cumulative Target	Diff.	%
Personal Income	\$ 81,795.7	\$ 75,612.1	\$ 6,183.6	8.2%	\$ 371,973.4	\$ 362,123.6	\$ 9,849.9	2.7%
Sales & Use	\$ 19,275.4	\$ 19,622.5	\$ (347.1)	-1.8%	\$ 128,196.1	\$ 128,270.2	\$ (74.1)	-0.1%
Meals & Rooms	\$ 10,775.7	\$ 10,676.7	\$ 99.0	0.9%	\$ 90,526.4	\$ 89,144.7	\$ 1,381.7	1.5%
Corporate Income	\$ 14,980.6	\$ 11,120.1	\$ 3,860.5	34.7%	\$ 24,204.8	\$ 22,675.2	\$ 1,529.6	6.7%
G-Fund Other	\$ 12,797.2	\$ 14,406.2	\$ (1,609.0)	-11.2%	\$ 86,782.8	\$ 86,040.1	\$ 742.7	0.9%
Total	\$ 139,624.6	\$ 131,437.5	\$ 8,187.1	6.2%	\$ 701,683.5	\$ 688,253.8	\$ 13,429.7	2.0%
T-Fund Revenues by Component (\$Thousands)	Monthly Revenues	Monthly Target	Diff.	%	Cumulative Revenues	Cumulative Target	Diff.	%
Gasoline	\$ 5,744.3	\$ 6,469.7	\$ (725.4)	-11.2%	\$ 39,905.8	\$ 40,644.2	\$ (738.4)	-1.8%
Diesel	\$ 1,976.3	\$ 1,657.7	\$ 318.5	19.2%	\$ 10,115.5	\$ 9,239.4	\$ 876.2	9.5%
MvP&U	\$ 5,395.1	\$ 5,297.0	\$ 98.1	1.9%	\$ 35,243.5	\$ 34,377.8	\$ 865.7	2.5%
MvFees	\$ 6,469.8	\$ 6,172.0	\$ 297.9	4.8%	\$ 40,854.8	\$ 40,635.3	\$ 219.5	0.5%
Other Fees	\$ 2,709.3	\$ 1,842.5	\$ 866.9	47.1%	\$ 10,796.8	\$ 9,656.5	\$ 1,140.3	11.8%
Gasoline TIB	\$ 915.5	\$ 1,059.2	\$ (143.7)	-13.6%	\$ 6,382.8	\$ 6,626.4	\$ (243.5)	-3.7%
Diesel TIB	\$ 187.8	\$ 198.0	\$ (10.2)	-5.1%	\$ 1,021.1	\$ 934.5	\$ 86.6	9.3%
Total [No TIB]	\$ 22,294.8	\$ 21,438.7	\$ 856.0	4.0%	\$ 136,916.4	\$ 134,553.2	\$ 2,363.3	1.8%
E-Fund Revenues by Component (\$Thousands)	Monthly Revenues	Monthly Target	Diff.	%	Cumulative Revenues	Cumulative Target	Diff.	%
Sales&Use	\$ 10,379.1	\$ 10,565.9	\$ (186.9)	-1.8%	\$ 69,028.7	\$ 69,068.6	\$ (39.9)	-0.1%
MvP&U	\$ 2,697.5	\$ 2,648.5	\$ 49.1	1.9%	\$ 17,621.8	\$ 17,188.9	\$ 432.9	2.5%
Lottery	\$ 1,438.0	\$ 1,987.1	\$ (549.1)	-27.6%	\$ 10,427.4	\$ 10,699.1	\$ (271.6)	-2.5%
Interest	\$ 68.4	\$ 51.5	\$ 16.9	0.0%	\$ 328.4	\$ 262.8	\$ 65.6	0.0%
Total	\$ 14,583.0	\$ 15,253.0	\$ (670.0)	-4.4%	\$ 97,406.3	\$ 97,219.3	\$ 187.0	0.2%

Basic Data Source: VT Agency of Administration

- For net revenues available to the T-Fund, actual receipts over the first half of fiscal year 2018 were +\$2.3 million above cumulative expectations of \$134.5 million. Receipts have performed close to somewhat better than cumulative expectations in an environment of relatively low and stable fuel process with a strengthening in U.S., regional, and state economic conditions.

- While it is notable that the Gas Tax ended the month of December somewhat behind expectations 2017 fiscal year very close to consensus expectations, it seems apparent that December Gas Tax receipts were adversely impacted by the end of the month falling on a weekend. It is expected Gas Tax receipts for the month of January will represent a correction for that calendar-end effect.
- For the net revenues available to the E-Fund [Partial], cumulative receipts through the first half of fiscal year 2018 were +\$0.2 million or +0.2% above cumulative expectations relative to the first half cumulative target of \$97.2 million.
 - The under-performance was mainly the result of weaker than expected Lottery Transfer revenues although the Sales & Use Tax component was flat over the first half of fiscal year 2018.

C. Recent Trends and the Updated Consensus Economic Forecast

- At 102 months and still counting, the current U.S. economic upcycle is already one of the longest upturns in modern, postwar economic history. What the current U.S. economic upturn has lacked in pace or vigor appears to have been compensated by its extraordinary longevity.
 - Assuming GDP has continued to grow during the 4th quarter of calendar year 2017 (October through December 2017, or 2nd quarter of FY 2018 for the State's fiscal calendar), the current upswing will remain the 3rd longest economic upturn among the 33 total economic cycles dating back to 1854, and is likewise 3rd longest among the 11 economic cycles for the U.S economy since World War II.
- Despite some obvious vulnerabilities—especially in terms of the situation with North Korea, the potential for increasing trade tensions with China, and the uncertainties accompanying the “normalization of monetary policy”—there are few, if any, signs of the type of traditional economic imbalances that would pre-sage a U.S. or global economic downturn anytime in the near-term future.
 - Additionally, the current expansion will likely receive some tailwind effect from the Federal Tax Reform package passed in December

2017, pushing the foreseeable horizon of this upturn/expansion even further out than would otherwise have been assessed.

- If the current expansion lasts until the end of this fiscal year (or through June of 2018), it will become the second longest of the 33 U.S. economic cycles since 1854 and the 11 U.S. business cycles of the post-World War II era. At this point, the “bottom line” on the U.S. economy is that it seems more likely than not that the background economic factors and currents for at least the next 18-24 months, remaining at least “modestly positive” for revenue purposes.
- Tables 4 and 5 below, set forth the key variables for the updated consensus economic forecast. The data overall show a bit of an upgrade in-the near-term, followed by a bit of a softening in the latter stages of the forecast.

Table 4
Comparison of Recent Consensus U.S. Macroeconomic Forecasts
June 2016 through December 2017, Selected Variables, Calendar Year Basis

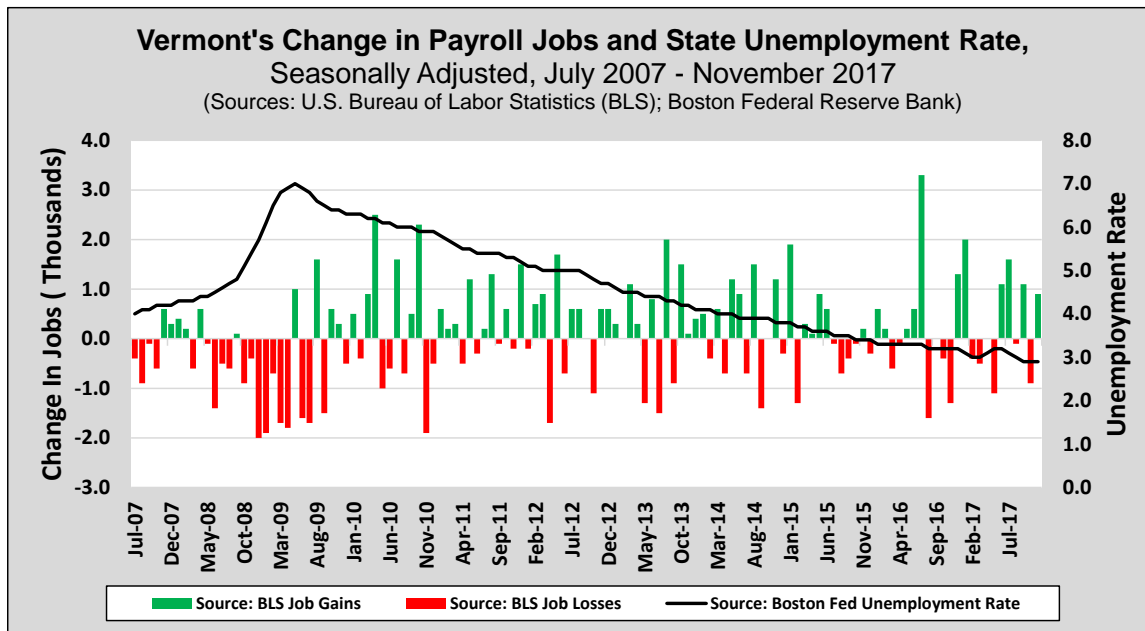
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real GDP Growth									
June-16	2.2	1.5	2.4	2.4	2.0	3.0	2.7	1.9	1.6
December-16	2.2	1.7	2.4	2.6	1.7	2.9	3.1	2.2	1.4
June-17	2.2	1.7	2.4	2.6	1.6	2.3	2.6	2.2	1.3
December 2017	2.2	1.7	2.6	2.9	1.5	2.3	2.8	2.5	1.1
S&P 500 Growth (Annual Avg.)									
June-16	8.7	19.1	17.5	6.8	-2.1	1.5	0.2	0.5	8.6
December-16	8.7	19.1	17.5	6.8	1.5	5.4	-1.6	-2.0	5.5
June-17	8.7	19.1	17.5	6.8	1.5	8.0	-0.7	-4.5	5.5
December 2017	8.7	19.1	17.5	6.8	1.5	17.0	7.1	-8.4	3.5
Employment Growth (Non-Ag)									
June-16	1.7	1.6	0.9	2.1	1.8	1.8	1.5	1.1	0.5
December-16	1.7	1.6	1.9	2.1	1.7	1.6	1.6	1.3	0.5
June-17	1.7	1.6	1.9	2.1	1.8	1.5	1.3	1.2	0.5
December 2017	1.7	1.6	1.9	2.1	1.8	1.5	1.6	1.1	0.1
Unemployment Rate									
June-16	8.1	7.4	6.2	5.3	4.7	4.6	4.5	4.6	4.8
December-16	8.1	7.4	6.2	5.3	4.9	4.7	4.5	4.4	4.7
June-17	8.1	7.4	6.2	5.3	4.9	4.4	4.1	3.9	4.2
December 2017	8.1	7.4	6.2	5.3	4.9	4.3	3.8	3.7	4.5
West Texas Int. Crude Oil \$/Bbl									
June-16	94.2	98.0	93.0	48.8	44.9	56.5	61.5	66.5	70.7
December-16	94.2	98.0	93.0	48.8	43.3	56.6	62.6	66.1	70.3
June-17	94.2	98.0	93.0	48.7	43.3	50.7	53.9	61.0	67.6
December 2017	94.2	98.0	93.0	48.7	43.3	50.7	54.2	59.7	66.1
Prime Rate									
June-16	3.25	3.25	3.25	3.26	3.50	4.20	5.50	6.50	6.70
December-16	3.25	3.25	3.25	3.26	3.51	4.10	5.00	6.50	6.80
June-17	3.25	3.25	3.25	3.26	3.51	4.10	4.80	5.70	6.20
December 2017	3.25	3.25	3.25	3.26	3.51	4.09	5.52	7.03	7.32
Consumer Price Index Growth									
June-16	2.1	1.5	1.6	0.1	1.2	2.1	2.4	2.6	2.9
December-16	2.1	1.5	1.6	0.1	1.2	2.6	2.8	3.1	2.6
June-17	2.1	1.5	1.6	0.1	1.3	2.1	2.3	2.7	2.6
December 2017	2.1	1.5	1.6	0.1	1.3	2.1	2.5	2.9	2.8
Average Home Price Growth									
June-16	-0.2	4.0	5.5	5.6	5.7	5.9	6.1	6.2	5.8
December-16	-0.2	4.0	5.4	5.5	5.6	5.9	6.3	6.1	5.6
June-17	-0.2	4.0	5.3	5.4	5.7	5.2	5.4	4.8	3.4
December 2017	-0.2	3.9	5.2	5.3	5.7	6.2	6.4	5.8	5.1

Table 5
Comparison of Consensus Administration and JFO Vermont State Forecasts
June 2015 through December 2017, Selected Variables, Calendar Year Basis

