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:

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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 Quarter[2] 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 if 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

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[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)						
Includes Selected PI Tax Provisions of Federal Tax Reform	2018		2019		2020	
Current Law-Provisional	Dollars	Percent	Dollars	Percent	Dollars	Percent
General Fund	$8.1	0.5%	$29.7	1.9%	$38.3	2.4%
[Available to the General Fund]						
Transportation Fund	$1.4	0.5%	$2.1	0.8%	$2.9	1.0%
[Available to the Transportation Fund]						
Education Fund	$0.4	0.2%	$1.1	0.5%	$1.3	0.6%
[Partial]						
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 higher[4] State Personal Income tax receipts in the G-Fund over the forecast update time period.

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[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 legislation[5] 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 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 does not include any estimates of State revenue impacts associated 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

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[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.

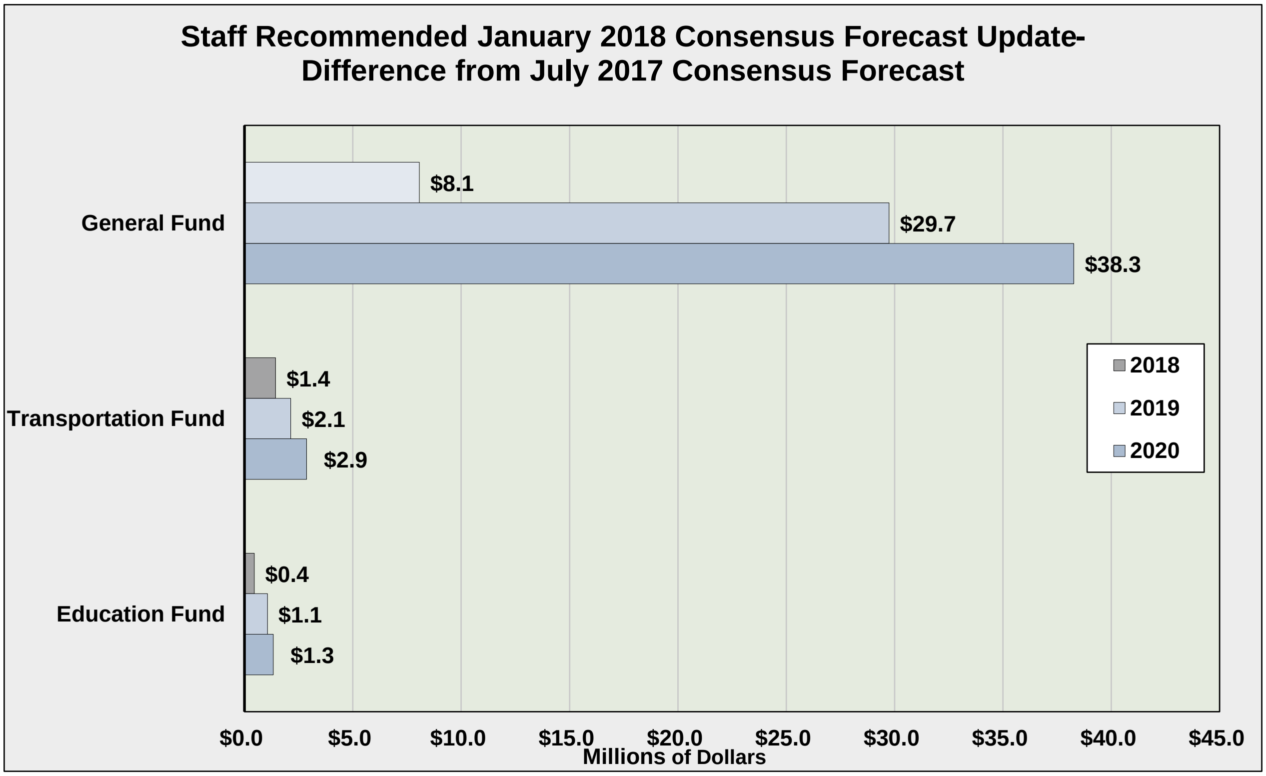
- For the fiscal year 2019, staff recommends a $281.0 million consensus forecast. This corresponds to a +$2.1 million (or +0.8%) increase over the consensus forecast adopted last July. The forecast upgrade is similarly tied better receipts prospects MvP&U Tax, the Other Fees category and the fuel taxes 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 TIB[8] 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 ley 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

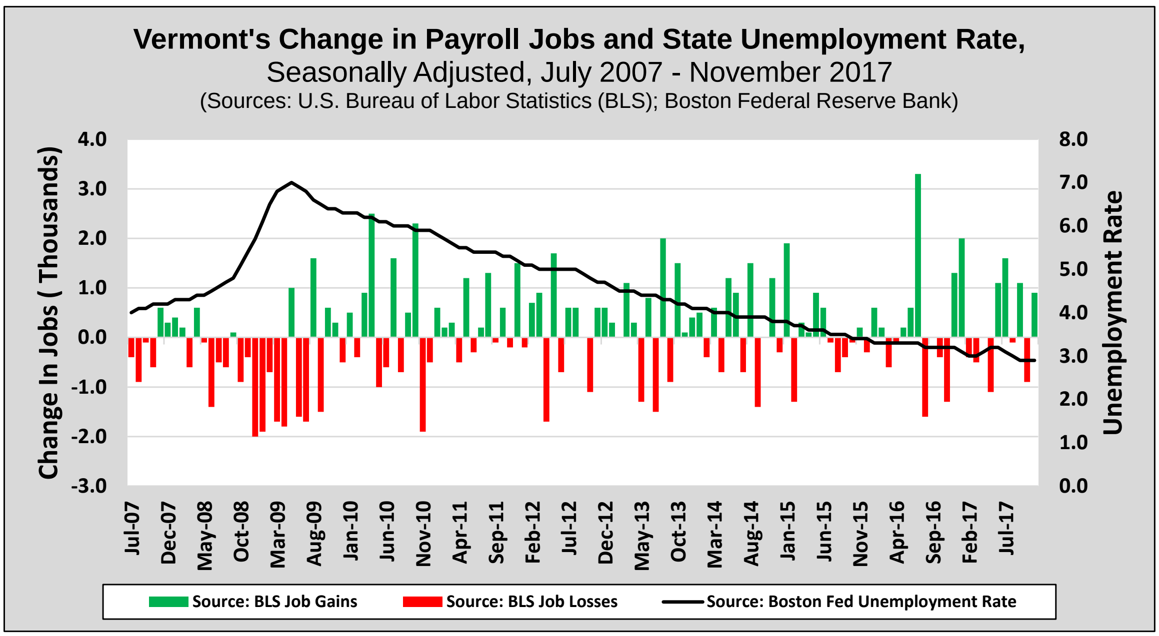
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real GDP Growth									
June-16	*2.2*	*1.5*	*2.4*	*2.4*	*2.0*	*3.0*	*2.7*	*1.9*	*1.6*
December-16	*2.2*	*1.7*	*2.4*	*2.6*	*1.7*	*2.9*	*3.1*	*2.2*	*1.4*
June-17	*2.2*	*1.7*	*2.4*	*2.6*	*1.6*	*2.3*	*2.6*	*2.2*	*1.3*
December 2017	*2.2*	*1.7*	*2.6*	*2.9*	*1.5*	*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 NAICS[9] 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.

Table 6: Year-Over-Year Job Change by State		
Total Payroll Jobs (November 2016-November 2017)		
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		

Table 7: Year-Over-Year Job Change by State		
Private Sector Payroll Jobs (November 2016-November 2017)		
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		

Table 8: Payroll Job Performance By NAICS Supersector November 2016 vs. November 2017

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.

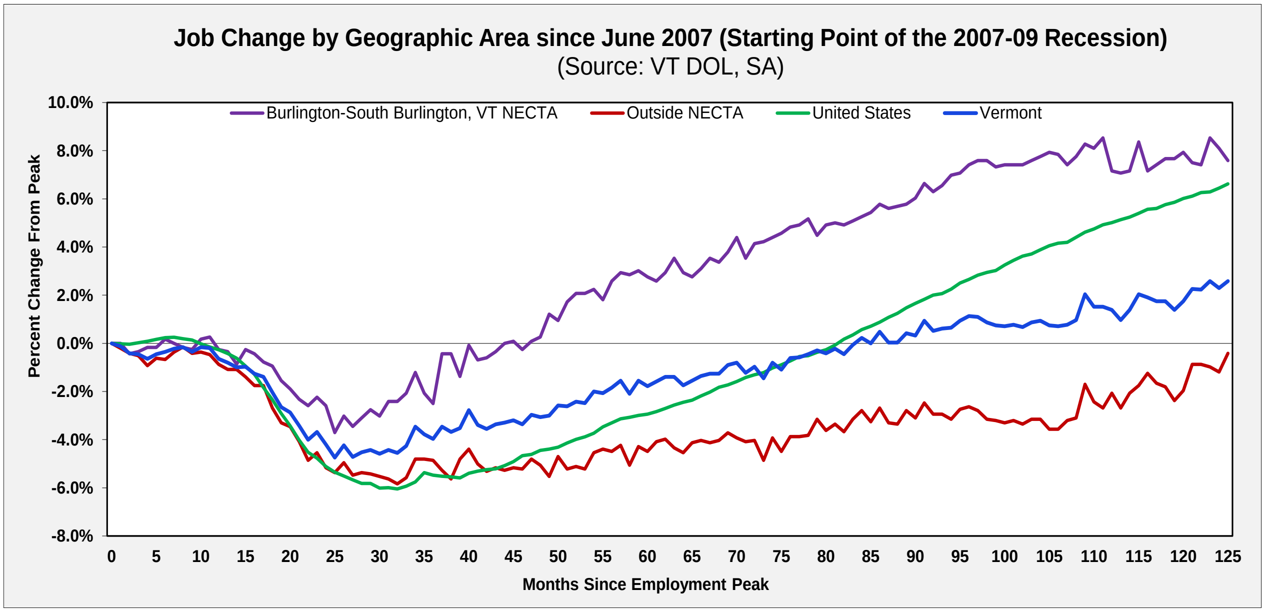
▪ Turning to the household survey of employed and unemployed Vermonters, the unemployment rate in Vermont has hovered around 3.0%, resulting from recent employment trends but also a decline in the civilian labor force.

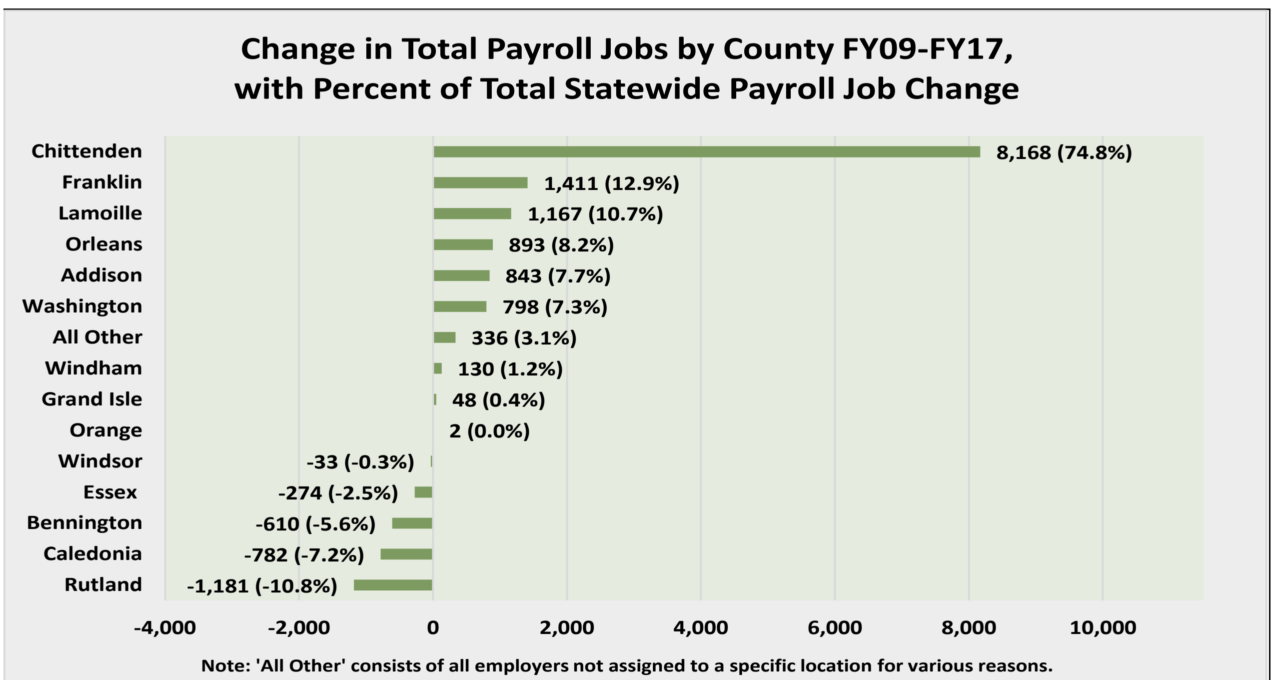
  - Year-over-year, Vermont's unemployment rate has declined from 3.2% in November 2016 to 2.9% in November 2017. The Vermont unemployment rate in November was the fifth lowest in the nation and second lowest in New England behind the State of New Hampshire's 2.7% rate (against the backdrop of a **4.1% U.S. "top-line" November unemployment rate**).

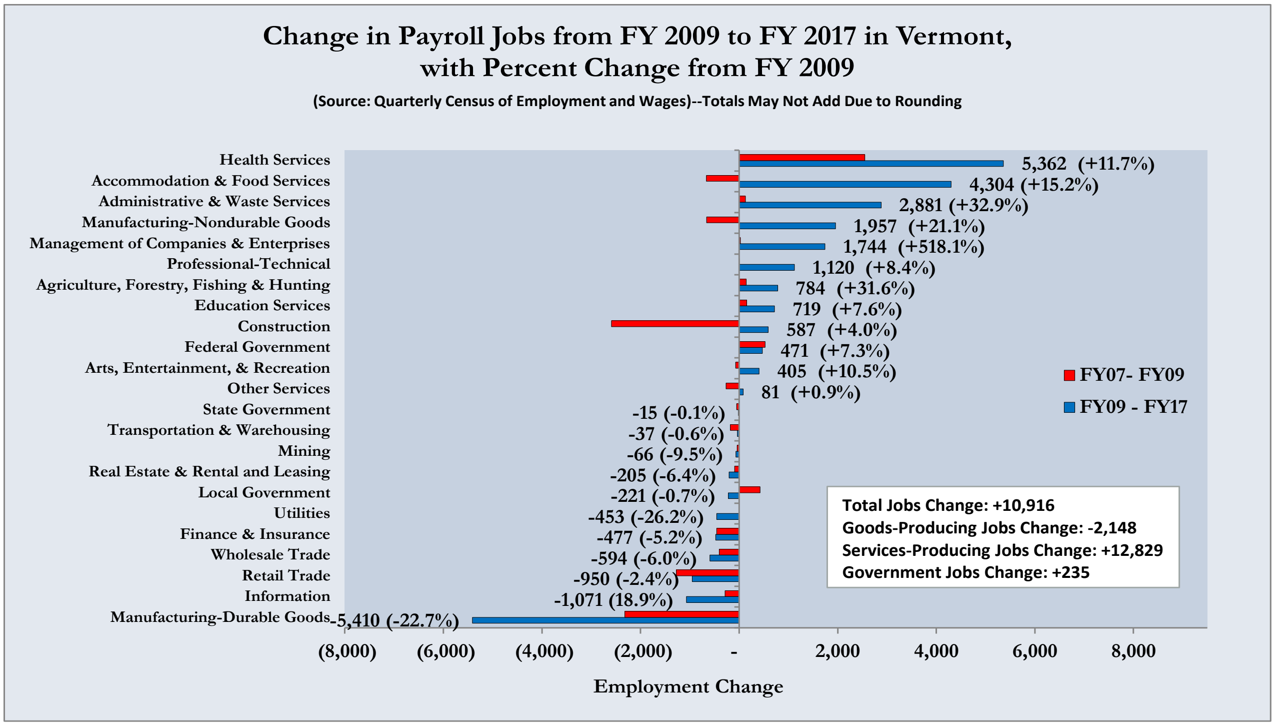
  - Vermont unemployment rates over the past two decades have been generally below the average for the U.S. as a whole, as has the unemployment rates for most of the New England region—except for the States of Rhode Island and Connecticut. To a large extent, much of this standing may reflect the demographics 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.

