

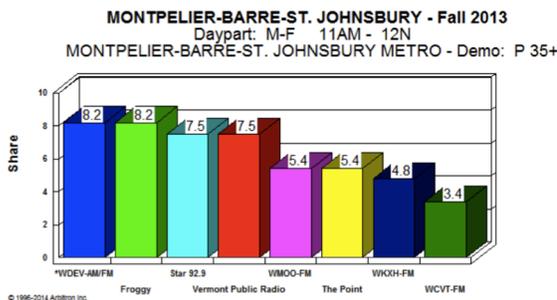
# Ethan Allen Institute

Newsletter - February 2014 (Printer Edition)

## Top Story

### Common Sense Radio Hits #1 in Its Time Slot

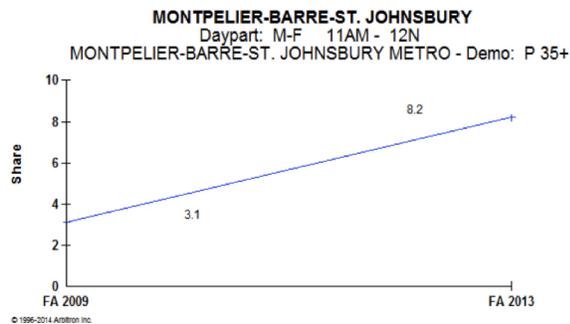
We want to thank the fans of EAI's Common Sense Radio for making the program #1 (tied with Froggy) with listeners 35 and older in our time slot according to the latest Arbitron ratings. Congratulations to Bill Sayre, Rob Roper and Shayne Spence for their work putting together and hosting the show. (Yes, that's us at 8.2 share ahead of VPR at 7.5 – in a market dominated by Montpelier and Waterbury, no less!)



Unfortunately, no good deed goes unpunished, and WDEV has informed us that need to raise the rates we pay to be on the air from \$150 per show to \$175. If you value Common Sense Radio and the voice it gives to you and like-minded Vermonters, we need your help to keep us on the air.

You can donate to the Ethan Allen Institute by sending a check to P.O. Box 543, Montpelier, VT 06601, or online at [ethanallen.org](http://ethanallen.org). We are grateful for your support.

Since the Ethan Allen Institute took over the time 11-noon time slot at WDEV, the listener numbers have exhibited a consistent rise, and we hope to keep spreading the word and reaching more and more Vermonters with our positive, free market message.



### EAI vs. PAI Education Debates Playing to Packed Houses

The Ethan Allen Institute has engaged so far in two of three debates with the Public Assets Institute on the subject of the proper role of government in education. We have focused on comparing and contrasting Vermont's 150-year-old publicly funded

"tuitioning system" with the more common government-run public schools. This is an exciting time to be having this debate, following North Bennington's decision last year to close their public elementary school and open an independent school in its place. Now, we learn that the citizens of Westford will have a non-binding vote on Town Meeting Day to decide whether or not they want to pursue the same course.

The first EAI v. PAI debate took place in December at Lyndon State College. The second took place on January 14 in Manchester, Vermont. Both played to packed houses. The third will take place on February 18th, 5:00 pm, at the State House in Montpelier, and will be moderated by former WCAX reporter and anchor, Kristen Carleson. These debates are free and open to the public, and we encourage all to attend.

These debates were made possible through a generous grant from the Arthur N. Rupe Foundation, and we are grateful for their interest and support.

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## Commentary: The Time of Testing for Independent Schools

*by John McClaughry*

The time of testing for Vermont's non-sectarian independent schools may well be at hand.

A year ago Senate Education chair Dick McCormack (D-Windsor) introduced a bill (S.91) to impose heavy state regulation on any independent schools receiving public tuition payments. The motivation of course came from the public school establishment, including notably the now-departed Education Secretary Armando Vilaseca.

Always alarmed at any threat of competition, the public school establishment was terrified by "North Bennington". In that village the school board increasingly worried that pressure for consolidation, emanating from Montpelier, would force the closure of their beloved village K-8 school.

Over three years the school board and voters preemptively closed their public school. In its place, they issued vouchers to their children to attend whichever public or non-sectarian independent school their parents found most suitable.