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real GSP Growth									
June-15	1.1	1.9	1.2	2.4	3.0	2.6	2.1	1.7	1.4
December-15	0.4	-0.3	0.6	2.2	2.8	2.4	2.0	1.6	1.2
June-16	0.6	-0.9	0.3	-0.1	1.9	2.3	1.7	1.2	1.1
December-16	0.0	-0.4	1.5	0.2	1.8	2.4	2.0	1.5	1.0
June-17	-0.2	-0.2	0.3	0.9	0.8	1.1	1.3	0.8	0.3
December 2017	-0.2	-0.2	0.5	0.9	0.7	0.9	1.4	0.8	0.1
Population Growth									
June-15	0.0	0.1	0.0	0.1	0.2	0.3	0.2	0.2	0.2
December-15	-0.1	0.1	-0.1	-0.1	0.3	0.3	0.3	0.3	0.3
June-16	-0.0	0.1	-0.1	-0.1	0.1	0.2	0.3	0.3	0.2
December-16	-0.1	0.1	-0.0	-0.1	-0.2	0.1	0.2	0.1	0.1
June-17	-0.1	0.1	-0.0	-0.1	-0.2	0.1	0.1	0.2	0.2
December 2017	-0.1	0.1	-0.1	-0.2	-0.2	0.1	-0.0	0.1	0.1
Employment Growth									
June-15	1.3	0.8	1.0	1.7	1.9	1.8	1.3	0.8	0.5
December-15	1.3	0.8	1.0	1.6	1.7	1.8	1.6	1.0	0.6
June-16	1.3	0.7	0.9	0.9	1.6	1.7	1.5	1.1	0.7
December-16	1.3	0.7	0.9	0.9	1.6	1.7	1.5	1.2	0.6
June-17	1.2	0.7	1.0	0.8	0.3	0.9	1.0	0.8	0.3
December 2017	1.2	0.7	1.0	0.8	0.3	0.9	1.2	0.7	0.1
Unemployment Rate									
June-15	4.9	4.4	4.1	3.6	3.2	2.9	2.8	3.0	3.2
December-15	4.9	4.4	4.1	3.7	3.4	3.3	3.2	3.3	3.4
June-16	4.9	4.4	4.0	3.7	3.3	3.2	3.1	3.2	3.4
December-16	4.9	4.4	4.0	3.7	3.2	3.2	3.1	3.2	3.4
June-17	4.9	4.4	3.9	3.6	3.3	3.1	3.0	3.0	3.3
December 2017	4.9	4.4	3.9	3.6	3.3	3.0	2.8	2.9	3.3
Personal Income Growth									
June-15	3.4	2.5	4.0	4.8	5.2	4.7	4.4	3.9	3.2
December-15	3.6	1.4	3.5	4.5	5.1	4.6	4.6	3.7	2.8
June-16	3.6	1.4	3.5	3.0	3.3	4.1	4.2	3.4	2.8
December-16	3.3	1.7	3.3	2.9	3.0	3.4	3.7	3.4	2.8
June-17	3.3	1.7	3.3	2.9	3.3	2.4	2.1	2.7	2.0
December 2017	3.3	1.7	3.3	3.6	2.0	2.4	2.0	2.5	1.9
Home Price Growth (JFO)									
June-15	0.4	0.2	0.7	2.3	2.8	3.4	4.1	4.8	5.9
December-15	0.4	0.1	0.7	2.5	2.9	3.4	4.1	4.8	5.9
June-16	0.4	0.1	0.6	2.2	2.3	3.0	3.8	4.4	5.0
December-16	0.4	0.1	0.5	1.9	1.8	2.6	3.3	3.8	4.1
June-17	0.3	0.1	0.3	2.0	1.4	2.6	3.1	3.7	4.1
December 2017	0.3	0.1	0.2	2.0	1.6	2.1	3.2	3.8	4.5

D. Recent Trends in the Vermont Economy

- In Vermont, the State's economy continues to expand at an uneven and restrained pace on a seasonally-adjusted basis. The September through November 2017 job statistics, the most recent data available, showed that the Vermont nonfarm payroll job count increased by 1,100 jobs—seasonally adjusted—over the previous three month period from June through August 2017. According to the latest seasonally-adjusted payroll job data, job growth came entirely from September as October's -900 job loss effectively offset the +900 job gain in November.



- Tables 1 and 2 below compare the Total Nonfarm and Private sector payroll job changes by state over the last 12 months by major North American Industry Classification System (NAICS) industry sector over the most recent year where comparable annual job change data is available for all 50 states (or for the period November 2016-November 2017).
 - From the table below, Vermont had a 1.5% year-over-year growth rate during the month of November. Total Private Sector payroll jobs over the November 2016-November 2017 period grew by +1.9% over the past year—placing Vermont second among the six New England States over the past year and 16th among the U.S. as a whole.

- Looking at the individual job sectors, Vermont's best year-over-year performing sector was the Leisure & Hospitality category, with year-over-year job additions of +5.9%. That performance places Vermont 1st among the six New England states and 2nd among the 50 states in the U.S overall.
 - Outside of that sector, Professional & Business Services expanded by +4.0% year-over-year, ranking Vermont 5th in the U.S and 1st in the New England region.
 - Across all of the nine NAICS⁹ super-sectors, the data shows that three of Vermont's nine payroll job categories have decreased their number of payroll jobs over the last year — reflecting the still restrained and choppy forward progress of the Vermont economy as portrayed by the seasonally-adjusted payroll job data.
 - It is noteworthy that, for all payroll job sectors that demonstrated a negative year-to-year job change, at least 10 other states around the country also experienced a negative change in that category as well.

⁹ For this comparative payroll job analysis, the acronym NAICS refers to the North American Industry Classification System.

Rank	State	% Change
1	Utah	2.9%
2	Texas	2.7%
3	Nevada	2.7%
4	Florida	2.4%
5	Idaho	2.4%
11	Massachusetts	1.8%
12	Georgia	1.8%
13	California	1.7%
18	Vermont	1.5%
23	Rhode Island	1.2%
24	Kentucky	1.2%
25	New York	1.2%
30	New Hampshire	1.1%
42	Maine	0.4%
43	South Dakota	0.4%
44	Kansas	0.3%
45	North Dakota	0.2%
46	Delaware	0.2%
47	Connecticut	0.1%
48	Wyoming	-0.4%
49	Alaska	-0.4%
50	West Virginia	-0.8%

Source: U.S. Department of Labor, BLS

Rank	State	% Change
1	Utah	3.1%
2	Texas	2.9%
3	Florida	2.6%
4	Nevada	2.6%
5	Idaho	2.4%
6	Colorado	2.3%
7	Oregon	2.3%
8	South Carolina	2.2%
9	Massachusetts	2.2%
16	Vermont	1.9%
26	New Hampshire	1.5%
27	Rhode Island	1.4%
28	Pennsylvania	1.4%
29	Minnesota	1.4%
30	New York	1.4%
43	Maine	0.6%
44	Kansas	0.4%
45	Connecticut	0.3%
46	North Dakota	0.3%
47	Delaware	0.2%
48	Wyoming	0.1%
49	South Dakota	0.1%
50	Alaska	-0.5%

Source: U.S. Department of Labor, BLS

Industry Supersector	% Change in VT	VT Rank in New England	VT Rank in U.S.	Highest Ranked New England State	# of States Reporting Job Losses
Total Nonfarm	1.5%	2	18	MA (11)	3
Total Private	1.9%	2	16	MA (9)	1
Construction	2.5%	4	33	RI (1)	11
Manufacturing	-0.7%	6	44	RI (4)	11
Information	-4.3%	6	42	NH (13)	34
Financial Activities	0.0%	5	43	NH (8)	7
Trade, Transportation, Utilities	0.4%	3	26	MA (19)	16
Leisure and Hospitality	5.9%	1	2	VT (2)	11
Education and Health Services	1.5%	3	33	MA (23)	2
Professional and Business Services	4.0%	1	5	VT (5)	7
Government	-0.2%	1	30	VT (30)	25

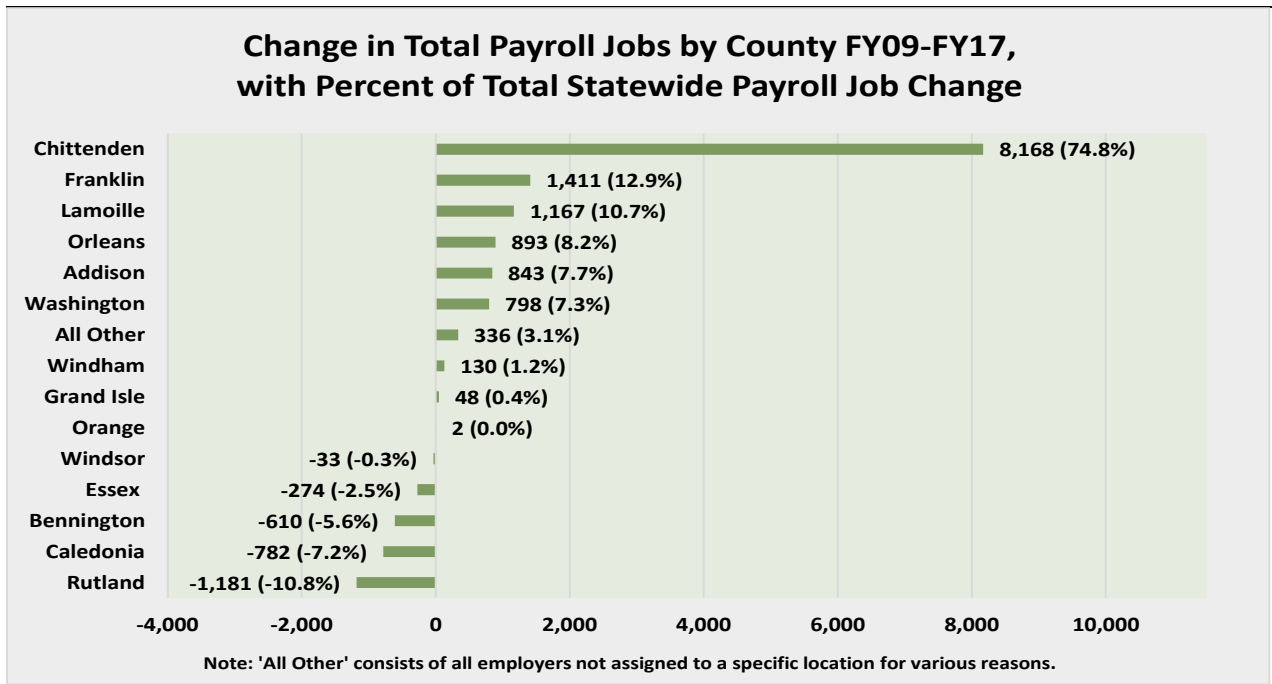
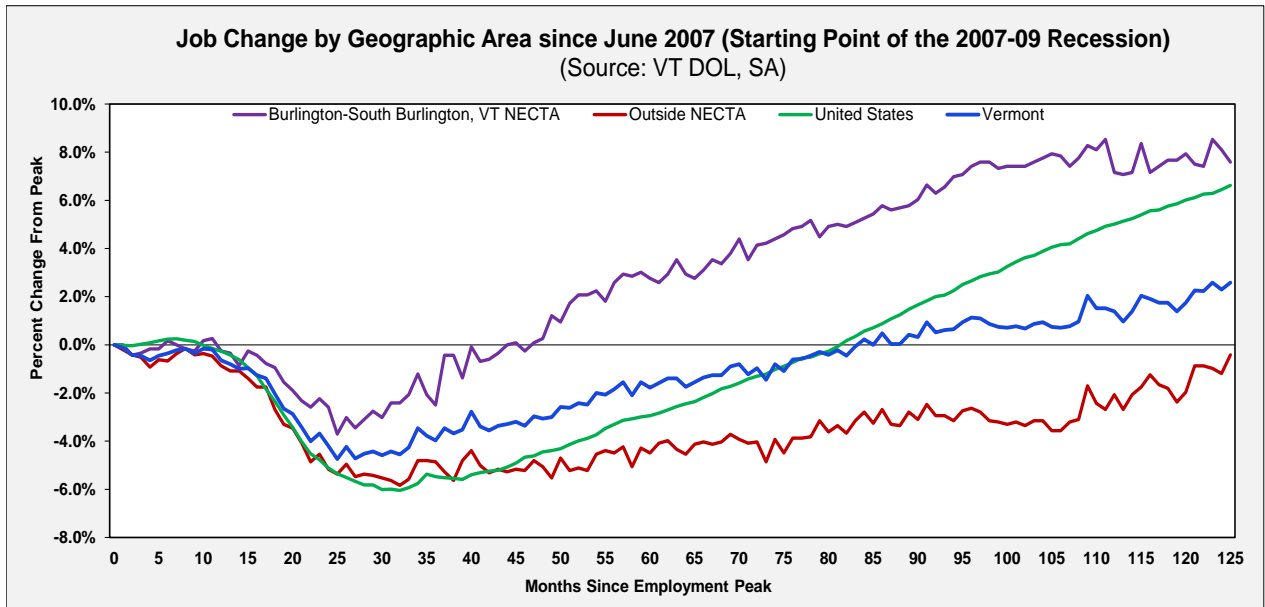
Notes: NAICS means North American Industry Classification System

Source: U.S. Department of Labor, BLS

- The weakest year-over-year job change was in the Information sector with a -4.3% decline from November of 2016 to November of 2017. It is probable that the well-publicized layoffs at the major Burlington e-commerce employer Dealer.com contributed to that figure, but made only a marginal contribution to the final result.