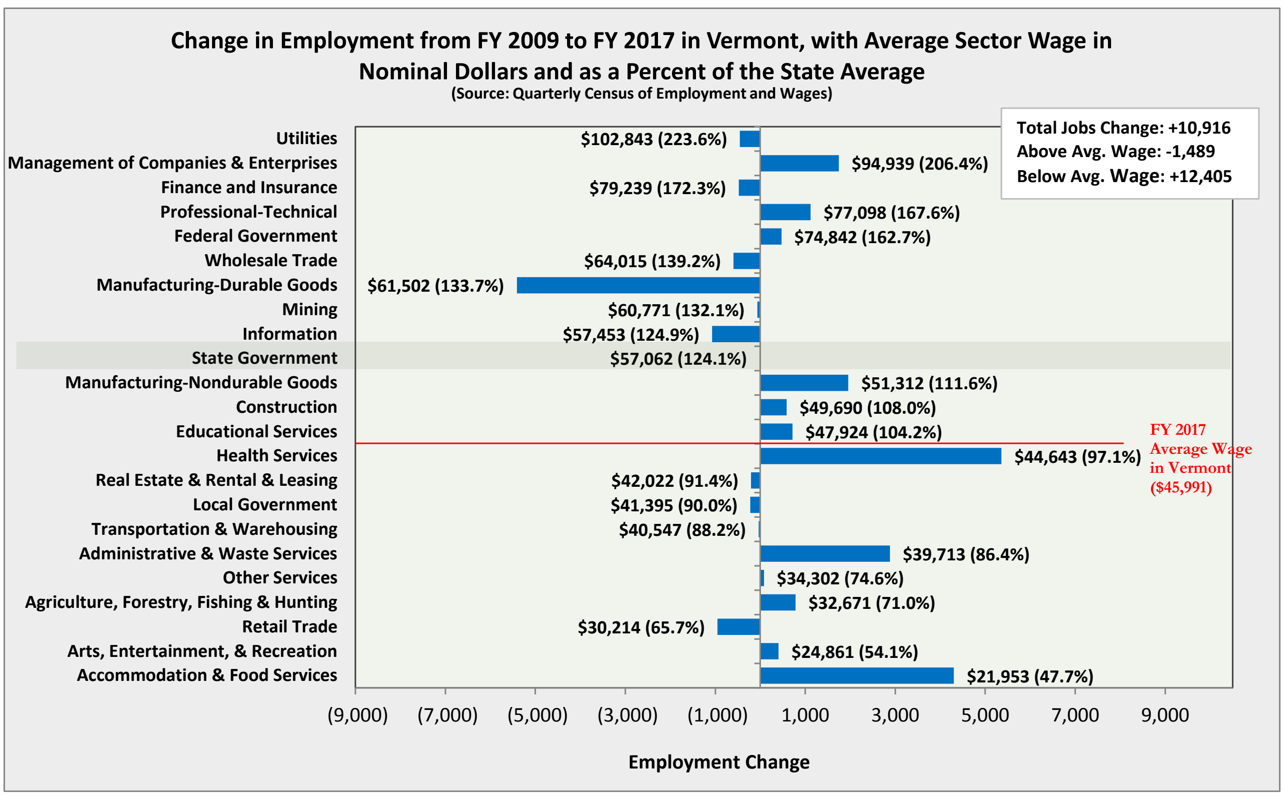
▪ Lastly, despite the undeniable forward progress in the Vermont economy and in labor markets since the end of the "Great Recession," It seems clear that the state's upturn has been uneven, and a disproportionate number of jobs have been created outside of the northwest Vermont region, in sectors of 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.

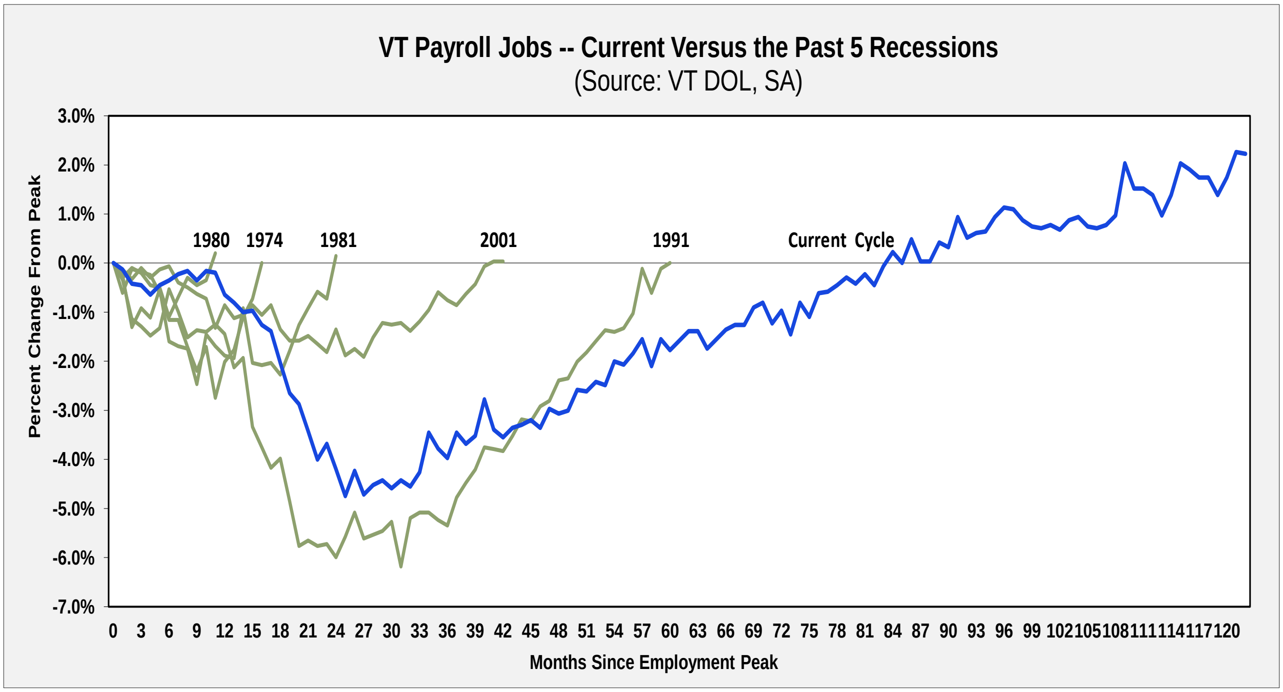
- While progress looks like it has been made in the rest of the state outside of the Northwest region over the last 6-9 months, more is clearly needed.

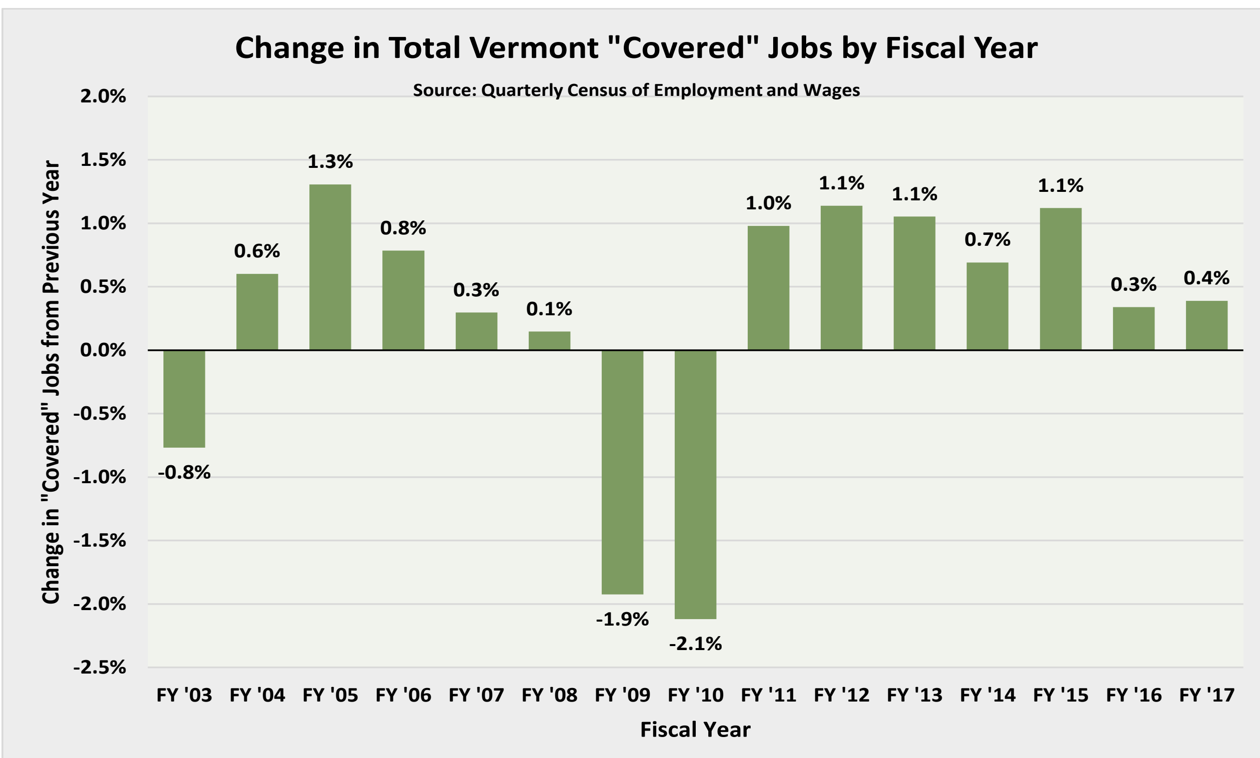





Change in Payroll Jobs from FY 2009 to FY 2017 in Vermont, with Percent Change from FY 2009
(Source: Quarterly Census of Employment and Wages)--Totals May Not Add Due to Rounding
Health Services
Accommodation & Food Services
Administrative & Waste Services
Manufacturing-Nondurable Goods
Management of Companies & Enterprises
Professional-Technical
Agriculture, Forestry, Fishing & Hunting
Education Services
Construction
Federal Government
Arts, Entertainment, & Recreation
Other Services
State Government
Transportation & Warehousing
Mining
Real Estate & Rental and Leasing
Local Government
Utilities
Finance & Insurance
Wholesale Trade
Retail Trade
Information
Manufacturing-Durable Goods
5,362 (+11.7%)
4,304 (+15.2%)
2,881 (+32.9%)
1,957 (+21.1%)
1,744 (+518.1%)
1,120 (+8.4%)
784 (+31.6%)
719 (+7.6%)
587 (+4.0%)
471 (+7.3%)
405 (+10.5%)
81 (+0.9%)
-15 (-0.1%)
-37 (-0.6%)
-66 (-9.5%)
-205 (-6.4%)
-221 (-0.7%)
-453 (-26.2%)
-477 (-5.2%)
-594 (-6.0%)
-950 (-2.4%)
-1,071 (18.9%)
-5,410 (-22.7%)
FY07- FY09
FY09 - FY17
Total Jobs Change: +10,916
Goods-Producing Jobs Change: -2,148
Services-Producing Jobs Change: +12,829
Government Jobs Change: +235
(8,000) (6,000) (4,000) (2,000) - 2,000 4,000 6,000 8,000
Employment Change


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)
Total Jobs Change: +10,916
Above Avg. Wage: -1,489
Below Avg. Wage: +12,405
Utilities $102,843 (223.6%)
Management of Companies & Enterprises $94,939 (206.4%)
Finance and Insurance $79,239 (172.3%)
Professional-Technical $77,098 (167.6%)
Federal Government $74,842 (162.7%)
Wholesale Trade $64,015 (139.2%)
Manufacturing-Durable Goods $61,502 (133.7%)
Mining $60,771 (132.1%)
Information $57,453 (124.9%)
State Government $57,062 (124.1%)
Manufacturing-Nondurable Goods $51,312 (111.6%)
Construction $49,690 (108.0%)
Educational Services $47,924 (104.2%)
Health Services $44,643 (97.1%)
Real Estate & Rental & Leasing $42,022 (91.4%)
Local Government $41,395 (90.0%)
Transportation & Warehousing $40,547 (88.2%)
Administrative & Waste Services $39,713 (86.4%)
Other Services $34,302 (74.6%)
Agriculture, Forestry, Fishing & Hunting $32,671 (71.0%)
Retail Trade $30,214 (65.7%)
Arts, Entertainment, & Recreation $24,861 (54.1%)
Accommodation & Food Services $21,953 (47.7%)
FY 2017 Average Wage in Vermont ($45,991)
(9,000) (7,000) (5,000) (3,000) (1,000) 1,000 3,000 5,000 7,000 9,000
Employment Change


VT Payroll Jobs -- Current Versus the Past 5 Recessions
(Source: VT DOL, SA)
Percent Change From Peak
3.0%
2.0%
1.0%
0.0%
-1.0%
-2.0%
-3.0%
-4.0%
-5.0%
-6.0%
-7.0%
1980
1974
1981
2001
1991
Current Cycle
0 3 6 9 12 15 18 21 24 27 30 33 36 39 42 45 48 51 54 57 60 63 66 69 72 75 78 81 84 87 90 93 96 99 102105108111114117120
Months Since Employment Peak


Change in Total Vermont "Covered" Jobs by Fiscal Year
Source: Quarterly Census of Employment and Wages
Change in "Covered" Jobs from Previous Year
2.0%
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
-1.5%
-2.0%
-2.5%
-0.8%
0.6%
1.3%
0.8%
0.3%
0.1%
-1.9%
-2.1%
1.0%
1.1%
1.1%
0.7%
1.1%
0.3%
0.4%
FY '03
FY '04
FY '05
FY '06
FY '07
FY '08
FY '09
FY '10
FY '11
FY '12
FY '13
FY '14
FY '15
FY '16
FY '17
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 (Actual)	% Change	FY 2015 (Actual)	% Change	FY 2016 (Actual)	% Change	FY 2017 (Actual)	% Change	FY 2018 (Forecast)	% Change	FY 2019 (Forecast)	% Change	FY2020 (Forecast)	% Change
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** *(Actual)*	**%** Change	**FY 2015** *(Actual)*	**%** Change	**FY 2016** *(Actual)*	**%** Change	**FY 2017** *(Actual)*	**%** Change	**FY 2018** *(Forecast)*	**%** Change	**FY 2019** *(Forecast)*	**%** Change	**FY2020** *(Forecast)*	**%** Change
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** *(Actual)*	% Change	**FY 2015** *(Actual)*	% Change	**FY 2016** *(Actual)*	% Change	**FY 2017** *(Actual)*	% Change	**FY 2018** *(Forecast)*	% Change	**FY 2019** *(Forecast)*	% Change	**FY2020** *(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** *(Actual)*	% Change	**FY 2015** *(Actual)*	% Change	**FY 2016** *(Actual)*	% Change	**FY 2017** *(Actual)*	% Change	**FY 2018** *(Forecast)*	% Change	**FY 2019** *(Forecast)*	% Change	**FY2020** *(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** *(Actual)*	% Change	**FY 2015** *(Actual)*	% Change	**FY 2016** *(Actual)*	% Change	**FY 2017** *(Actual)*	% Change	**FY 2018** *(Forecast)*	% Change	**FY 2019** *(Forecast)*	% Change	**FY2020** *(Forecast)*	% Change
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 F1

*** 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

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

	FY 2014 (Actual)	% Change	FY 2015 (Actual)	% Change	FY 2016 (Actual)	% Change	FY 2017 (Actual)	% Change	FY 2018 (Forecast)	% Change	FY 2019 (Forecast)	% Change	FY2020 (Forecast)	% Change	FY2021 (Forecast)	% Change	FY2022 (Forecast)	% Change	FY2023 (Forecast)	% Change
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 (Actual)	% Change	FY 2015 (Actual)	% Change	FY 2016 (Actual)	% Change	FY 2017 (Actual)	% Change	FY 2018 (Forecast)	% Change	FY 2019 (Forecast)	% Change	FY2020 (Forecast)	% Change	FY2021 (Forecast)	% Change	FY2022 (Forecast)	% Change	FY2023 (Forecast)	% Change
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 *(Actual)*	% Change	FY 2015 *(Actual)*	% Change	FY 2016 *(Actual)*	% Change	FY 2017 *(Actual)*	% Change	FY 2018 *(Forecast)*	% Change	FY 2019 *(Forecast)*	% Change	FY2020 *(Forecast)*	% Change	FY2021 *(Forecast)*	% Change	FY2022 *(Forecast)*	% Change	FY2023 *(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%	$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 *(Actual)*	% Change	FY 2015 *(Actual)*	% Change	FY 2016 *(Actual)*	% Change	FY 2017 *(Actual)*	% Change	FY 2018 *(Forecast)*	% Change	FY 2019 *(Forecast)*	% Change	FY2020 *(Forecast)*	% Change	FY2021 *(Forecast)*	% Change	FY2022 *(Forecast)*	% Change	FY2023 *(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%	$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** *(Actual)*	% Change	**FY 2015** *(Actual)*	% Change	**FY 2016** *(Actual)*	% Change	**FY 2017** *(Actual)*	% Change	**FY 2018** *(Forecast)*	% Change	**FY 2019** *(Forecast)*	% Change	**FY2020** *(Forecast)*	% Change	**FY2021** *(Forecast)*	% Change	**FY2022** *(Forecast)*	% Change	**FY2023** *(Forecast)*	% Change
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** Explanation: 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** Explanation: 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 though 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).	**<u>POTENTIAL</u> downward effect on VT revenues.** Explanation: 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** Explanation: 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** Explanation: 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** Explanation: 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** Explanation: Repeal of the deduction (for most cases) increases Vermont taxable income.

