

April 27, 2026

VLCT Opposes Raid on Local Option Tax Revenues in Senate Big Bill





...Calls for Change to Formula to Return Surplus to Local Governments

The Vermont League of Cities and Towns opposes language in H.951 that permanently shifts the cost of reappraisal from the state's General Fund to the Local Option Tax Payment In Lieu of Taxes (PILOT) Special Fund.

The **Local** Option Tax PILOT Special Fund was created to fund the state's payments to cities and towns that house state-owned tax-exempt property. It provides approximately \$12.5 million to cities and towns across Vermont. Funded by the 25 percent of the local option tax retained by the state, the Local Option Tax PILOT Special Fund has grown as more and more towns implement local option taxes. [These Department of Taxes tables](#) show the money generated in the past five years by each municipality for itself and the state.

In 2025, VLCT estimates the Local Option Tax raised approximately \$55 million in revenue from more than 50 cities and towns. The Joint Fiscal Office (JFO) estimates



the fund will take in more than \$3.5 million in excess revenue in State Fiscal Year 2027 and more than \$4 million in excess revenue in State Fiscal Year 2028 than necessary to fund the PILOT payments. The fund is estimated to have a surplus balance of \$13.2 million in 2027. [Click here to see the JFO's spreadsheet.](#)

Governor Phil Scott, the Vermont House of Representatives, and the Vermont Senate have either raided or propose to raid more than \$10 million from the fund this year. Governor Scott proposed, and the House and Senate agreed, to take \$3.4 million of the surplus to fund the state's 2026 responsibility to pay for property valuation payments to municipalities as part of the 2026 Budget Adjustment Act. The House-passed "Big Bill", H.951, took another \$3.4 million to fund the state's 2027 property valuation payments to municipalities. The Senate is now considering a bill that would permanently switch funding property valuation payments from the General Fund to the Local Option Tax PILOT Special Fund. While VLCT has opposed these efforts, no House or Senate committee has allowed VLCT to testify about these appropriations.

The Senate's version of the transportation bill, H.944, proposes to use \$3 million from the special fund in 2027 to increase local highway programs and creates a mechanism to distribute a portion of future fund surplus to local highway programs in a newly formed Local Option Municipal Transportation Special Fund. VLCT was supportive of that effort, citing the additive nature of the funding compared to the cost shift included in the Big Bill for property valuation.

"The Local Option Tax PILOT Fund has become a piggy bank for state policy makers without a single legislative hearing dedicated to discussing the future of the Fund with those that voted to raise taxes on themselves: the cities and towns of Vermont," said VLCT Executive Director Ted Brady. "Before the Legislature decides to rely on the local option tax as a way to fund state government, it should adjust the formula so that municipalities can rely on the local option tax to fund local government, as it was



designed to do."

