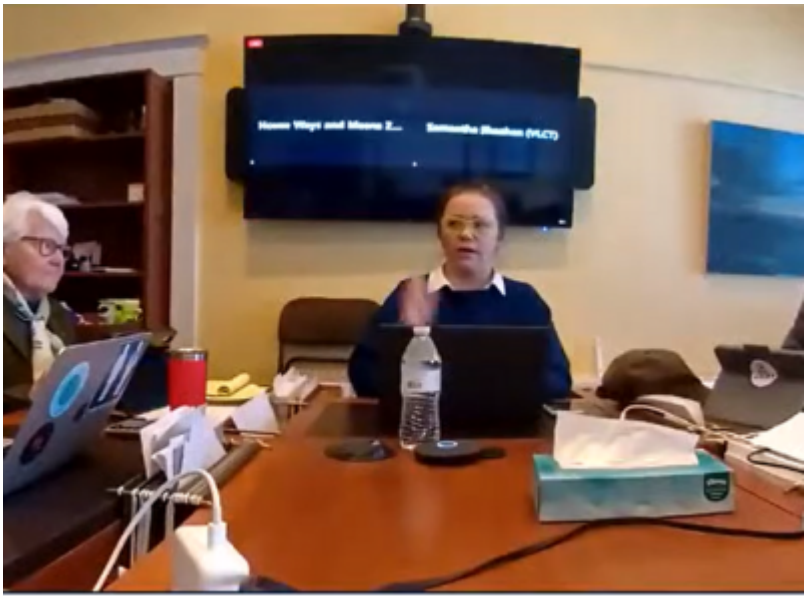
March 03, 2025

Testimony to House Ways and Means Regarding Lowering Property Taxes, 2/28/25

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Lowering Property Taxes – Local Option Taxes and PILOT Surplus

It is a top priority of VLCT to advance legislative action to enable municipalities to raise local revenues and control expenses to lower property taxes.

VLCT supports H.164, which would modernize the withholding formula for LOT and return the growing PILOT special fund surplus to municipalities.

Local Option Taxes

- Currently, 34 municipalities have acted to adopt LOT and at least 8 municipalities are considering one or more LOT at their 2025 Town Meeting.
- With the proliferation of short-term rentals and online commerce, an increasing number of municipalities may benefit from LOT.
- Presently, all 34 LOT communities established this taxing authority through a charter process. Most have obligated these revenues in charter. LOT revenues support a range of local initiatives including lowering property taxes, economic development, downtown activation, recreational facilities, debt service, and more.

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- There is a long history of legislative actions to revise the LOT program. Act 60 of 1997 authorized LOT for a limited time at 60/40. Various Acts extended the sunset and modified criteria for municipalities. Act 215 of 2005 established the current 70/30 split of LOT revenues between municipalities and the PILOT Special Fund and removed the sunset. In the 2024 Miscellaneous Tax bill, non-chartered municipalities were granted the authority to adopt LOT.

PILOT Special Fund Surplus

- The PILOT Special Fund revenues are local revenues, created by a process of local control.
- The revenue surplus is driven by a growing list of municipalities choosing to adopt or add a Local Option Tax and quickly growing consumption tax receipts, which are up about 44% since the pandemic.
- At the end of FY24 the fund carried a $10.3M surplus and is likely to generate a nearly $4M surplus in FY25.
- In order to prorate PILOT payments at 100%, a certain level of surplus should be maintained in the special fund.
- In consultation with all 34 LOT towns, VLCT advocates that the majority of current surplus monies should be returned to those communities which generated the revenues. VLCT rejects proposal for fund appropriations that may be ineligible for LOT municipalities.

Flood Buyout Program

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- VLCT's 2025-2026 Municipal Policy includes: Ensure ongoing funding for the state flood impacted property buyout program including relocation and rebuilding of municipal properties in flood danger.
- Fifty-one (51) municipalities have at least one buyout property.
- Nine out of the 34 LOT municipalities have at least one buyout property and several are PILOT eligible including Barre, Montpelier, Berlin, Johnson, and Waterbury.
- A $1M appropriation should be adequate to compensate the municipal portion of lost property taxes due to buyouts for a period of five years.

You can view the committee meeting on You Tube(opens in a new tab)**.**

Attachments

Presentation used by Samantha Sheehan during her testimony

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