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					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** Explanation: 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** Explanation: 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** Explanation: 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** Explanation: 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.** Explanation: 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.** Explanation: 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** Explanation: 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** Explanation: 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** Explanation: 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** Explanation: 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**

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		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.** Explanation: 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.**

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		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 incresingly large over time**

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January 2018 Economic Review and Revenue Forecast Update

Prepared for the
State of Vermont
Emergency Board and
Legislative Joint Fiscal Office

January 18, 2017

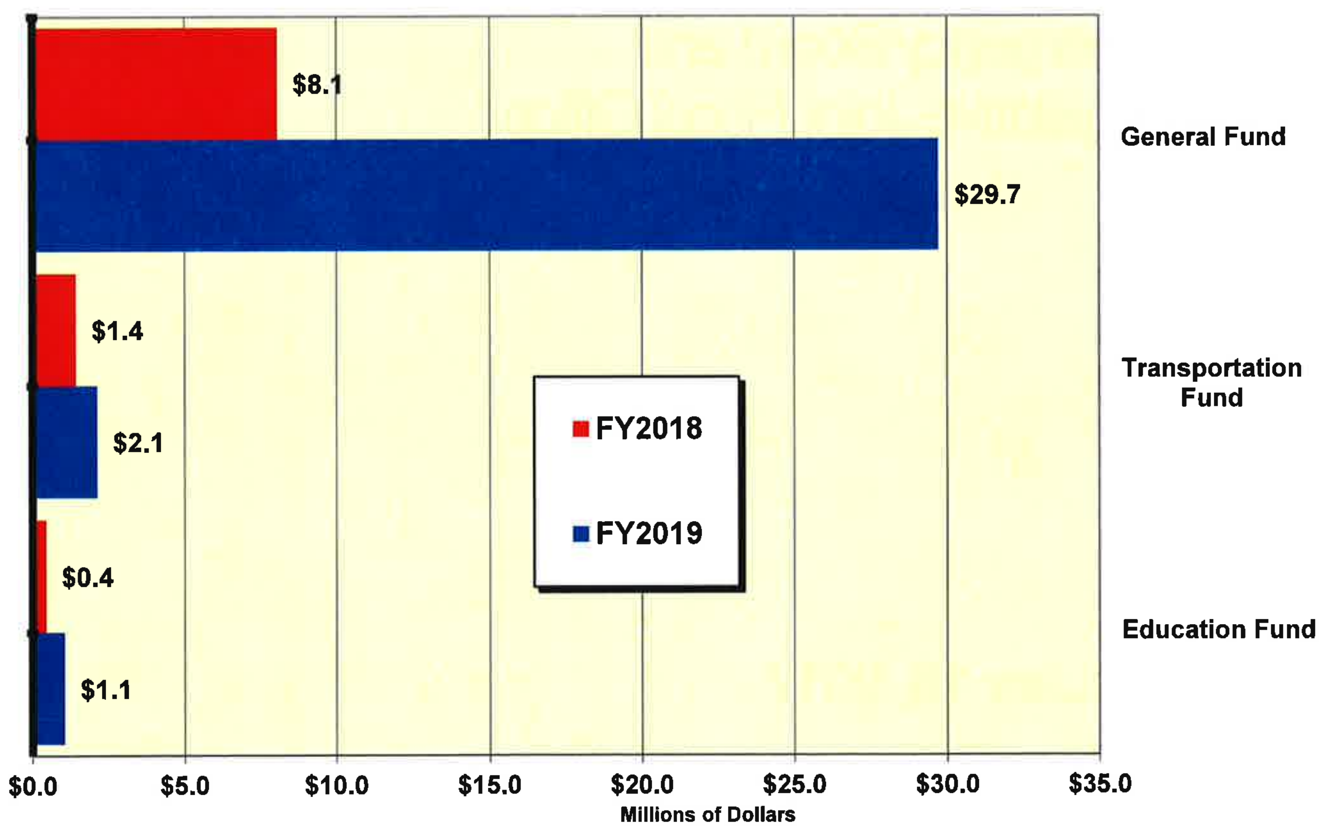
Economic Review and Revenue Forecast Update
January 2018

Overview

In recognition of the uncertainty surrounding potential State revenue impacts associated with the recently enacted Federal Tax Cut and Jobs Act (see page 3 and Appendix B for details), this Revenue Forecast has a "provisional" aspect. Although some of the Tax Act impacts are included herein, many remain ambiguous, are complex and are potentially material, requiring more detailed analyses to ascertain and quantify. Accordingly, we will continue to review these provisions with the possibility of revised revenue forecasts at a later date in the current legislative session, and/or consensus staff recommendations for formal adjustments in the interim.

Although most of the positive General Fund changes from the prior July forecast depicted in the below chart are related to preliminary Tax Act impacts included to date, the slow, steady improvement in the Vermont economy has also generated slight upward revenue revisions in all three broad funds included in this review.

Recommended Net Revenue Changes from July 2017 Forecast



January 2018 Economic and Revenue Forecast Commentary

- The far-reaching tax changes associated with the Tax Act will significantly impact the near-term economic outlook and State tax revenues. While corporations and their owners are the biggest beneficiaries of these tax cuts, the complex provisions in the Act will affect taxpayers in diverse ways – both positive and negative (see page 3). Because these cuts are financed via more than a trillion dollars in projected additional federal debt, they will have a stimulative near-term effect on the economy, temporarily boosting growth. As the costs of added debt and many of the individual tax cuts expire over time, the effects will become broadly negative. Although the macroeconomic models used in this analysis do not yet fully capture all of these effects, most had been anticipated in the mid-December control forecasts used. We expect to update this analysis with more current models to be issued in February or March of this year.

- One of the first of the Tax Plan impacts has been a run-up in equity market valuations, as anticipated corporate benefits are capitalized in stock prices. These gains create large potential tax liabilities that could represent an upside to State personal income tax receipts in FY18 and beyond.

U.S. Stocks Soar, But is the Exuberance Irrational Yet?
(S&P 500 Monthly Average, Source: Standard & Poor's, The McGraw-Hill Companies, Inc.)

The Tax Cut and Jobs Act of 2017: A Full Employment Act for Tax Advisors…

The Tax Cut and Jobs Act of 2017, one of the most extensive tax reform initiatives in U.S. history, was passed with extraordinary rapidity and virtually no expert testimony or in-depth economic or fiscal impact analysis performed prior to its passage. As a result, many of the provisions in the Act are only now being fully analyzed at the state and federal levels. The vote to approve this legislation was strictly partisan, drawing into question its permanence in the event there is a shift in future party control of the federal government. Although touted as "simplifying" the tax code, for many filers, the 1,097 page bill introduces numbing complexity. Pass-through businesses and corporations now have favored provisions that could drive behavioral changes that could take years for IRS rule-making to legally clarify. In the meantime, the Act will support robust employment for professional tax planners – especially for wealthy individuals, owners of pass-through entities and corporations.

Although Tax Plan revenue impact analysis is ongoing, the Vermont Joint Fiscal Office and Tax Department have generated preliminary impact estimates for many of the personal income tax provisions using a detailed microsimulation model consisting of 293,900 representative returns. While this analysis is not final, it has informed some of the revenue estimates herein and will be refined in the coming months, along with further analyses affecting corporate, estate and other revenue categories.

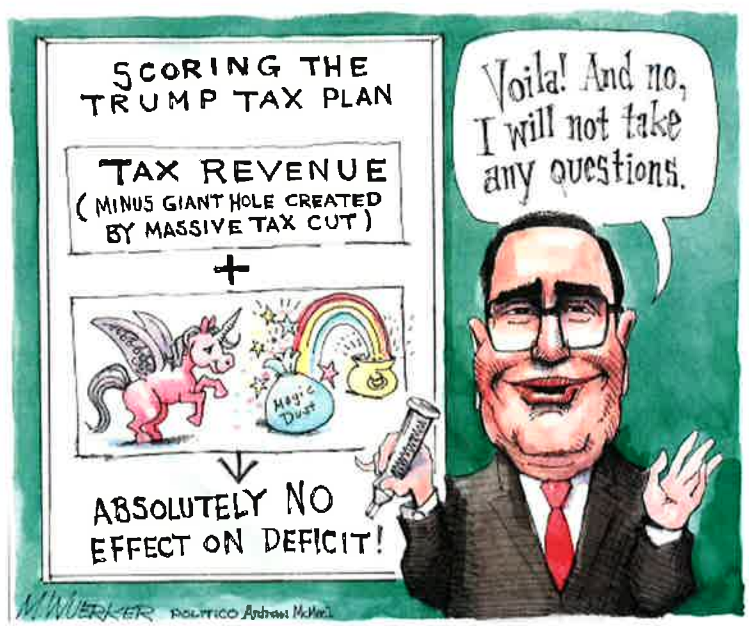
This initial analysis shows that aggregate Vermont personal income tax liabilities could increase by about $30 million per year as a result of the Tax Act. These effects are primarily due to the treatment of exemptions and their effect on Vermont's current definition of taxable income. As shown in the charts on the following two pages, about half (52.7%) of all Vermont taxpayers would pay less in State income taxes and about half (47.3%) would pay more – with net revenue positive due to amounts paid by those owing more exceeding savings from those paying less.

As shown in the charts, those likely to pay less tend to be concentrated in the lowest (below $50K) and highest (above $500K) income groups, with those earning between about $50K and $500K having a better than 50% chance of paying more. However, in every income group, there are some who would pay more and some who would pay less. Filing status also affects the likelihood of paying more or less, with those filing as "Single" having a 74% chance of paying less, while those filing as "Married Joint" having only a 29% chance of paying less. Married Joint filers represent about 42% of all filers, but would end up paying more than 87% of all net new State revenue. By AGI income class, 95% of the net new tax liability would be paid by those earning $50K to $300K, despite representing fewer than 50% of all filers.

Note that these effects do not include federal income tax reductions or increases – which are likely to greatly exceed state level changes.

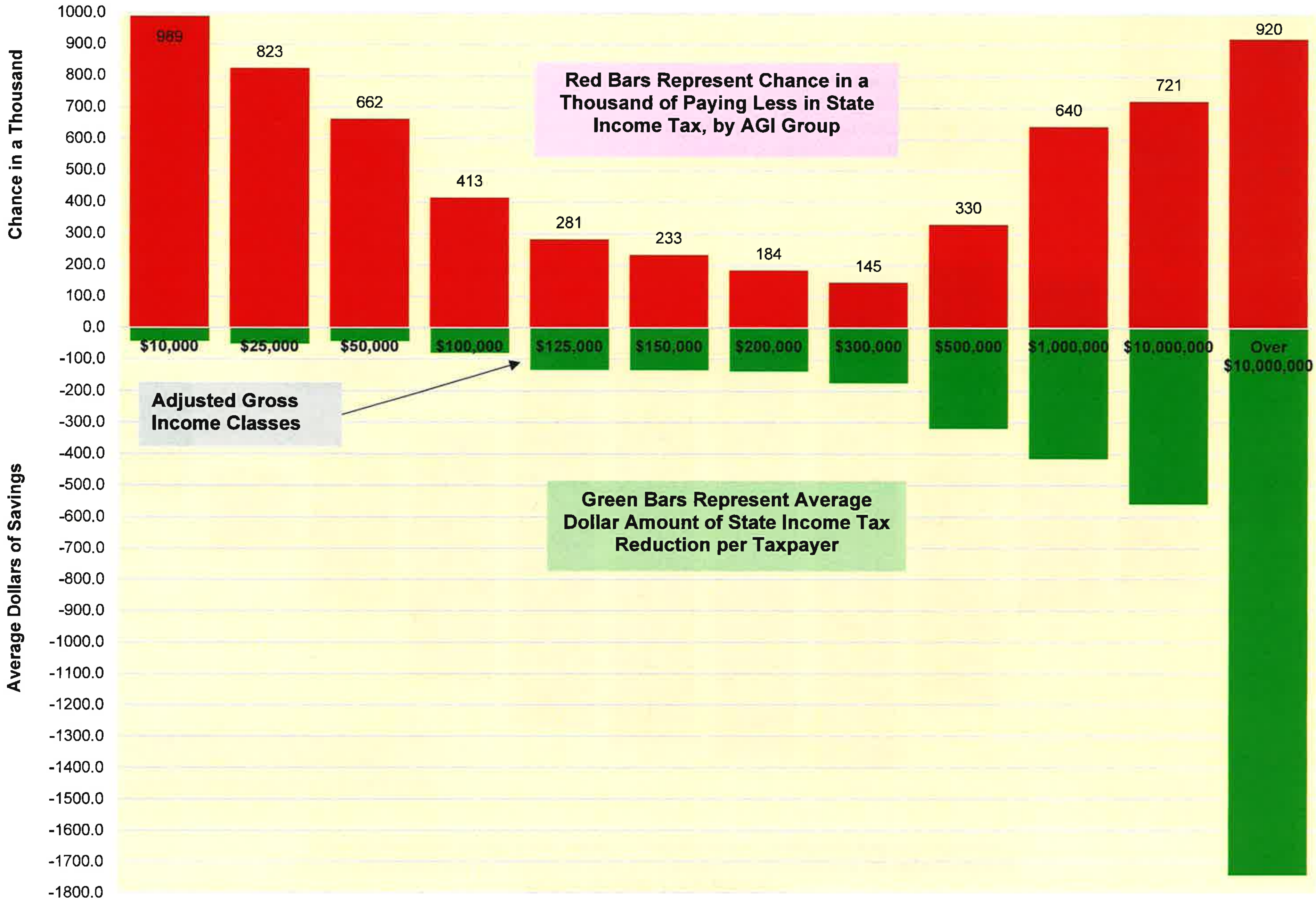
It should also be noted that the revenue estimates generated by this model and other related analyses have fluctuated widely over the past several weeks as refinements and new information became available. Despite being included in the revenue estimates herein at about $30M per year on a tax year basis, these estimates may continue to change in the coming months.

