



STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE

A Very Brief History of the Purchase & Use Tax¹

- 1960: **P&U Tax enacted at the smaller of 2% or \$150, eff. Mar. 1, 1960.**
(1960 Acts and Resolves No. 327, Sec. 3)
- 1961: **P&U Tax rate increased to the smaller of 3% or \$225, eff. Aug. 1, 1961.**
(1961 Acts and Resolves No. 230, Sec. 1)
- 1968: **P&U Tax rate increased to the smaller of 4% or \$300,² eff. Jul. 1, 1968.**
(1968 Acts and Resolves No. 380, Sec. 2)
- 1991: **P&U Tax rate increased to 5%, eff. Jul. 1, 1991.³**
(1991 Acts and Resolves No. 73)
- 1997: **Education Fund created, eff. Aug. 1, 1997.**
P&U Tax rate increased to 6%, eff. Jul. 1, 1998.
(1997 Acts and Resolves No. 60, Secs. 18, 74)

Education Fund originally funded with property taxes and a variety of other taxes to provide non-property tax support (e.g. meals and rooms, corporate income, bank franchise, telecommunications, one-sixth of P&U revenue, portion of gasoline tax).

- Prior to 1997, T-Fund received 100% of the revenue from the 5% P&U Tax and 15 cent gasoline tax.
 - Act 60 increased P&U Tax to 6%, gasoline tax to 19 cents (both effective Aug. 1, 1997).
 - In FY 1998, revenue was deposited into the Education Fund roughly equivalent to the new revenue raised by the tax increases. Subsequent legislation (Act 71 of 1998) dedicated set percentages of these revenue sources to the Education Fund (1/6th of P&U Tax, 21% of gas tax in FY 1999 and 16% thereafter – see below).
- 1998: **One-sixth of the P&U Tax revenue dedicated to the Education Fund, eff. Jul. 1, 1998.**
(1998 Acts and Resolves No. 71, Sec. 68)
- Act 71 also dedicated several taxes to the Education Fund:
- 20% meals and rooms tax revenue
 - 19% corporate income tax revenue
 - 58.3% bank franchise tax revenue
 - 21% of motor fuel tax on gasoline revenue raised in FY 1999, 16% FY 2000 and later.
...and others

¹ Compiled by Chris Rupe/JFO and Anthea Dexter-Cooper/Legislative Counsel. January 31, 2023.

² The dollar cap increases to \$400 in 1980, *see* 1980 Acts and Resolves No. 202, Sec. 3, Pt. V (eff. 9/1/80); to \$500 in 1981, *see* 1981 Acts and Resolves No. 87, Sec. 23 (eff. 7/1/81); and \$600 in 1982, *see* 1982 Acts and Resolves No. 172, Sec. 11b (eff. 4/20/82). The dollar cap is subsequently eliminated for pleasure cars in 1986, *see* 1986 Acts and Resolves No. 187, Sec. 2 (approved 5/14/86), but continues to exist today for certain vehicles. Not included in this history past 1986.

³ “Effective July 1, 1993, the rate of the motor vehicle purchase and use tax shall revert to four percent unless the increase in the rate of this tax, enacted herein, is further extended by act of the general assembly.” Does not subsequently revert pursuant to 1993 Acts and Resolves No. 1 (Spec. Sess.), Secs. 7 and 8; [1995 Acts and Resolves No. 29, Sec. 37](#); and [1996 Acts and Resolves No. 178, Sec. 292b](#).

2003: **One-third of the P&U Tax revenue dedicated to the Education Fund, eff. Jul. 1, 2004.**
(2003 Acts and Resolves No. 68, Sec. 36)

- Removed 16% of gas tax revenues from Education Fund, shifted revenues to T-Fund (effective FY 2005).
- Sales tax increased from 5% to 6% effective 10/1/23, and one-third sales tax revenue dedicated to the Education Fund (effective FY 2005).
- Removed the meals and rooms, corporate income, bank franchise revenues from Education Fund.

Current Dedication of State Non-Property Tax Revenues:

Transportation Fund	Education Fund
2/3 of P&U Tax Revenue	1/3 of P&U Tax revenue
Gasoline tax revenues (with some statutory exceptions)	Lottery revenue
	25% Meals and Rooms revenue
	100% Sales and Use revenue

