

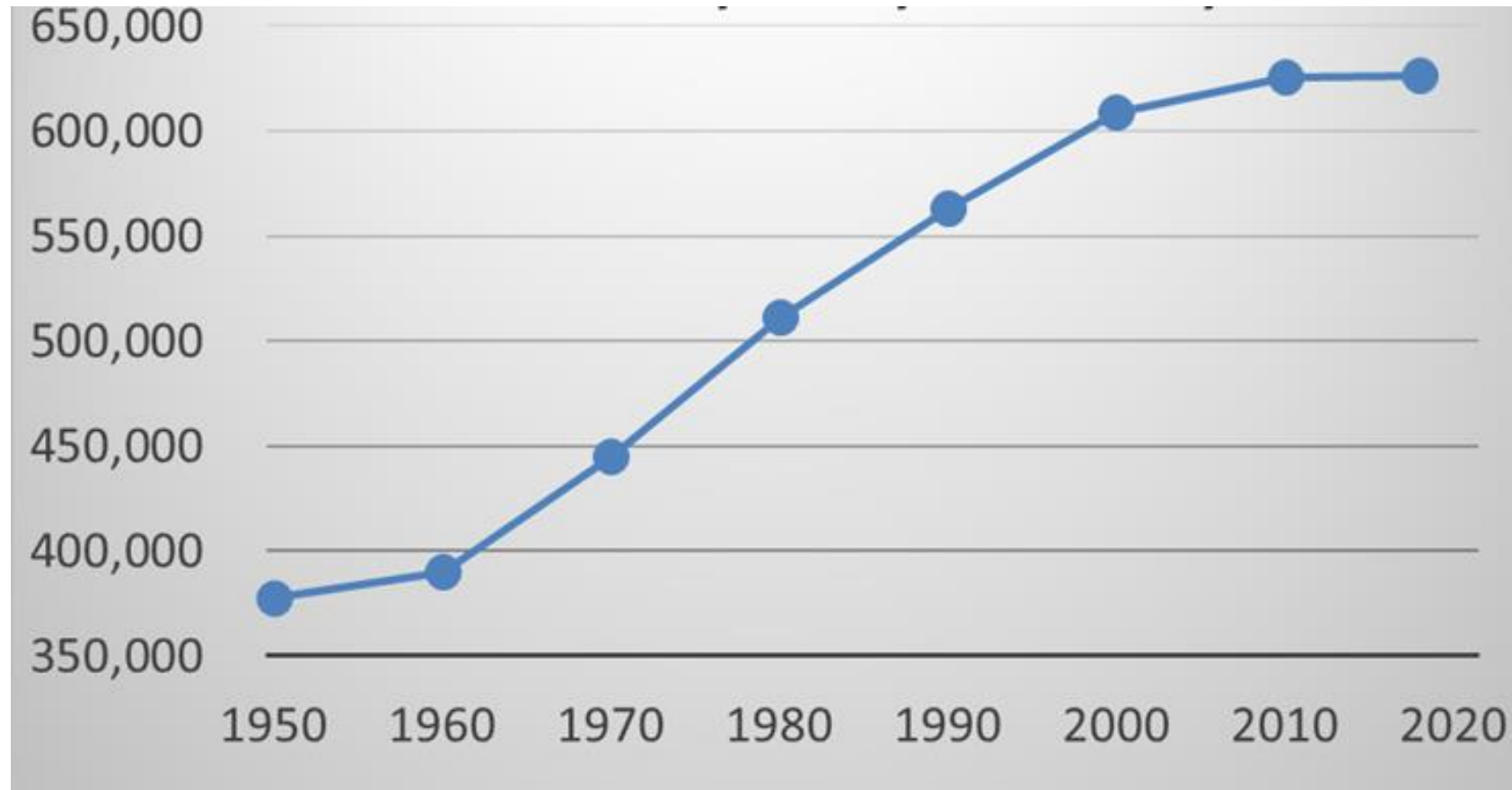
Population Changes and Vermont State Revenue

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JUNE 9, 2020 PRESENTATION TO CENTRAL

VERMONT REGIONAL PLANNING COMMISSION

After decades of growth, Vermont's total population has barely changed over the last dozen years



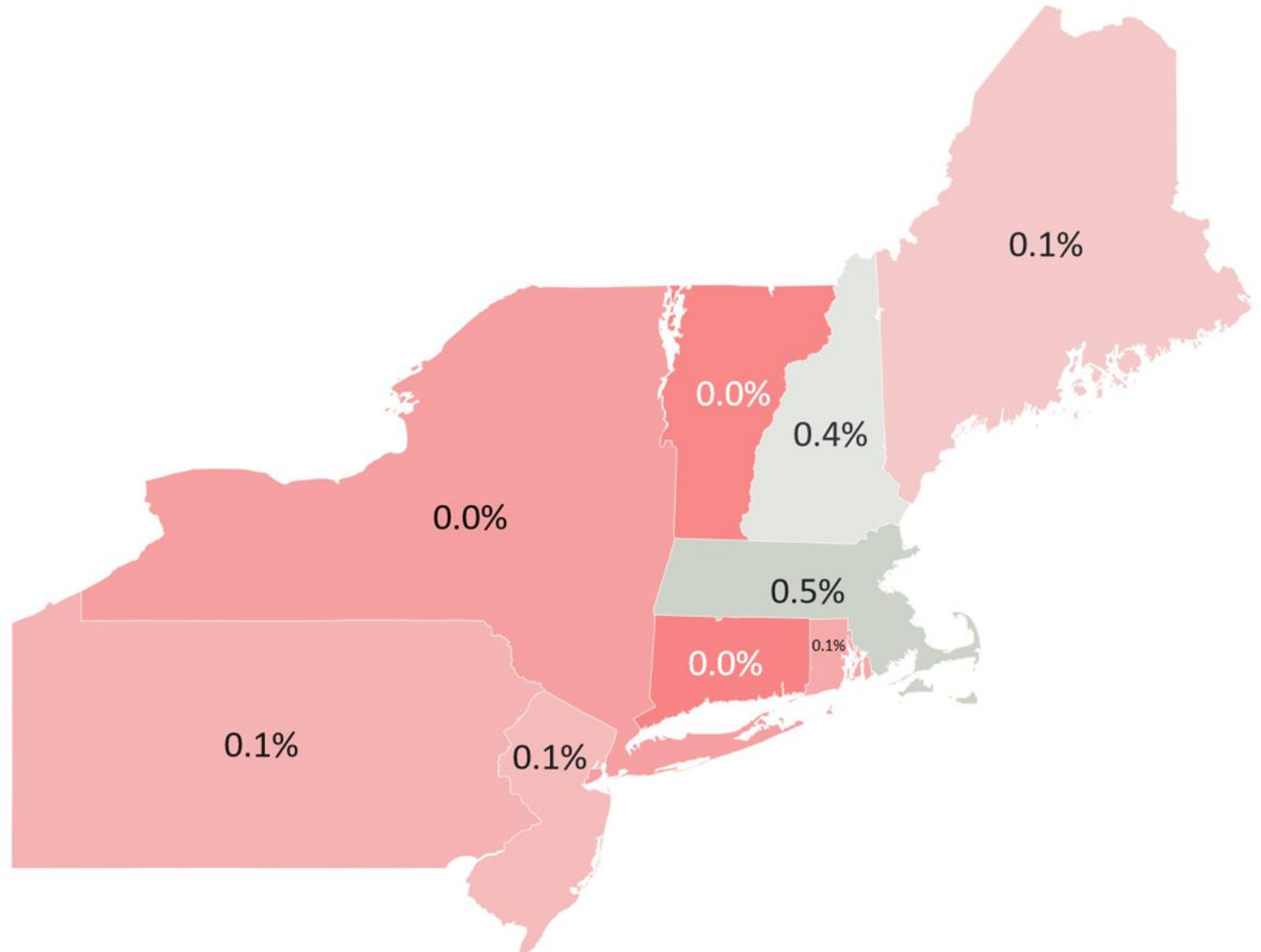
Source: U.S. Census decennial census (1950-2010) and American Community Survey estimate (2019)

