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# Testimony Regarding Local Option Tax to the House Ways and Means Committee



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Testimony of the Vermont League of Cities and Towns Ted Brady, Executive Director House Ways and Means Committee Regarding H.546 (Local Option Tax) May 2, 2024

The Vermont League of Cities and Towns enthusiastically supports inclusion of Section 20 of the Senate Proposal of Amendment to H. 546 – authorizing voters of all Vermont municipalities to enact a local option tax at an annual or special meeting by majority vote.

More than a third of Vermont municipalities – VLCT estimates 92 in total – already have this authority, and I encourage the committee to include this provision in an attempt to provide equity to all of Vermont's municipalities.

In 2015, VLCT looked at data from the Department of Taxes and JFO and estimated that 76 communities were given this authority with Act 60 – in recognition that increased education property tax pressure would negatively impact the municipalities' revenues.



One of the qualifiers was if "the combined education tax rate of the municipality will increase by 20 percent or more..." then the community qualified to adopt a local option tax. Given many Vermont municipalities will experience a similar education property tax increase this year – it seems appropriate that the State recognize the pressure this puts on municipal budgets, and authorize local option taxes to offset those pressures. I've included a list of those 76 municipalities with my testimony. Sixteen of these communities have implemented some sort of local option tax.

Another 16 cities and towns have implemented a local option tax through charters. Meaning 32 of the 92 communities authorized to have a local option tax have implemented one.

While VLCT appreciates that the Legislature has never voted down a charter change with a local option tax provision, we find the charter process to be a cumbersome and inequitable way to treat the 155 municipalities that could only implement a local option tax by creating or amending a charter. Only 63 cities and towns have charters (another 21 villages are also chartered). It seems unnecessary to require a town to adopt a charter only to implement a local option tax that is almost sure to pass in this building and which more than a third of Vermont communities already have the authority to do. Creating a charter costs money and time that most municipalities don't have.

This is a particularly important time to enable municipalities to implement local option taxes because more cities and towns can benefit from them than ever before. Prior to the Wayfair decision, local option sales tax didn't apply to online purchases. Now they do. Prior to the state taxing short term rentals, local option taxes didn't apply. Now they do. Short term rentals pose a particularly compelling argument to allow more towns to adopt local option taxes, as they are present in almost every city and town in Vermont and generate quite a bit of controversy and work for municipalities. While previously only



market towns could benefit from local option taxes, today, any town can.

I also understand the Legislature and Tax Department may be concerned that making it easier to adopt a local option tax could result in a surge of adoption. I believe history quells this concern. Of the 76 communities authorized to adopt local option taxes in Act 60, only 16 have done so in a quarter century. While there may be a modest increase from the one to three municipalities adopting local option taxes a year as a result of this authorization, I do not believe there will be a significant increase in adoptions.

Finally, this committee received testimony on the local option tax from the Department of Taxes at the beginning of the biennium. On January 11, 2023, the Department outlined the complexities associated with collecting local options taxes and how they are overcoming them. During that testimony, the Department shared that the implementation and collection of local jurisdiction taxes is very common across the country, and state governments and businesses have found ways to comply. The Department also shared that a new tool created by VCGI – the Local Option Tax Finder – was helping businesses and customers comply. And they shared that they share information with the Streamlined Sales Tax Alliance that is used by many firms across the country to overcome those complexities. I understand many third-party vendors have also created solutions that overcome the complexities.

I hope you'll agree that now is the right time to give parity to the 155 municipalities that do not currently have the authority to implement local option taxes. Thank you for your time.

