



February 4, 2016

Hon. Tim Ashe, Chairperson
Senate Finance Committee
Vermont State House
115 State Street
Montpelier VT 05633-5301

Dear Chairperson Ashe:

Thank you for taking the time to hear from VLCT regarding revenues to support municipal efforts to regulate the manufacture of marijuana products and their consumption in accordance with the law and municipal regulations.

I understand that the committee was told that cities and towns have authority to enact local option taxes today. As your committee knows and has been working to remedy, that is not quite accurate.

Pursuant to 24 V.S.A § 138:

... (a)(2) a municipality opting to impose a local option tax may do so prior to July 1, 1998 to be effective beginning January 1, 1999, and anytime after December 1, 1998 a local option tax shall be effective beginning on the next tax quarter following 90 days' notice to the Department of Taxes of the imposition; and
(3) a local option tax may only be adopted by a municipality in which:
(A) the education property tax rate in 1997 was less than \$1.10 per \$100.00 of equalized education property value; or
(B) the equalized grand list value of personal property, business machinery, inventory, and equipment is at least ten percent of the equalized education grand list as reported in the 1998 Annual Report of the Division of Property Valuation and Review; or
(C) the combined education tax rate of the municipality will increase by 20 percent or more in fiscal year 1999 or in fiscal year 2000 over the rate of the combined education property tax in the previous fiscal year.

Those municipalities may adopt a one percent meals, rooms, and alcoholic beverage, or sales tax. Local option sales taxes are assessed in Burlington, Colchester, Dover, Killington, Manchester, Middlebury, Rutland Town, St. Albans Town, South Burlington, Stratton, Williston, Wilmington, and Winhall.

Local option meals, alcoholic beverages, and rooms taxes have been adopted in Brattleboro, Colchester, Dover, Killington, Manchester, Middlebury, Rutland Town, St. Albans Town, South Burlington, Stowe, Stratton, Williston, Wilmington, Winhall, and Woodstock.

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Some of those municipalities are enabled to adopt a local option tax pursuant to 24 V.S.A. § 128. Voters in other municipalities have approved charter change provisions to enact a local option tax. Those charter changes must be approved by the legislature. This is by no means a foregone conclusion – last session, Colchester's charter change was

only approved one day before adjournment. Your committee – indeed, the entire Senate – has supported extending local option taxing authority to all cities and towns on multiple occasions. VLCT strongly supports providing that revenue-raising option to local governments. The House, however, has never agreed to grant that authority to cities and towns generally.

The local option taxes that have been approved and enacted are limited in several ways that would not be helpful in the context of marijuana legalization. First, 30 percent of local option tax revenues are remanded to the state and those are the dollars that pay for the buildings payment in lieu of taxes program. Second, the local option tax is assessed on all sales that are not exempt from sales tax under state statute. There is not authority for local governments to assess a sales tax on just one product. We believe that a local option sales tax on marijuana should be assessed on just marijuana products, and that all such revenues raised in the municipality should remain in the municipality.

Thank you for your interest in this issue and in your continuing support for enabling municipalities to enact a tax other than the property tax to help cover the ever increasing demand for services from local government.

Sincerely,

A handwritten signature in cursive script that reads "Karen B. Horn".

Karen Horn, Director
Public Policy and Advocacy