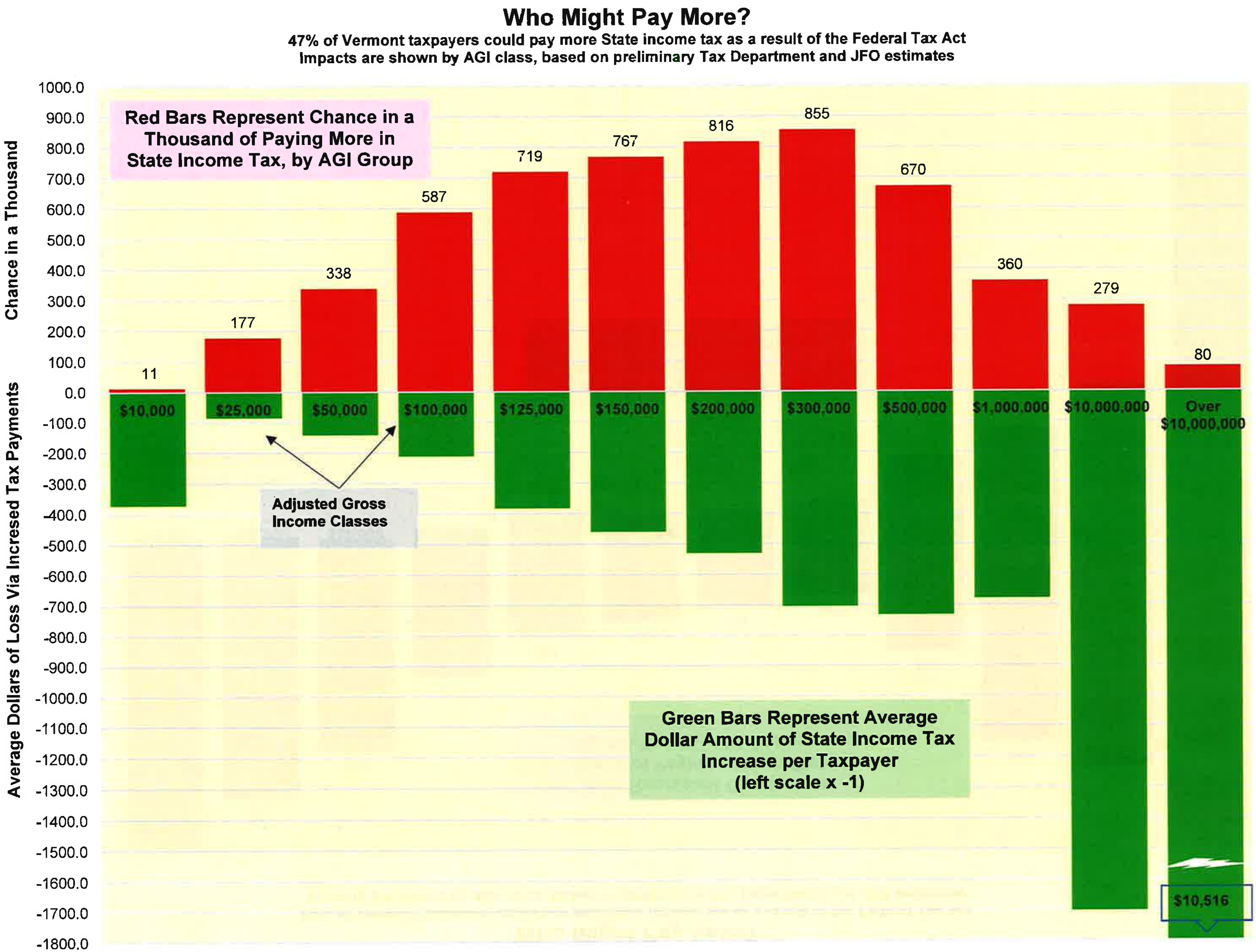
See Appendix B for Tax Plan impact details, and stay tuned…



Who Might Pay Less?

53% of Vermont taxpayers could pay less State income tax as a result of the Federal Tax Act
Impacts are shown by AGI class, based on preliminary Tax Department and JFO estimates

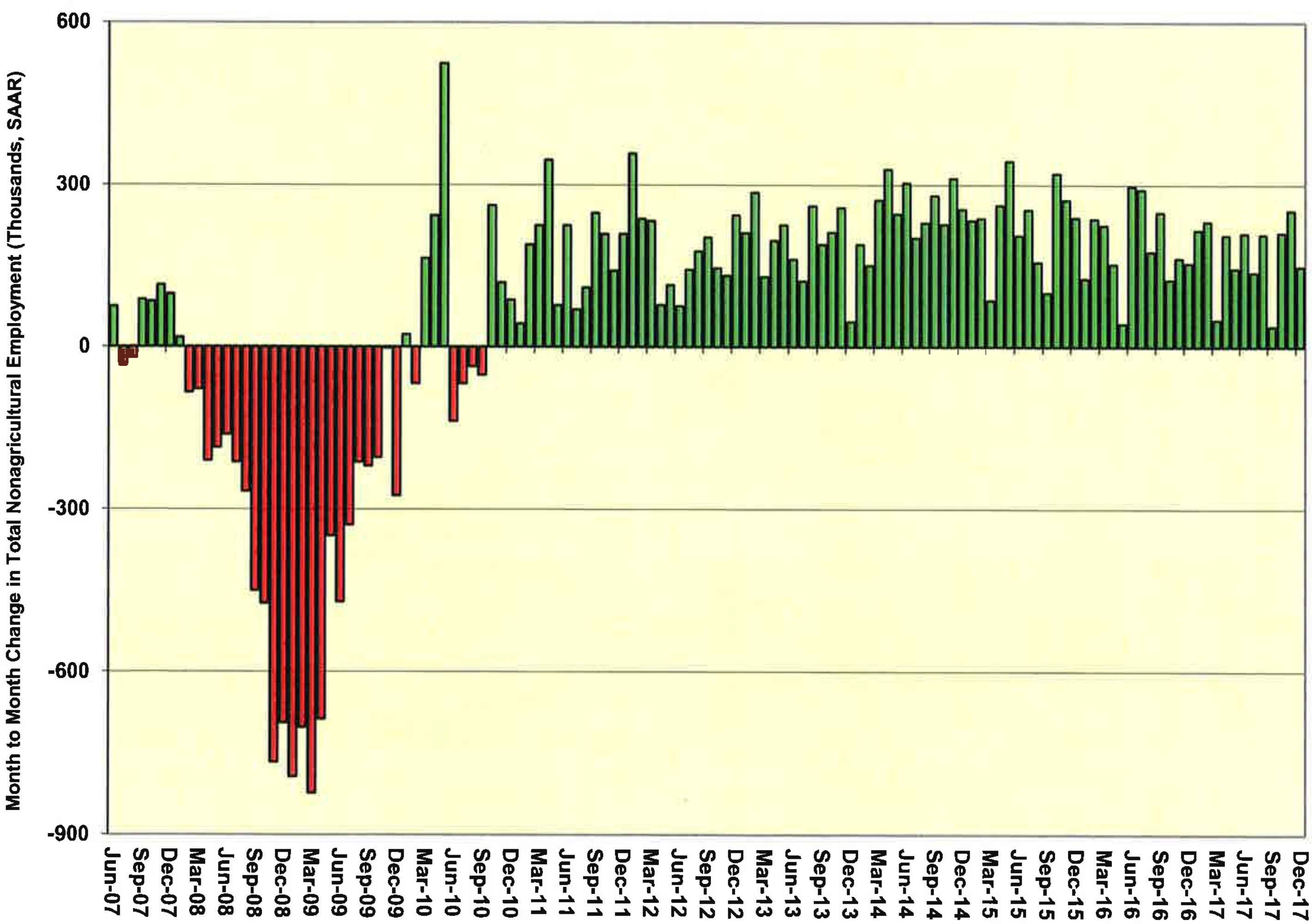



Who Might Pay More?
47% of Vermont taxpayers could pay more State income tax as a result of the Federal Tax Act
Impacts are shown by AGI class, based on preliminary Tax Department and JFO estimates
Red Bars Represent Chance in a Thousand of Paying More in State Income Tax, by AGI Group
Green Bars Represent Average Dollar Amount of State Income Tax Increase per Taxpayer (left scale x -1)
Adjusted Gross Income Classes
Chance in a Thousand
Average Dollars of Loss Via Incresed Tax Payments
1000.0
900.0
800.0
700.0
600.0
500.0
400.0
300.0
200.0
100.0
0.0
-100.0
-200.0
-300.0
-400.0
-500.0
-600.0
-700.0
-800.0
-900.0
-1000.0
-1100.0
-1200.0
-1300.0
-1400.0
-1500.0
-1600.0
-1700.0
-1800.0
11
177
338
587
719
767
816
855
670
360
279
80
$10,000
$25,000
$50,000
$100,000
$125,000
$150,000
$200,000
$300,000
$500,000
$1,000,000
$10,000,000
Over $10,000,000
$10,516

- The continuing recovery in home prices and recent strong equity market performance will bolster household wealth and along with continued low energy prices in 2018, should support robust consumer spending – which represents about 70% of the economy. These factors, bolstered by sustained consumer sentiment optimism, produced real retail sales growth in the 3%-4% range during the last two months of 2017 (see chart on following page), nearly double the growth rate of much of the last year.

- More than 17 million jobs have been added since February of 2010, pushing the U.S. unemployment rate to 4.1% in November, its lowest level since December of 2000. If U.S. unemployment reaches 3.7% in 2019, as currently forecast, it would be the lowest level in 48 years. Some economists now believe that stimulus from the Tax Act could drive the rate into the low 3% range – a level not experienced since the Korean War in the 1950s.

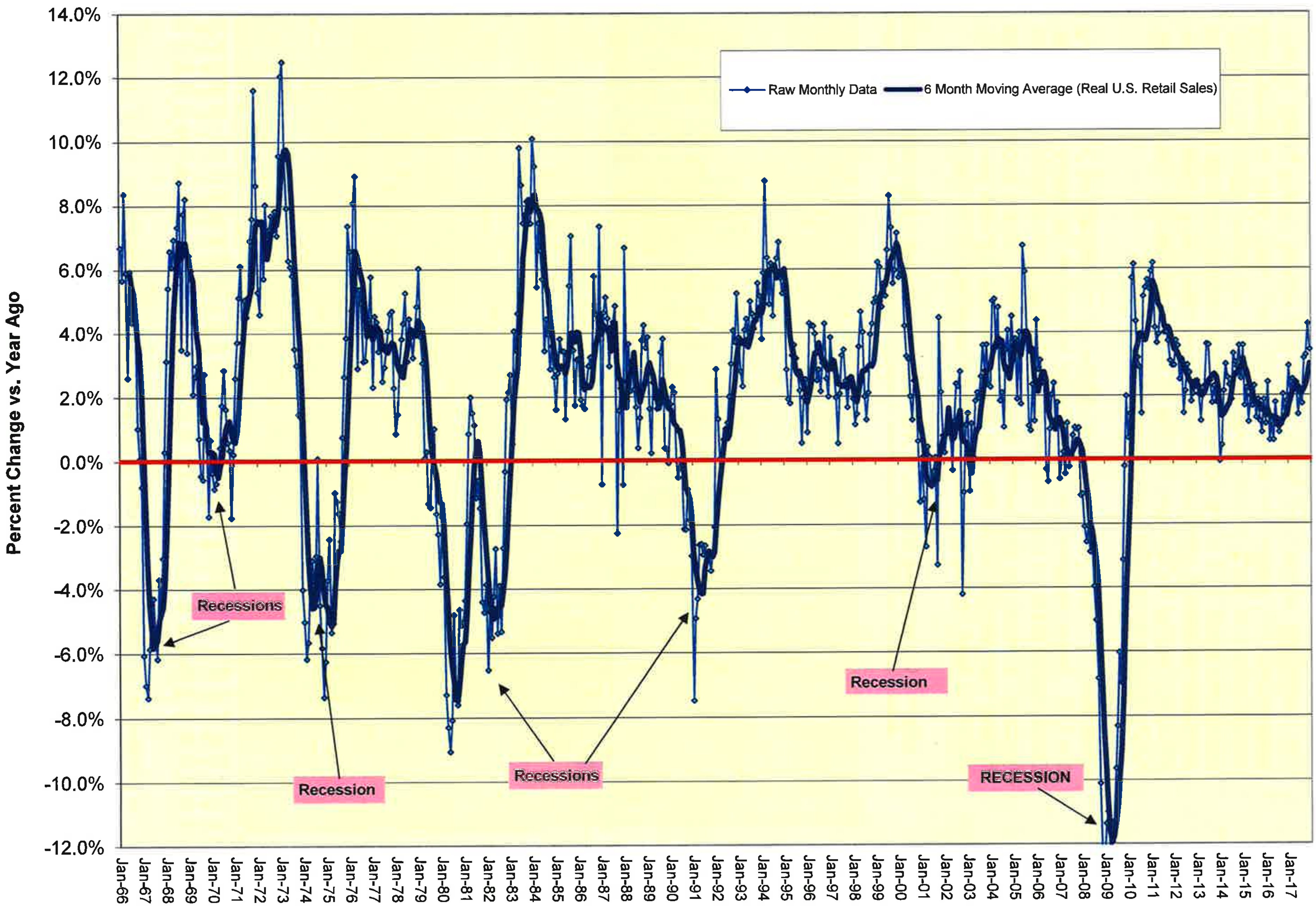
After 87 Consecutive Months, 17.6M New Jobs Underpin a Strengthening Economy
(Monthly Change in Total Payroll Employment, Seasonally-Adjusted, Source: U.S. Bureau of Labor Statistics)



- Vermont is currently tied with Colorado, Idaho and Iowa for the 5th lowest unemployment rate in the nation, at a seasonally adjusted monthly rate of 2.9% in November, the latest period for which data are available. In New

Real Retail Sales Post Strong Holiday Growth

Total Constant Dollar U.S. Retail Sales - Percent Change from Year Ago, Source: U.S. Census Bureau



England, Vermont has the second lowest rate, after New Hampshire, which has posted a rate between 2.7% and 2.9% in each of the last 24 months. Hawaii now boasts the lowest state unemployment rate at 2.0%, replacing North Dakota, Colorado and South Dakota in recent periods. The highest unemployment rate continues to be in Alaska, at 7.2%, followed by the District of Columbia at 6.4% and New Mexico at 6.1%.

- Initial claims for unemployment insurance in Vermont, a leading indicator of labor markets, dropped to near record lows in recent quarters.