From the education establishment's standpoint, this expansion of parental choice was seriously aggravated by the fact that the school board itself engineered the creation of a new independent school, leased to it the former Village School building, and supplied the principal from the former public school.

The legislature temporarily shelved McCormack's bill, and instead mandated a study committee to "research and consider both the opportunities and challenges created by closing a public school with the intention or result of reopening it as an approved independent school that serves essentially the same population of students and receives public tuition dollars."

Five of the 12 committee members came from the independent school sector. The other seven came from the establishment, including the designated chair, Armando Vilaseca.

The committee met three times over last fall. At the final meeting representatives from North Bennington and Winhall, where the same conversion had occurred in 1998, explained in detail why the voters of their communities made their decisions to close a

public school and lease space to a new independent school. Chairman Vilaseca did not attend.

The Secretary had apparently decided that there was no need to reach any sort of consensus or even take votes. Instead, he went off and wrote his own report to the legislature. Committee members saw it only after it was released to the public. State Board of Education Chairman Stephan Morse, a former Speaker of the House, was quoted as saying that in all his legislative experience, he had “never seen anything like this.”

Vilaseca took the opportunity to go well beyond the committee’s charge. His task, as he saw it, was not only to make sure that North Bennington never happens again, but also to suck Vermont’s independent schools far into the suffocating grasp of his Agency of Education.

His first recommendation is commendably clear: “Forbid [by legislation] privatization of a public school,” by which he means closing a public school and simultaneously facilitating creation of a local independent school to receive student tuition payments.

The rest of Vilaseca’s report lists all the requirements he wants to impose on independent schools, such as securing approval to provide special education for all 13 disability categories (whether or not they are needed), offering free and reduced school lunches, and meeting all federal guidelines applicable to public schools, including Adequate Yearly Progress mandated by the Federal NCLB act.

To anyone but a veteran public school bureaucrat, the startling thing about Vilaseca’s report is his evident disbelief that any intelligent and concerned parent would even think about sending a child to an independent school which does not offer state-certified teachers, subsidized lunches, and compliance with mandates such as the Coordinated Interagency Services Plan for Children and Adolescents with Severe Emotional Disturbances (CISPCASED).

Government-funded educators understandably believe that their product is, for all children, superior to any alternative. They believe that all the state mandates, regulations and practices governing their public schools are needed to assure a “quality learning experience”.

Many parents – possibly most parents – believe otherwise. Thousands of them are willing to dig into their own pockets to give their kids what they see as more suitable educational opportunities.

The Vilaseca response is yet another desperate act to protect a government near-monopoly. So is his hijacking of the committee’s report to push for sweeping new regulations designed to drag down the competition.

Gov. Shumlin’s parents had the means to send him to an independent high school in Massachusetts. The governor himself served on the board of the independent Putney Grammar School. If he is confronted with a bill embodying Vilaseca’s recommendations, let’s hope that he acts to preserve and enlarge that same opportunity for more of today’s youngsters, to make the most of their talents in a school, public or independent, that best meets their needs and dreams.

# Commentary: Irreconcilable Differences in Single Payer Promises

*By Rob Roper*

Three years after the passage of Act 48, the law that is supposed to bring single payer healthcare to Vermont, nobody knows exactly what we're getting ourselves into. Promises have been made to different parties with different interests that, now that the rubber is nearing the road, appear to be irreconcilable.

Perhaps the most significant promise made in regard to Green Mountain Care (GMC), as the single payer system will be known, is that it will save money -- or, at least "bend the cost curve" from where we are now -- through greater efficiency.

For businesses, Governor Shumlin has promised repeatedly that enacting single payer will be a positive economic driver for Vermont. It will achieve this by "tak[ing] the burden of providing health insurance off the backs of small businesses," allowing them to instead "invest in job growth and innovation."

Senior citizens, veterans and federal employees have been promised that their Medicare, Tricare and government insurance will remain unchanged. Teachers and state employees are adamant that their coverage won't be diminished.