## VERMONT CITIES AND TOWNS CURRENTLY ELIGIBLE TO ENACT LOCAL OPTION TAXES UNDER ACT 60



AthensGrotonOrangeVergennes IDBatimoreIrasburgPawletVershireBanardIsle La MotteParuVictoryBerkshireJamaicaPitsfieldWareshoreBertinJayPitsfordWarenBethelKilingtonPitmouthWest HavenBratteboroKirbyReadingWest MotosoreBrightonLandgroveReadsboroWest MotosoreClarendonLondonderyRoyatonWest MotosoreDoserLudowRygateWillistonEdenLudowSandgatoWillistonEdenMachesterSandgatoWinduEdenMachesterSandgatoWinduFarfarMachesterSandgatoWinduFairfarMachon SpringeSindifieldWoodsockFairfardMoranStanardVersterFaystonMictabor SpringeStanardVersterGranbyMot HeroStatonIsotanusty.	Andover	Greensboro	Norton	Troy
BarnardIsle La MottePeruVictoryBerkshireJamaicaPittsfieldWardsboroBerkinJayPittsfordWarrenBethelKillingtonPlymouthWest HavenBrattleboroKirbyReadingWest WindsorBrightonLandgroveRoyaltonWestonOrsetLowellRuland TownWillistonDoverLudlowRyegateWilmingtonEasex Junction IDMaidstoneSearsburgWindhamFairfaxMendonSheldonWoodfordFairfaxMiddetown SpringsSpringfieldWoodstockFairfanMorganStoweWice	Athens	Groton	Orange	Vergennes ID
Arrive BerkshireJamaicaPittsfieldWardsboroBerlinJayPittsfordWarenBethelKillingtonPlymouthWest HavenBrattleboroKirbyReadingWestWindsorBrightonLandgroveReadsboroWestmoreClarendonLondonderryRoyaltonWestmoreDorsetLoudouRutand TownWillistonDoverLudlowSandgateWilningtonEdenLunenburgSandgateWinhallEsex Junction IDMatchesterSheffieldWoodfordFairfaxMendonSheffieldWoodstockFairfieldMorganSpringfieldTowestockFairfortMinganStanardTowestockFairfortMiraborStanardTowestockFairfortMiraborStanardTowestockFairfortMiraborStanardTowestockFairfortMiraborStanardTowestockFairfortMiraborStanardTowestockFairfortMiraborStanardTowestockFairfortMiraborStanardTowestockFairfortMiraborStanardTowestockFairfortMiraborStanardTowestockFairfortMiraborStanardTowestockFairfortMiraborStanardTowestockFairfortMiraborStanardTowestockFairfortMiraborStanardTowestockFairfortMirab	Baltimore	Irasburg	Pawlet	Vershire
BerlinJayPittsfordWarrenBethelKilingtonPymouthWest HavenBrattleboroKirbyReadingWest WindsorBrightonLandgroveReadsboroWestmoreClarendonLondonderryRoyattonWestmoreDorsetLowellRutand TownWillistonDoverLudlowSandgateWilningtonEdenMachesterSandgateWindhamEssex Junction IDMaidstoneSheffieldWoodfordFairfaxMendonShefieldWoodfordFairfakMindletown SpringeSpringfieldVertownFaystonMorganStonardVertownMathabarStonardStonardVertownFaystonMorganStonardVertownMathabarStonardStonardVertownFaystonMorganStonardVertownMathabarStonardStonardVertownMathabarStonardStonardVertownFaystonMathabarStonardVertownMathabarStonardStonardVertownMathabarStonardStonardVertownMathabarStonardStonardVertownMathabarStonardStonardVertownMathabarStonardStonardVertownMathabarStonardStonardVertownMathabarStonardStonardVertownMathabarStonardStonardVertown	Barnard	Isle La Motte	Peru	Victory
ActionYBethelKillingtonPlymouthWest HavenBrattleboroKibyReadingWest WindsorBrightonLandgroveReadsboroWestmoreClarendonLondonderryRoyaltonWestonDorsetLowellRutand TownWillistonDoverLudlowSandgateWindngonEdenLunenburgSandgateWindhamEssex Junction IDMaidstoneSheffieldWoodfordFairfaxMendonSheldonWoodfordFairfaldMidletown SpringsSpringfieldVertonFaystonMorganStanardVertonGraftonMit TaborStoweVerton	Berkshire	Jamaica	Pittsfield	Wardsboro
BrattleboroKirbyReadingWest WindsorBrightonLandgroveReadsboroWestmoreClarendonLondondernyRoyaltonWestonDorsetLowellRutland TownWillistonDoverLudlowRyegateWilmingtonEdenLunenburgSandgateWinhallEssex Junction IDMaidstoneSheffieldWoodfordFairfaxMendonSheffieldWoodfordFairfieldMidletown SpringsSpringfieldViodstockFaystonMorganStoweVion	Berlin	Jay	Pittsford	Warren
RightonLandgroveReadsboroWestmoreClarendonLondonderryRoyaltonWestonDorsetLowellRutland TownWillistonDoverLudlowRyegateWilningtonEdenLunenburgSandgateWindhamEssex Junction IDMaidstoneSearsburgWinhallFairfaxMendonSheffieldWoodfordFairfaxMidletown SpringfsSpringfieldVoodstockFaystonMorganStoweVowe	Bethel	Killington	Plymouth	West Haven
ClarendonLondonderryRoyaltonWestonDorsetLowellRutland TownWillistonDoverLudlowRyegateWilmingtonEdenLunenburgSandgateWindhamEssex Junction IDMaidstoneSearsburgWinhallFairfaxMendonSheffieldWoodfordFairfakMiddletown SpringsSpringfieldStannardFaystonMorganStoweStowe	Brattleboro	Kirby	Reading	West Windsor
DorsetLowellRutland TownWillistonDoverLudlowRyegateWilmingtonEdenLunenburgSandgateWindhamEssex Junction IDMaidstoneSearsburgWinhallEssex TownManchesterSheffieldWoodfordFairfaxMendonSheldonWoodstockFairfayMidletown SpringsSpringfieldVerotecterFaystonMorganStannardVerotecterGraftonM. TaborStoweVerotecter	Brighton	Landgrove	Readsboro	Westmore
DoverLudlowRyegateWilmingtonEdenLunenburgSandgateWindhamEssex Junction IDMaidstoneSearsburgWinhallEssex TownManchesterSheffieldWoodfordFairfaxMendonSheldonWoodstockFairfeldMidletown SpringsSpringfieldVerotectFaystonMorganStoweVerotect	Clarendon	Londonderry	Royalton	Weston
EdenLunenburgSandgateWindhamEssex Junction IDMaidstoneSearsburgWinhallEssex TownManchesterSheffieldWoodfordFairfaxMendonSheldonWoodstockFairfieldMiddletown SpringsSpringfieldStoweFaystonMorganStoweStowe	Dorset	Lowell	Rutland Town	Williston
Essex Junction ID Maidstone Searsburg Winhall Essex Town Manchester Sheffield Woodford Fairfax Mendon Springs Sheldon Woodstock Fairfield Middletown Springs Springfield Fayston Morgan Stannard	Dover	Ludlow	Ryegate	Wilmington
Essex Town Manchester Sheffield Woodford Fairfax Mendon Springs Sheldon Woodstock Fairfield Midletown Springs Springfield	Eden	Lunenburg	Sandgate	Windham
FairfaxMendonSheldonWoodstockFairfieldMiddletown SpringsSpringfieldFaystonMorganStannardGraftonMt. TaborStowe	Essex Junction ID	Maidstone	Searsburg	Winhall
FairfieldMiddletown SpringsSpringfieldFaystonMorganStannardGraftonMt. TaborStowe	Essex Town	Manchester	Sheffield	Woodford
FaystonMorganStannardGraftonMt. TaborStowe	Fairfax	Mendon	Sheldon	Woodstock
Grafton Mt. Tabor Stowe	Fairfield	Middletown Springs	Springfield	
	Fayston	Morgan	Stannard	
Granby North Hero Stratton [as of January14, 2015]	Grafton	Mt. Tabor	Stowe	
	Granby	North Hero	Stratton	[as of January14, 2015]

