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Muni Mornings: Local Option Tax – How to Adopt It and What Towns Are Doing with It

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Vermont League of Cities & Towns

Core Benefits of Membership

✓ Connection

Whether you need to talk shop or shop for vendors, VLCT connects you to a variety of networks, agencies, organizations, colleagues, and experts.

✓ Knowledge

Access specialized expertise, on-point training, helpful resources, and the latest data – all with a municipal focus and deep understanding of trends and issues across the state.

✓ Support

Whatever your issue, you can use one form or call one number for all of your questions. Get answers quickly from in-house experts, many of whom have firsthand knowledge from serving their municipalities.

✓ Insurance

Manage your risks and protect your taxpayers' assets with robust member-owned insurance programs with coverage and services that are tailored to municipalities.

✓ Representation

Municipal voices are heard collectively and as a single, united voice through full-time, focused advocacy.

The Value of Belonging

Membership in VLCT provides one of the best returns on investment by saving you and your municipality time and money. Think of the League as an extension of your office, providing comprehensive and specialized expertise and support.

“VLCT gives us timely information and advice, clearly and comprehensively. This is why we place such faith and value in VLCT.”

John Potter
Town Manager
Brattleboro

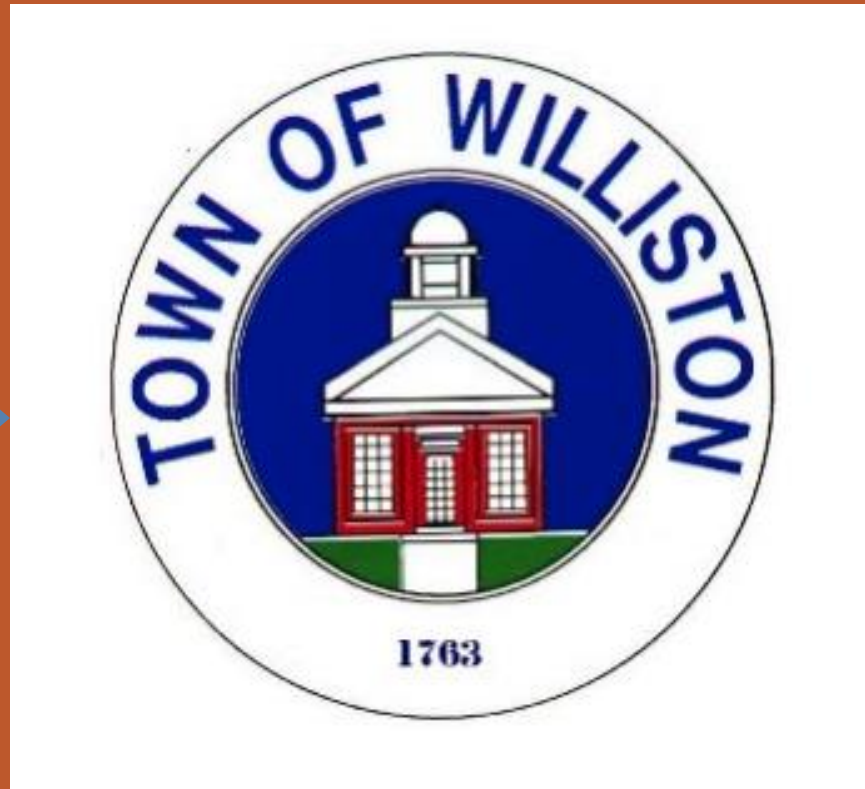
- **Connection & Networking**
- **Knowledge:** vast library of online resources & on-point training
- **Support:** Municipal Assistance Center & Municipal Operations Support Team
- **Insurance**
- **Advocacy**

What Are Towns Doing with LOT?

Towns are using LOT as a **flexible tool** to:

- Offset municipal property taxes
- Invest in **capital and infrastructure** (roads, water/sewer, buildings)
- Reduce or avoid **debt**
- Support **emergency services**
- Build **recreation and community facilities**
- Seed **housing initiatives**
- Build **reserves** and resilience





Town of Williston
FY25_General_Fund_Budget

What Towns are Doing with LOT

Offset Property Taxes

Municipalities utilize LOT revenue to offset or reduce the burden of property taxes on residents.