Single payer activists, "true believers," have been promised that Green Mountain Care will be a clean, government-run single payer system marking a time when healthcare becomes a "human right" -- which many take to mean unfettered and unlimited access to any and all medical care.

But "free", unlimited access to care, benefits packages on par with teachers and state employees, and bending the curve of healthcare spending are promises at tension with one another. So are the concepts of a true (and theoretically more cost effective) single payer system with one that leaves in place Medicare, Tricare, and other federal plans, not to mention the need to service non-Vermont-resident private insurance, and resident-owned supplemental insurance policies.

So, what is the real deal?

Senator Peter Galbraith put forward a funding proposal for GMC that would raise \$1.6 billion through an 11% payroll tax on employers, a 2% payroll tax on employees, and a 10% tax on non-wage income, all subject to income level caps the same as those that currently apply to Social Security taxes. If the cost of GMC turns out to be higher than expected (and two independent studies say it will cost between \$1.9 and \$2.2 billion) Galbraith says we can just ratchet up the rates.

But, a 13% payroll tax breaks the promise to businesses that GMC will take the burden healthcare off of their backs. This is Galbraith's intention. "For those companies, it's a cost transfer," he says. "That is to say they no longer pay the premiums but they pay the payroll tax." In practice, a payroll tax would more firmly affix the burden of providing healthcare onto the backs of businesses as a tax is less flexible than a premium. You can't decide to drop a tax, or choose a different tax plan, and tax laws come with criminal penalties.

As for bending the cost curve, the governor stated back in 2012, "My own view is that the current system that requires employers to pay 10, 11 or 12 percent payroll to cover rising cost of health insurance is too high for business." ([VPR, 7/16/12](#)) Well, 13

percent is even higher than that, and 13 percent represents the best-case scenario for businesses. If the new taxes needed to pay for GMC come to \$2.2 billion, the payroll tax would be around 16.25 percent.

And economic growth and jobs creation? Senate Finance Committee chairman, Tim Ashe, highlighted another problem, “The majority of small businesses in Vermont currently pay nothing for healthcare, because they don’t offer it. . . . Well, if you tell the majority of small businesses in Vermont that they’re going to go from zero percent of payroll to thirteen percent overnight, I think there might be dramatic implications throughout the economy.” (Mark Johnson Show, 1/24/14) Those dramatic implications are not likely to be the promised economic boom.

Another facet of Galbraith’s funding plan is a 10% tax on non-wage income – dividends, interest, capital gains, etc. This in some respects breaks the promise to senior citizens who have invested and saved over their lifetimes and are using the income from private retirement accounts to live on. Their Medicare plan may remain unchanged (though Act 48 does call for folding Medicare into GMC). But the change for seniors will be the fact that they are also paying a 10 percent tax on the first \$113,000 of that investment income to pay for GMC.

The people who would benefit from this funding plan would be those who have no salary and no alternative income. They would pay nothing, unless there are co-pays or deductibles associated with GMC, which is not yet clear. However, co-pays and deductibles are not what “true believer” single payer advocates understand they have been promised.

Though Senator Galbraith contends that, “Whatever we do. . . it will look substantially like this bill. Not because I’m a smart guy, but because there really is no other way to do it,” there are other options for raising \$1.6 billion or more. A progressive income tax with a low bracket of 15% and a high bracket of nearly 25% is one option. An expanded sales tax, including services, clothing, food, etc., at a rate of over 19% is another. These, of course, present serious problems of their own.

It’s clear why advocates of GMC in the State House want to put this debate off until after the 2014 election. It’s also clear why the public should not let them.

## Commentary: Vermont’s Gosplan for Energy

*By John McClaughry*

Vermont’s new Gosplan for Energy Control is now well on its way to fruition. “Gosplan” was the name of the Soviet Union’s State Economic Plan, initiated by Stalin in 1928 and continued until the final collapse of that regime in 1991. Its purpose was to correctly allocate all the economic and natural resources of the Soviet Union according to Marxist-Leninist priorities.

Vermont’s energy Gosplan will be finalized next spring. The draft Department of Public Service’s Total Energy Study released last month proposes to “identify the most promising policy and technology pathways to employ in order to reach Vermont’s energy and greenhouse gas goals.”