Northeast Population Average Annual Growth Rate, 2010-2019

The entire Northeast has only grown an estimated 0.1%/year since 2010

Average Annual Growth Rate by Census Region, 2010-2019

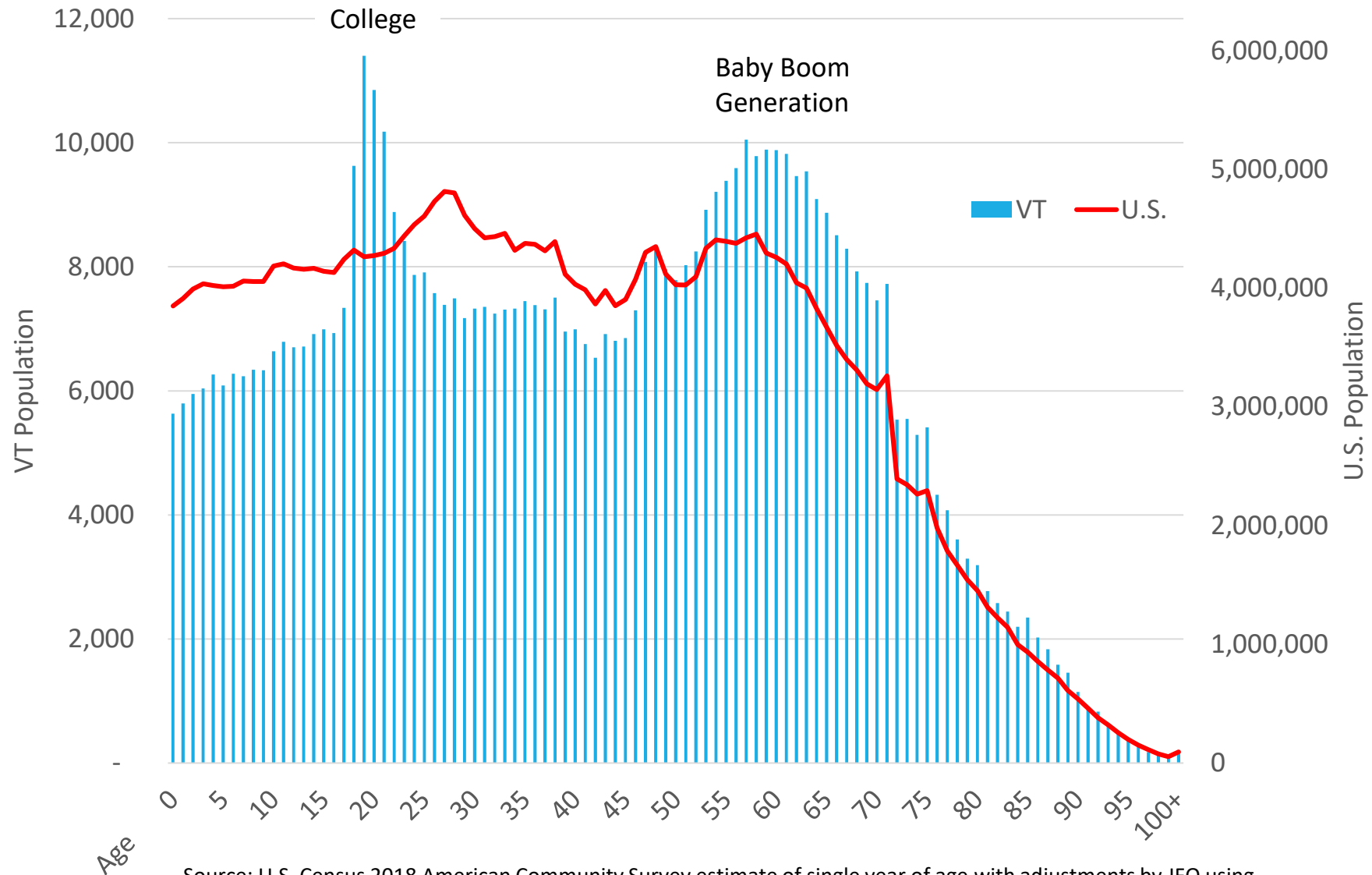
Northeast	0.1%
Midwest	0.2%
South	1.0%
West	0.9%