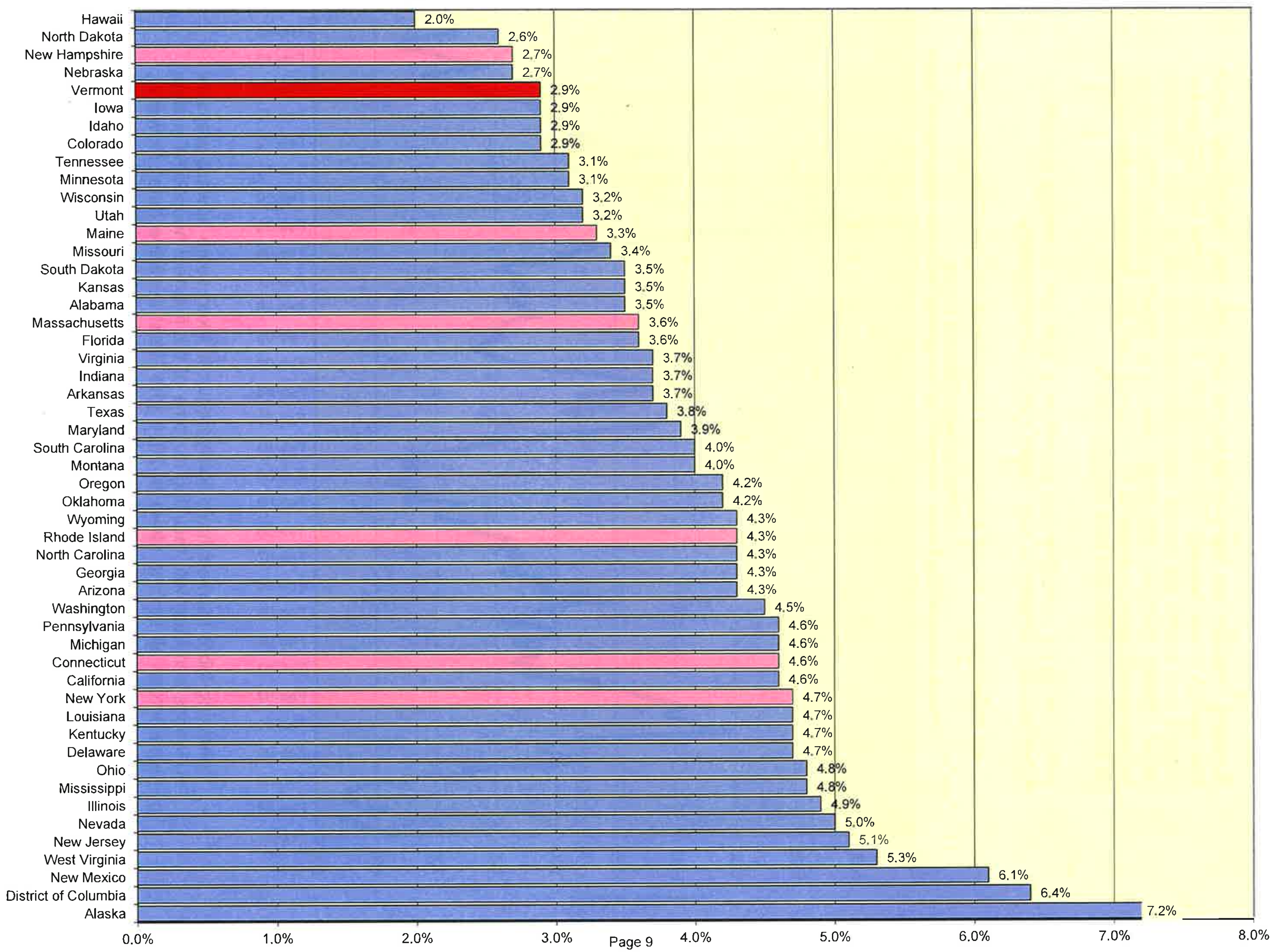
No Recession in Sight, As Vermont Initial Unemployment Insurance Claims Drop to Near Record Lows

(3 Month Centered Moving Average - Seasonally Adjusted Average Weekly Initial Unemployment Claims)

- Tightening labor markets have finally begun to exert some upward pressure on wages and incomes, resulting in some of the first real household income gains across all income strata in 2016 (the latest available data), however, this remains among the most pressing economic issues, as income gains continue to be increasingly concentrated among the highest income groups. The Tax Act will only serve to exacerbate U.S. income inequality, with the

Unemployment Rate by State - November 2017

Seasonally Adjusted Data, Source: U.S. Bureau of Labor Statistics

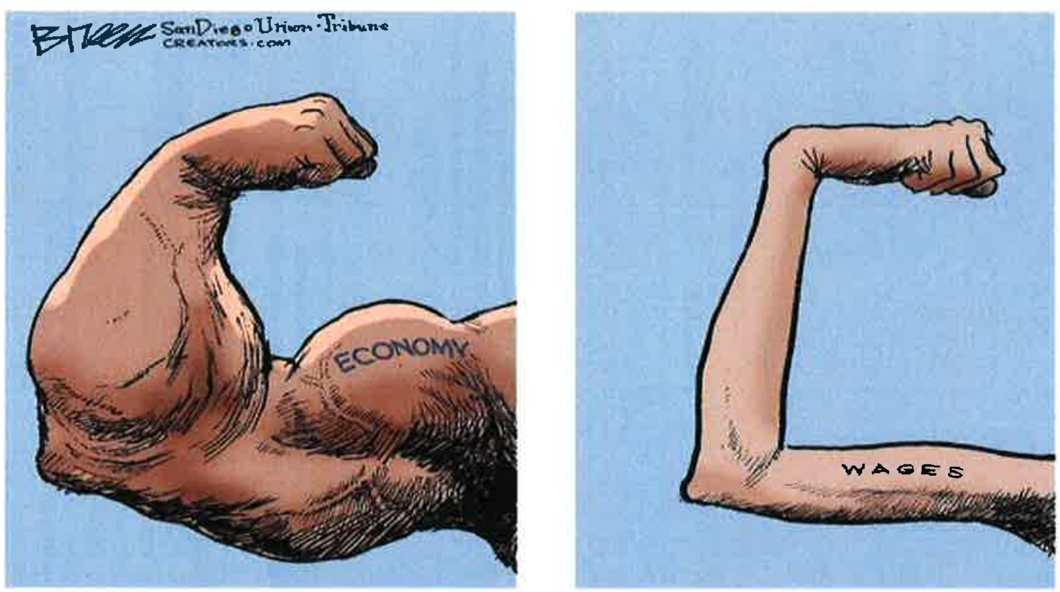


greatest absolute and relative benefits accruing to the highest income and wealth classes.

- Regional unemployment continues to reflect disparities between the Burlington metropolitan area and the remainder of the state, with pockets of consistently higher long-term unemployment in the NEK. Job growth in the Burlington metro area has exceeded its prior June 2007 cyclical peak since 2011, whereas the remainder of the State has still not reached its prior peak level as of the end of 2017 (though it is close - and should occur in 2018).

- Job “quality” and related income and wage growth continue to be a concern, although improvement has occurred in the last year.

- For example, real household income for the bottom 60% of the population grew more than 3% in 2016 (the latest data available), but was still below real earnings in 1999. For the lowest 20%, earnings were below 1989 levels. Meanwhile, real income among the top 40% of the population hit record highs in 2016, with the top 5% now earning more than $375,000 per year – about 29 times that of the lowest 20%.



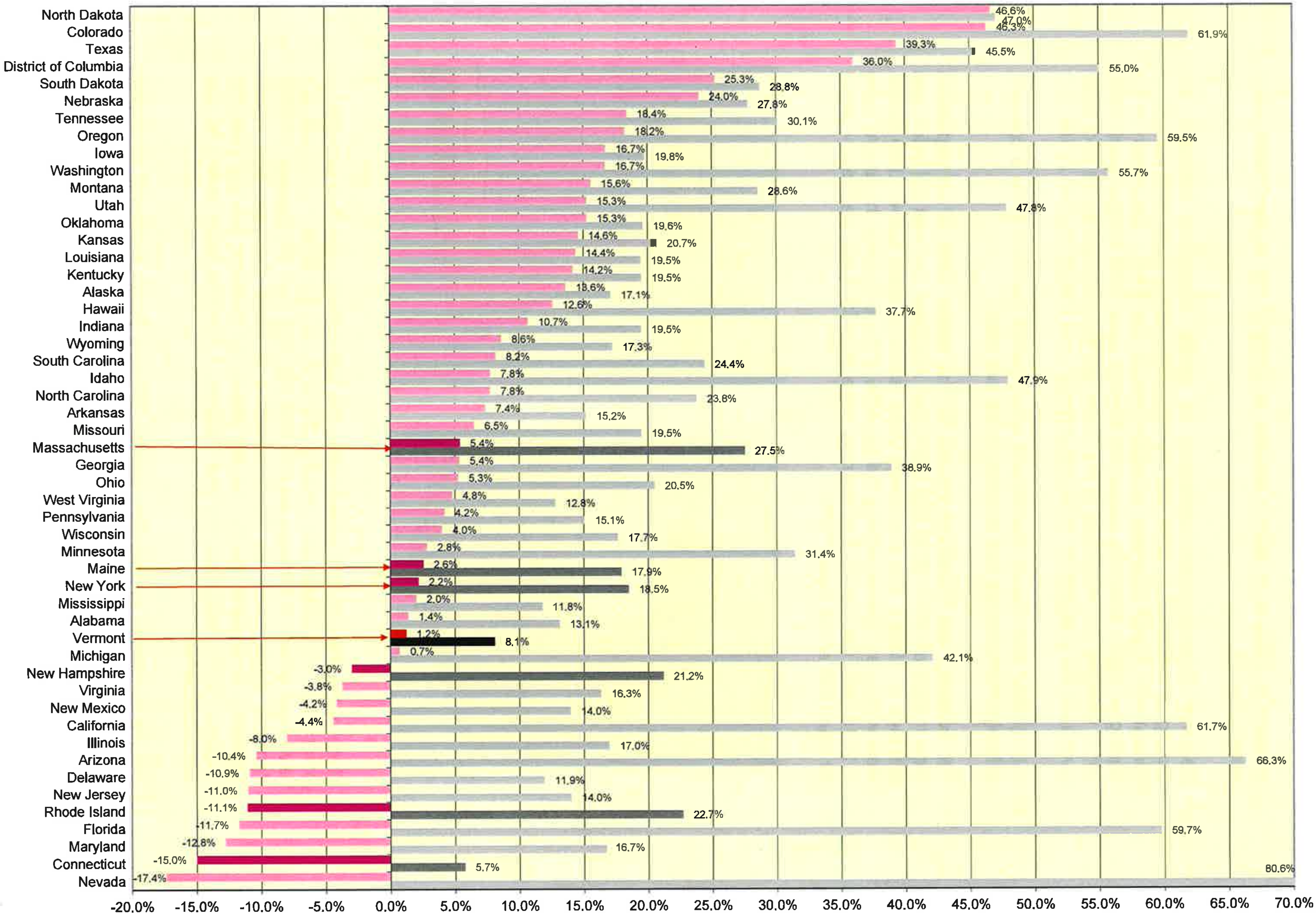
- Much of the Vermont job growth since the last cyclical peak has occurred in lower wage occupations and sectors. Since fiscal year 2009, 12,405 net jobs have been added in industry sectors that pay less than the average FY2017 Vermont wage (such as Accommodation & Food Services and Health Services), whereas in sectors paying above the Vermont average (such as Durable Goods Manufacturing and Utilities), 1,489 jobs have been lost over this same period.

- For the fourteenth consecutive quarter, housing prices increased on a year over year basis in virtually every U.S. state. As of the third quarter of 2017

Real Estate Update: Housing Values Relative to Last Peak (pink) and Trough (grey)

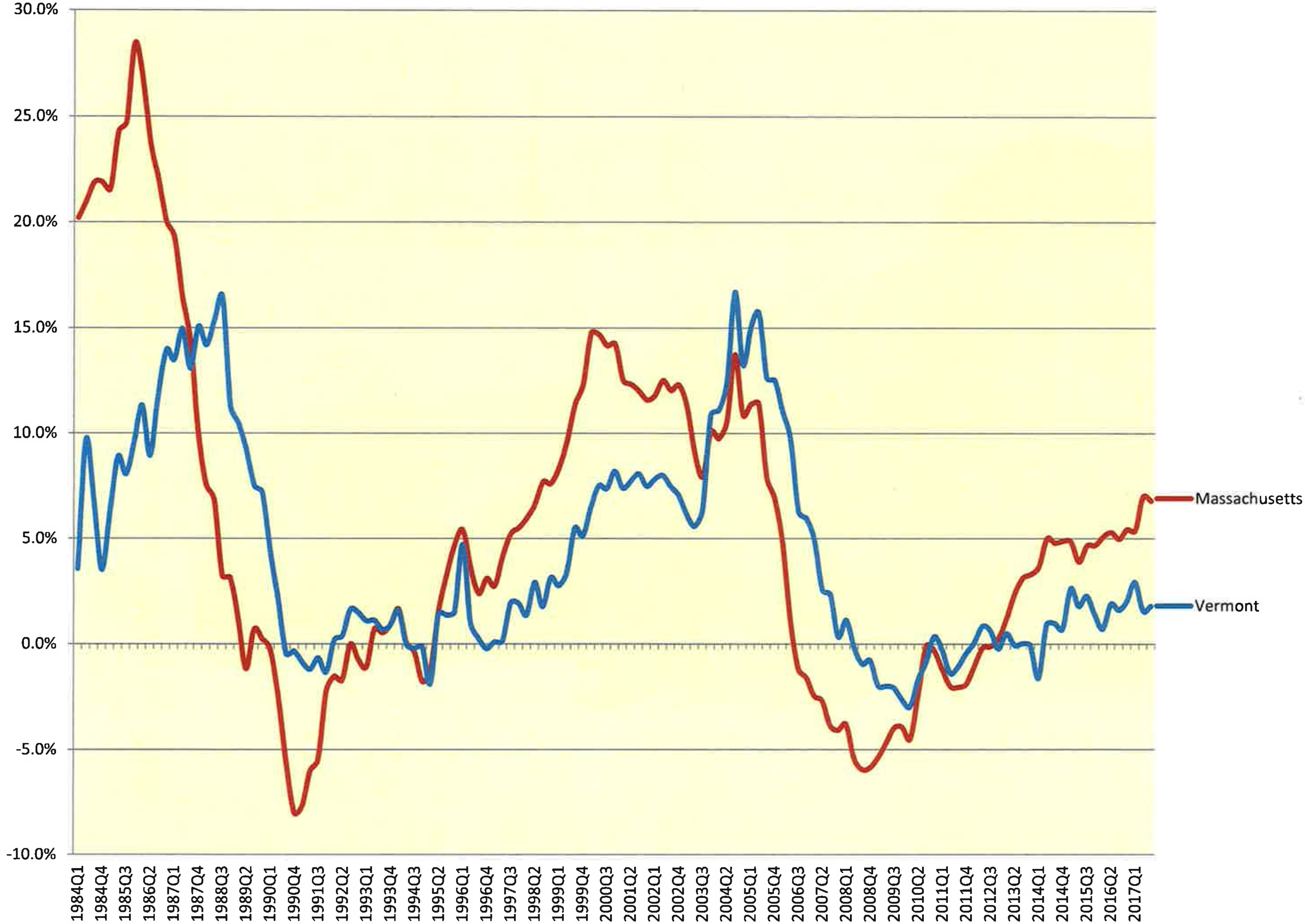
Percent Change, 2017Q3 vs. Peak Price by State Reached Between 2005Q3 and 2009Q2 - Pink and 2017Q3 vs. Trough Price Reached Between 2009Q3 and 2017Q3 - Grey

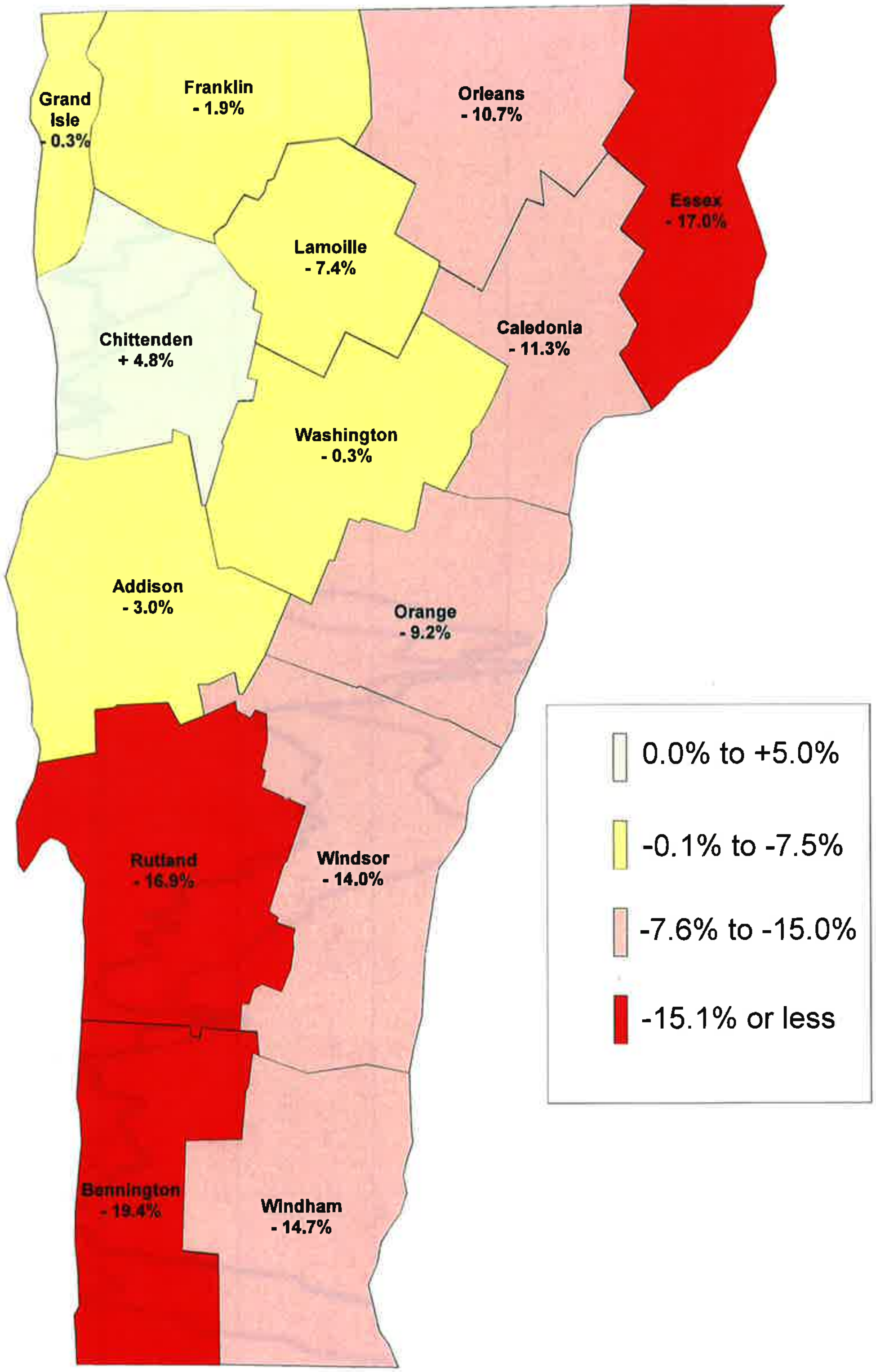
Source: FHFA Home Price index



Massachusetts Real Estate Markets Often Lead Those in Vermont

(Percent Change Year Ago in Home Prices, FHFA All Transactions Index)