Those key legislative goals were set by two statutes. Act 168 of 2006 established the goal of reducing greenhouse gas emissions to 25% of their 1990 level by 2050. Act

89 of 2013 implicitly ratified Gov. Shumlin's Comprehensive Energy Plan of 2011, which declared that Vermont must "attain 90% of its energy from renewable sources by mid-century." (We are now at 16%).

DPS has done a very creditable job in producing a 35-page document upon which legislators can make decisions. But because the politicians have already decided to do whatever it takes to radically reduce greenhouse gas emissions and increase renewable energy consumption, the DPS report cannot even hint that the whole exercise is likely to be a costly, intrusive, and unattainable pipe dream.

The Report describes five "pathways" toward achieving the two goals. In examining these pathways, citizens should bear in mind that the State has three major ways of forcing you to do what it decrees. They are Coercion, Confiscation, and Punishment.

That is, the state can order you to act or not act, confiscate your resources and incomes to pay for the State's spending, and punish you for noncompliance. The Report "pathways" rely upon the State's powers to coerce and confiscate – and implicitly punish – in order to achieve the two goals.

The Report's leading proposal is the Total Renewable Energy and Efficiency Standard (TREES). Under it, every energy producer would have to meet a state-specified fraction of renewable sourcing, or else purchase certificates from others who have been "awarded" more than they need.

This corruption-prone cap-and-trade variant brings to mind the Chinese and Indian factories that were awarded European Community Clean Development Mechanism certificates for destroying harmful greenhouse gases. Until last May the factories had produced thousands of tons of unsalable HFC-23 gas, then destroyed it in order to pocket billions of euros from selling the CDM certificates.

A second proposal is "a small economy-wide carbon tax, used to raise revenue applied to programs directed at making it easier for obligated parties to meet their target obligations." The state would tax the carbon content of fuels to make their prices reflect "the social costs of emission" of carbon dioxide, as determined, of course, by State experts.

The Report postulates that the carbon tax would be "revenue neutral", but in the next breath it says that the reduction in other taxes and fees might "not quite cancel the net revenue impact, thereby generating net revenue."

The report is silent as to who would set the carbon tax rates, but given the feckless legislature's abdication of its constitutional duty to establish tax rates, most likely it will hand the task over to the Public Service Board. The PSB will then set tax rates to raise whatever it thinks the Gosplan bureaucracy needs, as it has since 2006 with the energy efficiency charge on your electric bill.

The report notes that "allocation of limited carbon tax revenue to the correct programs to best address market challenges would require a flexible and informed priority-setting process." Indeed it will, by Gosplan bureaucrats constantly pressured by industry and environmental "stakeholders" seeking special deals.

There are three more "pathway" variants, but regardless of which combination is chosen by the legislature, there will be one inescapable result. A coterie of skilled administrators, economists and regulators will make decision after decision to impose new taxes and to continually adjust the "complementary programs" inevitably needed to keep their grand scheme from running off the rails. All this will be in pursuit of two arbitrary goals set by politicians too many of whom, alas, have little idea how what they

are doing will impact ordinary people.

What's the right course of action? Scrap the 2006 greenhouse gas goals, disavow Gov. Shumlin "90% renewable by 2050" diktat, forever renounce "taxation by unaccountable strangers", give up on setting a noble example for the rest of the world, drop the Gosplan idea off at the recycling station, and let free Vermonters make and pay for their own decisions about the energy they produce and consume.

- *John McClaughry is vice president of the Ethan Allen Institute*

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## Events

**February 3.** Rob Roper presents Triumph of Liberty to the Montpelier Rotary Club. If you'd like to schedule a presentation for your organization contact [rob@ethanallen.org](mailto:rob@ethanallen.org).

**February 8.** Williston: Williston Central School Auditorium, 195 Central School Drive, 4:00p.m. "Vermont's Experiment." A 30 minute documentary film brought to you by Vermonters for Helathcare Freedom highlighting Vermont's single payer experiment with real life stories from Canadians who have suffered under single payer and doctors who have practiced under the single payer system. See other dates below.