More Seniors,
Fewer Children,
and Fewer
Working-age
Adults

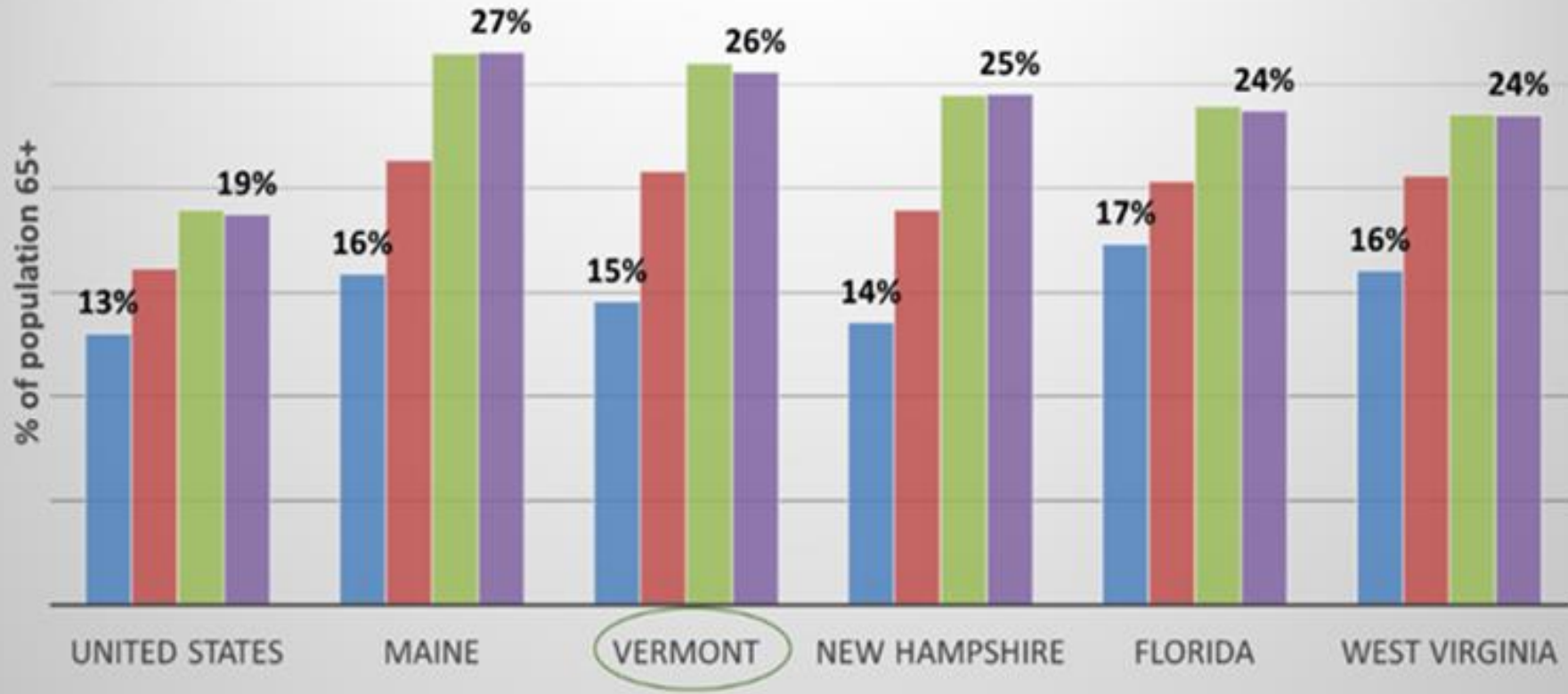
TREND #1

Vermont's Population by Single Year of Age vs. U.S., 2018



Source: U.S. Census 2018 American Community Survey estimate of single year of age with adjustments by JFO using 2010 proportions of single year of age for VT ages 85 through 100+.

By 2030, one in four northern New Englanders will be 65 or older, up from one in seven in 2010



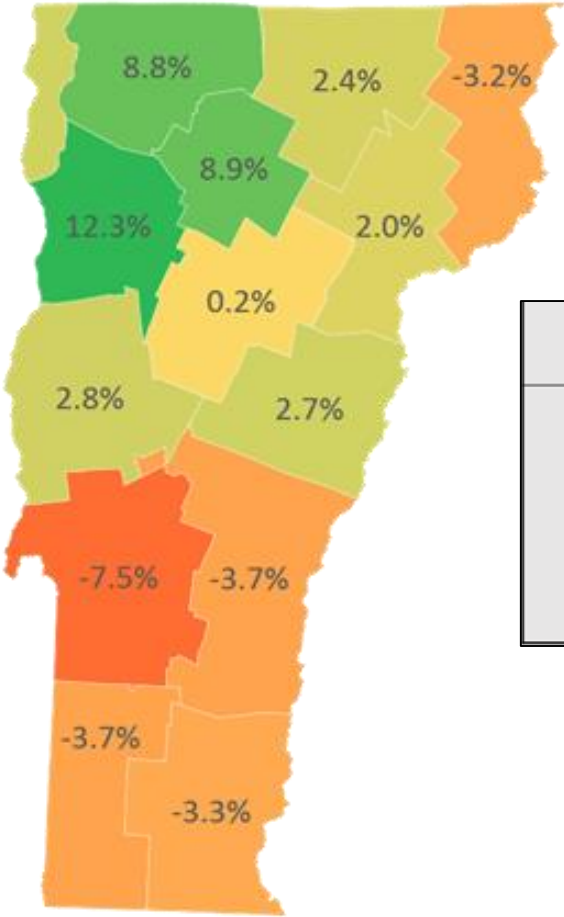
Source: UVA Cooper Center

■ 2010 ■ 2020 ■ 2030 ■ 2040

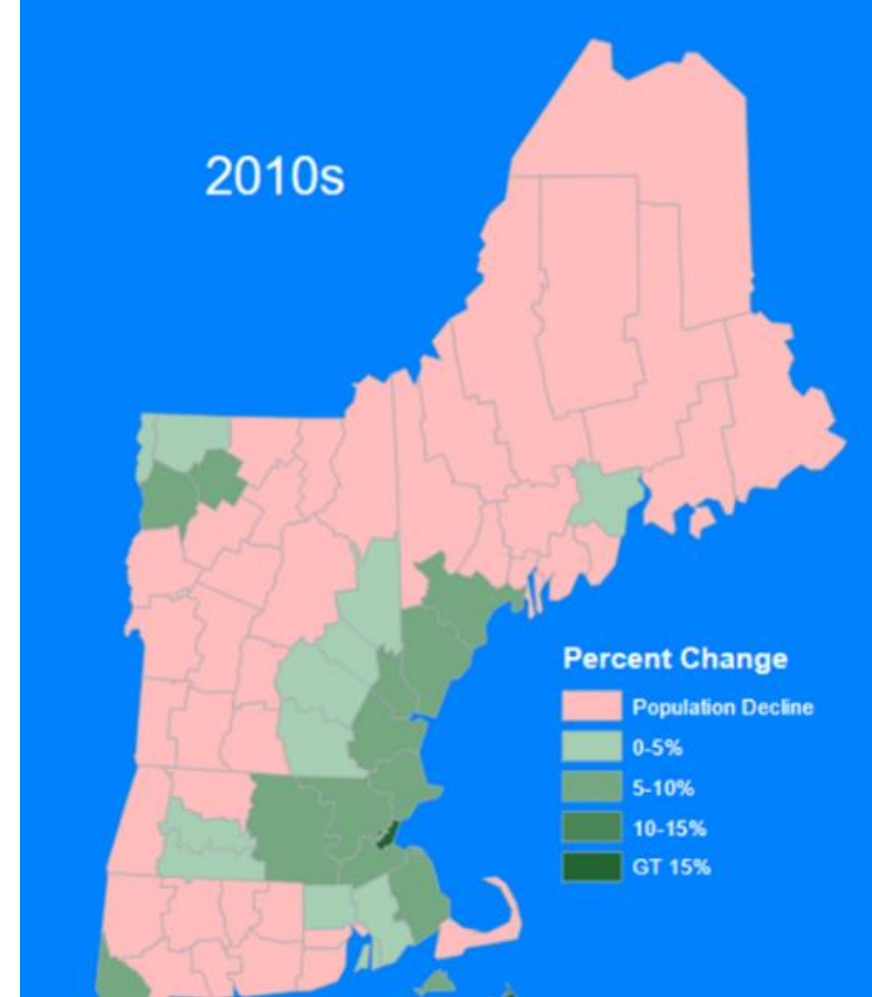
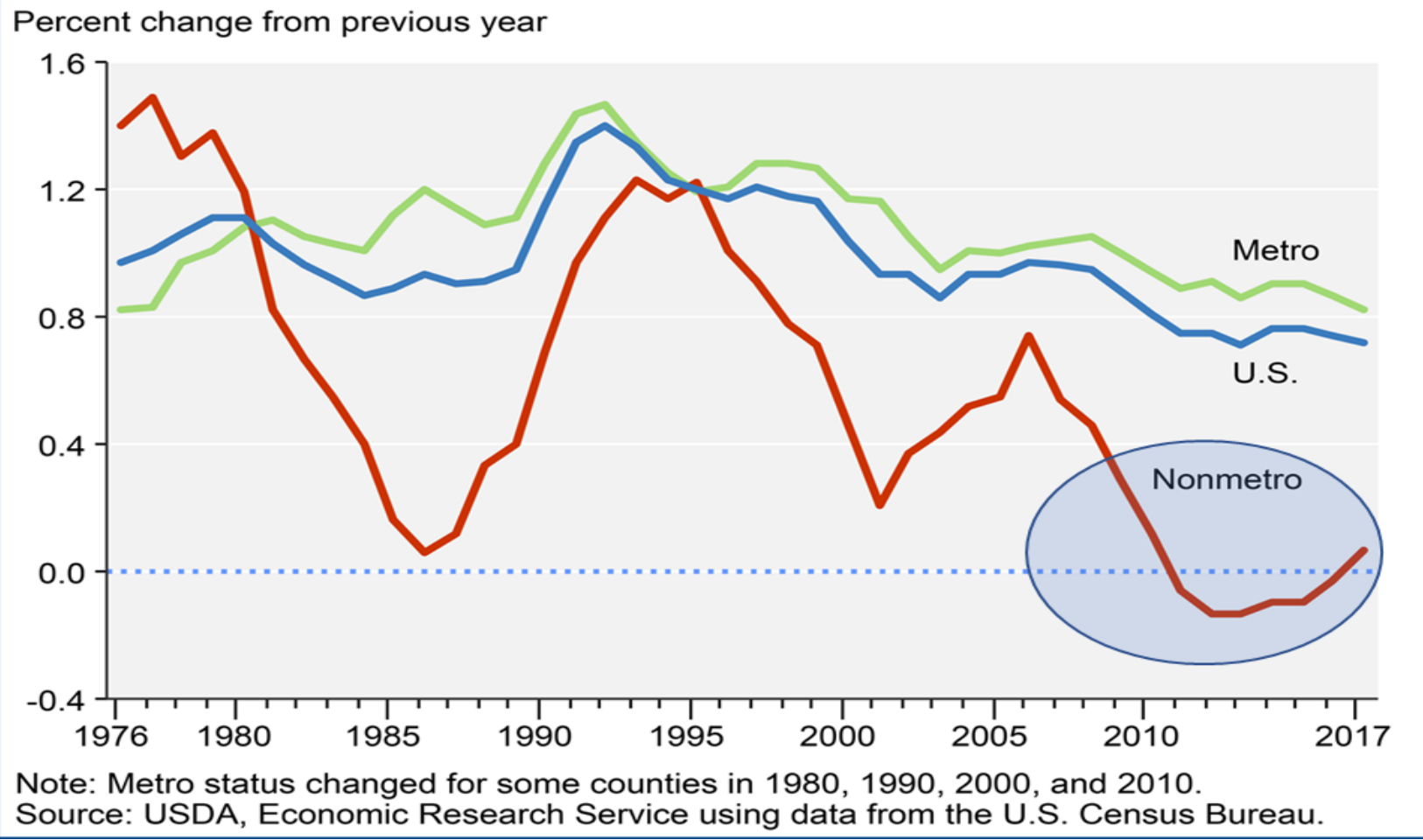
More
Metropolitan,
Less Rural