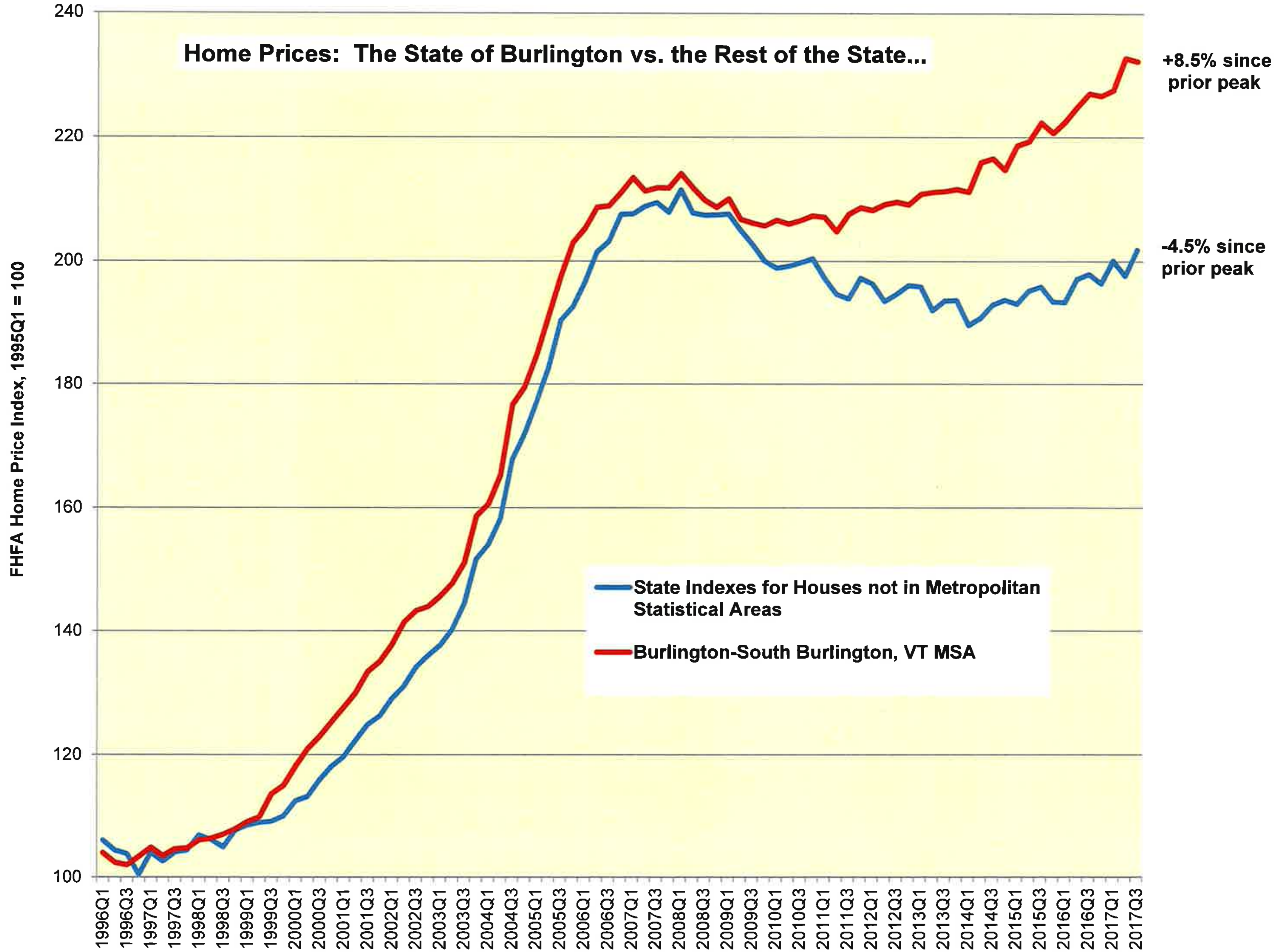




2016 VT Home Prices vs. Prior Peak by County

2016 FHFA Home Price Index versus Peak Price During 2007-2008

Source: FHFA Home Price Index - All Transactions, Developmental Index


Home Prices: The State of Burlington vs. the Rest of the State...
FHFA Home Price Index, 1995Q1 = 100
240
220
200
180
160
140
120
100
1996Q1
1996Q3
1997Q1
1997Q3
1998Q1
1998Q3
1999Q1
1999Q3
2000Q1
2000Q3
2001Q1
2001Q3
2002Q1
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2015Q1
2015Q3
2016Q1
2016Q3
2017Q1
2017Q3
State Indexes for Houses not in Metropolitan Statistical Areas
Burlington-South Burlington, VT MSA
+8.5% since prior peak
-4.5% since prior peak

(the most recent available), 37 states equaled or exceeded their pre-recession peak levels.

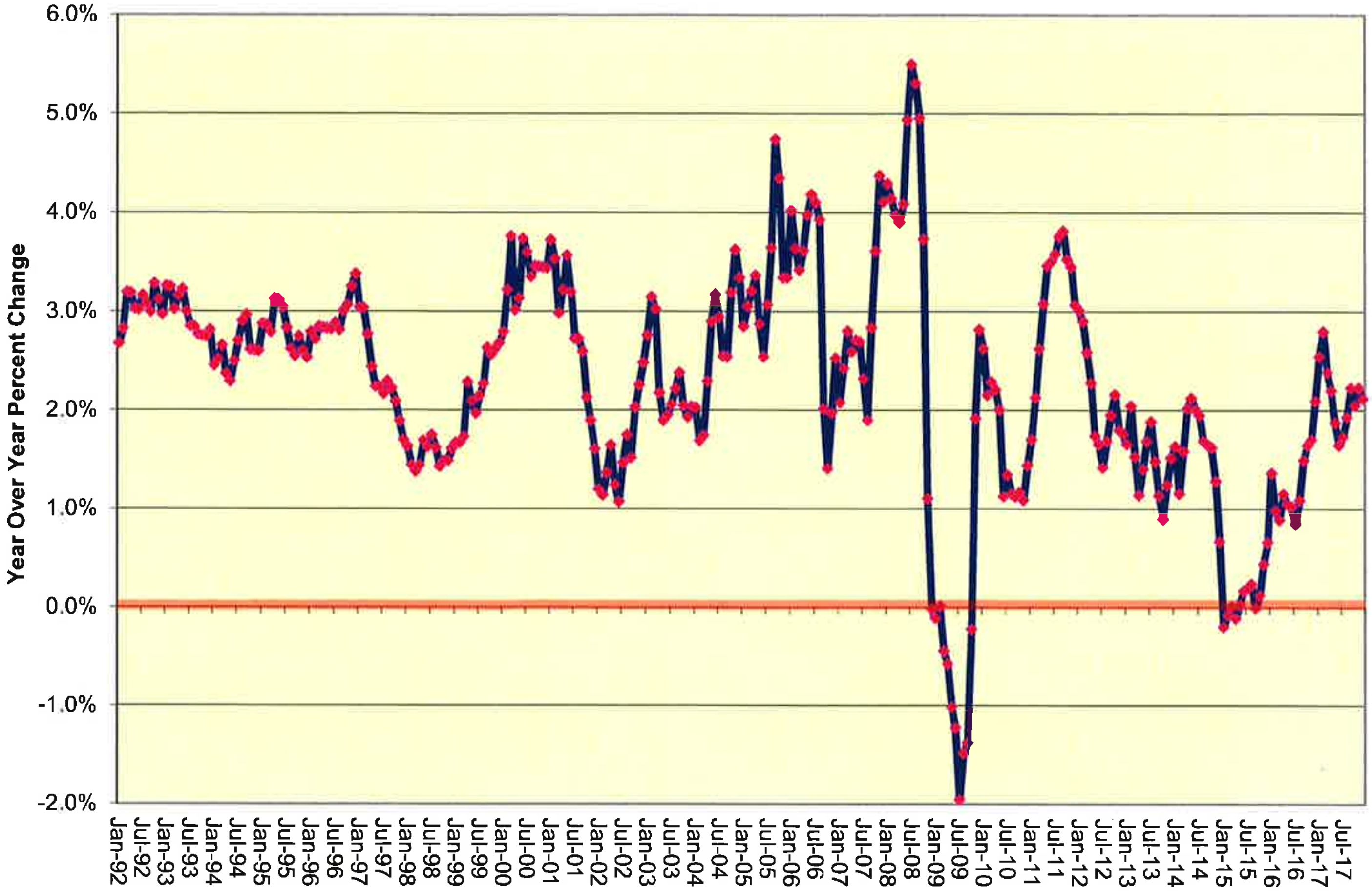
- Massachusetts (+5.4%), Maine (+2.6%) and New York (+2.2%) have now joined Vermont (+1.2%) as regional (New England + NY) states that now exceed their pre-recession home price levels. The sustained and growing housing price gains in Massachusetts are particularly significant, since Massachusetts real estate markets tend to regularly lead those of Vermont (see chart on page 12).

- Real estate markets in Western states, such as CO, OR, WA, UT and ID, have experienced the strongest recent growth, while ND, CO, TX, SD, NE and DC have had the highest peak to peak growth in the recovery thus far.

- Now in its 103rd month, the current economic recovery is currently the third longest expansionary period since business cycle measurement began in 1854. If it continues through May of 2018, it will be the second longest expansion, and if it lasts until July of 2019, would be the longest ever.

- As any economic expansion ages, however, the risks of a downturn become heightened. Although there do not appear to be imbalances in the economy now that would precipitate a near term economic decline (within the 2 year statutory forecast horizon), the consensus macroeconomic forecast that forms the basis of the longer term (non-statutory) revenue forecasts detailed in Appendix A, now calls for a pronounced slowing of growth, though not a recession, in 2020 and 2021, with most revenue impacts concentrated in FY21.

Inflation Ticks Up Above 2% and Could Accelerate With Fiscal Stimulus
(Consumer Price Index - Urban, All Items, Percent Change vs. Year Ago)



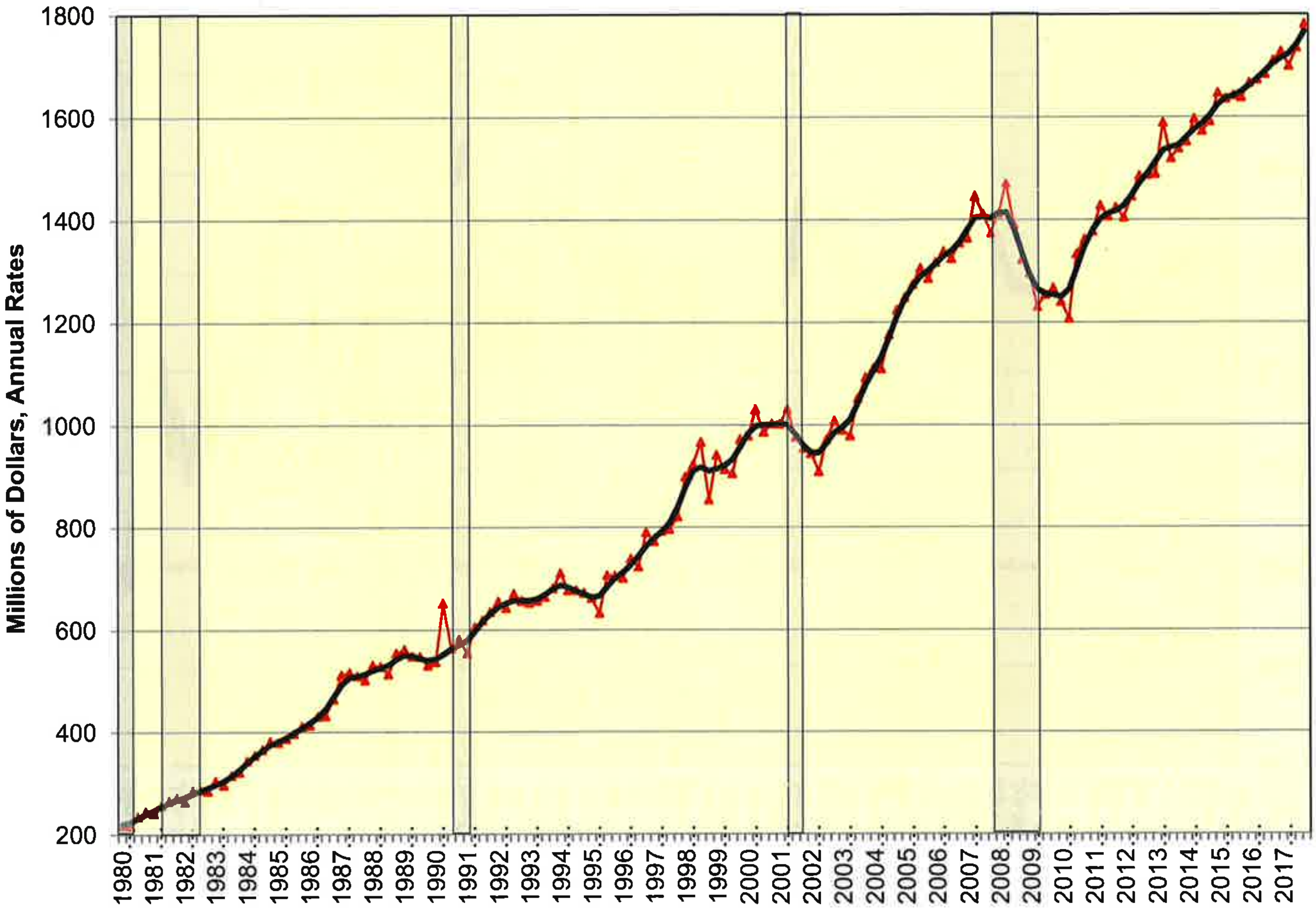
- The primary recessionary risks stem from: 1) Stated international trade goals that could lead to a trade war with Chinese, North American or other key trading partners, and 2) Excessive Federal Reserve interest rate and related monetary tightening in response to accelerating inflation from an overheating economy pumped up via stimulus from deficit-funded tax cuts. These risks in 2018, however, are very low, and the chance that this expansion could be the longest ever are better than even.

