

Vermont Legislature Overrides Governor's Veto of State Budget, Enacts New Payroll Tax

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The Vermont Legislature has overridden Governor Phil Scott (R)'s veto of the state's USD 8.5 billion Budget for fiscal year 2024 ([H.494](#)), as well as Governor Scott's veto of [H.217](#), which includes a new payroll tax. H.494 notably apportions revenues from the new payroll tax to an expansion of the state's childcare program. As a result of the overrides, effective 1 July 2024, Vermont will impose the new payroll tax at the contribution rate of:

- 0.44% for employees; and
- 0.11% self-employed individuals.

Last month, Governor Scott vetoed H.494, criticizing its reliance on the "new and regressive" payroll tax on wage income and self-employed net income tax (see [Vermont Governor Vetoes Largest Budget in State History, Citing Increase in Payroll Taxes, Other Fees \(1 June 2023\)](#)). Asserting that Vermont has one of the highest tax burdens in the United States, the Governor subsequently [vetoed](#) H.217. According to the Governor, "[r]aising new revenue from taxes and fees should be a last resort, not a first step."

The state's House of Representatives (voting 116-31) and Senate (voting 23-7) approved H.217 on 20 June 2023. Meanwhile, the House, (voting 105-42) and Senate (voting 25-5) approved H.494 on the same date. The Legislature delivered the bills' passage to the Secretary of State on 23 June 2023.