TREND #2

Change in County Population from 2000 to 2018



Grew >8%	Virtually Unchanged	Shrunk >3%
Chittenden, Franklin, Lamoille	Addison, Caledonia, Grand Isle, Orange, Orleans, Washington	Bennington, Essex, Rutland, Windham, Windsor



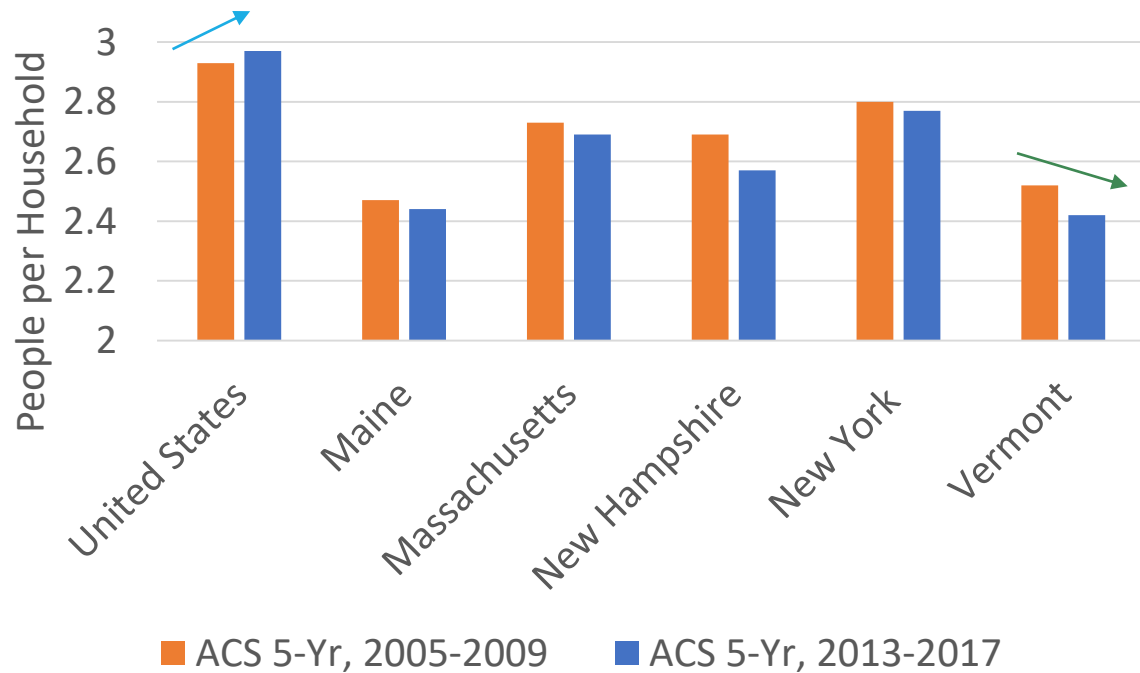
Vermont's population shift into its metro area is consistent with regional and national trends. As the nation's two most rural states, Maine and Vermont are particularly impacted.

More Households with Fewer People

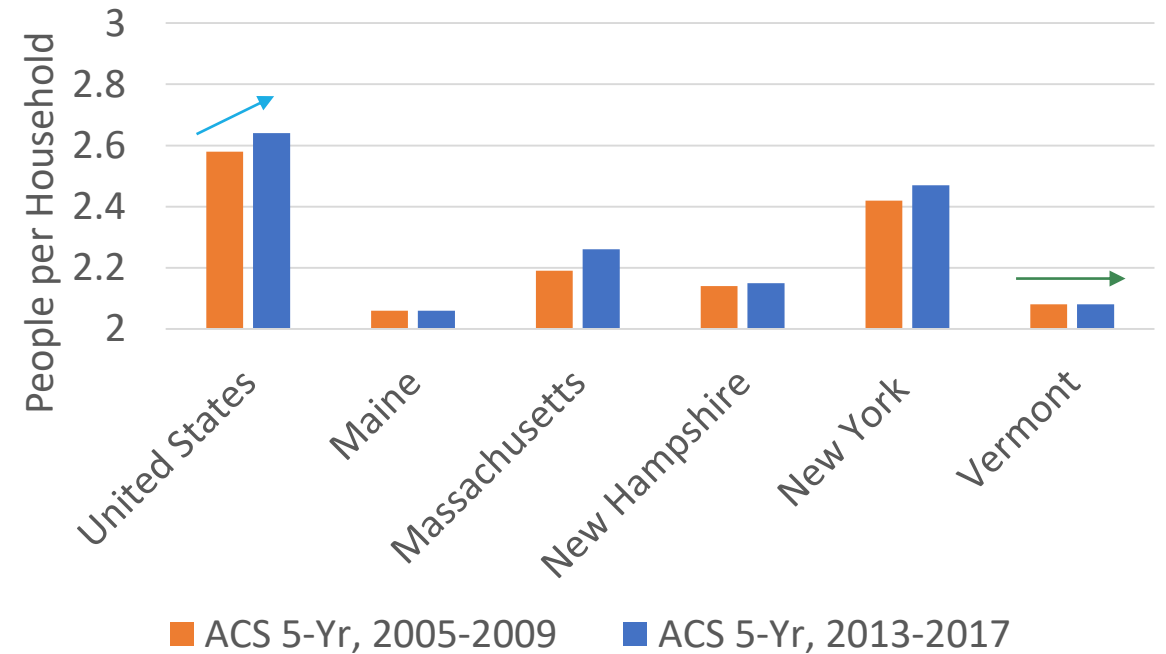
TREND #3

The average Vermont household has fewer members than it did a decade ago, countering a national trend. Vermont's trend has been driven by a decrease in members per owner-occupied household.