**February 9.** "Vermont's Experiment." Rutland, College of St. Joseph, Tuttle Hall Auditorium, 71 Clement Road, 4:00p.m.

**February 18.** The third and final EAI vs. PAI Debate on the role of government in Education will take place at the State House, Room 11 at 5:00 pm.

**February 20.** Rob Roper presents Triumph of Liberty to the Brattleboro Rotary Club. If you'd like to schedule a presentation for your organization contact [rob@ethanallen.org](mailto:rob@ethanallen.org).

**March 13.** Equinox Village in Manchester Vermont from 4:00 to 5:30 PM, EAI president Rob Roper will lead a discussion on education and politics, framed as the contrast between people and groups solving their own problems versus the government collecting taxes and trying to solve the problem.

**March 29.** "Vermont's Experiment." St. Johnsbury, Catamount Art Center, 115 Eastern Avenue, 4:00p.m.

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## Roll Call Reports

H.655 - AN ACT RELATING TO 2014 BUDGET ADJUSTMENTS. Passed in the in the State House of Representatives on January 24, 2014, by a vote of 110-33. The adjustment would increase spending in the FY2014 budget by \$12.6 million.

S.82 – AN ACT RELATING TO CAMPAIGN FINANCE LAW. Passed in the State Senate on January 16, 2014 by a vote of 20-8. This bill sets the donation limits and regulations for Vermont’s elections.

S.82 – AN ACT RELATING TO CAMPAIGN FINANCE LAW. Passed in the State House of Representatives on January 9, 2013, by a vote of 124-15. This bill sets the donation limits and regulations for Vermont’s elections.

Note: Governor Shumlin signed S.82 into law. It will take effect in 2015.

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## News & Views

**State Fiscal Condition.** The Mercatus Center rankings of state fiscal condition (January 2014) show these results for Vermont: Cash solvency: 26th. Budget solvency: 31st. Long Run Solvency: 35th. Service Level Solvency: 47th. Fiscal condition: 38th.

**Latest Jobs Numbers.** The December 2013 Bureau of Labor and Statistics report says Vermont’s labor force decreased from November by 916 from 350,833 to 349,917. Unemployment decreased by 686 from 15,385 to 14,699, and the unemployment rate dropped from 4.4% to 4.2%.

**Retirement Fund Update.** According to the 2013 actuary’s report, the unfunded accrued liabilities of the two state retirement funds (including health benefits) are: VSERS (state employees) \$1.378 billion; VSTRS (teachers) \$1.871 billion. Total: \$3.248 billion.

**Renewable Corporate Welfare Results.** “SPEED, 2.2 MW or less, produced 0.8% of [Vermont’s] electricity consumption in 2013, after investments of about \$150 million over 3.5 years. SPEED, greater than 2.2 MW, produced 4.1% of consumption in 2013, after investments of about \$320 million over 3.5 years.” - Willem Post (from PSB SPEED website, 1/19/14)

**Legislators Propose 44% to 72% Increase In Minimum Wage.** A quad-partisan (?) group of legislators proposed a “bill of economic rights” for low income Vermonters, including a minimum wage increase from \$8.73 to \$12.58 or even \$15.00 per hour. Those are increases of 44% and 72% respectively. The largest single increase in the Vermont minimum wage to date was the 8% increase from \$6.25 to \$6.75 in 2004.

**Making Independence Work:** “We have two more kids than last year, two less staff members, better programs, and an overall savings of right around \$200,000” Tom Martin, headmaster at the North Bennington Village School.

**Vermont2A.** A coalition of concerned citizens and organizations has come together to share information and resources in an effort to protect our state and federal rights from the out-of-state anti-gun lobby. You can learn more at <http://www.vermont2a.com/>

**Climate change is solving climate change, and that's a bad thing.** In 2006 the legislature determined that Vermonters must reduce their greenhouse gas emissions to 25% below 1990 levels by January 1, 2012. On December 8, 2013, ANR Secretary Deb Markowitz announced that in fact Vermont's GHG emissions were exactly at 1990 levels, not 25% below as required by law. "The good news is that we are headed in the right direction," said Markowitz. A major factor the achieved reduction to date appears to be warmer winters. Sandra Levine of the Conservation Law Foundation said, "No one should cheer that warmer winters may be helping. Climate change is an economic and environmental disaster for the country." (AP 12/8/13) A few more warm winters and we are ruined! We hope Ms. Levine enjoyed January.

