



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

April 27, 2023

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H.489 – An act relating to approval of an amendment to the charter of the Town of Shelburne

As passed by the House of Representatives¹

Bill Summary

This bill would approve an amendment to the charter of the Town of Shelburne that would allow the Town to collect a one percent local option tax on sales, meals and alcoholic beverages, and rooms.

Fiscal Impact

JFO estimates the bill would increase Special Fund revenues by approximately \$345,000 in fiscal year 2024. Of this amount, approximately \$330,000 would go to the Payment in Lieu of Taxes (PILOT) Special Fund and approximately \$15,000 would flow to the Tax – Local Option Process Fees Special Fund. These impacts are summarized on Table 1.

Table 1: Fiscal Impacts of H.489

Fund Name	Purpose	Estimated Revenue Increase
PILOT Special Fund	Reimburses municipalities for State-owned properties that are exempt from property taxes	\$330,000
Tax – Local Option Process Fees Special Fund	Supports administration of local option taxes by the Department of Taxes	\$15,000
Total		\$345,000

Background and Details

24 V.S.A. §138 allows municipalities that meet certain property tax criteria to collect a local option tax. These local option taxes allow a municipality to collect an additional 1 percent of sales, meals and rooms, or alcohol tax in addition to statewide tax rates. Table 2 shows both statewide tax rates and tax rates with a local option tax:

¹<https://legislature.vermont.gov/Documents/2024/Docs/BILLS/H-0489/H-0489%20As%20passed%20by%20the%20House%20Official.pdf>

Table 2: Tax Rates with a Local Option Tax

Tax type	Statewide rate	With a Local Option Tax
Sales Tax	6%	7%
Meals and Rooms Tax	9%	10%
Alcohol Tax	10%	11%

Quarterly, the Department of Taxes pays 70 percent of revenue generated by a local options tax to the municipality. Revenues can only be used for municipal services (not for education expenditures). The remaining 30 percent of revenue goes to the PILOT Special Fund.² Since the State does not pay property taxes, the PILOT Special Fund makes an annual appropriation to municipalities based on the replacement value of buildings owned by the State within municipal borders. In fiscal year 2022, the PILOT Special Fund received \$11.3 million in revenue.³

Finally, the Department of Taxes issues a \$5.96 per-return processing fee, divided between municipalities and the PILOT Special Fund with the same 70/30 split to support the cost of administering and collecting local option taxes. These return fees are deposited in the Tax – Local Option Process Fees Special Fund.

² Sale of aviation jet fuel is exempt from this allocation. Returns for aviation jet fuel sales are not assessed the \$5.96 return processing fee, and instead of sending 30 percent of local option tax revenue to the PILOT Special Fund, 30 percent of local option tax revenues are sent to the Transportation Fund.

³ <https://ljfo.vermont.gov/assets/Meetings/Joint-Fiscal-Committee/2022-11-09/a8d3823012/Special-Fund-Report-FY2022.pdf>