

Vermont Governor Vetoes Largest Budget in State History, Citing Increase in Payroll Taxes, Other Fees

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On 27 May 2023, Vermont Governor Phil Scott (R) vetoed the state's fiscal 2024 budget bill ([H.494](#)), which exceeded USD 8.5 billion and was set to be the largest budget in state history. In his [veto letter](#) to the legislature, Governor Scott criticized the estimated USD 1,200 average impact on households as a result of the budget's increase in multiple taxes and fees, including the budget's reliance on the passage of a "new and regressive" 0.44% payroll tax on wage income and 0.11% tax on self-employed net income, both included [H.217](#), which has yet to be enacted into law.

Although the new payroll taxes are intended to largely fund an expansion to the state's childcare program, the Governor countered that his [budget proposal](#) would annually increase childcare funding by approximately USD 56 million without the introduction of any new taxes.

Governor Scott also criticized the budget's 20% increase to the state's Department of Motor Vehicles fees, which, according to the veto letter, would make Vermont the most expensive state in the Northeast for maintaining a driver's license and registering a vehicle.

Governor Scott also voiced his concerns regarding the budget's substantial increase in ongoing base spending, which exceeds twice the rate of current inflation and fails to include the total cost of new programs, such as universal school meals and a clean heat standard, that rely on additional tax revenues adding to Vermont residents' costs going forward.

H. 494 was passed in the state's Democratic-controlled legislature with a vote of 90 to 53 in the House and 24 to 5 in the Senate. Vermont Senate President Pro Tempore Philip Baruth called the veto "disappointing" and said senators "will need to recalibrate our approach as we work with our partners in the House on a response to the governor's action."

The Vermont legislature is due to reconvene 20 June 2023 to evaluate an override of the Governor's veto.