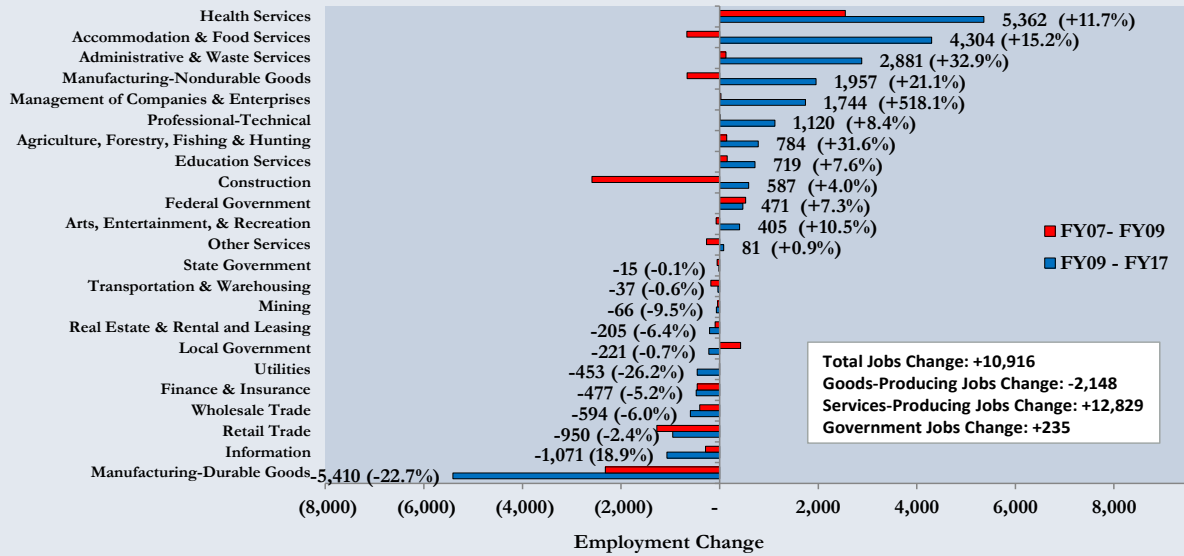
- Manufacturing payroll jobs also declined by -0.7% over the same period—likely the continuing result of mergers and acquisitions activity in the State and a number of announced employer downsizings (such as the termination of the cold beverage system initiative at Keurig-Green Mountain and the right-sizing job force actions by Global Foundries).
 - In addition, Vermont’s overall higher than average reliance on manufacturing activity has been, at least in the recent past, a bit of a drag on State job growth. At least in the near term, this headwind on manufacturing is expected to continue as the Fed seeks to normalize (e.g. tighten) U.S. monetary policy. Financial Activities experienced no net year-over-year movement from the previous November.
- Turning to the household survey of employed and unemployed Vermonters, the unemployment rate in Vermont has hovered around 3.0%, resulting from recent employment trends but also a decline in the civilian labor force.
 - Year-over-year, Vermont’s unemployment rate has declined from 3.2% in November 2016 to 2.9% in November 2017. The Vermont unemployment rate in November was the fifth lowest in the nation and second lowest in New England behind the State of New Hampshire’s 2.7% rate (against the backdrop of a **4.1% U.S. “top-line” November unemployment rate**).
 - Vermont unemployment rates over the past two decades have been generally below the average for the U.S. as a whole, as has the unemployment rates for most of the New England region—except for the States of Rhode Island and Connecticut. To a large extent, much of this standing may reflect the demographics of the State (e.g. Vermont’s higher than average median age of the population), the higher than average median age of the population of the northern New England region and of the State of Massachusetts.
 - Lastly, despite the undeniable forward progress in the Vermont economy and in labor markets since the end of the “Great Recession,” It seems clear that the state’s upturn has been uneven, and a disproportionate number of jobs have been created outside of the northwest Vermont region, in sectors of the Vermont economy that are lower paying and that the recovery is still slow in parts of the state outside of the Burlington-South Burlington region.

- While progress looks like it has been made in the rest of the state outside of the Northwest region over the last 6-9 months, more is clearly needed.



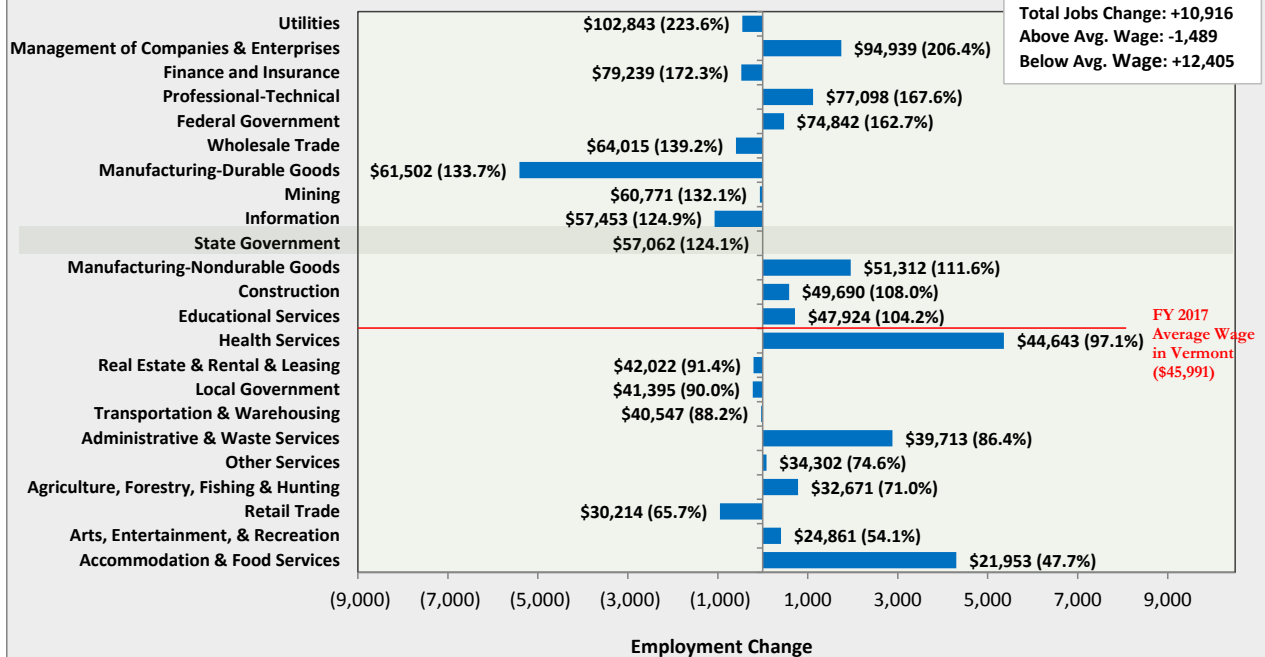
Change in Payroll Jobs from FY 2009 to FY 2017 in Vermont, with Percent Change from FY 2009

(Source: Quarterly Census of Employment and Wages)--Totals May Not Add Due to Rounding

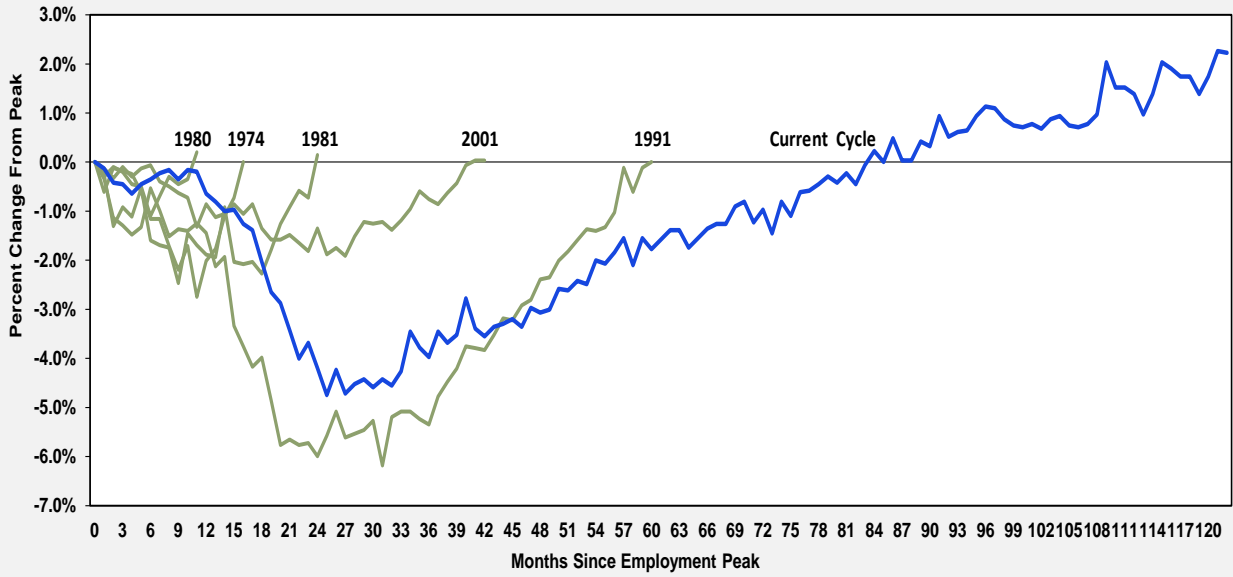


Change in Employment from FY 2009 to FY 2017 in Vermont, with Average Sector Wage in Nominal Dollars and as a Percent of the State Average

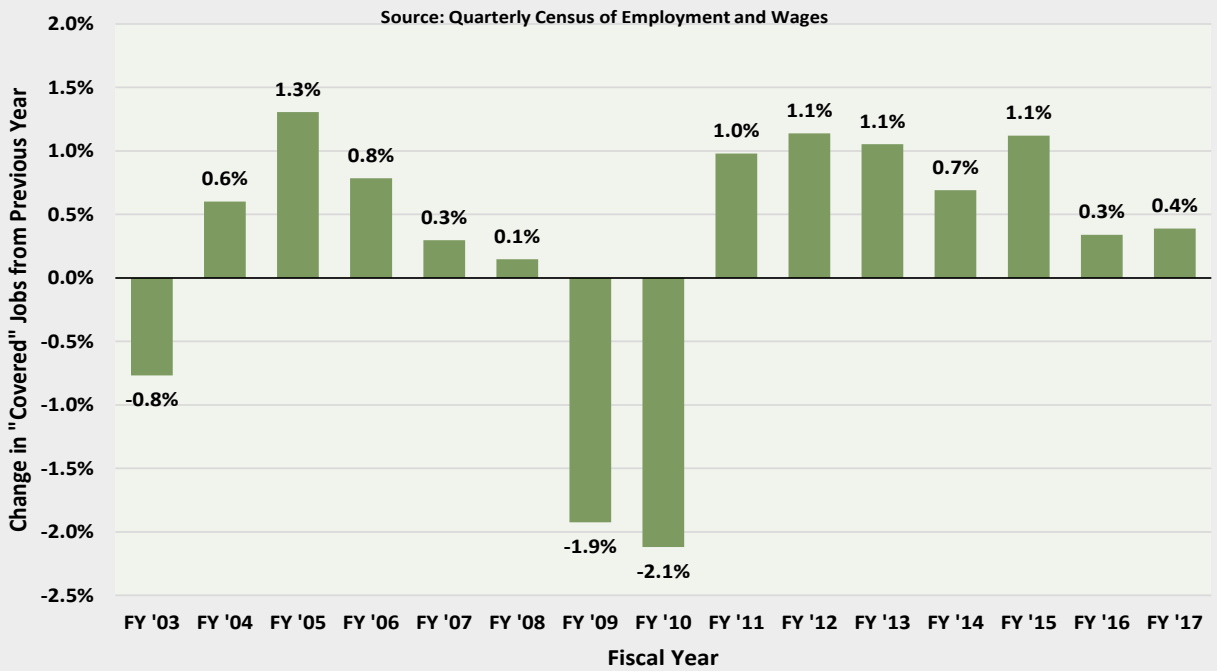
(Source: Quarterly Census of Employment and Wages)



VT Payroll Jobs -- Current Versus the Past 5 Recessions
(Source: VT DOL, SA)



Change in Total Vermont "Covered" Jobs by Fiscal Year



E. Notes and Comments on Methods:

- All figures presented above reflect current law revenues for the respective funds listed in the consensus forecast estimate for fiscal years 2018, 2019 and 2020 that are part of the official Emergency Board motion—along with the estimate of the amount of extraordinary Corporate Income Tax refunds.
- The revenue forecasting process is a collaborative one involving the staff of the Vermont Department of Taxes, VTrans, the Legislative Joint Fiscal Office, Kavet Rockler & Associates, LLC, and many others throughout state government and the staff of Economic & Policy Resources. Special thanks are due to several staff members of the Vermont Department of Taxes, including Sharon Asay, Andrew Stein, Jake Feldman, and Doug Farnham. Special thanks also is due to Lenny LeBlanc and Kelly Lawrence of VTrans). The JFO staff also provided immeasurable assistance to this forecast update. Key staff include Graham Campbell, Stephanie Barrett, Dan Dickenson, Catherine Benham, Neil Strickner, Theresa Utton-Jerman, Chloe Wexler, and Mark Perrault. There also were many others in both the Administration and the JFO who contributed time and energy to assembling data, providing analysis, or technical assistance that was crucial to completing these forecasts that are too numerous to mention here.
- The consensus forecasting process involves the discussion and agreement of two independent forecasts completed by Thomas E. Kavet of the JFO and the staff at Economic & Policy Resources. Agreement on the consensus forecast occurs after a complete discussion-vetting and reconciliation of these independent forecasts.
- The State continues to develop an internal State macroeconomic model which may eventually replace the model maintained at Moody's Analytics through the New England Economic Partnership (NEEP). The NEEP forecast for Vermont is managed by Economic & Policy Resources, Inc., who currently supports the Vermont Agency of Administration with the Administration's part of the consensus forecasting process.
- Since October 2001, input and review of initial Vermont NEEP model design and output prior to its release has been provided by Tom Kavet of KRA, as the State Economist and Principal Economic Advisor to the Vermont Legislature. For this consensus forecast update, a full consensus economic forecast was developed. The consensus economic forecast used in this revenue forecast was

adapted from the most recent NEEP forecast that was developed and presented at the NEEP outlook conference at the Boston Federal Reserve Bank on November 28, 2017.