Average Size of Owner-Occupied Households



Average Size of Renter Households

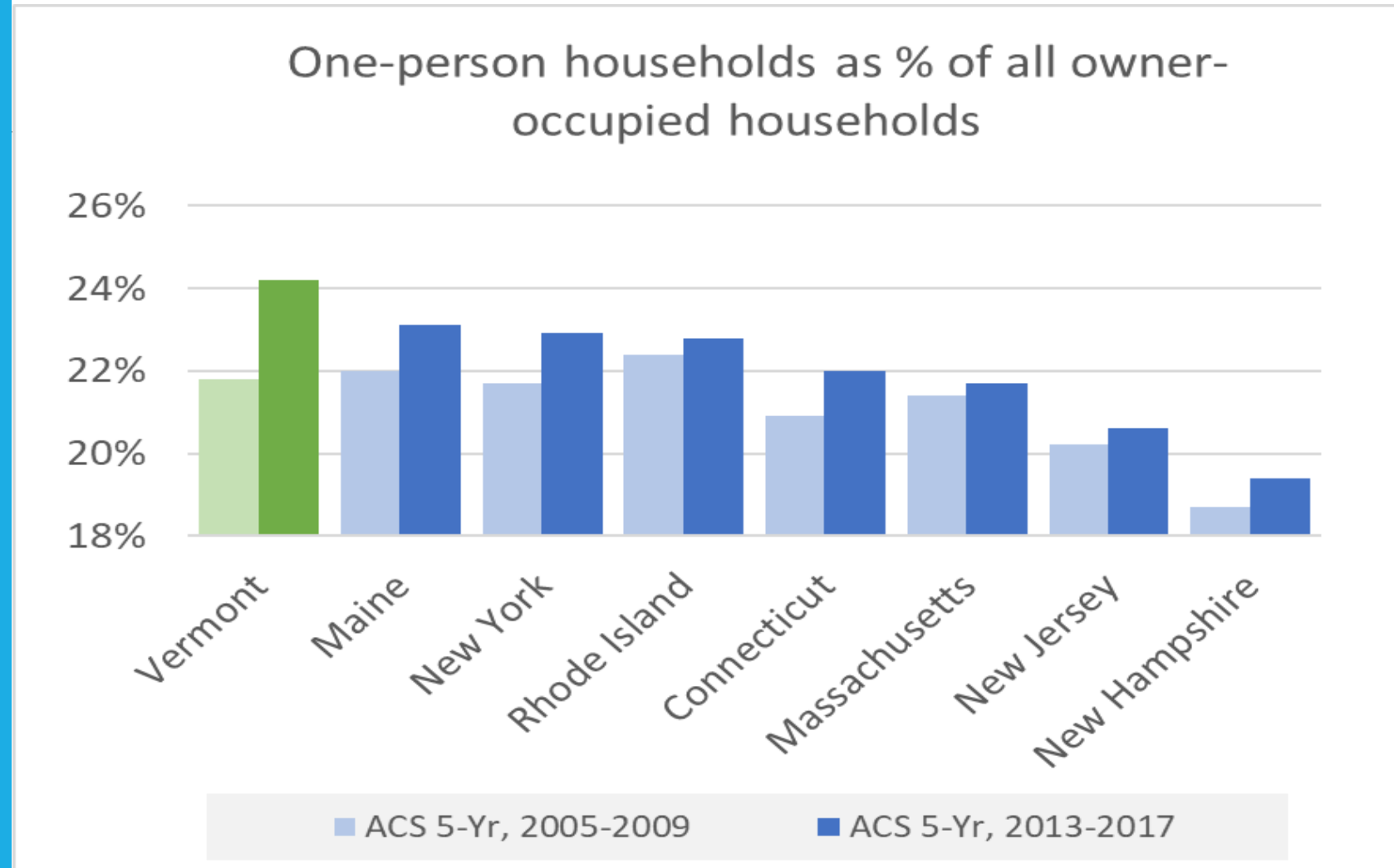


Source: Five-year data from U.S. Census 2009 and 2017 American Community Survey (ACS), data from 2005-2009 and 2013-2017

The average Vermont household is five percent smaller than it was in 2000 and is statistically tied with Maine and North Dakota as the smallest in the nation.

Source: U.S. Census

Owner-occupied households are more likely to be one-person in Vermont than in any other state in the Northeast



Impacts

Vermont's three largest sources of state revenue:

- **Personal Income Tax** is the largest source of revenue in Vermont, accounting for nearly two-thirds of General Fund dollars.
- **Consumption Taxes** support both the Education Fund (100% of Sales and Use and 25% of Meals and Rooms revenue) and General Fund (75% of Meals and Rooms).
- **Education Property Tax** accounts for two-thirds of Education Fund dollars, with non-homestead property taxes accounting for 41% of the Fund's revenue and the homestead education tax accounting for 26%.

