Vermont Local Option Tax (LOT)

The Nuts & Bolts

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What is a Local Option Tax?

- A voter-approved 1% municipal tax
- Added on top of existing Vermont statewide taxes
- Administered by the Vermont Department of Taxes
- Allows municipalities to diversify local revenue sources

What Can LOT Be Added To?

May apply to any combination of:

› Sales
  - Includes online purchases

› Meals and alcohol
  - E.g., drinks at a restaurant

› Rooms
  - Includes short-term rentals

Category	State Tax	LOT	Combined Rate
Sales	6%	+1%	7%
Meals	9%	+1%	10%
Alcohol	10%	+1%	11%
Rooms	9%	+1%	10%

LOT is Not Added To

- Tax-exempt transactions: LOT follows the same taxability rules as the underlying statewide tax.
- Motor vehicle sales and rentals (DMV Purchase and Use Tax)
- Use Tax

LOT Is Destination-Based

LOT applies where a buyer takes possession of a purchase or receives a service.

Online sales and meal delivery follow the destination address

LOT Is Destination-Based

Examples:

- › Buy in Williston and leave with item → Williston LOT applies
- › Ship from Williston to Newport → no Williston LOT applies
- › Deliver meal into Waterbury → Waterbury LOT applies

How Does a New LOT Get Implemented?

1. Department receives notice from municipality after a vote

2. Tax generally becomes effective 90 days later
   - Outreach to affected businesses, including neighboring towns and e-commerce businesses
   - Update tax system and tax forms to reflect the change
   - Update rate and boundary databases and LOT finder tool

How Does a New LOT Get Implemented?

3. Businesses begin collection on the effective date
    - Collect and remit in the same manner as state tax
    - Tax returns with LOT must be filed and paid online

4. Town gets quarterly revenue report and disbursement
    - Example: November disbursement covers July - September sales, plus late-filed and amended tax returns

Local Option Tax Revenue

Revenue split:

› 75% goes to the municipality

› 25% goes to statewide Payment in Lieu of Taxes (PILOT) Fund

- The PILOT Fund is used to reimburse towns for tax-exempt state property on local grand lists
- 3/4 of fund surplus goes to a new fund to support municipal transportation maintenance needs (new 2026 legislation)

› Department retains an admin fee of $5.96 per return

How Can a Town Estimate Revenue?

DIY: Use our sales, meals, rooms tax statistical reports

› Taxable sales by town – apply 1% on any tax base

› Statistics page: tax.vermont.gov/data-and-statistics

› Guide to Meals and Rooms Tax and Sales and Use Tax Statistical Data

How Can a Town Estimate Revenue?

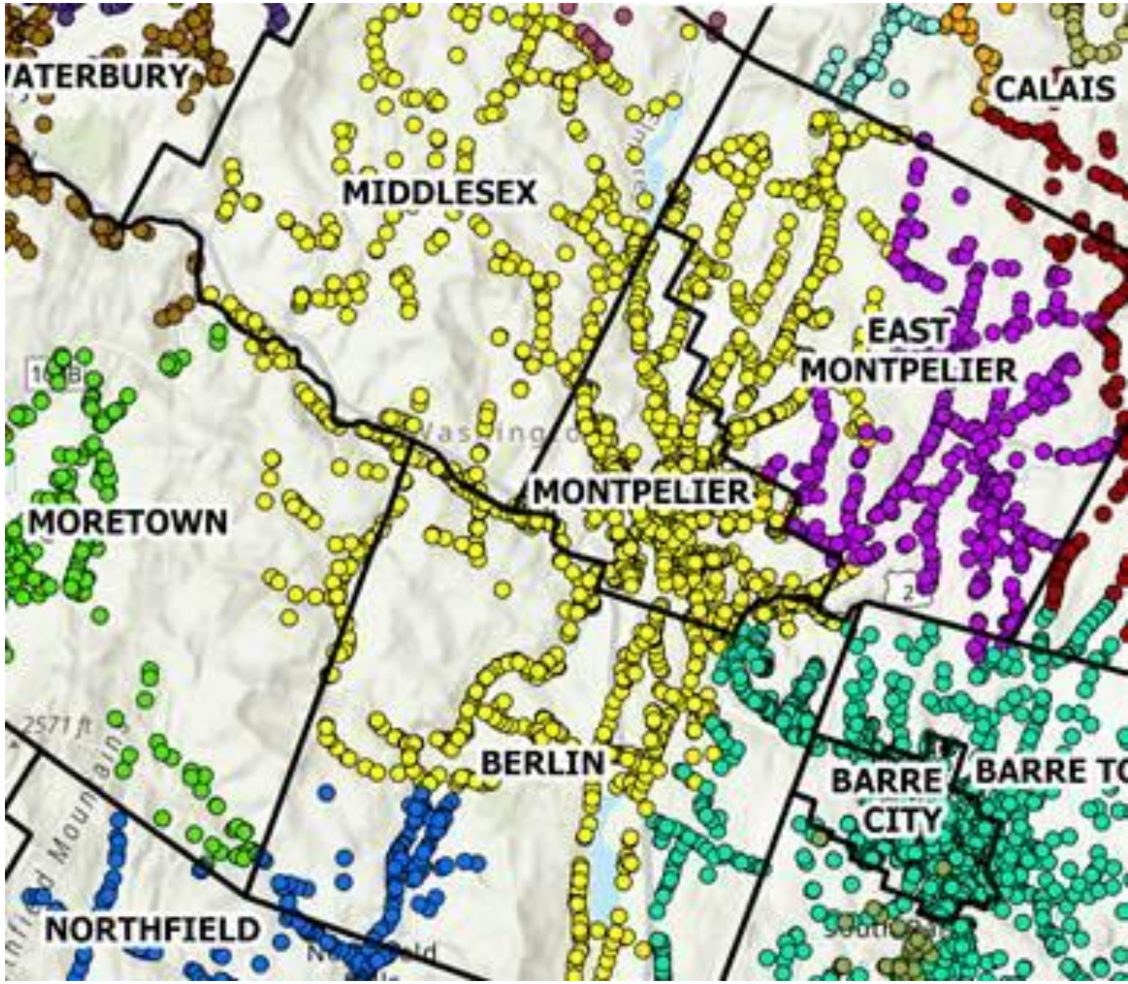
The Tax Department can help!

