

- 1           • **Allow all towns to adopt a local option tax.**
- 2           • **Towns adopting a local option tax prior to January 1, 2016 are**
- 3           **unaffected.**
- 4           • **For towns adopting a local option tax after January 1, 2016:**
  - 5                 ○ **70 percent of revenue goes to the town,**
  - 6                 ○ **30 percent to the Education Fund.**

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

8       § 138. LOCAL OPTION TAXES

9           (a) Local option taxes are authorized under this section for the purpose of

10          affording municipalities an alternative method of raising municipal revenues to

11          facilitate the transition and reduce the dislocations in those municipalities that

12          may be caused by reforms to the method of financing public education under

13          the Equal Educational Opportunity Act of 1997. Accordingly, prior to or on

14          January 1, 2016:

15                 (1) the local option taxes authorized under this section may be imposed

16          by a municipality;

17                 (2) a municipality opting to impose a local option tax may do so prior to

18          July 1, 1998 to be effective beginning January 1, 1999, and anytime after

19          December 1, 1998 a local option tax shall be effective beginning on the next

20          tax quarter following 90 days' notice to the Department of Taxes of the

21          imposition; and

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

2 (A) the education property tax rate in 1997 was less than \$1.10 per  
3 \$100.00 of equalized education property value; or

4 (B) the equalized grand list value of personal property, business  
5 machinery, inventory, and equipment is at least ten percent of the equalized  
6 education grand list as reported in the 1998 Annual Report of the Division of  
7 Property Valuation and Review; or

8 (C) the combined education tax rate of the municipality will increase  
9 by 20 percent or more in fiscal year 1999 or in fiscal year 2000 over the rate of  
10 the combined education property tax in the previous fiscal year.

11 (b) After January 1, 2016, any municipality may elect to impose a local  
12 option tax under the terms of this section, which shall be effective beginning  
13 on the next tax quarter following 90 days notice to the Department of Taxes of  
14 the imposition.

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

19 (1) a one percent sales tax;

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

21 (3) a one percent rooms tax.

1       ~~(e)~~ (d) Any tax imposed under the authority of this section shall be collected  
2       and administered by the Department of Taxes, in accordance with State law  
3       governing such State tax or taxes; provided however, that a sales tax imposed  
4       under this section shall be collected on each sale that is subject to the Vermont  
5       sales tax using a destination basis for taxation. A per-return fee of \$5.96 shall  
6       be assessed to compensate the Department for the costs of administration and  
7       collection, 70 percent of which shall be borne by the municipality, and 30  
8       percent of which shall be borne by the State to be paid from the PILOT Special  
9       Fund. The fee shall be subject to the provisions of 32 V.S.A. § 605.

10       ~~(d)~~ (e)(1) Of the taxes collected under this section a local option tax  
11       imposed prior to or on January 1, 2016, 70 percent of the taxes shall be paid on  
12       a quarterly basis to the municipality in which they were collected, after  
13       reduction for the costs of administration and collection under subsection (c) of  
14       this section. Revenues received by a municipality may be expended for  
15       municipal services only, and not for education expenditures. Any remaining  
16       revenue shall be deposited into the PILOT Special Fund established by 32  
17       V.S.A. § 3709.

18       (2) Of the taxes collected under a local option tax imposed on or after  
19       January 1, 2016, 70 percent of the taxes shall be paid on a quarterly basis to the  
20       municipality in which they were collected, after reduction for the costs of  
21       administration and collection under subsection (c) of this section. Revenues

1 received by a municipality may be expended for municipal services only, and  
2 not for education expenditures. Any remaining revenue shall be deposited in  
3 the Education Fund established by 16 V.S.A. § 4025.

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

6 ~~(f)~~ (g) Nothing in this section shall affect the validity of any existing  
7 provision of law or municipal charter authorizing a municipality to impose a  
8 tax similar to the local option taxes authorized in this section.

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

15 Sec. 2. 16 V.S.A. § 4025 is amended to read:

16 § 4025. EDUCATION FUND

17 (a) An Education Fund is established to comprise the following:

18 \* \* \*

19 (8) Any revenues from municipalities electing to adopt a local option tax  
20 under 24 V.S.A. § 138.