**Pelham on the Budget:** "Rather than guide our fiscal ship toward safer waters, [Gov. Shumlin's budget] proposal leaves Vermont's budget heavily dependent on one-time, non-recurring funds; grows state spending by 5 percent — a rate much higher than paycheck increases and underlying economic growth; finds the state employees' and teachers' pension funds worse off this year than last; and leaves property tax payers holding the bag for no-show leadership on education funding reform." -- Tom Pelham, former finance commissioner in the Dean Administration and tax commissioner in the Douglas administration.

**Anatomy of a Single Payer Train Wreck.** Act 48 provides that a thorough economic analysis must be done before Vermont finally decides to go forward with Green Mountain Care, and that the train that is presently hurtling down the tracks be stopped if the economic analysis shows that going ahead will be detrimental to the economy. My problem is that if the same people who are so ideologically committed to a single-payer system are the people who do the economic analysis, there is virtually no chance that they will decide to apply the brakes at the last minute. In my judgment, we're looking at a train wreck. — Rep. Tom Koch (R-Barre Town)

**"Misleading motivator" is a euphemism for what?** Jonathan Gruber, the MIT professor and Obamacare advocate recently admitted to the Washington Post that financial savings are not really a goal of reform. "I would view it as part of a broader set of evidence that covering people with health insurance doesn't save money. That was sometimes a misleading motivator for the Affordable Care Act. The law isn't designed to save money. It's designed to improve health, and that's going to cost money." Just one of the things, having passed the bill, we're finding out is in it.

**Self-Pay Patient.** For an excellent summary of ways to cover your medical expenses in the ObamaCare age, visit [www.selfpaypatient.com](http://www.selfpaypatient.com). There you can also buy Sean Parnell's *The Self-Pay Patient: Affordable Healthcare Choices in the Age of Obamacare*.

**Reach for Your Checkbook.** "Bloomberg reports today [1/18/14] on a United Nations Intergovernmental Panel on Climate Change draft estimate that limiting global warming to 2 degrees Celsius would cost 4 percent of global gross domestic product in 2030, which works out to a projected \$3.8 trillion in today's dollars." If it doesn't work, can we get our money back?

**On the State of the Union.** "It used to be the networks only showed the president walking down the aisle after his presence was dramatically announced. Now every

cabinet-level officeholder marches in, shaking hands and high-fiving with breathless congressmen. And why not? No matter how bland and banal they may look, they do have the power to destroy your life—to declare the house you just built as in violation of EPA wetland regulations, to pull your kid's school placement, to define your medical coverage out of existence.” – Peggy Noonan

**Cicero on Respect for Property:** “The chief purpose in the establishment of constitutional state and municipal governments was that individual property rights might be secured. For, although it was by Nature's guidance that men were drawn together into communities, it was in the hope of safeguarding their possessions that they sought the protection of cities... it is the peculiar function of the state and the city to guarantee to every man the free and undisturbed control of his own particular property.” (De Officiis 73, 78)

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## Book of the Month

### Lord Mansfield

*Justice in the Age of Reason*

By Norman S. Poser

403 pages

McGill - Queen's University Press

The author, Norman S. Poser, is Emeritus Professor of Law at the Brooklyn Law School.

I begin this review with an admission. I completed 3 years of study at Yale Law School and have no recollection of Lord Mansfield's importance in the development of English law. I have plugged the hole in my legal education by reading Poser's excellent “Lord Mansfield” a biography of an important figure in English history and thus in American history.

Mansfield was a Scot born near Perth in 1705. His family name was Murray. Poser skillfully takes us through the complex religious and political landscape of early 18th century England. As a Scot, Murray faced suspicion, even hostility from the English who had thwarted the move toward an independent Scotland. Despite that adversity Murray's parents sent the 13 year old David to London for his education. The boy traveled alone on his horse from Scotland to London. That was a hazardous trip for anyone. Murray's courage presaged his willingness to accept challenges in his legal career.