- Tax data request form
- Email us: tax.support@vermont.gov
- Call us: 802.828.3763
- We can provide support for small towns without reportable data
- We can help estimate the impact of e-commerce activity (online retailers and short-term rental platforms)

Sidebar: LOT Administration hurdles

- LOT follows municipal boundaries, not ZIP codes or USPS town names

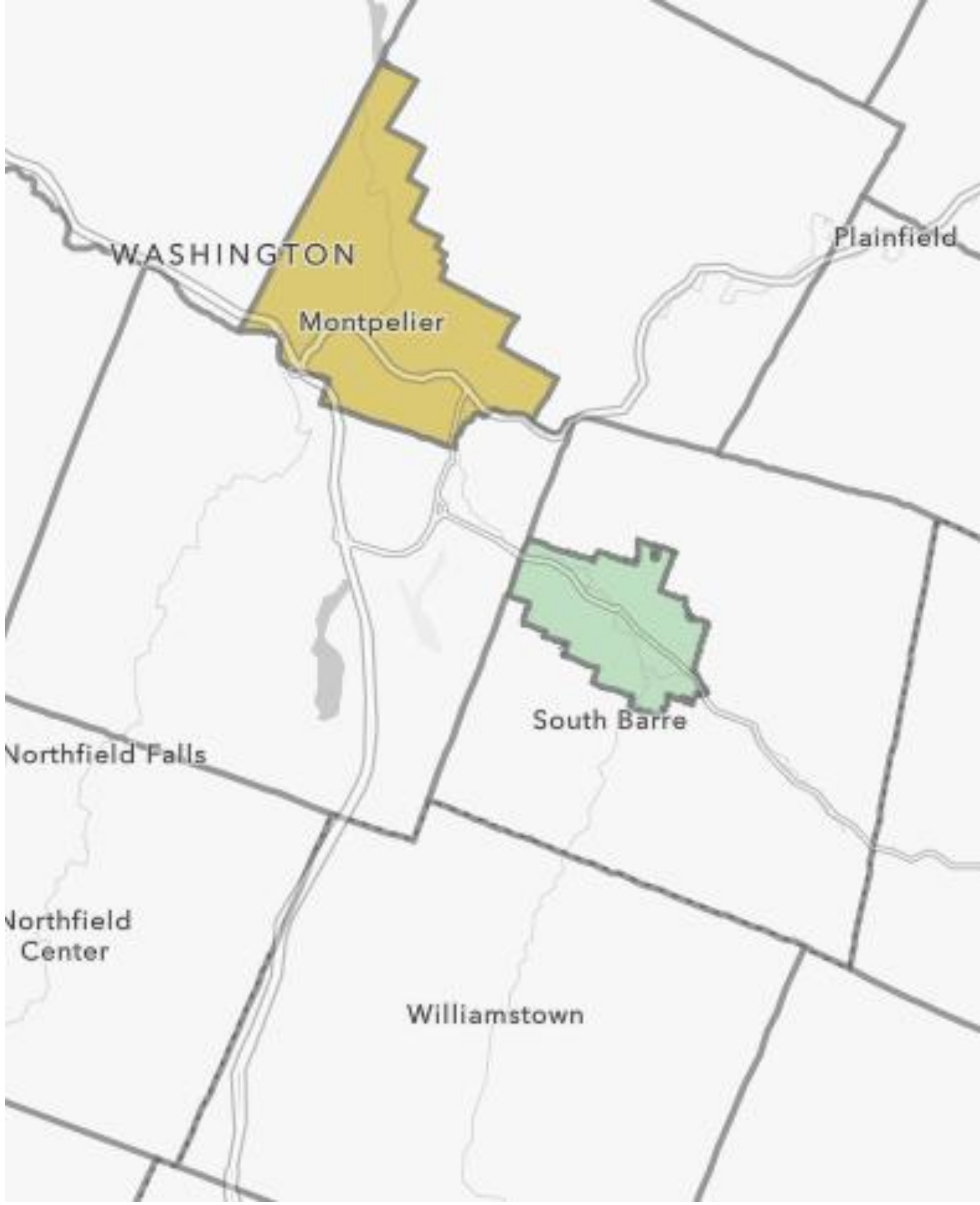
Yellow dots represent addresses where USPS assigns the town name Montpelier (corresponding with ZIP Code 05602), even though many of these addresses are physically within the boundaries of Middlesex, East Montpelier, Berlin, and Moretown.



Vermont Center for Geographic Information (VCGI)

How Businesses Comply

- Our [Local Option Tax Finder]
- Streamlined Sales Tax rate and boundary [databases]
- Useful for:
  - E-commerce and STR platforms
  - Third-party tax software and rate aggregators
  - Delivery businesses
  - Anyone!



Contact Us

We strive to provide user friendly systems, clear guidance, and easy ways to contact the Department when taxpayers need help.

tax.business@vermont.gov

rebecca.sameroff@vermont.gov

802.828.2551

Local Option Tax webpage

LOT Guidance for Businesses

How to Adopt a Local Option Tax in Your Community