Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

Date: February 25, 2014
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H.586 – An Act Relating to Improving the Quality of State Waters

Summary: The bill proposes to establish a Water Resources Preservation Program in order to meet the federally mandated total maximum daily load (TMDL) requirements for waters within the Lake Champlain basin and throughout the rest of the State. In order to fund water quality improvements revenues would need to be raised and this fiscal note highlights some of the revenue options being considered by the House Committee on Fish, Wildlife and Water Resources.

Fiscal Impacts: The Committee expressed interest in raising revenues for water quality improvements by minor increases to one or more taxes including the meals and rooms tax, alcohol tax and the rental car tax and/or by charging a fee, per parcel, to residential and non-residential property owners. The individual tax increases, fees, and the estimated impact to the State General Fund are highlighted below.

- <u>Meals and Rooms Tax</u> – Currently the State tax is set at 9% with a 1% local option. The Committee has proposed increasing the tax by 0.5%. At 9.5%, the meals and rooms tax would raise an estimated $7.0 million in additional revenue in FY15. If the 0.5% increase was levied on meals only then the additional revenue would be approximately $4.8 million while an increase to rooms only would yield approximately $2.2 million.

- <u>Liquor and Wine Tax</u> – Currently the State tax is set at 10%. The Committee has proposed increasing the tax by 0.25%. At 10.25%, the tax on liquor and wine would yield an estimated $480,000 of additional revenue in FY15.

- <u>Rental Vehicle Tax</u> – Currently the State tax on rental vehicles is set at 9%. The Committee has proposed increasing the tax by 1%. At 10%, the tax on rental vehicles would yield an estimated $406,000 of additional revenue in FY15.

- <u>Stormwater User Fee</u> – The Committee has proposed charging a per-parcel "stormwater user fee" to all residential and non-residential property owners, including for parcels that are currently tax-exempt under State law. The fee would be structured at $10 for each residential parcel and at $20 for each non-residential parcel. The fees would generate an estimated $3.4 million in revenue, $3 million of which would be from residential parcels and the remaining $400,000 would be from non-residential parcels.