One of the several entertaining aspects of Poser's book is his weaving Murray's life into the colorful tapestry of London in the early 1700's. London was the home of merchants, traders, inventors, bankers, artists, artisans, thugs, petty criminals, prostitutes, and filth. London was dirty and disease was endemic. Poser shows how Murray as the Lord chief justice shaped the law to deal with both financial and environmental issues in 18th century England. Poser's recounting of Murray's education and early career shows the respect the author has for Murray's intellect. Murray aided his natural talent by marrying a noble woman.

A subtitle of this book could be “The Modernity of Lord Mansfield.” Mansfield died 250 years ago but his jurisprudence remains a force in American courts as well as those of the former British Empire. Mansfield’s influence is evident even in Israel where a court recently cited one of his legal opinions.

The pith of Poser’s book is the author’s account of Mansfield’s contribution to commercial and financial law. Mansfield developed “principals and rules upon which merchants, lawyers, and judges could rely.” One of the most important of Mansfield’s contributions is the definition of negotiable instrument and the holder of such an instrument in the due course of business.

What is a negotiable instrument? Currency is one. An endorsed check is another. Mansfield developed the rule that a person who comes into the possession by nefarious means of a negotiable instrument may still be held to be the legitimate owner. The person who accepts the currency or check must have no reason to doubt the legitimacy of the apparent owner.

The law of negotiable instruments is the foundation of financial transactions. Poser attributes to Mansfield the legal durability of our modern financial markets. One of the strengths of Poser’s biography is to make intelligible the importance of law to the development of commerce, banking, and capitalism. While of academic merit, much in Poser’s work is colorful including the review of capital punishment in England of the 1700’s. It’s not for the squeamish.

Mansfield died in 1795 and was interred in Westminster Abby. The resting place of the great figures in English history.

- Review by George Rieger, a member of the Ethan Allen Institute advisory board

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## Final Thought

### Vermont’s Hostility Toward the Self-Employed

*by an Anonymous Professional Tax Preparer*

I do not understand why the legislature has such contempt for the self-employed in this state:

1. Several years ago the legislature eliminated several deductions from Household Income (which is used to calculate the property tax credits) while maintaining the same deductions for employees. Due to testimony from the tax practitioner community, some of these deductions were restored, but the state continues to disallow the deduction of retirement plan contributions which are still allowed for employees.

There seems to be a perspective amongst many legislators that the self-employed are able to take deductions on their income tax returns that employees are not entitled to thereby giving them some sort of advantage. This notion is misguided. While it is true that the self-employed are entitled to deductions that are not easily taken by employees under the federal tax code, the vast majority of these deductions are for expenses that employees do

not have to incur or pay for in the first place such as office rent, equipment, computers, business vehicles, advertising, insurance, reference materials, professional development, telephone, utilities and staff.

2. Up until 2014, a self-employed taxpayer had to add depreciation back in to income when the GMC determined premiums for VHAP and Green Mountain Care.

There is a particular misunderstanding about depreciation. Some legislators seem to think that this is not a real expense and gives the self-employed an advantage. This is simply not true. Depreciation represents the ratable deduction of the purchase cost of a business asset over many years. Many large assets such as buildings, vehicles and equipment are financed. While the taxpayer has the real expense of paying monthly for these loans, only the interest, not the principal is deductible. The deduction for the principal cost of the asset is taken by means of depreciation. The concept that depreciation offers an advantage to the self-employed is a fantasy.

3. While over 80% of Vermonters are currently exempt from the requirements of the ACA, 100% of the self-employed have been forced into the dysfunctional exchange and its associated glitches, failures, lack of adequate help, misinformation, higher premiums and out-of-pocket costs, smaller networks and stress.

4. Now along comes Senator Galbraith with his proposal that the self-employed pay 1.5% of net income in an additional tax while at the same time we still have to pay 100% of our medical insurance premiums. I wonder if the various school districts would be able to pass this cost onto their teachers. I doubt it.