

1 H.44

2 Introduced by Representative Dolan of Waitsfield

3 Referred to Committee on

4 Date:

5 Subject: Taxation; local option tax; small towns

6 Statement of purpose of bill as introduced: This bill proposes to allow towns  
7 with a population of 2,400 or fewer residents to vote to establish a local option  
8 tax. The local option tax established under this bill would allow towns to  
9 receive, after reduction for the costs of administration, 75 percent of the local  
10 option tax revenue collected within the town's jurisdiction and the remaining  
11 taxes would go to the State. If a town's population were to exceed 2,400  
12 residents, the revenue allocation would revert to the statutory default of 70  
13 percent of the revenue going to the town and the remaining 30 percent going to  
14 the State after reduction for the costs of administration.

15 An act relating to local option tax in small towns

16 It is hereby enacted by the General Assembly of the State of Vermont:

17 Sec. 1. 24 V.S.A. § 138 is amended to read:

18 § 138. LOCAL OPTION TAXES

19 (a) Local option taxes are authorized under this section for the purpose of  
20 affording municipalities an alternative method of raising municipal revenues to

1 facilitate the transition and reduce the dislocations in those municipalities that  
2 may be caused by reforms to the method of financing public education under  
3 the Equal Educational Opportunity Act of 1997. Accordingly:

4 \* \* \*

5 (3) a local option tax may only be adopted by a municipality in which:

6 (A) the education property tax rate in 1997 was less than \$1.10 per  
7 \$100.00 of equalized education property value; ~~or~~

8 (B) the equalized grand list value of personal property, business  
9 machinery, inventory, and equipment is at least ~~ten~~ 10 percent of the equalized  
10 education grand list as reported in the 1998 Annual Report of the Division of  
11 Property Valuation and Review; ~~or~~

12 (C) the combined education tax rate of the municipality will increase  
13 by 20 percent or more in fiscal year 1999 or in fiscal year 2000 over the rate of  
14 the combined education property tax in the previous fiscal year; or

15 (D) the population is 2,400 or fewer residents.

16 (b) If the legislative body of a municipality by a majority vote  
17 recommends, the voters of a municipality may, at an annual or special meeting  
18 warned for that purpose, by a majority vote of those present and voting, assess  
19 any or all of the following:

20 (1) a one percent sales tax;

21 (2) a one percent meals and alcoholic beverages tax;

1           (3) a one percent rooms tax.

2   \* \* \*

3           (d)(1) Except as provided in subsection (c) of this section ~~and, in~~  
4           subdivision (2) of this subsection with respect to taxes collected on the sale of  
5           aviation jet fuel, ~~of the taxes collected under this section~~ and in subdivision (3)  
6           of this subsection with respect to taxes collected in small towns, 70 percent of  
7           the taxes collected under this section shall be paid on a quarterly basis to the  
8           municipality in which they were collected; after reduction for the costs of  
9           administration and collection under subsection (c) of this section. Revenues  
10           received by a municipality under this subdivision (d)(1) may be expended for  
11           municipal services only; and not for education expenditures. Any remaining  
12           revenue shall be deposited into the PILOT Special Fund established by 32  
13           V.S.A. § 3709.

14           (2)(A) Of the taxes collected under this section on the sale of aviation jet  
15           fuel, on a quarterly basis, 70 percent of the taxes shall be paid to the  
16           municipality in which they were collected, and 30 percent shall be deposited in  
17           the Transportation Fund.

18           (B) For a municipality with 2,400 or fewer residents that adopts a  
19           local option tax pursuant to this section, 75 percent of the taxes collected under  
20           this section on the sale of aviation jet fuel shall be paid to the municipality in  
21           which they were collected, and 25 percent shall be deposited in the

1 Transportation Fund. If a municipality's population exceeds 2,400 residents  
2 after voting to assess a local option tax pursuant to this section, the taxes  
3 collected under this section on the sale of aviation jet fuel shall be paid  
4 pursuant to subdivision (A) of this subdivision (2).

5 (C) All revenues referenced in ~~subdivision~~ subdivisions (A) and (B)  
6 of this subdivision (2) shall be used exclusively for aviation purposes  
7 consistent with 49 U.S.C. § 47133 and Federal Aviation Administration  
8 regulations and policies.

9 (3)(A) Except as provided in subdivision (2) of this subsection (d) with  
10 respect to taxes collected on the sale of aviation jet fuel, for a municipality  
11 with 2,400 or fewer residents that adopts a local option tax pursuant to this  
12 section, 75 percent of the taxes collected under this section shall be paid on a  
13 quarterly basis to the municipality in which they were collected, after reduction  
14 for the costs of administration and collection under subsection (c) of this  
15 section, and any remaining revenue shall be deposited into the PILOT Special  
16 Fund established by 32 V.S.A. § 3709. Revenues received by a municipality  
17 with 2,400 or fewer residents under this subdivision (3)(A) may be expended  
18 for municipal services only, including in infrastructure and housing, and not  
19 for education expenditures.

20 (B) If a municipality's population exceeds 2,400 residents after voting to  
21 assess a local option tax pursuant to this section, the taxes collected under this

1 section shall be paid to municipalities and deposited in the PILOT Fund and  
2 shall be expended by municipalities pursuant to subdivision (1) of this  
3 subsection (d).

4 (e) As used in this section, “municipality” means a city, town, or  
5 incorporated village.

6 \* \* \*

7 (g) If the legislative body of a municipality by a majority vote recommends  
8 or by petition of ~~ten~~ 10 percent of the voters of a municipality recommends, the  
9 voters of a municipality may at an annual or special meeting warned for that  
10 purpose by a majority vote of those present and voting rescind any or all of the  
11 local option taxes assessed under subsection (b) of this section.

12 Sec. 2. EFFECTIVE DATE

13 This act shall take effect on July 1, 2023.