F. Detailed Forecast Tables.

**TABLE 1A - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
SOURCE GENERAL FUND REVENUE FORECAST UPDATE
Provisional Consensus JFO and Administration Forecast - January 2018**

SOURCE G-FUND

revenues are prior to all E-Fund allocations
and other out-transfers; used for
analytic and comparative purposes only

	FY 2014	%	FY 2015	%	FY 2016	%	FY 2017	%	FY 2018	%	FY 2019	%	FY2020	%
	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>
REVENUE SOURCE														
Personal Income	\$671.1	1.6%	\$705.9	5.2%	\$747.0	5.8%	\$756.5	1.3%	\$793.7	4.9%	\$846.9	6.7%	\$866.8	2.3%
Sales & Use*	\$353.6	2.0%	\$364.6	3.1%	\$370.7	1.7%	\$376.7	1.6%	\$391.2	3.8%	\$400.9	2.5%	\$409.5	2.1%
Corporate	\$94.8	-0.1%	\$121.9	28.5%	\$117.0	-4.0%	\$95.8	-18.1%	\$79.4	-17.1%	\$89.6	12.8%	\$96.8	8.0%
Meals and Rooms	\$142.7	5.9%	\$150.8	5.7%	\$154.2	2.2%	\$165.3	7.3%	\$172.4	4.3%	\$178.4	3.5%	\$183.9	3.1%
Cigarette and Tobacco**	\$71.9	-3.3%	\$76.8	6.7%	\$80.7	5.2%	\$76.7	-5.0%	\$71.7	-6.5%	\$70.3	-2.0%	\$69.3	-1.4%
Liquor	\$17.7	4.0%	\$18.2	2.9%	\$18.3	0.8%	\$19.1	4.4%	\$19.4	1.4%	\$20.1	3.6%	\$20.7	3.0%
Insurance	\$57.1	3.7%	\$55.3	-3.1%	\$56.2	1.7%	\$57.0	1.3%	\$57.8	1.5%	\$58.4	1.0%	\$59.0	1.0%
Telephone	\$9.1	-2.9%	\$7.7	-14.9%	\$3.2	-59.2%	\$5.7	80.6%	\$4.5	-21.2%	\$4.0	-11.1%	\$3.6	-10.0%
Beverage	\$6.4	3.6%	\$6.7	4.2%	\$6.7	0.6%	\$6.9	2.9%	\$7.0	1.5%	\$7.2	2.9%	\$7.3	1.4%
Electric***	\$13.1	46.9%	\$9.4	-28.2%	\$0.0	-100.0%	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM
Estate	\$35.5	131.0%	\$9.9	-72.2%	\$12.5	26.5%	\$16.7	33.3%	\$18.6	11.6%	\$19.4	4.3%	\$20.1	3.6%
Property	\$30.9	8.5%	\$33.6	8.6%	\$35.7	6.2%	\$38.7	8.4%	\$41.4	7.0%	\$44.4	7.2%	\$47.0	5.9%
Bank	\$11.0	2.7%	\$10.7	-2.0%	\$10.7	-0.6%	\$13.2	24.0%	\$12.1	-8.7%	\$11.5	-5.0%	\$11.7	1.7%
Other Tax	\$1.9	9.6%	\$2.0	4.5%	\$1.8	-9.0%	\$2.2	18.0%	\$2.0	-8.0%	\$2.3	15.0%	\$2.6	13.0%
Total Tax Revenue	\$1517.0	3.6%	\$1573.5	3.7%	\$1614.8	2.6%	\$1630.4	1.0%	\$1671.2	2.5%	\$1753.4	4.9%	\$1798.3	2.6%
Business Licenses	\$1.1	-61.4%	\$1.1	0.2%	\$1.1	-1.6%	\$1.2	16.8%	\$1.1	-11.7%	\$1.1	1.8%	\$1.2	2.7%
Fees	\$20.6	-3.4%	\$22.1	7.0%	\$23.0	4.2%	\$48.5	110.8%	\$47.8	-1.3%	\$48.6	1.7%	\$49.4	1.6%
Services	\$1.3	-47.3%	\$1.5	12.5%	\$2.8	86.6%	\$3.0	7.9%	\$3.2	6.3%	\$3.2	0.9%	\$3.3	0.9%
Fines	\$3.6	-24.2%	\$3.5	-3.1%	\$3.7	5.5%	\$4.4	21.0%	\$3.1	-29.9%	\$3.2	3.2%	\$3.3	3.1%
Interest	\$0.2	-59.2%	\$0.3	40.4%	\$0.7	130.6%	\$1.5	111.5%	\$2.5	61.6%	\$3.2	28.0%	\$3.9	20.3%
Special Assessments	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM
Lottery	\$22.6	-1.6%	\$22.8	0.8%	\$26.4	16.1%	\$25.5	-3.3%	\$25.2	-1.3%	\$25.6	1.6%	\$25.8	0.8%
All Other****	\$1.3	-24.0%	\$1.0	-20.4%	\$1.3	25.9%	\$2.9	128.5%	\$2.6	-10.5%	\$1.5	1.6%	\$1.6	6.7%
Total Other Revenue	\$50.7	-10.4%	\$52.2	3.0%	\$58.9	12.9%	\$87.1	47.9%	\$85.5	-1.8%	\$86.5	1.1%	\$88.4	2.2%
TOTAL GENERAL FUND	\$1567.6	3.1%	\$1625.7	3.7%	\$1673.7	2.9%	\$1717.5	2.6%	\$1756.7	2.3%	\$1839.9	4.7%	\$1886.7	2.5%

* Includes Telecommunications Tax; includes \$3.76M transfer in FY08 to the T-Fund for prior years Jet Fuel tax processing error.

** Includes Cigarette, Tobacco Products and Floor Stock tax revenues.

*** Reflects closure of Vermont Yankee in December of 2014, taxed per Act 143 of 2012 effective in FY13; Stated Electric Energy Tax revenues exclude appropriations to the Clean Energy Development Fund and Education Fund.

**** Excludes \$5 million Vermont Yankee settlement agreement transitional payment in FY2015.

*****Includes \$2.3 million in one-time payments in FY2017 by tax software vendors for errors related to Personal Income tax deduction changes effective in tax year 2015.

**TABLE 1 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE GENERAL FUND REVENUE FORECAST UPDATE
Provisional Consensus JFO and Administration Forecast - January 2018**

CURRENT LAW BASIS

including all Education Fund

allocations and other out-transfers

	FY 2014	%	FY 2015	%	FY 2016	%	FY 2017	%	FY 2018	%	FY 2019	%	FY2020	%
	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>
REVENUE SOURCE														
Personal Income	\$671.1	1.6%	\$705.9	5.2%	\$747.0	5.8%	\$756.5	1.3%	\$793.7	4.9%	\$846.9	6.7%	\$866.8	2.3%
Sales and Use*	\$229.9	-0.6%	\$237.0	3.1%	\$241.0	1.7%	\$244.9	1.6%	\$254.3	3.8%	\$256.6	0.9%	\$262.1	2.1%
Corporate	\$94.8	-0.1%	\$121.9	28.5%	\$117.0	-4.0%	\$95.8	-18.1%	\$79.4	-17.1%	\$89.6	12.8%	\$96.8	8.0%
Meals and Rooms	\$142.7	5.9%	\$150.8	5.7%	\$154.2	2.2%	\$165.3	7.3%	\$172.4	4.3%	\$178.4	3.5%	\$183.9	3.1%
Cigarette and Tobacco	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM
Liquor	\$17.7	4.0%	\$18.2	2.9%	\$18.3	0.8%	\$19.1	4.4%	\$19.4	1.4%	\$20.1	3.6%	\$20.7	3.0%
Insurance	\$57.1	3.7%	\$55.3	-3.1%	\$56.2	1.7%	\$57.0	1.3%	\$57.8	1.5%	\$58.4	1.0%	\$59.0	1.0%
Telephone	\$9.1	-2.9%	\$7.7	-14.9%	\$3.2	-59.2%	\$5.7	80.6%	\$4.5	-21.2%	\$4.0	-11.1%	\$3.6	-10.0%
Beverage	\$6.4	3.6%	\$6.7	4.2%	\$6.7	0.6%	\$6.9	2.9%	\$7.0	1.5%	\$7.2	2.9%	\$7.3	1.4%
Electric**	\$13.1	46.9%	\$9.4	-28.2%	\$0.0	-100.0%	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM
Estate***	\$35.5	131.0%	\$9.9	-72.2%	\$12.5	26.5%	\$16.7	33.3%	\$18.6	11.6%	\$19.4	4.3%	\$20.1	3.6%
Property	\$10.0	9.3%	\$10.9	8.7%	\$11.5	6.0%	\$12.6	9.0%	\$12.6	0.2%	\$13.6	7.7%	\$14.4	6.2%
Bank	\$11.0	2.7%	\$10.7	-2.0%	\$10.7	-0.6%	\$13.2	24.0%	\$12.1	-8.7%	\$11.5	-5.0%	\$11.7	1.7%
Other Tax	\$1.9	9.6%	\$2.0	4.5%	\$1.8	-9.0%	\$2.2	18.0%	\$2.0	-8.0%	\$2.3	15.0%	\$2.6	13.0%
Total Tax Revenue	\$1300.3	3.6%	\$1346.4	3.5%	\$1380.1	2.5%	\$1395.7	1.1%	\$1433.8	2.7%	\$1507.9	5.2%	\$1549.0	2.7%
Business Licenses	\$1.1	-61.4%	\$1.1	0.2%	\$1.1	-1.6%	\$1.2	16.8%	\$1.1	-11.7%	\$1.1	1.8%	\$1.2	2.7%
Fees	\$20.6	-3.4%	\$22.1	7.0%	\$23.0	4.2%	\$48.5	110.8%	\$47.8	-1.3%	\$48.6	1.7%	\$49.4	1.6%
Services	\$1.3	-47.3%	\$1.5	12.5%	\$2.8	86.6%	\$3.0	7.9%	\$3.2	6.3%	\$3.2	0.9%	\$3.3	0.9%
Fines	\$3.6	-24.2%	\$3.5	-3.1%	\$3.7	5.5%	\$4.4	21.0%	\$3.1	-29.9%	\$3.2	3.2%	\$3.3	3.1%
Interest	\$0.2	-66.6%	\$0.2	51.9%	\$0.6	136.1%	\$1.2	108.2%	\$2.0	70.8%	\$2.6	30.0%	\$3.2	23.1%
All Other****	\$1.3	-24.0%	\$1.0	-20.4%	\$1.3	25.9%	\$2.9	128.5%	\$2.6	-10.5%	\$1.5	-42.3%	\$1.6	6.7%
Total Other Revenue	\$28.0	-16.4%	\$29.4	4.7%	\$32.3	10.1%	\$61.2	89.3%	\$59.8	-2.3%	\$60.3	0.8%	\$61.9	2.8%
TOTAL GENERAL FUND	\$1328.4	3.1%	\$1375.8	3.6%	\$1412.4	2.7%	\$1457.0	3.2%	\$1493.6	2.5%	\$1568.2	5.0%	\$1610.9	2.7%

* Includes \$2.5M transfer to the T-Fund in FY08 for prior years Jet Fuel tax processing errors; Transfer to the Education Fund increases from 33.3% to 35.0% effective in FY14 and 35.0% to 36.0% effective in FY19.

** Reflects closure of Vermont Yankee in December of 2014, taxed per Act 143 of 2012 effective in FY13;

Stated Electric Energy Tax revenues exclude appropriations to the Clean Energy Development Fund and Education Fund.

*** Excludes transfer to the Higher Education Trust Fund of \$2.4M in FY05, \$5.2M in FY06 and \$11.0M in FY11.

**** Excludes \$5 million Vermont Yankee settlement agreement transitional payment in FY2015.

*****Includes \$2.3 million in one-time payments in FY2017 by tax software vendors for errors related to Personal Income tax deduction changes effective in tax year 2015.

