

**Memo:** Senate Finance Committee  
**From:** Karen Horn, Director Public Policy & Advocacy  
**Date:** March 18, 2022  
**Re:** S. 181 and Local Option Tax

We were surprised when listening to testimony this week that the Senate Finance Committee might be disinclined to support language at Section 7 of S. 181, which would allow municipal voters to approve a 1 percent local option tax on meals and alcohol, sales, or rooms without then needing to seek approval from the legislature. According to the Joint Fiscal Office in 2015, 76 cities and towns have that authority today as a result of Act 60, the Education Funding law, creating a fundamental inequity between municipalities that have that authority and those that do not. I attach a copy of that list with this memo.

The Senate has supported, in fact championed, granting authority to adopt local option taxes directly to cities and towns several times in the past. Some of those occasions were in 2008, 2012 and 2013. In 2020 in S. 54 a two percent local option tax on cannabis and cannabis products was the last issue resolved in the conference committee because of the Senate's unflagging support of that initiative. We have always been thankful for the Senate's support and for your fundamental understanding that the sole revenue source the legislature allows cities and towns – the municipal side of the property tax – cannot meet the ever-expanding list of obligations that municipalities must fund.

Today sixteen municipalities have an enacted one percent local option sales tax. There are twenty three towns with a one percent means, rooms and alcohol local option tax, and one town with a local option rooms tax. The list is here :

<https://tax.vermont.gov/business/lot/muni>

While the legislature has not refused to allow a municipality to enact a local option tax, the House in particular, has spent considerable amounts of time debating whether a particular municipality was in essence deserving of that authority, consuming an inordinate amount of scarce time on that question and deprecating whichever municipality is in the hot seat. It is clear that one percent local option taxes do not in any way affect the revenues of the state or cause an individual to not order that item from Amazon or another on-line or brick and mortar retailer.

It is now the case that the sixty plus towns that have opted in to retail cannabis may derive no revenue from that new industry (which will be very profitable to the state) except for a \$100 fee reduced by whatever amount is determined to be administration unless they have a local option sales tax. This, in fact comes as a surprise to most towns that have voted to opt in over the last two years

We strongly urge you to support Section 7 of S. 181.