June 17, 2026

Local Option Tax – Don't Dismiss it Without Doing the Math First!

Copyright Vermont League of Cities and Towns
Current as of: 11/13/2026

Vermont Le
of Cities &

A Local Option Tax is a small tax that a municipality may choose to add to certain purchases in its community. Vermont law allows Local Option Taxes on sales, meals and alcohol, and rooms. These taxes are not required. They are adopted only when a municipality and its voters decide they are right for their community.

For years, this authority required voter and legislative approval but no more. During the 2024 legislative session, VLCT advanced a long-held municipal priority: authorizing all municipalities to adopt a local option tax through a vote at an annual or special town meeting. Municipalities can now choose to approve all three, none, or any combination of local option taxes to address municipal revenue needs – they choose, not the legislature. In these times of soaring costs and increased pressure on local budgets, towns are clamoring for ways to generate non-property tax revenue – LOT is now at their fingertips.

Many think LOT is only worthwhile in resort towns or larger towns that serve as commercial hubs. Think again (please!). We urge you to explore LOT before ruling it out. A LOT on sales means you can capture 1% of certain ***online*** sales (**South Dakota v. Wayfair**); if your town allows ***cannabis*** transactions, then you can collect 1% on the sales. A LOT on rooms means you can collect 1% on the ***short-term rentals*** – they exist in even the smallest Vermont towns.

Copyright Vermont League of Cities and Towns
Current as of: 11/13/2026

The main benefit of LOT is increased local revenue. Vermont municipalities provide important services, including roads, public safety, parks, planning, and community facilities. They cost money both to maintain annually and to improve over time (think: **capital planning**). Without other revenue sources, towns often rely heavily on property taxes.

Local Option Taxes can help reduce that pressure. They give towns another way to raise funds for local priorities. This can be especially helpful in communities that serve visitors, tourists, shoppers, or people from other towns. When non-residents use local services and businesses, they also place demands on the community. A LOT helps share some of those costs more broadly. It allows visitors and customers to contribute to the town they are using and enjoying.

Revenue from LOT can support many local needs – you get to decide how it used. Your town may choose to use it for road work, disaster/climate mitigation, public safety, parks, capital projects, sidewalks, trails, or other voter-approved priorities. It can also help communities plan ahead and respond to rising costs.

VLCT recognizes that each municipality is different. LOT may make sense for one town and not for another. Local leaders and voters should consider the town's economy, businesses, residents, and long-term needs before making a decision. ***The key point is that LOT is a local choice.*** Municipalities know their communities best. Local Option Taxes give Vermont towns another tool to fund present services, future anticipated needs, and reduce reliance on the property tax. Do the math, you might just be surprised by the numbers.

We created a **Local Option Tax resource** to help you better understand what LOT is, why you might want to consider using it to fund investments in your community, and some common questions we hear from members about it. For those of you who like "live learning" opportunities, we will host a webinar: **Muni Mornings: Local Option Tax – How to Adopt It & What Towns Are Doing with It** on Wednesday, August 5, 2026,

Copyright Vermont League of Cities and Towns
Current as of: 11/13/2026

10:00-11:00 AM. We welcome you to join us!

Copyright Vermont League of Cities and Towns
Current as of: 11/13/2026