**TABLE 2A - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
SOURCE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Provisional Consensus JFO and Administration Forecast - January 2018**

SOURCE T-FUND

revenues are prior to all E-Fund allocations

and other out-transfers; used for

analytic and comparative purposes only

	FY 2014	%	FY 2015	%	FY 2016	%	FY 2017	%	FY 2018	%	FY 2019	%	FY2020	%
	(Actual)	Change	(Actual)	Change	(Actual)	Change	(Actual)	Change	(Forecast)	Change	(Forecast)	Change	(Forecast)	Change
REVENUE SOURCE														
Gasoline	\$76.5	27.6%	\$77.6	1.5%	\$78.0	0.5%	\$78.2	0.3%	\$78.1	-0.2%	\$78.0	-0.1%	\$77.9	-0.1%
Diesel****	\$17.2	9.7%	\$19.1	11.5%	\$18.3	-4.4%	\$18.2	-0.5%	\$18.4	1.0%	\$18.6	1.1%	\$18.7	0.5%
Purchase and Use*	\$91.8	9.9%	\$97.3	5.9%	\$100.1	2.9%	\$103.2	3.1%	\$107.4	4.0%	\$111.8	4.1%	\$116.1	3.8%
Motor Vehicle Fees	\$79.0	1.5%	\$80.1	1.4%	\$82.0	2.3%	\$86.2	5.2%	\$88.0	2.1%	\$88.3	0.3%	\$89.7	1.6%
Other Revenue**	\$19.5	2.3%	\$19.7	0.8%	\$19.6	-0.5%	\$19.9	1.8%	\$21.5	7.9%	\$21.6	0.5%	\$21.8	0.9%
TOTAL TRANS. FUND	\$284.0	10.9%	\$293.8	3.5%	\$298.0	1.4%	\$305.8	2.6%	\$313.4	2.5%	\$318.3	1.6%	\$324.2	1.9%

**TABLE 2 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Provisional Consensus JFO and Administration Forecast - January 2018**

CURRENT LAW BASIS

including all Education Fund

allocations and other out-transfers

	FY 2014	%	FY 2015	%	FY 2016	%	FY 2017	%	FY 2018	%	FY 2019	%	FY2020	%
	(Actual)	Change	(Actual)	Change	(Actual)	Change	(Actual)	Change	(Forecast)	Change	(Forecast)	Change	(Forecast)	Change
REVENUE SOURCE														
Gasoline	\$76.5	27.6%	\$77.6	1.5%	\$78.0	0.5%	\$78.2	0.3%	\$78.1	-0.2%	\$78.0	-0.1%	\$77.9	-0.1%
Diesel****	\$17.2	9.7%	\$19.1	11.5%	\$18.3	-4.4%	\$18.2	-0.5%	\$18.4	1.0%	\$18.6	1.1%	\$18.7	0.5%
Purchase and Use*	\$61.2	9.9%	\$64.8	5.9%	\$66.8	2.9%	\$68.8	3.1%	\$71.6	4.0%	\$74.5	4.1%	\$77.4	3.8%
Motor Vehicle Fees	\$79.0	1.5%	\$80.1	1.4%	\$82.0	2.3%	\$86.2	5.2%	\$88.0	2.1%	\$88.3	0.3%	\$89.7	1.6%
Other Revenue**	\$19.5	2.3%	\$19.7	0.8%	\$19.6	-0.5%	\$19.9	1.8%	\$21.5	7.9%	\$21.6	0.5%	\$21.8	0.9%
TOTAL TRANS. FUND	\$253.4	11.0%	\$261.4	3.2%	\$264.6	1.2%	\$271.4	2.6%	\$277.6	2.3%	\$281.0	1.2%	\$285.5	1.6%

OTHER

TIB Gasoline	\$19.2	-9.5%	\$18.2	-5.2%	\$13.0	-28.4%	\$12.6	-3.3%	\$12.9	2.4%	\$13.7	6.2%	\$14.1	2.9%
TIB Diesel and Other***	\$1.8	4.0%	\$2.1	11.4%	\$1.9	-6.1%	\$1.7	-11.3%	\$2.0	15.3%	\$2.0	1.0%	\$2.0	1.0%
Total TIB****	\$21.0	-8.4%	\$20.2	-3.8%	\$15.0	-26.1%	\$14.5	-2.9%	\$14.9	2.4%	\$15.7	5.5%	\$16.1	2.7%

* As of FY04, includes Motor Vehicle Rental tax revenue.

** Beginning in FY07, includes Stabilization Reserve interest; FY08 data includes \$3.76M transfer from G-Fund for prior Jet Fuel tax processing errors and inclusion of this tax in subsequent years.

*** Includes TIB Fund interest income (which has never exceeded \$20,000 per year).

**** Includes FY17 adjustment of \$215,000 from reported TIB Diesel revenue to Diesel revenue due to a data entry error

**TABLE 3 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE EDUCATION FUND* REVENUE FORECAST UPDATE
(Partial Education Fund Total - Includes Source General and Transportation Fund Allocations Only)
Provisional Consensus JFO and Administration Forecast - January 2018**

CURRENT LAW BASIS

Source General and Transportation

Fund taxes allocated to or associated
with the Education Fund only

	FY 2014	%	FY 2015	%	FY 2016	%	FY 2017	%	FY 2018	%	FY 2019	%	FY2020	%
	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>
GENERAL FUND														
Sales & Use**	\$123.8	7.1%	127.6	3.1%	\$129.8	1.7%	\$131.8	1.6%	\$136.9	3.8%	\$144.3	5.4%	\$147.4	2.1%
Interest	\$0.1	-17.2%	0.1	3.6%	\$0.2	135.7%	\$0.4	122.7%	\$0.5	33.0%	\$0.6	20.0%	\$0.7	8.3%
Lottery	\$22.6	-1.6%	22.8	0.8%	\$26.4	16.1%	\$25.5	-3.3%	\$25.2	-1.3%	\$25.6	1.6%	\$25.8	0.8%
TRANSPORTATION FUND														
Purchase and Use***	\$30.6	9.9%	32.4	5.9%	\$33.4	2.9%	\$34.4	3.1%	\$35.8	4.0%	\$37.3	4.1%	\$38.7	3.8%
TOTAL EDUCATION FUND	\$177.0	6.3%	182.9	3.3%	\$189.7	3.7%	\$192.2	1.3%	\$198.4	3.3%	\$207.8	4.7%	\$212.6	2.3%

* Includes only General and Transportation Fund taxes allocated to the Education Fund.

This Table excludes all Education Fund property taxes, which are updated in October/November of each year and are the largest Education Fund tax sources.

** Includes Telecommunications Tax; Includes \$1.25M transfer to T-Fund in FY08 for prior Jet Fuel Tax processing errors; Transfer percentage from the General Fund increases from 33.3% to 35.0% effective in FY14 and to 36.0% in FY15

*** Includes Motor Vehicle Rental revenues, restated

Appendix A

Five Year Revenue Forecast Tables

January 2018

**TABLE 1A - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
SOURCE GENERAL FUND REVENUE FORECAST UPDATE
Provisional Consensus JFO and Administration Forecast - January 2018**

SOURCE G-FUND	<i>revenues are prior to all E-Fund allocations and other out-transfers; used for analytic and comparative purposes only</i>																				
	FY 2014	%	FY 2015	%	FY 2016	%	FY 2017	%	FY 2018	%	FY 2019	%	FY2020	%	FY2021	%	FY2022	%	FY2023	%	
	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	
REVENUE SOURCE																					
Personal Income	\$671.1	1.6%	\$705.9	5.2%	\$747.0	5.8%	\$756.5	1.3%	\$793.7	4.9%	\$846.9	6.7%	\$866.8	2.3%	\$882.1	1.8%	\$908.4	3.0%	\$937.2	3.2%	
Sales & Use*	\$353.6	2.0%	\$364.6	3.1%	\$370.7	1.7%	\$376.7	1.6%	\$391.2	3.8%	\$400.9	2.5%	\$409.5	2.1%	\$417.0	1.8%	\$426.8	2.4%	\$438.4	2.7%	
Corporate	\$94.8	-0.1%	\$121.9	28.5%	\$117.0	-4.0%	\$95.8	-18.1%	\$79.4	-17.1%	\$89.6	12.8%	\$96.8	8.0%	\$93.7	-3.2%	\$97.2	3.7%	\$103.5	6.5%	
Meals and Rooms	\$142.7	5.9%	\$150.8	5.7%	\$154.2	2.2%	\$165.3	7.3%	\$172.4	4.3%	\$178.4	3.5%	\$183.9	3.1%	\$187.7	2.1%	\$193.9	3.3%	\$200.4	3.4%	
Cigarette and Tobacco**	\$71.9	-3.3%	\$76.8	6.7%	\$80.7	5.2%	\$76.7	-5.0%	\$71.7	-6.5%	\$70.3	-2.0%	\$69.3	-1.4%	\$68.4	-1.4%	\$67.5	-1.3%	\$66.7	-1.2%	
Liquor	\$17.7	4.0%	\$18.2	2.9%	\$18.3	0.8%	\$19.1	4.4%	\$19.4	1.4%	\$20.1	3.6%	\$20.7	3.0%	\$21.2	2.4%	\$21.8	2.8%	\$22.4	2.8%	
Insurance	\$57.1	3.7%	\$55.3	-3.1%	\$56.2	1.7%	\$57.0	1.3%	\$57.8	1.5%	\$58.4	1.0%	\$59.0	1.0%	\$59.4	0.7%	\$60.0	1.0%	\$60.7	1.2%	
Telephone	\$9.1	-2.9%	\$7.7	-14.9%	\$3.2	-59.2%	\$5.7	80.6%	\$4.5	-21.2%	\$4.0	-11.1%	\$3.6	-10.0%	\$3.2	-11.1%	\$2.9	-9.4%	\$2.6	-10.3%	
Beverage	\$6.4	3.6%	\$6.7	4.2%	\$6.7	0.6%	\$6.9	2.9%	\$7.0	1.5%	\$7.2	2.9%	\$7.3	1.4%	\$7.5	2.7%	\$7.6	1.3%	\$7.7	1.3%	
Electric***	\$13.1	46.9%	\$9.4	-28.2%	\$0.0	-100.0%	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	
Estate	\$35.5	131.0%	\$9.9	-72.2%	\$12.5	26.5%	\$16.7	33.3%	\$18.6	11.6%	\$19.4	4.3%	\$20.1	3.6%	\$20.8	3.5%	\$21.5	3.4%	\$22.2	3.3%	
Property	\$30.9	8.5%	\$33.6	8.6%	\$35.7	6.2%	\$38.7	8.4%	\$41.4	7.0%	\$44.4	7.2%	\$47.0	5.9%	\$48.8	3.8%	\$50.2	2.9%	\$51.8	3.2%	
Bank	\$11.0	2.7%	\$10.7	-2.0%	\$10.7	-0.6%	\$13.2	24.0%	\$12.1	-8.7%	\$11.5	-5.0%	\$11.7	1.7%	\$11.8	0.9%	\$11.9	0.8%	\$12.0	0.8%	
Other Tax	\$1.9	9.6%	\$2.0	4.5%	\$1.8	-9.0%	\$2.2	18.0%	\$2.0	-8.0%	\$2.3	15.0%	\$2.6	13.0%	\$2.9	11.5%	\$3.0	3.4%	\$3.1	3.3%	
Total Tax Revenue	\$1517.0	3.6%	\$1573.5	3.7%	\$1614.8	2.6%	\$1630.4	1.0%	\$1671.2	2.5%	\$1753.4	4.9%	\$1798.3	2.6%	\$1824.5	1.5%	\$1872.7	2.6%	\$1928.7	3.0%	
Business Licenses	\$1.1	-61.4%	\$1.1	0.2%	\$1.1	-1.6%	\$1.2	16.8%	\$1.1	-11.7%	\$1.1	1.8%	\$1.2	2.7%	\$1.2	2.6%	\$1.2	2.5%	\$1.2	2.5%	
Fees	\$20.6	-3.4%	\$22.1	7.0%	\$23.0	4.2%	\$48.5	110.8%	\$47.8	-1.3%	\$48.6	1.7%	\$49.4	1.6%	\$50.1	1.4%	\$51.0	1.8%	\$52.1	2.2%	
Services	\$1.3	-47.3%	\$1.5	12.5%	\$2.8	86.6%	\$3.0	7.9%	\$3.2	6.3%	\$3.2	0.9%	\$3.3	0.9%	\$3.3	0.9%	\$3.3	0.9%	\$3.4	0.9%	
Fines	\$3.6	-24.2%	\$3.5	-3.1%	\$3.7	5.5%	\$4.4	21.0%	\$3.1	-29.9%	\$3.2	3.2%	\$3.3	3.1%	\$3.4	3.0%	\$3.5	2.9%	\$3.6	2.9%	
Interest	\$0.2	-59.2%	\$0.3	40.4%	\$0.7	130.6%	\$1.5	111.5%	\$2.5	61.6%	\$3.2	28.0%	\$3.9	20.3%	\$4.0	3.9%	\$4.1	3.1%	\$4.3	3.0%	
Special Assessments	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	
Lottery	\$22.6	-1.6%	\$22.8	0.8%	\$26.4	16.1%	\$25.5	-3.3%	\$25.2	-1.3%	\$25.6	1.6%	\$25.8	0.8%	\$26.0	0.8%	\$26.1	0.4%	\$26.2	0.4%	
All Other****	\$1.3	-24.0%	\$1.0	-20.4%	\$1.3	25.9%	\$2.9	128.5%	\$2.6	-10.5%	\$1.5	1.6%	\$1.6	6.7%	\$1.7	6.3%	\$1.8	5.9%	\$1.9	5.6%	
Total Other Revenue	\$50.7	-10.4%	\$52.2	3.0%	\$58.9	12.9%	\$87.1	47.9%	\$85.5	-1.8%	\$86.5	1.1%	\$88.4	2.2%	\$89.7	1.5%	\$91.1	1.5%	\$92.6	1.7%	
TOTAL GENERAL FUND	\$1567.6	3.1%	\$1625.7	3.7%	\$1673.7	2.9%	\$1717.5	2.6%	\$1756.7	2.3%	\$1839.9	4.7%	\$1886.7	2.5%	\$1914.2	1.5%	\$1963.8	2.6%	\$2021.4	2.9%	

* Includes Telecommunications Tax; includes \$3.76M transfer in FY08 to the T-Fund for prior years Jet Fuel tax processing error.