State Revenues

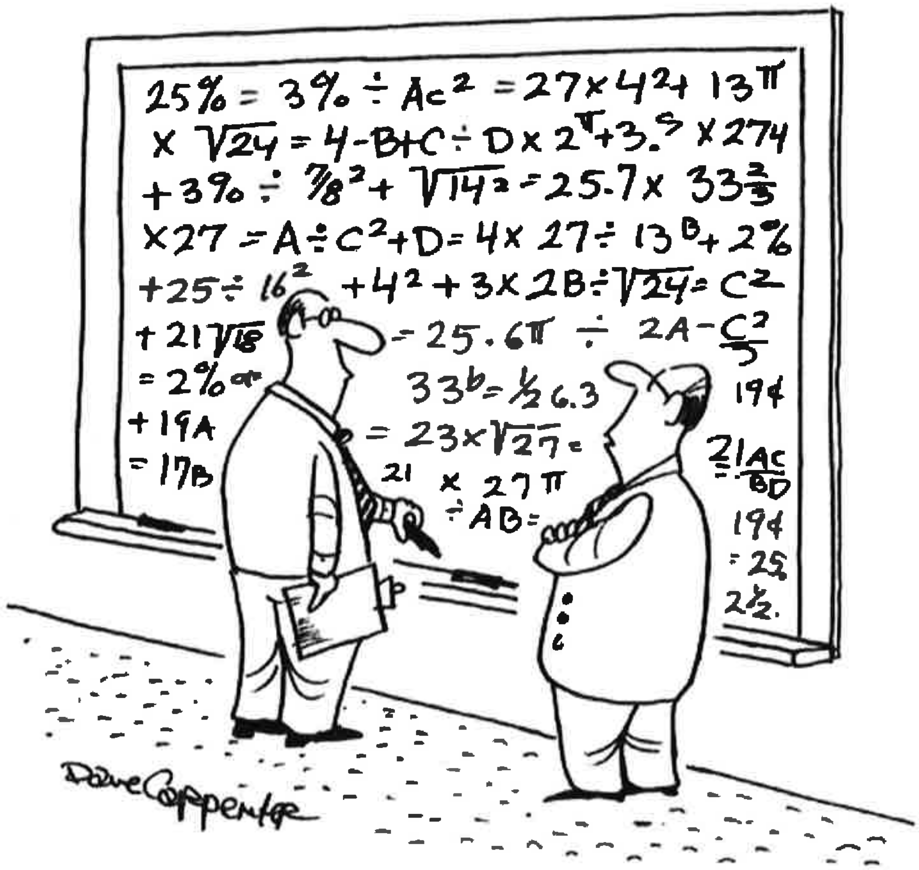
- State tax revenues through the first six months of the fiscal year for all three major funds analyzed herein were about 2% above targets. The General Fund variance, however, was largely the result of accelerated estimated tax payments due to the expiration of the state and local tax exemption for tax year 2018 in the recently enacted federal Tax Act. This created an incentive for early first quarter 2018 tax payment as well as overpayments. Absent this phenomenon, General Fund revenues would have been up about 0.5% above expectations, with the Transportation Fund up about 1.8% and the education fund up about 0.2%.

Total Source General Fund Revenue Approaches $1.8 Billion

(Includes all Revenue Categories before Transfers, Quarterly Seasonally Adjusted Annual Rates (red) and Trend-Cycle (black) Data, with Official U.S. Recessionary Periods Shaded)



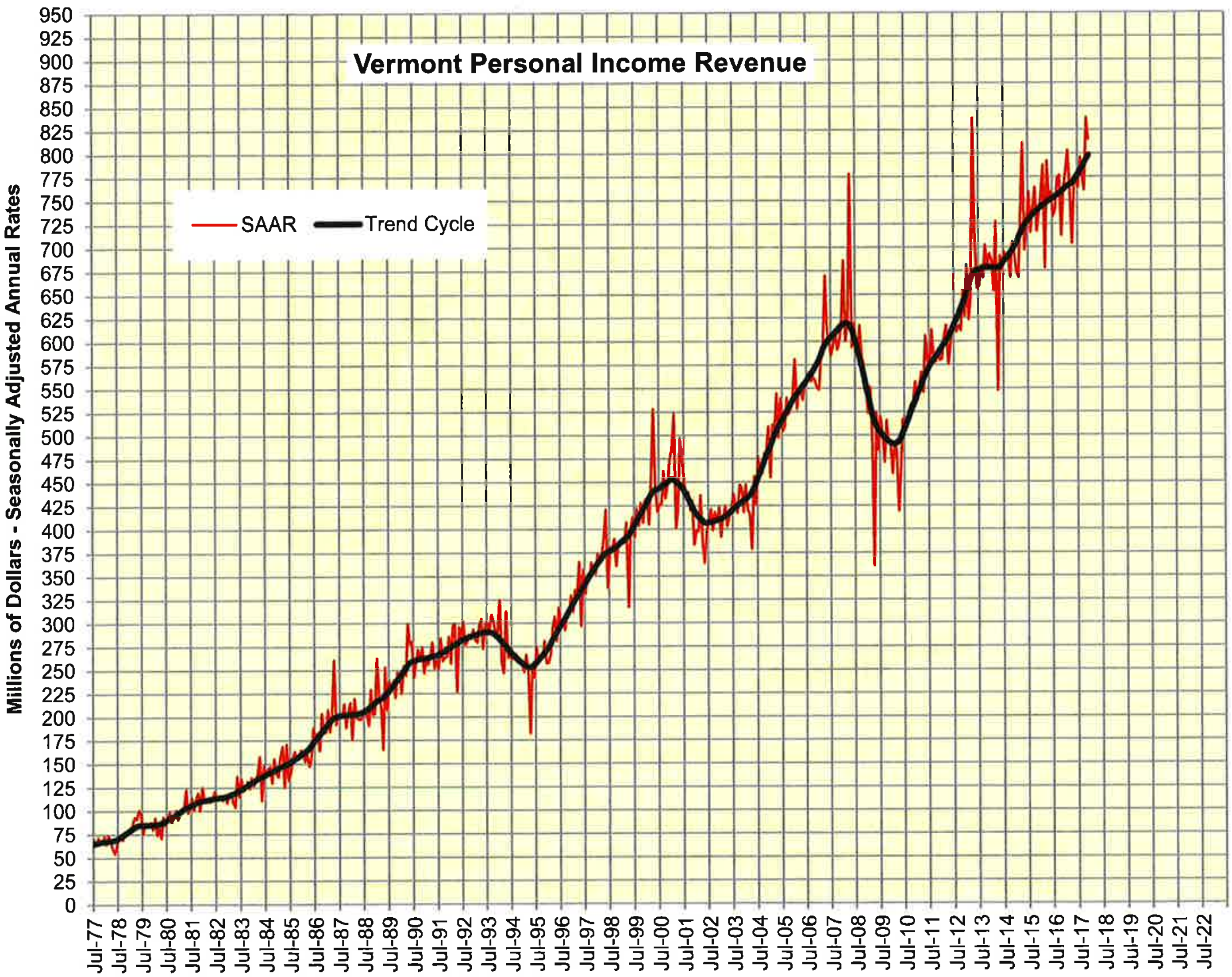
- Corporate tax refunding continued to be volatile in the first half of the fiscal year with both large FY17 events affecting FY18 and improved Tax Department refund processing, which cleared out a backlog of pending refunds and will result in future refunds being processed and paid more quickly. This one-time adjustment could represent as much as $5 million in FY18. The provisions in the new Tax Act affecting corporations are complex and often company-specific, rendering aggregate tax analysis of less value than usual (see Appendix B). There are not only static provisional impacts, but behavioral shifts and complicating timing effects that make fiscal year impact estimation uncertain. We will be pursuing both aggregate and company-specific analysis in the coming weeks so as to anticipate as many of these revenue effects as possible, however, there may be even more volatility ahead in this already erratic revenue source.



"Since you put it that way, it just might be a deduction."

- Sales & Use tax revenues benefitted in the first six months of the fiscal year from strong e-commerce receipts, closing the second quarter almost spot on target. Indications of strong holiday sales should boost January revenues and additional disposable income later in the fiscal year from reduced federal withholding taxes should also provide a slight boost to this sector.

- Personal Income taxes are expected to grow slightly above trend in FY18, due to higher expected capital gains realizations and higher net State tax liabilities for tax year 2018 as a result of the federal Tax Act. Fourth quarter 2017 revenues topped $800 million at seasonally adjusted annual rates for the first time ever (see chart on following page) and FY18 is now expected to close the year above $790M, about $9 million above prior projections. Both payment timing and Tax Department rulemaking could affect personal income revenue growth resulting from federal Tax Act changes over the forecast horizon. As new information becomes available, it will be integrated into ongoing consensus analysis.



- Meals & Rooms tax receipts have been solid through the first half of the fiscal year, up about 1.4% above expectations. Plenty of early snow provided a good start to the winter tourism season, but sustained arctic temperatures followed by rain and then more freezing weather will test the grooming and formidable snow-making capabilities of the State's ski areas. Airbnb receipts, first started in mid-FY17, have also been an important component of M&R revenue growth in FY18.

- Bank revenues benefitted from a change in the second half of FY17 that required monthly tax payments instead of quarterly. Confusion in the implementation of this new provision, however, resulted in additional revenue in both FY17 and FY18, as not all payers responded to the change and monthly payments for some requires estimation of future credits and liabilities. Offsetting this one-time gain across two fiscal years, are steadily increasing tax expenditures that reduce Bank revenues before they are reported. These "invisible" expenditures expanded to more than $3.6 million in FY17 and are soon expected to top $4 million per year – more than 35% of all Bank revenues.

- Property Transfer Tax revenues have been among the fastest growing revenue sources over the past several years and will continue to grow at rates well above most revenue categories over the forecast period. A change in the allocation formula to the General Fund to support housing bond interest payments, however, will shave $2.5M per year off reported PTT revenues and Available General Fund revenues beginning in this fiscal year. This is a yet another example of an increased expenditure embedded as a revenue reduction.

- The Telephone Property tax continues to decline and is now expected to be less than half its FY14 level in FY18, due to aggressive depreciation being taken by some of the largest payers and statutory ambiguity regarding such depreciation and the applicability of the tax to wireless and VoIP providers. Without statutory clarification, this revenue source will likely continue to decline, generating at least $5 million less than FY14 levels for the foreseeable future.

- Transportation Fund revenues closed the first six months of the fiscal year about 1.8% above targets and should keep most of these gains in the second half of the year. Only Gasoline receipts were behind target levels (-$0.7M), however, this was primarily due to a timing issue that pushed some December revenues into January. Much of the small upgrade to the T-Fund is concentrated in Motor Vehicle Purchase & Use revenues, which have been strong through the first half of the fiscal year and will benefit in coming months from slightly higher near-term disposable income from the tax cuts. Even with this slight upgrade, in no year in the entire forecast period (two years or five) are Transportation Fund revenues expected to even keep pace with inflation.

- The U.S. and Vermont macroeconomic forecasts upon which the revenue forecasts in this Update are based are summarized in Tables A and B at the end of this report, and represent a consensus JFO and Administration forecast developed using internal JFO and Administration State economic models with input from Moody's Analytics December 2017 projections and other major forecasting entities, including the Federal Reserve, EIA, CBO, IMF, The Conference Board and other private forecasting firms.

- Due to the reduced availability of forecasts from the New England Economic Partnership (NEEP), State consensus macroeconomic forecasts were developed using a State on-line modeling capability provided by Moody's Analytics. This forecasting capability allows timely, customized state forecasts with modeling capabilities similar to the prior NEEP capability.

- Five-year revenue projections are included in Appendix A, following Tables A and B at the end of this report. Although these are not required by statute, they have been requested by both the JFO and Administration for several years for longer term planning purposes. During the 2015 legislative session, there was considerable misinformation and confusion regarding the role these longer term projections played in the recent (though not new) discussions of structural budget deficits. As a result of this, these tables are now published on a regular basis, so as to provide clarity with respect to longer term revenue potential and expectations. As illustrated in these tables, and consistent with virtually all past projections, longer term revenue growth from the mix and structure of the taxes in the three funds analyzed herein is unlikely to keep pace with recent levels of expenditure growth, at current law tax rates.

- Forecast versus actual revenue variance data for the most recent eleven years are illustrated in the chart on the following page. The below table summarizes the same data since FY2001. As would be expected, January projections are generally more accurate than July – though not always. Since fiscal year 2001, there have been 34 regular Consensus forecasts (January and July for each year) for each of the three major funds (General Fund, Transportation Fund and Education Fund) for a total of 102 observations. Over this seventeen year period, there have been 48 variances that were low (under-forecast actuals) and 54 variances that were high (over-forecast actuals). The average absolute value of the variance for these 16 years was about 1.8% for total revenues across all three major funds, with the lowest variance (1.4%) in the Education Fund, due to its reliance on relatively stable consumption taxes, and the highest variance (2.4%) in the General Fund, due to its reliance on more volatile revenue sources such as Personal Income, Corporate and Estate taxes.

TABLE A
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*	*2.2*	*2.9*	*2.6*	*1.8*	*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-17	*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*	*5.4*	*-0.7*	*-4.5*	*5.5*
December-17	*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-17	*1.7*	*1.6*	*1.9*	*2.1*	*1.8*	*1.5*	*1.6*	*1.1*	*.01*
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-17	*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*	*98*	*93*	*49*	*43*	*53*	*55*	*69*	*71*
December-16	*94*	*98*	*93*	*49*	*43*	*57*	*63*	*70*	*70*
June-17	*94*	*98*	*93*	*49*	*43*	*51*	*55*	*60*	*68*
December-17	*94*	*98*	*93*	*49*	*43*	*51*	*54*	*60*	*66*
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*	*4.08*	*4.80*	*5.70*	*6.20*
December-17	*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-17	*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-17	*-0.2*	*3.9*	*5.2*	*5.3*	*5.7*	*6.2*	*6.4*	*5.8*	*5.1*

TABLE B
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-17	-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	0.2	0.2	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	0.2	0.2	0.2	0.1
June-17	-0.1	0.1	-0.0	-0.1	-0.2	0.1	0.1	0.2	0.2
December-17	-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-17	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	3.1	3.0	3.0	3.4
June-17	4.9	4.4	3.9	3.6	3.3	3.1	3.0	3.0	3.3
December-17	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-17	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	1.4	2.4	3.1	3.7	4.1
June-17	0.3	0.1	0.3	2.0	1.4	2.6	3.1	3.7	4.1
December-17	0.3	0.1	0.2	2.0	1.6	2.1	3.2	3.8	4.5

Methodological Notes and Other Comments

- This analysis has benefited significantly from the input and support of Tax Department and Joint Fiscal Office personnel, as well as Deb Brighton of Ad Hoc Associates. In the Joint Fiscal Office, Graham Campbell, Theresa Utton-Jermaine, Stephanie Barrett, Dan Dickerson, Catherine Benham, Neil Schickner, Chloe Wexler, Joyce Manchester and Mark Perrault have contributed to numerous policy and revenue impact analyses and coordinated JFO forecast production and related legislative committee support functions. They have also painstakingly organized and updated large tax and other databases in support of JFO revenue forecasting activities. In the Tax Department, Sharon Asay, Mary Cox, Jake Feldman, Andrew Stein and Doug Farnham provided important analytic contributions to many tax and revenue forecasts, including recent federal tax law change analyses and statistical and related background information associated with the detailed tax databases they maintain. Our thanks to all of the above for their many contributions to this analysis.

- The analysis in support of JFO economic and revenue projections are based on statistical and econometric models, and professional analytic judgment. All models are based on 40 years of data for each of the 25 General Fund categories (three aggregates), 37 years of data for most of the Transportation Fund categories (one aggregate), and 18 to 40 years for each of the Education Fund categories. The analyses employed includes seasonal adjustment using U.S. Census Bureau X-12, X-13-ARIMA-SEATS and TRAMO-SEATS methods, various moving average techniques (such as Henderson Curves, etc.), Box-Jenkins ARIMA type models, pressure curve analysis, comparable-pattern analysis of monthly, quarterly and half year trends for current year estimation, and behavioral econometric forecasting models.