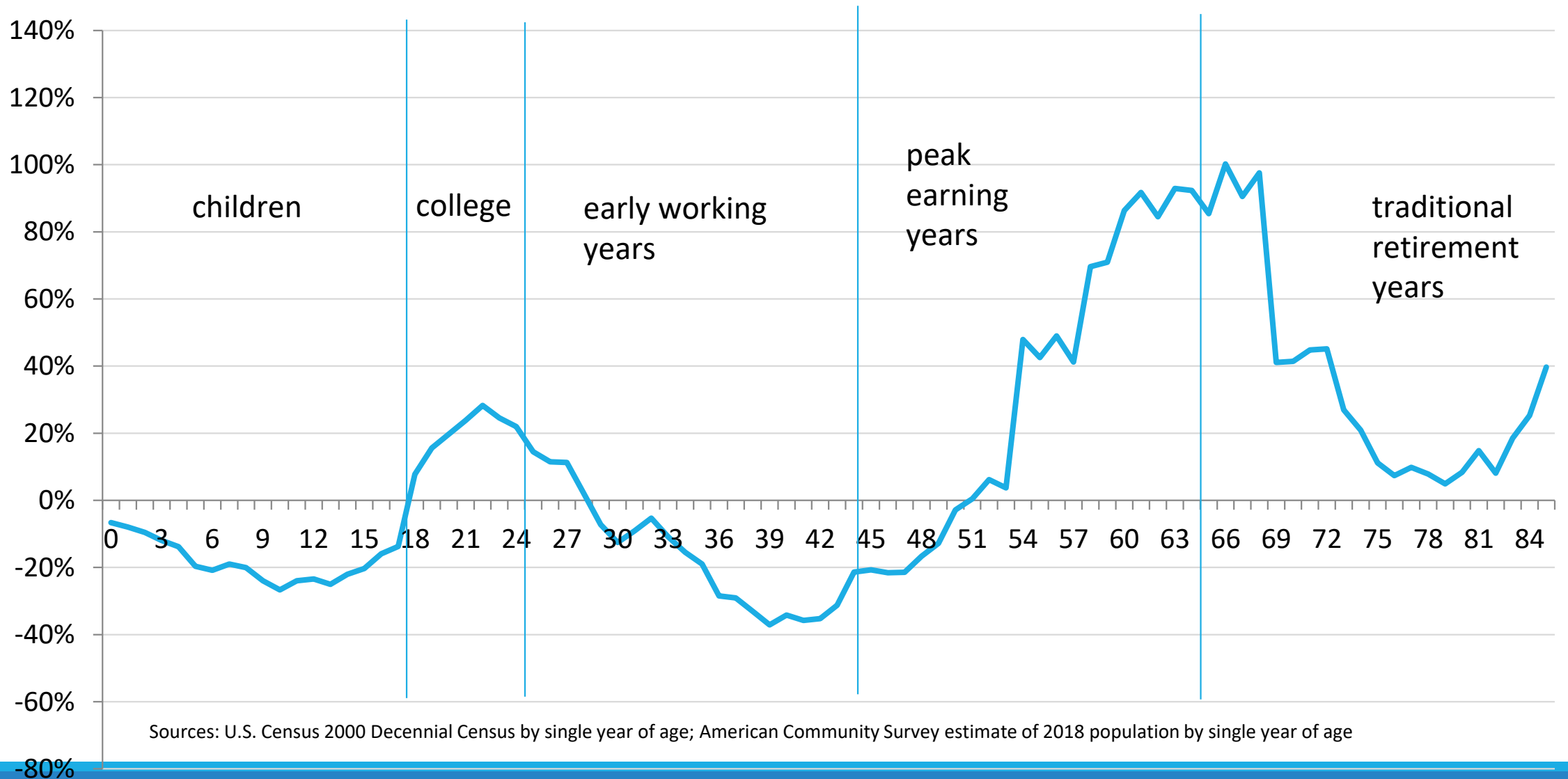
We expect all three sources to be impacted by demographic trends. The Commission's demographic paper (and this presentation) explores the impact on income and consumption tax revenue. Subsequent discussion of the state's education finance system will discuss the impact on property taxes.

Income Tax

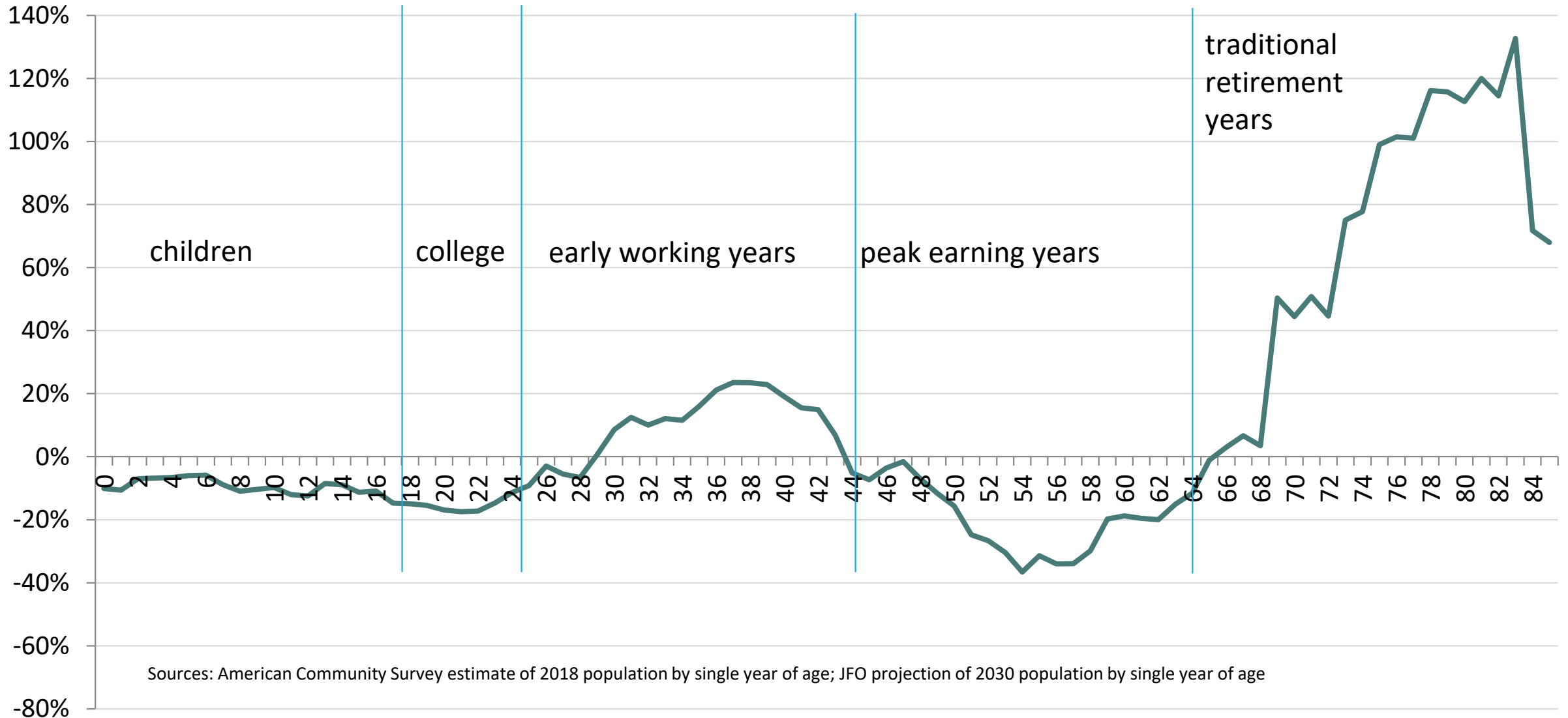
Income tax revenue faces downward pressure due to:

- 1) Fewer workers;
- 2) Lower incomes in retirement and early working years;
- 3) Seniors' income less likely to be taxable.