** Includes Cigarette, Tobacco Products and Floor Stock tax revenues.

*** Reflects closure of Vermont Yankee in December of 2014, taxed per Act 143 of 2012 effective in FY13; Stated Electric Energy Tax revenues exclude appropriations to the Clean Energy Development Fund and Education Fund.

**** Excludes \$5 million Vermont Yankee settlement agreement transitional payment in FY2015.

*****Includes \$2.3 million in one-time payments in FY2017 by tax software vendors for errors related to Personal Income tax deduction changes effective in tax year 2015.

**TABLE 1 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE GENERAL FUND REVENUE FORECAST UPDATE
Provisional Consensus JFO and Administration Forecast - January 2018**

CURRENT LAW BASIS

including all Education Fund

allocations and other out-transfers

	FY 2014	%	FY 2015	%	FY 2016	%	FY 2017	%	FY 2018	%	FY 2019	%	FY2020	%	FY2021	%	FY2022	%	FY2023	%
	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>
REVENUE SOURCE																				
Personal Income	\$671.1	1.6%	\$705.9	5.2%	\$747.0	5.8%	\$756.5	1.3%	\$793.7	4.9%	\$846.9	6.7%	\$866.8	2.3%	\$882.1	1.8%	\$908.4	3.0%	\$937.2	3.2%
Sales and Use*	\$229.9	-0.6%	\$237.0	3.1%	\$241.0	1.7%	\$244.9	1.6%	\$254.3	3.8%	\$256.6	0.9%	\$262.1	2.1%	\$266.9	1.8%	\$273.2	2.4%	\$280.6	2.7%
Corporate	\$94.8	-0.1%	\$121.9	28.5%	\$117.0	-4.0%	\$95.8	-18.1%	\$79.4	-17.1%	\$89.6	12.8%	\$96.8	8.0%	\$93.7	-3.2%	\$97.2	3.7%	\$103.5	6.5%
Meals and Rooms	\$142.7	5.9%	\$150.8	5.7%	\$154.2	2.2%	\$165.3	7.3%	\$172.4	4.3%	\$178.4	3.5%	\$183.9	3.1%	\$187.7	2.1%	\$193.9	3.3%	\$200.4	3.4%
Cigarette and Tobacco	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM
Liquor	\$17.7	4.0%	\$18.2	2.9%	\$18.3	0.8%	\$19.1	4.4%	\$19.4	1.4%	\$20.1	3.6%	\$20.7	3.0%	\$21.2	2.4%	\$21.8	2.8%	\$22.4	2.8%
Insurance	\$57.1	3.7%	\$55.3	-3.1%	\$56.2	1.7%	\$57.0	1.3%	\$57.8	1.5%	\$58.4	1.0%	\$59.0	1.0%	\$59.4	0.7%	\$60.0	1.0%	\$60.7	1.2%
Telephone	\$9.1	-2.9%	\$7.7	-14.9%	\$3.2	-59.2%	\$5.7	80.6%	\$4.5	-21.2%	\$4.0	-11.1%	\$3.6	-10.0%	\$3.2	-11.1%	\$2.9	-9.4%	\$2.6	-10.3%
Beverage	\$6.4	3.6%	\$6.7	4.2%	\$6.7	0.6%	\$6.9	2.9%	\$7.0	1.5%	\$7.2	2.9%	\$7.3	1.4%	\$7.5	2.7%	\$7.6	1.3%	\$7.7	1.3%
Electric**	\$13.1	46.9%	\$9.4	-28.2%	\$0.0	-100.0%	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM
Estate***	\$35.5	131.0%	\$9.9	-72.2%	\$12.5	26.5%	\$16.7	33.3%	\$18.6	11.6%	\$19.4	4.3%	\$20.1	3.6%	\$20.8	3.5%	\$21.5	3.4%	\$22.2	3.3%
Property	\$10.0	9.3%	\$10.9	8.7%	\$11.5	6.0%	\$12.6	9.0%	\$12.6	0.2%	\$13.6	7.7%	\$14.4	6.2%	\$15.0	4.0%	\$15.4	3.0%	\$15.9	3.4%
Bank	\$11.0	2.7%	\$10.7	-2.0%	\$10.7	-0.6%	\$13.2	24.0%	\$12.1	-8.7%	\$11.5	-5.0%	\$11.7	1.7%	\$11.8	0.9%	\$11.9	0.8%	\$12.0	0.8%
Other Tax	\$1.9	9.6%	\$2.0	4.5%	\$1.8	-9.0%	\$2.2	18.0%	\$2.0	-8.0%	\$2.3	15.0%	\$2.6	13.0%	\$2.9	11.5%	\$3.0	3.4%	\$3.1	3.3%
Total Tax Revenue	\$1300.3	3.6%	\$1346.4	3.5%	\$1380.1	2.5%	\$1395.7	1.1%	\$1433.8	2.7%	\$1507.9	5.2%	\$1549.0	2.7%	\$1572.2	1.5%	\$1616.8	2.8%	\$1668.3	3.2%
Business Licenses	\$1.1	-61.4%	\$1.1	0.2%	\$1.1	-1.6%	\$1.2	16.8%	\$1.1	-11.7%	\$1.1	1.8%	\$1.2	2.7%	\$1.2	2.6%	\$1.2	2.5%	\$1.2	2.5%
Fees	\$20.6	-3.4%	\$22.1	7.0%	\$23.0	4.2%	\$48.5	110.8%	\$47.8	-1.3%	\$48.6	1.7%	\$49.4	1.6%	\$50.1	1.4%	\$51.0	1.8%	\$52.1	2.2%
Services	\$1.3	-47.3%	\$1.5	12.5%	\$2.8	86.6%	\$3.0	7.9%	\$3.2	6.3%	\$3.2	0.9%	\$3.3	0.9%	\$3.3	0.9%	\$3.3	0.9%	\$3.4	0.9%
Fines	\$3.6	-24.2%	\$3.5	-3.1%	\$3.7	5.5%	\$4.4	21.0%	\$3.1	-29.9%	\$3.2	3.2%	\$3.3	3.1%	\$3.4	3.0%	\$3.5	2.9%	\$3.6	2.9%
Interest	\$0.2	-66.6%	\$0.2	51.9%	\$0.6	136.1%	\$1.2	108.2%	\$2.0	70.8%	\$2.6	30.0%	\$3.2	23.1%	\$3.3	3.1%	\$3.4	3.0%	\$3.5	2.9%
All Other****	\$1.3	-24.0%	\$1.0	-20.4%	\$1.3	25.9%	\$2.9	128.5%	\$2.6	-10.5%	\$1.5	-42.3%	\$1.6	6.7%	\$1.7	6.3%	\$1.8	5.9%	\$1.9	5.6%
Total Other Revenue	\$28.0	-16.4%	\$29.4	4.7%	\$32.3	10.1%	\$61.2	89.3%	\$59.8	-2.3%	\$60.3	0.8%	\$61.9	2.8%	\$63.0	1.7%	\$64.2	2.0%	\$65.7	2.3%
TOTAL GENERAL FUND	\$1328.4	3.1%	\$1375.8	3.6%	\$1412.4	2.7%	\$1457.0	3.2%	\$1493.6	2.5%	\$1568.2	5.0%	\$1610.9	2.7%	\$1635.1	1.5%	\$1681.0	2.8%	\$1734.0	3.2%

* Includes \$2.5M transfer to the T-Fund in FY08 for prior years Jet Fuel tax processing errors; Transfer to the Education Fund increases from 33.3% to 35.0% effective in FY14 and 35.0% to 36.0% effective in FY19.

** Reflects closure of Vermont Yankee in December of 2014, taxed per Act 143 of 2012 effective in FY13;

Stated Electric Energy Tax revenues exclude appropriations to the Clean Energy Development Fund and Education Fund.

*** Excludes transfer to the Higher Education Trust Fund of \$2.4M in FY05, \$5.2M in FY06 and \$11.0M in FY11.

**** Excludes \$5 million Vermont Yankee settlement agreement transitional payment in FY2015.

*****Includes \$2.3 million in one-time payments in FY2017 by tax software vendors for errors related to Personal Income tax deduction changes effective in tax year 2015.

**TABLE 2A - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
SOURCE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Provisional Consensus JFO and Administration Forecast - January 2018**

SOURCE T-FUND

revenues are prior to all E-Fund allocations

and other out-transfers; used for
analytic and comparative purposes only

	FY 2014	%	FY 2015	%	FY 2016	%	FY 2017	%	FY 2018	%	FY 2019	%	FY2020	%	FY2021	%	FY2022	%	FY2023	%
	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>
REVENUE SOURCE																				
Gasoline	\$76.5	27.6%	\$77.6	1.5%	\$78.0	0.5%	\$78.2	0.3%	\$78.1	-0.2%	\$78.0	-0.1%	\$77.9	-0.1%	\$77.5	-0.5%	\$77.1	-0.5%	\$76.5	-0.8%
Diesel****	\$17.2	9.7%	\$19.1	11.5%	\$18.3	-4.4%	\$18.2	-0.5%	\$18.4	1.0%	\$18.6	1.1%	\$18.7	0.5%	\$18.8	0.5%	\$18.9	0.5%	\$18.9	0.0%
Purchase and Use*	\$91.8	9.9%	\$97.3	5.9%	\$100.1	2.9%	\$103.2	3.1%	\$107.4	4.0%	\$111.8	4.1%	\$116.1	3.8%	\$118.9	2.4%	\$122.0	2.6%	\$125.8	3.1%
Motor Vehicle Fees	\$79.0	1.5%	\$80.1	1.4%	\$82.0	2.3%	\$86.2	5.2%	\$88.0	2.1%	\$88.3	0.3%	\$89.7	1.6%	\$90.1	0.4%	\$91.4	1.4%	\$91.4	0.0%
Other Revenue**	\$19.5	2.3%	\$19.7	0.8%	\$19.6	-0.5%	\$19.9	1.8%	\$21.5	7.9%	\$21.6	0.5%	\$21.8	0.9%	\$22.0	0.9%	\$22.3	1.4%	\$22.6	1.3%
TOTAL TRANS. FUND	\$284.0	10.9%	\$293.8	3.5%	\$298.0	1.4%	\$305.8	2.6%	\$313.4	2.5%	\$318.3	1.6%	\$324.2	1.9%	\$327.3	1.0%	\$331.7	1.3%	\$335.2	1.1%

**TABLE 2 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Provisional Consensus JFO and Administration Forecast - January 2018**

CURRENT LAW BASIS

including all Education Fund

allocations and other out-transfers

	FY 2014	%	FY 2015	%	FY 2016	%	FY 2017	%	FY 2018	%	FY 2019	%	FY2020	%	FY2021	%	FY2022	%	FY2023	%
	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>
REVENUE SOURCE																				
Gasoline	\$76.5	27.6%	\$77.6	1.5%	\$78.0	0.5%	\$78.2	0.3%	\$78.1	-0.2%	\$78.0	-0.1%	\$77.9	-0.1%	\$77.5	-0.5%	\$77.1	-0.5%	\$76.5	-0.8%
Diesel****	\$17.2	9.7%	\$19.1	11.5%	\$18.3	-4.4%	\$18.2	-0.5%	\$18.4	1.0%	\$18.6	1.1%	\$18.7	0.5%	\$18.8	0.5%	\$18.9	0.5%	\$18.9	0.0%
Purchase and Use*	\$61.2	9.9%	\$64.8	5.9%	\$66.8	2.9%	\$68.8	3.1%	\$71.6	4.0%	\$74.5	4.1%	\$77.4	3.8%	\$79.3	2.4%	\$81.3	2.6%	\$83.9	3.1%
Motor Vehicle Fees	\$79.0	1.5%	\$80.1	1.4%	\$82.0	2.3%	\$86.2	5.2%	\$88.0	2.1%	\$88.3	0.3%	\$89.7	1.6%	\$90.1	0.4%	\$91.4	1.4%	\$91.4	0.0%
Other Revenue**	\$19.5	2.3%	\$19.7	0.8%	\$19.6	-0.5%	\$19.9	1.8%	\$21.5	7.9%	\$21.6	0.5%	\$21.8	0.9%	\$22.0	0.9%	\$22.3	1.4%	\$22.6	1.3%
TOTAL TRANS. FUND	\$253.4	11.0%	\$261.4	3.2%	\$264.6	1.2%	\$271.4	2.6%	\$277.6	2.3%	\$281.0	1.2%	\$285.5	1.6%	\$287.7	0.8%	\$291.0	1.2%	\$293.3	0.8%

OTHER

TIB Gasoline	\$19.2	-9.5%	\$18.2	-5.2%	\$13.0	-28.4%	\$12.6	-3.3%	\$12.9	2.4%	\$13.7	6.2%	\$14.1	2.9%	\$15.0	6.4%	\$16.0	6.7%	\$16.8	5.0%
TIB Diesel and Other***	\$1.8	4.0%	\$2.1	11.4%	\$1.9	-6.1%	\$1.7	-11.3%	\$2.0	15.3%	\$2.0	1.0%	\$2.0	1.0%	\$2.0	0.5%	\$2.0	0.0%	\$2.0	0.5%
Total TIB****	\$21.0	-8.4%	\$20.2	-3.8%	\$15.0	-26.1%	\$14.5	-2.9%	\$14.9	2.4%	\$15.7	5.5%	\$16.1	2.7%	\$17.0	5.6%	\$18.0	5.9%	\$18.8	4.5%

* As of FY04, includes Motor Vehicle Rental tax revenue.

