

VLCT Legislative Alert: House Ways & Means Study to Evaluate Eliminating Local Option Sales Tax

May 06, 2022



The House Ways and Means Committee is expected to vote on an amendment in the coming days that would *consider* ending your local option sales tax. The amendment, ironically attached to a Senate passed bill (S.181) that would have given more communities the ability to implement a local option tax, would direct the Joint Fiscal Office to conduct a study of repealing the local option sales tax and instead create a “uniform local share of sales and use tax revenue for all municipalities.” A revenue-sharing program that provided non-property tax revenues to all municipalities on a consistent and predictable basis would be immensely welcome. Eliminating the local option sales tax is *unacceptable*.

Now is the time to contact your representative to ensure this provision is not included in S.181, a bill that otherwise expands municipal authorities.

In Vermont, which consistently is ranked third or fourth among all states in property tax burden, the local option tax is the only opportunity for a municipality to expand its tax revenues.. As the increasing burden of funding a nearly \$2 billion education system has largely rested on the property tax, municipalities have found it increasingly difficult to raise municipal property taxes to meet basic needs, such as snow removal, police, and fire services.

Sixteen municipalities have adopted local option sales taxes, and the revenues in many of those communities help provide hub community services upon which the surrounding areas rely. In those communities, seventy percent of local option tax revenues are retained in the community and thirty percent entirely fund the state Payment in Lieu of Taxes (PILOT) program that compensates municipalities for buildings owned by the state (\$9.9 million distributed to 142 municipalities in FY22). Pursuant to Act 60, the Equal Education Opportunity Act of 1997, more than seventy municipalities are granted authority to adopt a local option tax without going through the charter adoption or amendment process.

Please contact your representatives and urge them to defeat this amendment. Tell them that deleting the local option sales tax is unacceptable. Revenue sharing cannot be linked to elimination of the local option sales tax. Revenue sharing provided to all municipalities would provide welcome relief from the property tax burden or enable the financing of long delayed projects.

- [Proposed Amendment from House Ways and Means](#)

May 6, 2022, update from Karen Horn, Director, Public Policy & Advocacy:

Thank you for taking action yesterday. Solely because of your effective and immediate advocacy, the amendment proposed in House Ways and Means to direct a study of repealing the local option tax and instead establishing a general revenue sharing program for municipalities **was withdrawn**.

We look forward to a discussion next year of establishing a revenue-sharing program for local governments unencumbered by threats to eliminate local option sales taxes.