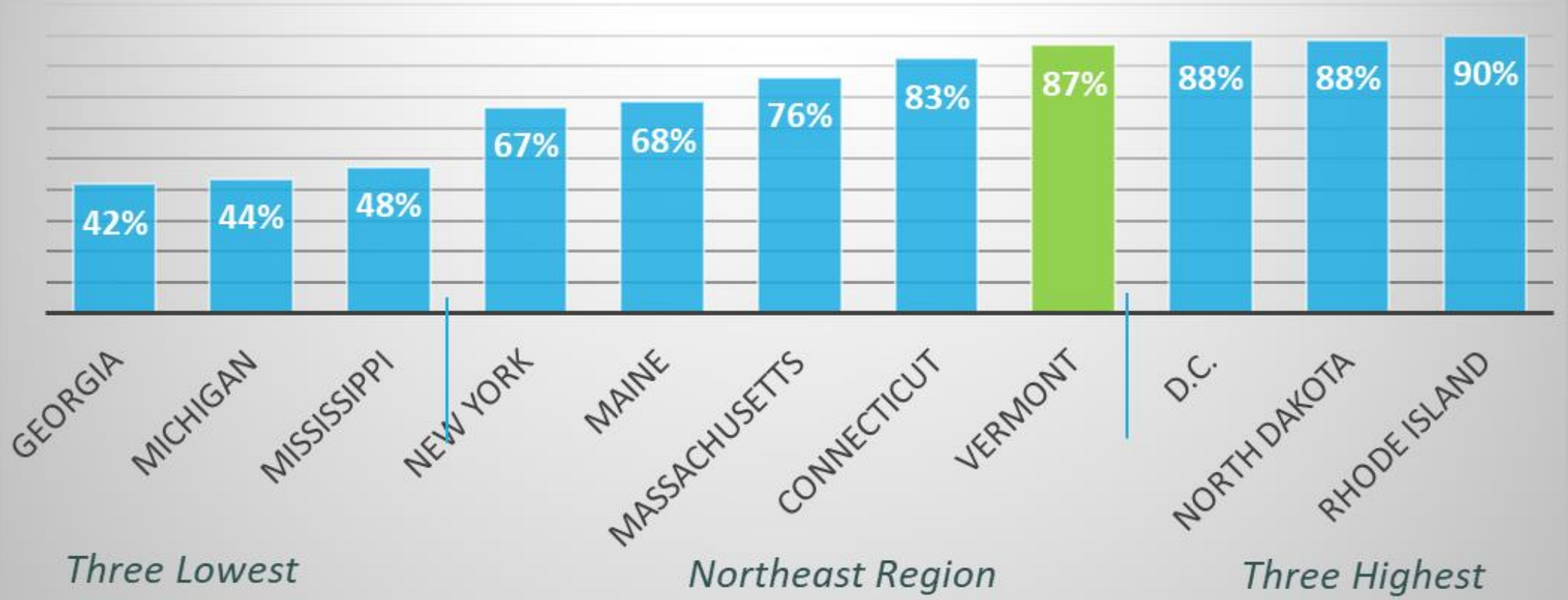
Last decade, Vermont benefited from a large increase in workers in the midst of their peak earning years



Over the next decade, Vermont will see a decrease of peak earners and increase of retirees and workers in their early years



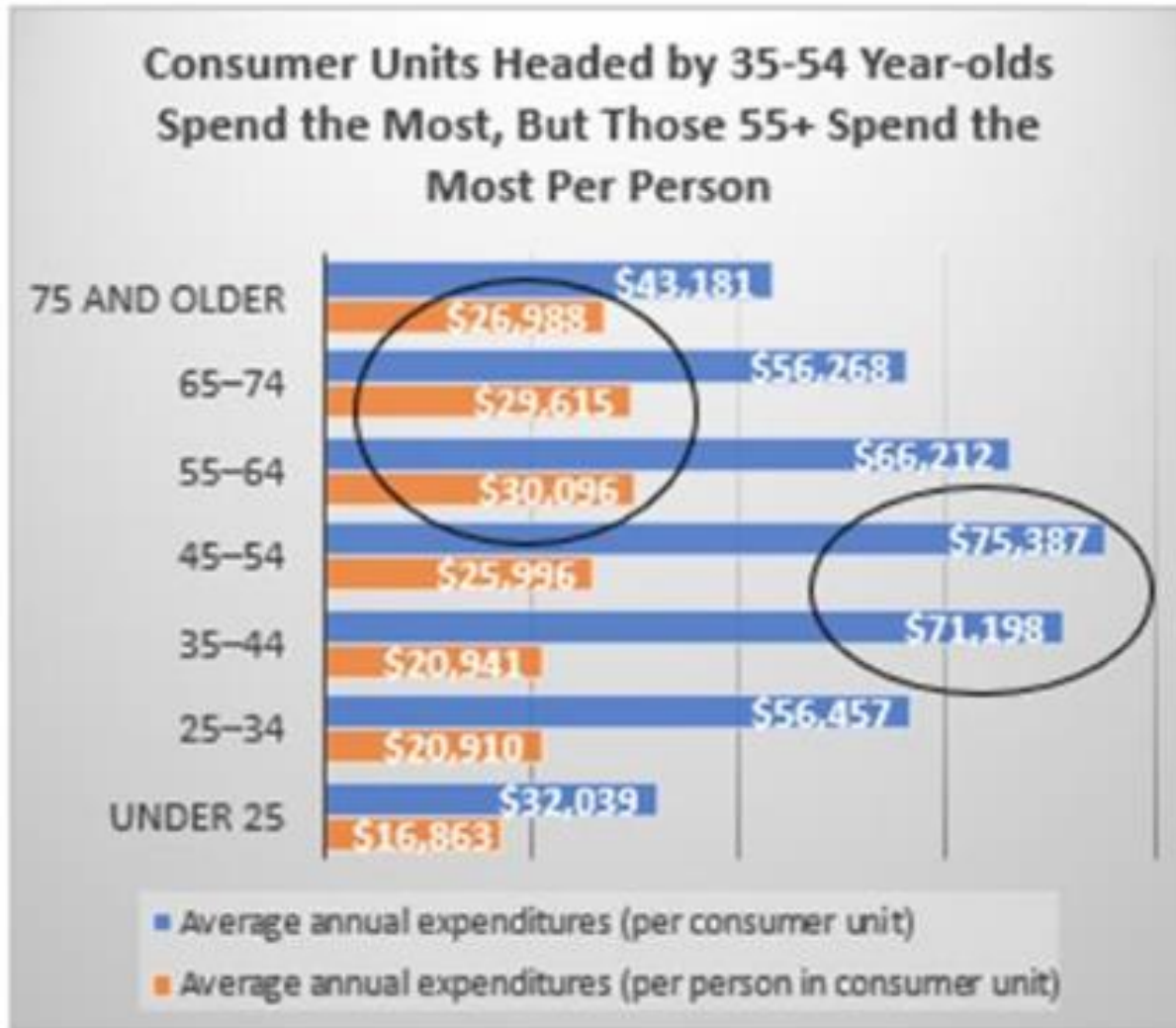
Elderly Income Tax Liability as Percent of Non-Elderly Liability in 2013



As of 2013, depending on the state, seniors could pay as little as 42% of the income tax they would have paid on the same income as a non-senior (in Georgia), or nearly 90% (in Rhode Island). Seniors in six states had less than 50% of the liability of non-seniors, while seniors in ten states (plus the District of Columbia) paid over 80%.