** Beginning in FY07, includes Stabilization Reserve interest; FY08 data includes \$3.76M transfer from G-Fund for prior Jet Fuel tax processing errors and inclusion of this tax in subsequent years.

*** Includes TIB Fund interest income (which has never exceeded \$20,000 per year).

**** Includes FY17 adjustment of \$215,000 from reported TIB Diesel revenue to Diesel revenue due to a data entry error

**TABLE 3 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE EDUCATION FUND* REVENUE FORECAST UPDATE
(Partial Education Fund Total - Includes Source General and Transportation Fund Allocations Only)
Provisional Consensus JFO and Administration Forecast - January 2018**

CURRENT LAW BASIS

Source General and Transportation

Fund taxes allocated to or associated
with the Education Fund only

	FY 2014	%	FY 2015	%	FY 2016	%	FY 2017	%	FY 2018	%	FY 2019	%	FY2020	%	FY2021	%	FY2022	%	FY2023	%
	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>
GENERAL FUND																				
Sales & Use**	\$123.8	7.1%	127.6	3.1%	\$129.8	1.7%	\$131.8	1.6%	\$136.9	3.8%	\$144.3	5.4%	\$147.4	2.1%	\$150.1	1.8%	\$153.6	2.4%	\$157.8	2.7%
Interest	\$0.1	-17.2%	0.1	3.6%	\$0.2	135.7%	\$0.4	122.7%	\$0.5	33.0%	\$0.6	20.0%	\$0.7	8.3%	\$0.7	7.7%	\$0.7	3.6%	\$0.8	3.4%
Lottery	\$22.6	-1.6%	22.8	0.8%	\$26.4	16.1%	\$25.5	-3.3%	\$25.2	-1.3%	\$25.6	1.6%	\$25.8	0.8%	\$26.0	0.8%	\$26.1	0.4%	\$26.2	0.4%
TRANSPORTATION FUND																				
Purchase and Use***	\$30.6	9.9%	32.4	5.9%	\$33.4	2.9%	\$34.4	3.1%	\$35.8	4.0%	\$37.3	4.1%	\$38.7	3.8%	\$39.6	2.4%	\$40.7	2.6%	\$41.9	3.1%
TOTAL EDUCATION FUND	\$177.0	6.3%	182.9	3.3%	\$189.7	3.7%	\$192.2	1.3%	\$198.4	3.3%	\$207.8	4.7%	\$212.6	2.3%	\$216.5	1.8%	\$221.1	2.2%	\$226.7	2.5%

* Includes only General and Transportation Fund taxes allocated to the Education Fund.

This Table excludes all Education Fund property taxes, which are updated in October/November of each year and are the largest Education Fund tax sources.

** Includes Telecommunications Tax; Includes \$1.25M transfer to T-Fund in FY08 for prior Jet Fuel Tax processing errors; Transfer percentage from the General Fund increases from 33.3% to 35.0% effective in FY14 and to 36.0% in F19.

*** Includes Motor Vehicle Rental revenues, restated

Appendix B

Ongoing Analysis Outline:
Federal Tax Plan and Jobs Act Provisions and
Potential Revenue Impacts on the
State of Vermont

Prepared by the Joint Fiscal Office and
Legislative Council

January 2018

Version as of January 10, 2018. Will be updated as appropriate.	Current federal law	Tax Cuts and Jobs Act	Current Vermont law	Comments/Impact	Preliminary JFO Effect on VT Revenues (Note: Revenue effects are described in isolation; final estimates may be different than the sum of individual provisions, due to interactions among
					Large= Greater than \$25 million impact Medium=Between \$10 and \$25 million Small= Less than \$10 million
INDIVIDUAL INCOME TAX CHANGES					
Personal Exemptions	TPs can deduct \$4150 for each personal exemption.	Eliminates personal exemptions.	VTI = AGI with several additions and subtractions. One subtraction is the amount of personal exemptions taken at federal level.	Changes would fall through. If the amount of personal exemptions allowed at the federal level were zero, changes would increase VTI.	Large, upward effect on VT revenues in FY19 and beyond <u>Explanation:</u> Removal of the deduction of personal exemptions increases taxable income in FY19 and beyond.
Standard Deduction	TPs can deduct a standard deduction of \$6,500 for single filers and \$13,000 for married couples; helps create a de facto 0 percent bracket.	Standard deduction is increased to \$12,000 for individuals and \$24,000 for joint filers.	VTI = AGI with several additions and subtractions. One subtraction is the amount of the standard deduction taken at federal level. A different subtraction caps certain itemized deductions at 2.5 times the federal standard deduction amount.	Changes would fall through, lowering VTI, and likely reducing the number of itemizers. Would increase itemized deduction cap.	Large, downward effect on VT revenues <u>Explanation:</u> A larger standard deduction reduces taxable income for those who do not itemize. A larger standard deduction may also cause itemizers who had less than \$12,000 (single) or \$24,000 (joint) to take the larger standard deduction, further reducing taxable income.
Pass through income	Income earned through a partnership (including LLCs), S Corp, or sole proprietorship is taxed to the individual owner as ordinary income, at the TP's marginal rate.	Allows a deduction of 20% of the amount of "qualified business income", which is generally defined as income earned through a pass through. There are limits based on business types and allocable wages, which start when the pass through income exceeds \$315,000 for joint and \$157,500 for individuals. The deduction is structured in such a way to be available to both itemizers and non-itemizers.	No preferential treatment for pass through income, but reduces VTI by certain itemized deductions, up to 2.5 times the federal standard deduction.	Changes should not fall through for itemizers and non-itemizers because there is no allowance for the pass through deduction in 32 V.S.A. § 5811(21).	POTENTIAL downward effect on VT revenues. <u>Explanation:</u> The deduction should not fall through for either itemizers or non-itemizers. However, there are also behavioral impacts that could affect this estimate long-term. If individuals can "game" the rules and establish themselves as pass-through businesses, there may be a greater downward effect on VT revenues.
Child credit	Child tax credit of \$1000 per qualifying child. Phased out a \$75,000 for an individual filers, \$110,000 for joint filers. Refundable up to 15% of earned income over \$3,000.	Increase the amount of the child tax credit to \$2,000 per qualifying child. Maximum refundable amount would be \$1,400. Create a new nonrefundable \$500 credit for qualifying dependents who are not qualifying children. Phased out at \$200,000 for single filers, \$400,000 for joint return.	Vermont is not linked to this credit.		No direct impact on VT revenues
Overall limit on itemized deductions	Total allowed itemized deductions are reduced by 3% of the amount that the TP is over the threshold (-in 2017, thresholds were \$261,500 for individual filers and \$313,800 for joint filers).	Suspends limit for tax years 2018 to 2025.	No specific law on point in Vermont, but the effect of the limitation would fall through, in the sense that some high itemizers may have fewer deductions to claim.	To the extent suspending the limitation increases the amount of itemized deductions taken at the federal level, it may decrease VTI, unless the 2.5 times cap already applies to the TP.	Small, downward effect on VT revenues <u>Explanation:</u> If individuals over the previous income thresholds no longer have their itemized deductions limited, then their aggregate deductions may be increased under the new bill. This leads to a decrease in taxable income.
Home mortgage interest	Itemizers can deduct interest on up to \$1,000,000 in indebtedness for up to two homes.	Reduces the limit on acquisition indebtedness to \$750,000, for new mortgages after December 15, 2017.	Allows TP to reduce VTI by amount of the federal deduction, subject to the 2.5 times cap.	Changes would fall through, and possibly increase VTI, but only to the extent that people with over \$750,000 in indebtedness are currently not capped.	Small, upward effect on VT revenues <u>Explanation:</u> Individuals with new mortgages over \$750,000 would be unable to deduct interest from that mortgage. This lowers the amount of the deduction in aggregate and increases taxable income.
State and local taxes	Itemizers can deduct state and local property taxes and either state and local income taxes or sales taxes.	Itemizers can deduct up to \$10,000 of the aggregate of state and local property tax and state and local income taxes.	The federal deduction for state and local income taxes is disallowed, and added back into the calculation of VTI. The federal deduction for state and local property taxes falls through to the calculation of VTI, but is subject to the itemized deduction cap.	Change may result in fewer itemizers. May result in less deducted from AGI, which would mean an increase in VTI. If nothing is changed, there may be an incentive for filers to use all of their property tax first to fill the \$10,000 limit, because they would need to add back any state and local income taxes used.	Small, upward effect on VT revenues <u>Explanation:</u> Because VT requires the addback of State and local income taxes, individuals are incented to use the \$10,000 cap on their property taxes first, then the residual on income taxes. As a result, Federal Taxable Income would increase under this cap (because individuals can deduct less than they could before) but Vermont would see less in state and local income taxes added back, reducing Vermont taxable income. Therefore, the revenue impact is small.
Casualty losses	TPs can deduct losses not compensated by insurance, if they exceed 10% of AGI.	Limits casualty losses to losses incurred during a federally declared emergency.	Allows TP to reduce VTI by amount of the federal deduction, subject to the 2.5 times cap.	To the extent the change reduces itemized deductions for casualty losses, it may increase VTI.	Small, upward effect on VT revenues <u>Explanation:</u> Repeal of the deduction (for most cases) increases Vermont taxable income.

Version as of January 10, 2018. Will be updated as appropriate.	Current federal law	Tax Cuts and Jobs Act	Current Vermont law	Comments/Impact	Preliminary JFO Effect on VT Revenues (Note: Revenue effects are described in isolation; final estimates may be different than the sum of individual provisions, due to interactions among
					Large= Greater than \$25 million impact Medium=Between \$10 and \$25 million Small= Less than \$10 million
INDIVIDUAL INCOME TAX CHANGES, continued					
Charitable contributions	Itemizers can generally deduct charitable contributions up to 50% of their AGI.	The bill would increase the income-based percentage limit for charitable contributions of cash to public charities to 60%. It would also deny a charitable deduction for payments made for college athletic event seating rights.	Allows TP to reduce VTI by amount of the federal deduction.	To the extent the change incentivizes more charitable giving, it could result in more federal deductions, and less VTI.	Small, downward effect on VT revenues <u>Explanation:</u> JFO, when modeling, assumed that only individuals who gave 50% of their AGI in contributions under current law would increase their giving to 60% of AGI. This increases the aggregate amount of the deduction, lowering taxable income. It should be noted that with fewer taxpayers itemizing deductions, there will be a reduced benefit to charitable giving, which may reduce such giving.
Miscellaneous itemized deductions	TPs may deduct certain miscellaneous deductions, as long as they exceed, in the aggregate, 2% of AGI.	Suspends all miscellaneous deductions subject to the 2% floor from tax year 2018 to tax year 2025.	Allows TP to reduce VTI by amount of the federal deduction, subject to the 2.5 times cap.	To the extent the change reduces itemized deductions for miscellaneous itemized deductions, it should increase VTI.	Small, upward effect on VT revenues <u>Explanation:</u> Suspension of the deduction would increase Vermont taxable income.
Medical expenses	Itemizers may deduct unreimbursed medical expenses to the extent they exceed 10% of AGI.	Lowers threshold to 7.5% of AGI.	Allows TP to reduce VTI by amount of the federal deduction.	To the extent the change increases the amount of itemized deductions claimed at the federal level, it may decrease VTI.	Small, downward effect on VT revenues <u>Explanation:</u> Increases the aggregate amount of itemized deductions, reducing taxable income.
Moving expenses	TPs are permitted an above the line deduction for work related moving expenses that meet certain requirement of distance and employment status. Qualified moving expense reimbursements from an employer are excluded from the TP's gross income, within limits.	Generally repeals the deduction for expenses paid by an individual or reimbursed by an employer, except for members of the military who move.	Since the deduction is taken about before AGI is calculated, the deduction is automatically incorporated into the calculation of VTI.	Should increase federal AGI, and therefore VTI, to the extent non-military people claimed the deduction in Vermont.	Small, upward effect on VT revenues <u>Explanation:</u> Repeal of the deduction increases AGI, and therefore VTI. Note: this is an above-the-line deduction. It is a deduction from gross income, before AGI.
Alternative Minimum Tax	Provides a separate minimum tax calculation for TPs who utilize specific tax preferences and adjustments.	Temporarily increases the exemption amount and exemption amount phaseout thresholds for the AMT, from tax year 2018 to tax year 2026. Basically, raises the thresholds to which the AMT would apply, such that fewer TPs at the lower end are subject to the AMT.	Vermont is not linked to the individual AMT. Vermont has a separate type of alternative minimum tax based on AGI, not on the federal AMT.	Since the AMT is an alternative calculation of the tax due, it does not fall through to the Vermont calculation of VTI.	No direct impact on Vermont revenues.
BUSINESS PROVISIONS					
Corporate Rates	The top corporate rate of 35 percent now applies to taxable income over \$10 million a year. There are three other corporate tax brackets — 15 percent, 25 percent and 34 percent.	Sets a single corporate tax rate at 21 percent, starting in 2018, up from 20 percent proposed in the House and Senate bills.	8.5 percent for C Corps with more than \$25,000 in net income attributable to Vermont; 7% between \$10,000 and \$25,000; 6% under \$10,000. Minimum taxes ranging from \$75 to \$750 for different categories.	Vermont rates are not linked to federal changes.	No direct impact on VT revenues, although there may be indirect effects. <u>Explanation:</u> Although Vermont's corporate tax rates are not linked to the Federal, this provision may affect corporate valuations which would flow through to capital gains. Capital gains would flow through to VTI on the personal income side.
Corporate Alternative Minimum Tax	Provides a separate minimum tax calculation for TPs who utilize specific tax preferences and adjustments.	Repeals corporate AMT.	Vermont is not linked to the federal corporate alternative minimum tax.	Since Vermont is not linked to the federal corporate AMT, there should be little effect on Vermont revenues.	No direct impact on VT revenues.
Bonus depreciation	TPs must capitalize the cost of property used in a trade or business or for the production of income through depreciation or amortization. Federal law allows a 50% bonus depreciation in the first year property is put into service.	Increases bonus depreciation to 100% for most property.	Vermont decoupled from the earlier federal decision to allow 50% bonus depreciation. Current law would also be decoupled from the 100% bonus depreciation in the new bill.	Without any changes to Vermont law, the 100% bonus depreciation would not fall through to the State on either the individual or corporate taxes.	No direct impact on VT revenues.
Luxury Automobiles	26 U.S.C. 280F limits the amount that can be depreciated for luxury and personal use automobiles.	The act increases the amount of the limits under 26 U.S.C. 280F, allowing more business expense to be claimed for luxury and personal use automobiles.	Changes would fall through to VNI, or VTI if depreciated on a business schedule.	To the extent the raised limits lead to increased amounts of depreciation, there may be less VTI, for both individual based business and corporate filers.	Small, downward effect on VT revenue