F2025 Manchester Town Report

What Towns are Doing with LOT

Capital Projects

Some towns use LOT revenue to fund capital projects, such as building renovations, infrastructure improvements, and even bond payments for specific initiatives (like the Stowe Arena in Stowe).



Source: Vergennes Presentation on LOT 09 09 25
verified & supplemented by VLCT with examples.

What Towns are Doing with LOT

Specific Initiatives

- Colchester's Recreation Center
- Middlebury's Cross Street Bridge
- St. Albans City's Pool



[Colchester Recreation Center](#)



[Pool_Project_FAQs_2021-01-20.pdf](#)

What Towns are Doing with LOT



Town of Wilmington
VERMONT

Economic Development Initiatives

Wilmington

Local option taxes on sales, rooms, meals and alcohol adopted in 2012. Economic development initiatives include:

- **Matching Grant Funds**, (including Sidewalk Reconstruction, Hiking Trails, and development of an Arts & Culture Plan).
- **Revolving Loan Funds** for business start ups or expansion to create or maintain existing jobs.
- **Events Fund**. Events funded include Fireworks, Wine & Harvest Festival, Shop Local Campaign, Block Parties & Strolls

Southern Vermont Economy Summit - Local Option Tax

What Towns are Doing with LOT

Economic Development Initiatives

Woodstock



[Woodstock Town Report 2021](#)

[About the EDC | Woodstock EDC](#)

[Woodstock EDC Revenue Report](#)

On July 1, 2016, all purchases of rooms, meals and alcohol became subject to a 1% tax. The revenues from the local option tax are dedicated to being spent on economic development efforts.

The Economic Development Commission works, in part, by awarding grants that align with the five main initiatives of the Commission: **affordable housing; childcare; marketing of Woodstock; downtown beautification; and community events.**

Policy Design: Why It Matters

To build support for LOT, communities want confidence that:

- Funds won't be swallowed by “business as usual”
- Spending aligns with **visible community priorities**
- There is **transparency and predictability**

Clear policies:

- Reduce gray area and political conflict
- Help build voter trust and support at the ballot box
- Anchor messaging: “Here is exactly what LOT will fund.”

Morristown – Dedicated LOT Fund

Morristown Local Option Tax Fund Use Policy

➤ Allowed uses:

- Capital & infrastructure
- Public safety capital (not routine ops)
- Debt reduction & emergency reserves
- Economic/community development
- Property tax reduction

➤ Requires Selectboard action at warned meetings + annual reporting,



Brandon – Capital-only Focus

- All Local Option Taxes in a restricted capital fund
- Used for roads, bridges, buildings, parks, equipment, vehicles, grant matches, bond payments
- Capital projects prioritization plan
- Brandon Local Option Tax Revenue Policy



Waterbury



- LOT Policy: conservative revenue projections, limit use for routine operations, high transparency, Selectboard oversight
- LOT Uses*:
 - Capital and Infrastructure Expenses
 - Debt Reduction & Special Reserves
 - Affordable Housing, Economic Development & Community Vitality

*Excellent report on LOT uses on page 23 of the [2025 Waterbury Town Report](#)

Bristol – Strategic Allocation Framework

- Capital Infrastructure: minimum 40%
- Climate Resilience & Emergency Preparedness: minimum 20%
- Economic Development: minimum 20%
- Remainder/Flexible (20%)
- \$250,000 Projected Annual Revenue

The Town of Bristol has an excellent presentation on its website, [Bristol Local Option Tax Presentation](#)



Messaging & Building Support for Local Option Taxes

From VLCT experience, effective messages emphasize:

- **Fairness:** Captures revenue from visitors and online sales, not only property taxpayers
- **Specific outcomes:** “Pool and sidewalks,” “dam rehab,” “arts center,” “housing fund,” not vague “operations”
- **Time-limited or dedicated uses:** Capital, resilience, economic development, housing readiness
- **Transparency:** Dedicated fund, annual reports, clear policy
- **Avoiding pitfalls:** Using LOT for “run-of-the-mill” operating costs often triggers opposition

Messaging & Building Support for Local Option Taxes

Your Guide to the Morristown Local Option Tax

HOW THE TAX WORKS

A 1% Add-On to the State Tax



+1% Local Option Tax

A voter-approved local tax added to certain purchases at the point of sale.