Consumption Taxes

U.S. Spending by Age Group, 2018

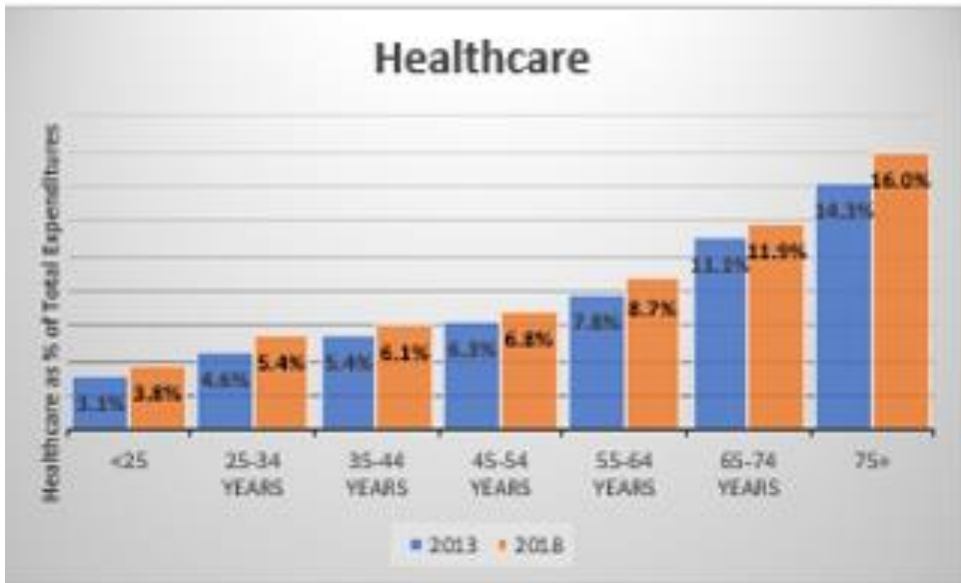
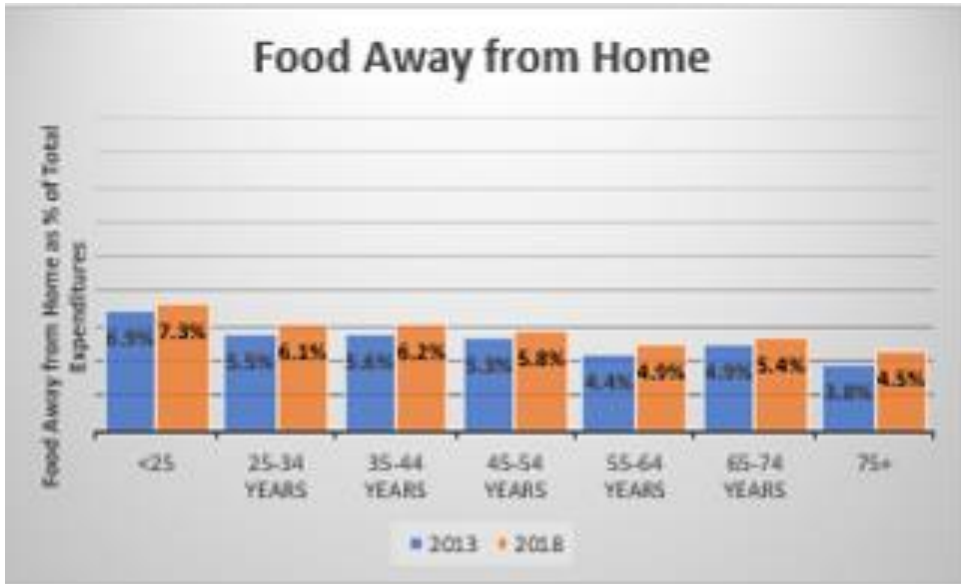


Consumption tax revenue faces downward pressure due to:

1) Lower overall income (fewer peak earners) leads to lower overall spending

Source: Bureau of Labor Statistics Consumer Expenditure Survey, 2018

Proportion of Age Groups' Spending on Select Categories



Consumption tax revenue faces downward pressure due to:

- 1) Lower overall income (fewer peak earners) leads to lower overall spending
- 2) Seniors' spending typically shifts from goods (generally taxable) to services (mostly not taxable)

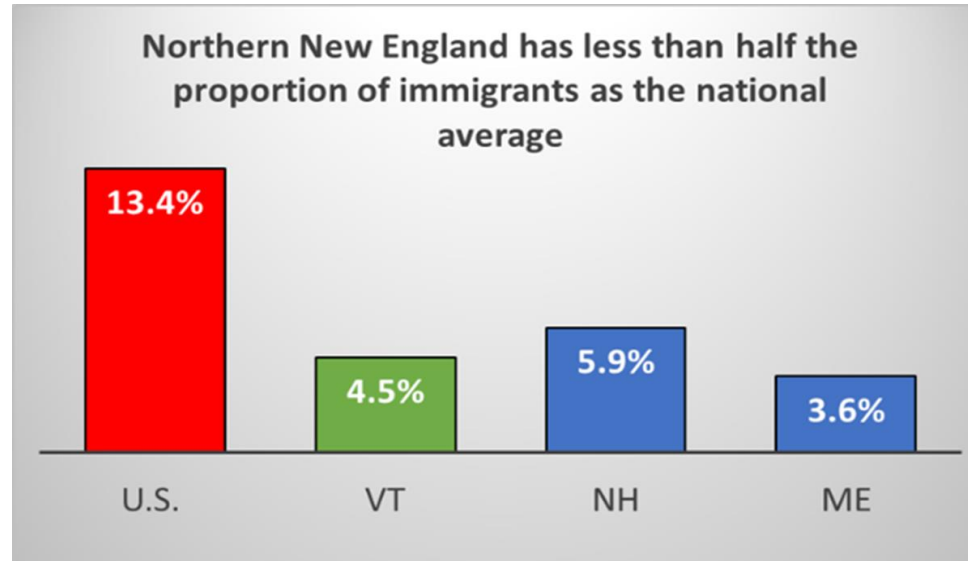
Source: Bureau of Labor Statistics Consumer Expenditure Survey, 2018

Final Thoughts

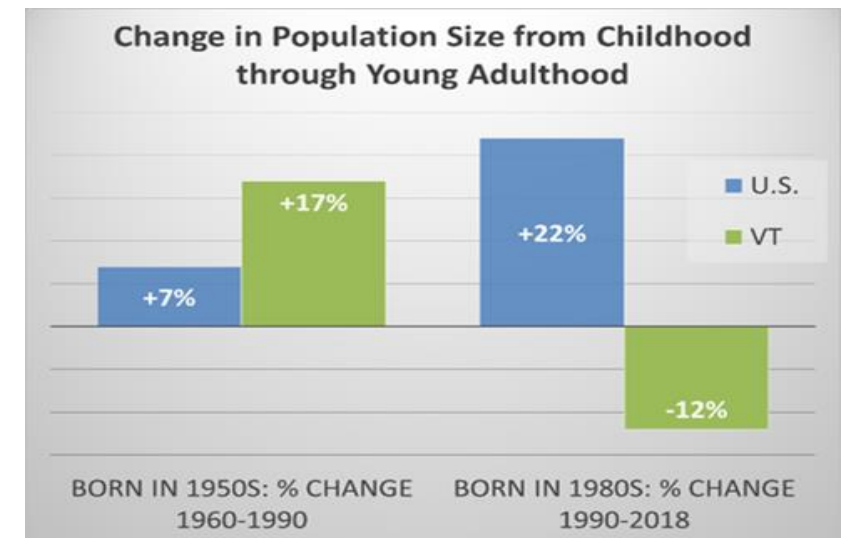
The Wildcards

- Trends Can and Do Change
- In-migration – Both Domestic and International
 - Will this trend change due to COVID, climate change, or other factors?
- Housing – A Population Constraint or Impending Boom?

Immigration



Young adult migration



Recap

- 1) Vermont attracted a lot of baby boomers. As baby boomers age, Vermont gains seniors and loses working age adults and children.
- 2) Vermonters are shifting toward its one metropolitan area and away from rural areas.
- 3) More households with fewer people result in household growth without population growth.
- 4) Population changes will put downward pressure on personal income tax.
- 5) Relative to other states, Vermont's tax structure provides more income tax stability.
- 6) Population changes will likely have minimal impact on consumption tax for several years.
- 7) Trends can and do change. Of the trends outlined in this paper, "More Seniors" seems the least likely to reverse course in the coming decade.
- 8) In-migration, both domestic and international, is crucial for maintaining population stability, achieving generational balance, and addressing workforce shortages...which will then benefit the State's revenue system.

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Executive Summary – Full Report

Tax Structure Commission website:

<https://ljfo.vermont.gov/committees-and-studies/tax-structure-commission>