Version as of January 10, 2018. Will be updated as appropriate.	Current federal law	Tax Cuts and Jobs Act	Current Vermont law	Comments/Impact	Preliminary JFO Effect on VT Revenues (Note: Revenue effects are described in isolation; final estimates may be different than the sum of individual provisions, due to interactions among
					Large= Greater than \$25 million impact Medium=Between \$10 and \$25 million Small= Less than \$10 million
BUSINESS PROVISIONS, continued					
Depreciation changes	Businesses must depreciate property over time according to schedules designed by property type and class. Most depreciation schedules span 3 to 50 years.	The act reduces the period required to depreciate certain farm equipment and real estate.	No specific decoupling -- likely falls through to VTI and VNI.	Quicker depreciation typically means less income in the years the depreciation is claimed.	Unknown downward effect on VT revenue. <u>Explanation:</u> Quicker depreciation could lead to lower VNI and VTI.
Expensing	TPs may elect to expense in one year, rather than capitalize over time, certain types of property. TPs may expense up to \$500,000 for items placed in service, but this amount is reduced by the amount by which total items placed into service exceed \$2,000,000.	The act raises the dollar limits for expensing to \$1,000,000 and \$2,500,000.	No specific decoupling -- likely falls through to VNI, or VTI on a business schedule.	The ability to use more expensing, rather than capitalization, typically means less income in the years the expense is claimed.	Unclear revenue impact on VT <u>Explanation:</u> Will largely depend on if and when businesses make investments. If a large amount of businesses invest and expense in any single year, it would lead to lower VNI in that year, but potentially higher VNI in future years.
Interest	Business related interest for borrowing is generally deductible under 26 U.S.C. 163.	Limits the deductibility of business interest generally to (1) the amount of business interest income, or (2) 30% of adjusted taxable income.	Allowed to fall through as an itemized deduction for individuals or as a deduction before VNI for corporate filers.	To the extent the limitation reduces the amount of interest deducted, it may increase VTI or VNI for both individuals and corporations.	Unclear revenue impact on VT <u>Explanation:</u> Limits the amount of aggregate amount of deductions for both businesses and individuals, increasing VTI or VNI. However, the interaction between this provision and others (expensing, for example) may change borrowing decisions for businesses.
Net operating losses	A net operating loss is the amount by which business losses exceed taxable income. Business and individuals can deduct operating losses, and can typically carry those losses forward 20 years or back 2 years, although there are numerous exceptions. A net operating loss can be claimed on either a corporate return, or on an individual return, as a subtraction from income on a business schedule.	The act limits net operating losses to 80% of taxable income, and eliminates the 2 year carryback. But it allows carryforwards indefinitely.	Vermont had decoupled from federal net operating losses for corporations, and allows a deduction of an apportioned amount of net operating losses. 32 V.S.A. § 5811(18), 32 V.S.A. § 5888. Since a net operating loss on an individual return is subtracted in the calculation of income, individual net operating losses can fall through.	The limitations may reduce the losses claimed by some individuals, which would increase gross income, and could theoretically increase VTI. Since Vermont is decoupled from the federal corporate net operating loss provisions, the changes will not fall through to VNI.	No direct impact on VT revenues.
Deduction for qualified production activities	26 U.S.C. 199 allows a deduction for certain qualified production activities, up to 9% of the expense, or 9% of taxable income. Originally designed to incentivize manufacturing, the deduction has been claimed by many businesses tangentially to manufacturing.	The act repeals this deduction.	Vermont has never decoupled from this deduction, which was passed in 2004, and it falls through on both the individual and corporate sides. To the extent the deduction is claim by an individual, it is an above the line deduction, and reduces federal AGI, and therefore VTI. To the extent it is taken by a corporation, it reduces federal taxable income, and therefore VNI.	The repeal of this deduction should increase VTI and VNI.	Small, upward impact on VT revenues <u>Explanation:</u> Repeal of the deduction increases AGI, which increases VTI. Note: this is an above-the line deduction
Carried Interest	Carried interest is the share of the profits from an investment fund that is paid to fund managers. Under current law, it is taxed at the preferential capital gains rate, rather than ordinary income.	The act creates a three year holding period, so that carried interest composed of gains held less than three years is taxed as ordinary income, and carried interest composed of gains held more than three years would get the capital gains rate.	Vermont has not decoupled from 26 U.S.C. 83, which contains the rules for carried interest. Since carried interest is determined at the gross income level, any change would fall through.	Since the limitation would arguably increase federal gross income, the changes would fall through to increase federal AGI and VTI.	Small, upward effect on VT revenues <u>Explanation:</u> The provision could increase gross income, which would then increase AGI and VTI, all other provisions held constant.
Employer credit for family or medical leave	No credit for family or medical leave payments.	Creates a credit for employers of 12.5% of the amount of wages paid to a qualifying employee during any period in which the employee is on family and medical leave if the rate of payment under the program is 50% of the wages normally paid to the employee. Applies to tax year 2018 and 2019 only.	Vermont has not decoupled.	Since it applies as a credit against a liability, the effect would likely not fall directly through to Vermont revenues.	No direct effect on VT revenues

Version as of January 10, 2018. Will be updated as appropriate.	Current federal law	Tax Cuts and Jobs Act	Current Vermont law	Comments/Impact	Preliminary JFO Effect on VT Revenues <i>(Note: Revenue effects are described in isolation; final estimates may be different than the sum of individual provisions, due to interactions among</i>
					Large= Greater than \$25 million impact Medium=Between \$10 and \$25 million Small= Less than \$10 million
TAXATION OF FOREIGN INCOME					
Dividends received deduction	The US has a modified "worldwide" taxing system, where all worldwide income earned by a corporation is considered taxable, but the tax is deferred until the foreign earned profits are brought back to the US.	At a very high level, allows US Corporations to deduct the foreign-source portion of dividends paid by certain foreign corporations to US corporate shareholders owning at least 10% of the foreign corporation. In other words, most foreign earned profits are no longer considered taxable, moving the US to a modified "territorial" system.	Vermont is based on VNI, which used federal corporate taxable income as a base.	Since most foreign profits have been offshored, and not taxed immediately, under the current US worldwide system, it is not obvious that the ability to deduct these profits will significantly change VNI.	No direct effect on VT revenues
Repatriation of foreign profits	Under current law, foreign profits are not taxed until they are paid back to a domestic corporation or shareholder.	A transitional rule imposes a one-time tax on US shareholders of certain foreign corporations. The tax is assessed on the US shareholder's share of the foreign corporation's accumulated foreign earnings that have not previously been taxed under the US's system of deferred worldwide taxation. The provision generally requires that, for the last taxable year beginning before January 1, 2018, any U.S. shareholder of a specified foreign corporation must include in gross income its pro rata share of the accumulated post-1986 deferred foreign income of the corporation. A deduction is then allowed on that income at different rates, depending on whether the repatriated profits are cash or asset based. The result is that earnings in the form of cash and cash equivalents will be taxed at a rate of 15.5%; all other earnings will be taxed as 8%. The tax can be paid in installments over 8 years. The tax applies whether the profits are actually returned to the US or not.	VNI is based on federal corporate taxable income, which is calculated as gross income, minus allowable deductions.	The structure of this provision -- requiring the inclusion of repatriated profits in gross income with an allowance for a partial deduction -- will could result in an increase in VNI on a one time basis. However, there may be apportionment issues, timing issues, and tax avoidance strategies, which may limit the increase.	Unknown upward effect on VT revenues. <i>Explanation:</i> Will largely depend on the extent to which businesses take advantage of the provision, and whether these businesses have a presence in VT. Because of Vermont's water's edge unitary taxation, VNI would increase if any business with a VT presence repatriates profits.
Base erosion minimum tax	No provision in current law.	Applicable corporations will be subject to a new tax equal to their "base erosion minimum tax amount." The formula for determining this tax is complex, but at a high level, is equal to 10% of the US corporation's modified taxable income (modified by adding back deductible payments to related foreign persons), minus the US corporation's regular tax liability (where the income base is reduced by deductible payments to related foreign persons, and the tax liability itself is reduced by certain credits). This provision is intended to apply to US corporations that reduce their US tax liability by making deductible payments to related foreign persons (e.g., interest on intercompany loans; royalties to affiliated entities).	There is not corresponding Vermont provision.	The base erosion minimum tax is structured as a separate excise tax, outside of the normal federal corporate income tax calculation; therefore, the effects of the tax will likely not directly fall through to Vermont.	No direct effect on VT revenues
Minimum tax on passive/mobile undistributed income of CFCs	No current provision.	Under a new provision, US shareholders of a controlled foreign corporation (a CFC) will be taxed currently on their shares of "global intangible low-taxed income" (GILTI). Very generally, GILTI is (i) the US shareholder's pro rata share of the CFC's aggregate net income, minus (ii) a deemed 10% return on the CFC's aggregate basis in depreciable tangible property. Certain income (e.g., subpart F income) is excluded from the determination of (i) in the above formula.	There is no corresponding Vermont provision.	The structure of this provision -- attributing foreign income to a US shareholder and providing a partial deduction -- would seem likely to fall through to either VTI or VNI. These rules are intended to discourage US corporations from holding or moving low-basis business assets in low-tax jurisdictions. However, they do not appear to take away the incentive for a US company to move high-basis assets to such a jurisdiction (e.g., factories, equipment, etc.)	Unclear effect on VT revenues.

Version as of January 10, 2018. Will be updated as appropriate.	Current federal law	Tax Cuts and Jobs Act	Current Vermont law	Comments/Impact	Preliminary JFO Effect on VT Revenues <i>(Note: Revenue effects are described in isolation; final estimates may be different than the sum of individual provisions, due to interactions among</i>
					Large= Greater than \$25 million impact Medium=Between \$10 and \$25 million Small= Less than \$10 million
ESTATE TAX PROVISIONS					
Exclusion amount	There is a unified estate tax and gift tax at the federal level on estates passed on at death, or gifts made during a lifetime. Excluded from this tax is the first \$5 million of the estate or lifetime gifts for an individual, or \$10 million for a married couple. This amount is indexed for inflation beginning in 2011, and in 2017, these base amounts were \$5.49 million and \$10.98 million.	Doubles the unified estate/gift tax exclusion amount to the first \$10 million for individuals or \$20 million for married couples. Retains the indexing for inflation to 2011, so under the bill, the amounts in 2017 would have been \$10.98 million for an individual or \$21.96 million for a married couple.	Vermont uses the federal definitions for base amounts, but has a decoupled exclusion amount of \$2.75 million.	Although the gap between Vermont's exclusion amount (\$2.75 million) and the federal exclusion amount (roughly \$11 million and \$22 million) will increase, it seems unlikely that the increase in the gap would lead to an increase or decrease in State revenues.	Unknown effects on VT revenues
INFLATION METRIC USED FOR FUTURE TAX RATE CHANGES					
Change in Inflation Measure for Indexing Tax Rates	CPI - unchained	CPI- chained	Affects any Vermont tax metric connected to federal inflation adjustment	This affects many federal definitional deductions, range limits and allowances, many of which are now referenced in Vermont tax rules and statute.	Small upward impact in early years, but increasingly large over time