Everyday Essentials Are Exempt



Groceries and other necessities not taxed by the state will remain exempt.

NEW TOTAL TAX RATES (State + Local)



Meals:
9%+1%



Alcoholic Beverages:
10%+1%



Lodging:
9%+1%



Retail:
6%+1%

WHY IT MATTERS FOR MORRISTOWN

75% of Revenue Stays in Morristown



Reduces the Property Tax Burden

It provides a dedicated revenue stream, easing reliance on property taxes.



Visitors Help Pay Their Share

Tourists and non-residents contribute to the local services and infrastructure they use.



YOUR VOTE DECIDES ON MARCH 3, 2026

This tax can only be adopted if approved by voters on this date.

Messaging & Building Support for Local Option Taxes

Overview of estimated Cost and contributions of an options tax

Average Ludlow income	\$49,213.00
Less Taxes	\$40,059.38
10% of income spent in Ludlow	\$4,005.94
Additional cost of a 1% tax	\$40.06
Approx number of Ludlow residents	1300
Total Contribution by residents	\$52,078 (5.2%)
Total received by Town from residents	\$36,340.17
Total received by Town from visitors	\$662,509.21

*These numbers were based on census date for the town of Ludlow.

*It is believed by the selectboard that these resident contributions are high based on factoring a large portion of income spent on qualified purchases.

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Community investment not only by those who live in Ludlow but, also those who come to visit our small mountain town



Best Practices for Implementation

- Start with a **community priority list**: what could your town accomplish with flexible revenue?
- Draft a **LOT policy or framework** before going to voters
- Use **conservative revenue estimates** and show examples from peer towns
- Build in **reporting and review** (annual updates, dashboards)
- Highlight **success stories** from other Vermont communities
- Engage key stakeholders early: business community, emergency services, housing advocates, and civic groups

Local Option Tax Resources



- [Vermont Department of Taxes: How to Adopt a Local Option Tax in Your Community](#)
- [VLCT's Model Town Meeting Articles](#)
- [VLCT's Local Option Tax Info & Frequently Asked Questions](#)
- [Southern Vermont Economy Summit - Local Option Tax Presentation](#)

Local Option Tax Resources



- Hartford and Morristown websites, [Local Option Tax | Hartford, VT](#) and [Local Option Tax | Morristown, VT](#)
- The Mad River Planning District prepared a comprehensive Local Option Tax [Analysis Memo for Waitsfield](#) and other members of the district

Local Option Tax Resources



The City of Vergennes has an excellent presentation on the local option tax, which includes projected local impacts of local option taxes and uses of local option tax revenue around the state.

[Vergennes Presentation on Local Option Tax – City Council Packet 09 09 25](#)

Local Option Tax Resources



The **Town of Waitsfield** also has an excellent presentation on the local option tax, which includes the following points:

- The Town has relied almost entirely on property taxes and grants to fund its budget.
 - Grant funding is now in decline.
 - LOT can reduce pressure on property tax rates by diversifying revenue and expanding the number of taxpayers.
 - \$600,000 of projected annual LOT revenue.
 - Ensures non-residents and tourists help fund community infrastructure they use.
- [Waitsfield Infrastructure Summit PowerPoint Slide Deck 2.17.2026](#)

Local Option Tax Resources

What are the arguments typically made in favor of and in opposition to a municipal proposal to adopt a local option tax?



Listen to "Weighing the Pros and Cons of Local Option Tax," a 34-minute episode of Vermont Public's **Vermont Edition**, featuring Jane Lindholm, which aired in 2020, here:

<https://www.vermontpublic.org/programs/2020-02-11/weighing-the-pros-and-cons-of-local-option-tax>

Source: [Montpelier's Local Option Tax FAQ's](#)

Takeaways & Questions

- The Local Option Tax is a powerful, flexible tool to:
 - **Invest** in infrastructure, housing readiness, and economic development
 - **Strengthen** municipal services and resilience
 - Provide some **relief or stability** for property taxpayers
- Clear policies + strong messaging = higher trust and higher odds of passage
- Questions / Discussion?

VLCT's Municipal Operations Support Team is here to help!



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Thank You!



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