### Title 24 VSA 138(a)(3) provides the following:



" 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."

The towns above are listed based on computations done by VLCT based on data from the Vermont Division of Property Valuation and Review. Each listed meets one or more the tests set forth in 24 VSA 318 above.

# 32 Cities and Towns with some form of adopted local option tax. Compiled by VLCT using information from <u>Local Option Tax | Department of Taxes</u> (vermont.gov).

Act 60	Town	Sales	Meals/Rooms/A <b>Roo</b> ms	Meals and Alco
	Barre City	October 2022		
	Brandon	October 2016	October 2016	
Х	Brattleboro	July 2019	April 2007	



	Burlington	July 2006	Yes, Self Administered	
Х	City of Essex Junction	October 2022	October 2022	
	City of Rutland	July 2023	Yes, Self Administered	
	Colchester	October 2015	October 2015	
Х	Dover	July 2007	July 2007	
	Elmore			July 2021
	Hartford		October 2017	
Х	Jamaica		July 2023	
Х	Killington	October 2008 (Rescinded as of 7/1/2018)	October 2008	
Х	Londonderry		July 2024	July 2023
Х	Manchester	April 1999	April 2008	
	Middlebury	October 2008	October 2008	
	Montgomery	October 2022	October 2022	
Х	Rutland Town	April 2009	April 2009	
	Shelburne	July 2023	July 2023	
	St. Albans City	October 2020	October 2020	
	St. Albans Town	July 2014	July 2014	



	South Burlington	October 2007	October 2007		
	South Hero				July 2024
Х	Stowe	July 2023	July 2006		
Х	Stratton	July 2004	July 2004		
Х	Wardsboro			October 2023	
	Waterbury	July 2024	July 2024		
Х	Westmore			July 2024	
Х	Williston	July 2003	July 2003		
Х	Wilmington	July 2012	July 2012		
Х	Winhall	July 2010	July 2020		
	Winooski	July 2019	July 2019		
Х	Woodstock	July 2024	July 2015		

#### Attachments

Testimony to House Ways and Mean Committee Regarding H.564 and Local Option Tax by Ted Brady – May 2, 2024