- Because the State does not currently fund an internal State or U.S. macro-economic model, this analysis relies primarily on semi-annual macroeconomic models from Moody's Analytics with consensus model adjustments made by JFO and Administration economists using a customized Moody's on-line Vermont model prepared during the month preceding the revenue forecast. Dynamic and other input/output-based models for the State of Vermont, including those from Regional Economic Models, Inc. (REMI), Regional Dynamics, Inc. (REDYN), and IMPLAN are also maintained and managed by the JFO and KRA for use in selected economic impact and simulation analyses used herein.

- The Consensus JFO and Administration forecasts are developed following discussion, analysis and synthesis of independent revenue projections, econometric models and source data produced by Administration and Joint Fiscal Office economic advisors.

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 *(Actual)*	% Change	FY 2015 *(Actual)*	% Change	FY 2016 *(Actual)*	% Change	FY 2017 *(Actual)*	% Change	FY 2018 *(Forecast)*	% Change	FY 2019 *(Forecast)*	% Change	FY2020 *(Forecast)*	% Change
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 (Actual)	% Change	FY 2015 (Actual)	% Change	FY 2016 (Actual)	% Change	FY 2017 (Actual)	% Change	FY 2018 (Forecast)	% Change	FY 2019 (Forecast)	% Change	FY2020 (Forecast)	% Change
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 *(Actual)*	% Change	FY 2015 *(Actual)*	% Change	FY 2016 *(Actual)*	% Change	FY 2017 *(Actual)*	% Change	FY 2018 *(Forecast)*	% Change	FY 2019 *(Forecast)*	% Change	FY2020 *(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 *(Actual)*	% Change	FY 2015 *(Actual)*	% Change	FY 2016 *(Actual)*	% Change	FY 2017 *(Actual)*	% Change	FY 2018 *(Forecast)*	% Change	FY 2019 *(Forecast)*	% Change	FY2020 *(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** *(Actual)*	% Change	**FY 2015** *(Actual)*	% Change	**FY 2016** *(Actual)*	% Change	**FY 2017** *(Actual)*	% Change	**FY 2018** *(Forecast)*	% Change	**FY 2019** *(Forecast)*	% Change	**FY2020** *(Forecast)*	% Change
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 F1§
*** 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

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

REVENUE SOURCE	FY 2014 (Actual)	% Change	FY 2015 (Actual)	% Change	FY 2016 (Actual)	% Change	FY 2017 (Actual)	% Change	FY 2018 (Forecast)	% Change
Personal Income	$671.1	1.6%	$705.9	5.2%	$747.0	5.8%	$756.5	1.3%	$793.7	4.9%
Sales & Use*	$353.6	2.0%	$364.6	3.1%	$370.7	1.7%	$376.7	1.6%	$391.2	3.8%
Corporate	$94.8	-0.1%	$121.9	28.5%	$117.0	-4.0%	$95.8	-18.1%	$79.4	-17.1%
Meals and Rooms	$142.7	5.9%	$150.8	5.7%	$154.2	2.2%	$165.3	7.3%	$172.4	4.3%
Cigarette and Tobacco**	$71.9	-3.3%	$76.8	6.7%	$80.7	5.2%	$76.7	-5.0%	$71.7	-6.5%
Liquor	$17.7	4.0%	$18.2	2.9%	$18.3	0.8%	$19.1	4.4%	$19.4	1.4%
Insurance	$57.1	3.7%	$55.3	-3.1%	$56.2	1.7%	$57.0	1.3%	$57.8	1.5%
Telephone	$9.1	-2.9%	$7.7	-14.9%	$3.2	-59.2%	$5.7	80.6%	$4.5	-21.2%
Beverage	$6.4	3.6%	$6.7	4.2%	$6.7	0.6%	$6.9	2.9%	$7.0	1.5%
Electric***	$13.1	46.9%	$9.4	-28.2%	$0.0	-100.0%	$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%
Property	$30.9	8.5%	$33.6	8.6%	$35.7	6.2%	$38.7	8.4%	$41.4	7.0%
Bank	$11.0	2.7%	$10.7	-2.0%	$10.7	-0.6%	$13.2	24.0%	$12.1	-8.7%
Other Tax	$1.9	9.6%	$2.0	4.5%	$1.8	-9.0%	$2.2	18.0%	$2.0	-8.0%
Total Tax Revenue	$1517.0	3.6%	$1573.5	3.7%	$1614.8	2.6%	$1630.4	1.0%	$1671.2	2.5%
Business Licenses	$1.1	-61.4%	$1.1	0.2%	$1.1	-1.6%	$1.2	16.8%	$1.1	-11.7%
Fees	$20.6	-3.4%	$22.1	7.0%	$23.0	4.2%	$48.5	110.8%	$47.8	-1.3%
Services	$1.3	-47.3%	$1.5	12.5%	$2.8	86.6%	$3.0	7.9%	$3.2	6.3%
Fines	$3.6	-24.2%	$3.5	-3.1%	$3.7	5.5%	$4.4	21.0%	$3.1	-29.9%
Interest	$0.2	-59.2%	$0.3	40.4%	$0.7	130.6%	$1.5	111.5%	$2.5	61.6%
Special Assessments	$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%
All Other****	$1.3	-24.0%	$1.0	-20.4%	$1.3	25.9%	$2.9	128.5%	$2.6	-10.5%
Total Other Revenue	$50.7	-10.4%	$52.2	3.0%	$58.9	12.9%	$87.1	47.9%	$85.5	-1.8%
TOTAL GENERAL FUND	**$1567.6**	**3.1%**	**$1625.7**	**3.7%**	**$1673.7**	**2.9%**	**$1717.5**	**2.6%**	**$1756.7**	**2.3%**

REVENUE SOURCE	FY 2019 (Forecast)	% Change	FY2020 (Forecast)	% Change	FY2021 (Forecast)	% Change	FY2022 (Forecast)	% Change	FY2023 (Forecast)	% Change
Personal Income	$846.9	6.7%	$866.8	2.3%	$882.1	1.8%	$908.4	3.0%	$937.2	3.2%
Sales & Use*	$400.9	2.5%	$409.5	2.1%	$417.0	1.8%	$426.8	2.4%	$438.4	2.7%
Corporate	$89.6	12.8%	$96.8	8.0%	$93.7	-3.2%	$97.2	3.7%	$103.5	6.5%
Meals and Rooms	$178.4	3.5%	$183.9	3.1%	$187.7	2.1%	$193.9	3.3%	$200.4	3.4%
Cigarette and Tobacco**	$70.3	-2.0%	$69.3	-1.4%	$68.4	-1.4%	$67.5	-1.3%	$66.7	-1.2%
Liquor	$20.1	3.6%	$20.7	3.0%	$21.2	2.4%	$21.8	2.8%	$22.4	2.8%
Insurance	$58.4	1.0%	$59.0	1.0%	$59.4	0.7%	$60.0	1.0%	$60.7	1.2%
Telephone	$4.0	-11.1%	$3.6	-10.0%	$3.2	-11.1%	$2.9	-9.4%	$2.6	-10.3%
Beverage	$7.2	2.9%	$7.3	1.4%	$7.5	2.7%	$7.6	1.3%	$7.7	1.3%
Electric***	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM
Estate	$19.4	4.3%	$20.1	3.6%	$20.8	3.5%	$21.5	3.4%	$22.2	3.3%
Property	$44.4	7.2%	$47.0	5.9%	$48.8	3.8%	$50.2	2.9%	$51.8	3.2%
Bank	$11.5	-5.0%	$11.7	1.7%	$11.8	0.9%	$11.9	0.8%	$12.0	0.8%
Other Tax	$2.3	15.0%	$2.6	13.0%	$2.9	11.5%	$3.0	3.4%	$3.1	3.3%
Total Tax Revenue	$1753.4	4.9%	$1798.3	2.6%	$1824.5	1.5%	$1872.7	2.6%	$1928.7	3.0%
Business Licenses	$1.1	1.8%	$1.2	2.7%	$1.2	2.6%	$1.2	2.5%	$1.2	2.5%
Fees	$48.6	1.7%	$49.4	1.6%	$50.1	1.4%	$51.0	1.8%	$52.1	2.2%
Services	$3.2	0.9%	$3.3	0.9%	$3.3	0.9%	$3.3	0.9%	$3.4	0.9%
Fines	$3.2	3.2%	$3.3	3.1%	$3.4	3.0%	$3.5	2.9%	$3.6	2.9%
Interest	$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
Lottery	$25.6	1.6%	$25.8	0.8%	$26.0	0.8%	$26.1	0.4%	$26.2	0.4%
All Other****	$1.5	1.6%	$1.6	6.7%	$1.7	6.3%	$1.8	5.9%	$1.9	5.6%
Total Other Revenue	$86.5	1.1%	$88.4	2.2%	$89.7	1.5%	$91.1	1.5%	$92.6	1.7%
TOTAL GENERAL FUND	**$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 (Actual)	% Change	FY 2015 (Actual)	% Change	FY 2016 (Actual)	% Change	FY 2017 (Actual)	% Change	FY 2018 (Forecast)	% Change
REVENUE SOURCE										
Personal Income	$671.1	1.6%	$705.9	5.2%	$747.0	5.8%	$756.5	1.3%	$793.7	4.9%
Sales and Use*	$229.9	-0.6%	$237.0	3.1%	$241.0	1.7%	$244.9	1.6%	$254.3	3.8%
Corporate	$94.8	-0.1%	$121.9	28.5%	$117.0	-4.0%	$95.8	-18.1%	$79.4	-17.1%
Meals and Rooms	$142.7	5.9%	$150.8	5.7%	$154.2	2.2%	$165.3	7.3%	$172.4	4.3%
Cigarette and Tobacco	$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%
Insurance	$57.1	3.7%	$55.3	-3.1%	$56.2	1.7%	$57.0	1.3%	$57.8	1.5%
Telephone	$9.1	-2.9%	$7.7	-14.9%	$3.2	-59.2%	$5.7	80.6%	$4.5	-21.2%
Beverage	$6.4	3.6%	$6.7	4.2%	$6.7	0.6%	$6.9	2.9%	$7.0	1.5%
Electric**	$13.1	46.9%	$9.4	-28.2%	$0.0	-100.0%	$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%
Property	$10.0	9.3%	$10.9	8.7%	$11.5	6.0%	$12.6	9.0%	$12.6	0.2%
Bank	$11.0	2.7%	$10.7	-2.0%	$10.7	-0.6%	$13.2	24.0%	$12.1	-8.7%
Other Tax	$1.9	9.6%	$2.0	4.5%	$1.8	-9.0%	$2.2	18.0%	$2.0	-8.0%
Total Tax Revenue	$1300.3	3.6%	$1346.4	3.5%	$1380.1	2.5%	$1395.7	1.1%	$1433.8	2.7%
Business Licenses	$1.1	-61.4%	$1.1	0.2%	$1.1	-1.6%	$1.2	16.8%	$1.1	-11.7%
Fees	$20.6	-3.4%	$22.1	7.0%	$23.0	4.2%	$48.5	110.8%	$47.8	-1.3%
Services	$1.3	-47.3%	$1.5	12.5%	$2.8	86.6%	$3.0	7.9%	$3.2	6.3%
Fines	$3.6	-24.2%	$3.5	-3.1%	$3.7	5.5%	$4.4	21.0%	$3.1	-29.9%
Interest	$0.2	-66.6%	$0.2	51.9%	$0.6	136.1%	$1.2	108.2%	$2.0	70.8%
All Other****	$1.3	-24.0%	$1.0	-20.4%	$1.3	25.9%	$2.9	128.5%	$2.6	-10.5%
Total Other Revenue	$28.0	-16.4%	$29.4	4.7%	$32.3	10.1%	$61.2	89.3%	$59.8	-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%

CURRENT LAW BASIS *including all Education Fund allocations and other out-transfers*	FY 2019 (Forecast)	% Change	FY2020 (Forecast)	% Change	FY2021 (Forecast)	% Change	FY2022 (Forecast)	% Change	FY2023 (Forecast)	% Change
REVENUE SOURCE										
Personal Income	$846.9	6.7%	$866.8	2.3%	$882.1	1.8%	$908.4	3.0%	$937.2	3.2%
Sales and Use*	$256.6	0.9%	$262.1	2.1%	$266.9	1.8%	$273.2	2.4%	$280.6	2.7%
Corporate	$89.6	12.8%	$96.8	8.0%	$93.7	-3.2%	$97.2	3.7%	$103.5	6.5%
Meals and Rooms	$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
Liquor	$20.1	3.6%	$20.7	3.0%	$21.2	2.4%	$21.8	2.8%	$22.4	2.8%
Insurance	$58.4	1.0%	$59.0	1.0%	$59.4	0.7%	$60.0	1.0%	$60.7	1.2%
Telephone	$4.0	-11.1%	$3.6	-10.0%	$3.2	-11.1%	$2.9	-9.4%	$2.6	-10.3%
Beverage	$7.2	2.9%	$7.3	1.4%	$7.5	2.7%	$7.6	1.3%	$7.7	1.3%
Electric**	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM
Estate***	$19.4	4.3%	$20.1	3.6%	$20.8	3.5%	$21.5	3.4%	$22.2	3.3%
Property	$13.6	7.7%	$14.4	6.2%	$15.0	4.0%	$15.4	3.0%	$15.9	3.4%
Bank	$11.5	-5.0%	$11.7	1.7%	$11.8	0.9%	$11.9	0.8%	$12.0	0.8%
Other Tax	$2.3	15.0%	$2.6	13.0%	$2.9	11.5%	$3.0	3.4%	$3.1	3.3%
Total Tax Revenue	$1507.9	5.2%	$1549.0	2.7%	$1572.2	1.5%	$1616.8	2.8%	$1668.3	3.2%
Business Licenses	$1.1	1.8%	$1.2	2.7%	$1.2	2.6%	$1.2	2.5%	$1.2	2.5%
Fees	$48.6	1.7%	$49.4	1.6%	$50.1	1.4%	$51.0	1.8%	$52.1	2.2%
Services	$3.2	0.9%	$3.3	0.9%	$3.3	0.9%	$3.3	0.9%	$3.4	0.9%
Fines	$3.2	3.2%	$3.3	3.1%	$3.4	3.0%	$3.5	2.9%	$3.6	2.9%
Interest	$2.6	30.0%	$3.2	23.1%	$3.3	3.1%	$3.4	3.0%	$3.5	2.9%
All Other****	$1.5	-42.3%	$1.6	6.7%	$1.7	6.3%	$1.8	5.9%	$1.9	5.6%
Total Other Revenue	$60.3	0.8%	$61.9	2.8%	$63.0	1.7%	$64.2	2.0%	$65.7	2.3%
TOTAL GENERAL FUND	$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 (Actual)	% Change	FY 2015 (Actual)	% Change	FY 2016 (Actual)	% Change	FY 2017 (Actual)	% Change	FY 2018 (Forecast)	% Change	FY 2019 (Forecast)	% Change	FY2020 (Forecast)	% Change	FY2021 (Forecast)	% Change	FY2022 (Forecast)	% Change	FY2023 (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%	$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 (Actual)	% Change	FY 2015 (Actual)	% Change	FY 2016 (Actual)	% Change	FY 2017 (Actual)	% Change	FY 2018 (Forecast)	% Change	FY 2019 (Forecast)	% Change	FY2020 (Forecast)	% Change	FY2021 (Forecast)	% Change	FY2022 (Forecast)	% Change	FY2023 (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%	$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 (Actual)	% Change	FY 2015 (Actual)	% Change	FY 2016 (Actual)	% Change	FY 2017 (Actual)	% Change	FY 2018 (Forecast)	% Change	FY 2019 (Forecast)	% Change	FY2020 (Forecast)	% Change	FY2021 (Forecast)	% Change	FY2022 (Forecast)	% Change	FY2023 (Forecast)	% Change
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** Explanation: 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** Explanation: 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 though 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.** Explanation: 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** Explanation: 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** Explanation: 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** Explanation: 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** Explanation: Repeal of the deduction (for most cases) increases Vermont taxable income.

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		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** Explanation: 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** Explanation: 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** Explanation: 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** Explanation: 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.** Explanation: 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**

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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.** Explanation: 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** Explanation: 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** Explanation: 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** Explanation: 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** Explanation: 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**

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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.** Explanation: 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.**

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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 incresingly large over time**