

Senate panel votes 4-3 for array of taxes

*By Nancy Remsen
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MONTPELIER -- Robert Harrington, owner of a Barre beverage and redemption center, begged lawmakers not to raise taxes on alcohol and tobacco products.

"I'm concerned we are going to drive more business out of state," Harrington told the Senate Finance Committee on Tuesday.

Tasha Wallis, director of the Vermont Retail Association, warned that clothing stores were struggling to attract customers and she worried about the effect of restoring a sales tax on clothing priced above \$110.

"Clothing sales are very sensitive to taxes," Wallis testified.

Despite objections raised by a parade of tax critics, the Senate Finance Committee voted 4-3 Tuesday evening to recommend a \$26.1 million package of new revenue, including restoration of the clothing tax and hefty tax increases on tobacco products and liquor.

"The idea is to get everything on the table," said Senate Finance Chairwoman Ann Cummings, D-Washington. After the Senate passes its revenue bill this week, a three-person negotiating team from the Senate will sit down with their counterparts from the House to come up with a compromise package.

Gov. Jim Douglas and his staff are the third party in these talks, although technically they won't have a seat at the negotiating table. Douglas has been steadfast in his opposition to raising taxes.

Legislative leaders, however, asked the House and Senate tax-writing committees to come up with ways to raise at least \$24 million so budget writers could avoid deep cuts to state services.

The House raised most of its money through an income tax surcharge. The House bill also proposed beefing up enforcement in the tax and labor departments to collect more delinquent taxes. It also called for restoring the state's \$2 million estate tax exemption instead of sticking with the new federal exemption amount of \$3.5 million. And it would put a new tax on digital downloads of movies, books and music.

The Senate Finance Committee went along with the enforcement, the estate exemption reversion and the digital download tax, but rejected -- for now -- the income tax surcharge.

Instead, the Senate bill calls for reducing income tax rates across all income brackets. Senators proposed paying for this reduction by shrinking the capital gains tax exemption from 40 percent to \$5,000.

Where the House would decrease the cap on the tax reduction Vermonters can receive if they pay their school taxes based on income, the Senate would increase the limit. The current cap is \$8,000. The House proposed \$6,000 and the Senate suggests \$10,000.

The Senate bill would raise most of its new revenue through "sin taxes" such as a 25-cent per pack increase in the tax on cigarettes. Senators also propose a tax on satellite television.

Sen. Richard McCormack, D-Windsor, voted against the tax package noting that consumer taxes affect smaller retailers that compete with New Hampshire.

He also disagreed with lowering income taxes at a time when the state budget is under pressure.

He also complained, "There are things in this bill I'm being asked to vote for not because it is good policy, but as negotiating positions."

The full Senate is expected to debate and take its first vote on the tax package this afternoon. Contact Nancy Remsen at 578-5685 or nremsen@bfp.burlingtonfreepress.com. Sign up for Free Press headlines, delivered free to your e-mail, at www.burlingtonfreepress.com/newsletters.