

S.238 Fiscal Walkthrough

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Table 1: Current and Proposed Rooms Tax Rates

	Rooms	Rooms - STR Surcharge
Current Law - Statewide Rate	9%	12%
Current Law - Statewide Rate + Proposed 2% Surcharge	11%	14%
Current Law - Towns with a Local Option	10%	13%
Current Law - LOT Towns + Proposed 2% Surcharge	12%	15%

*Burlington has a gross receipts tax of 4% on hotel/motels, and 9% on short-term rentals; Rutland City has a 1% gross receipts tax on rooms, meals, and entertainment.

Table 2: Preliminary Revenue to the Housing Investments Special Fund (\$ millions)

Fiscal Year	2% Rooms Tax Housing Surcharge	Current Law 3% Short-Term Rental (STR) Surcharge	Total Special Fund Revenue
FY 2027*	\$16.4	\$4.4	\$20.8
FY 2028	\$20.4	\$9.2	\$29.6

*Assumes that revenue from the STR surcharge would be redirected to the Housing Investments Special Fund effective January 1, 2027. The current effective date of the bill and 2% rooms tax surcharge is August 1, 2026.

FY 2027 Appropriations from the Housing Investments Special Fund:

- \$5 million to the Department of Housing and Community Development for the Vermont Housing Improvement Program
- \$14.5 million to the Vermont Housing and Conservation Board to support housing development projects

Table 3: Preliminary Impacts on the Education Fund (\$ millions)

Fiscal Year	Current Law 3% STR Surcharge Reallocation	\$0.01 Per Ounce Sugar Sweetened Beverages (SSB) Excise Tax	Total Education Fund
FY 2027*	-\$4.4	\$7.3	\$2.9
FY 2028	-\$9.2	\$15.8	\$6.6

*Assumes both the new sugar sweetened beverage excise tax and the redirection of the STR surcharge to the Housing Investments Special Fund would be effective January 1, 2027. The current effective date of the bill is August 1, 2026.

Considerations:

SSB Excise Tax:

- The SSB excise tax would likely require substantial start-up and implementation costs, including new tax form programming, informational campaigns, and compliance and auditing of retailers. These costs are not included in estimates.
- The proposed SSB tax rate translates to approximately \$0.67 for a 2-liter beverage. If a 2-liter beverage costs \$2, that translates into a much higher effective tax rate than the sales or meals and rooms tax rate.
- Research on similar sugar-sweetened beverage taxes in other jurisdictions has found substantial decreases in consumption of these beverage after taxes go into effect. These estimates account for this type of behavior change, but stronger than estimated responses would reduce revenue.
- Cross-border issues may impact collections of other tax types. For example, if Vermont residents are inspired to take additional shopping trips to New Hampshire because of the new tax, that could reduce overall collections for various consumption taxes. These types of responses are not included in these estimates.
- The tax may impact Vermonters differently based on geography. Residents who live an easy drive from state borders, for example, or who live in areas where grocery stores are predominantly in an adjacent state, can more easily avoid the tax than residents who live elsewhere.

2% Rooms Tax Housing Surcharge

Competitiveness:

- As shown on Table 4 on the next page, States and local jurisdictions often structure taxation of hotel and STR accommodations differently, including using specific lodging taxes, applying the general state or local sales tax, and creating distinct taxes earmarked for specific uses. However, taxing regimes roughly follow two different structures:
 - A state tax rate similar to Vermont's current 9% rate and limited or no local taxes
 - A lower state tax rate but substantial local tax rates
- Burlington's 4% gross receipts tax on hotel accommodations means that a 2% increase in the rooms tax would place the total rate on hotels in Burlington (15%) close to or above major cities in the region, including Providence (13%), New York City (14.75%), Boston (14.95%), and Hartford (15%).
 - STRs would have a tax rate of 23% in Burlington, well above the next highest rate of 17.95% in Boston. Regulations also strictly limit the prevalence of STRs in Burlington.
- It would also move the overall Vermont state rate for hotels (11% without a local option) and STRs (14% without a local option) well above the overall state lodging tax rate for New Hampshire (8.5%) and Maine (9% outside of Portland).

Table 4: Current Law Rooms Tax Rate Comparison

	State/Federal Rate	Local Rate	Total	Other
<i>Cities</i>				
Burlington	9% + 3% if STR	4% hotel + 9% if STR	13% hotels; 21% STRs	
New York City	4% sales	4.5% sales + 5.875% occupancy + 0.375% transportation surcharge	14.75%	\$1.50 per unit per day State Hotel Unit Fee; \$2.00 per room per day Hotel Room Occupancy Tax for rooms over \$40
Philadelphia	7% hotel	8.5% hotel room rental tax	15.50%	A 0.75% Philadelphia Hospitality Investment Levy on gross short-term guest sleeping room rental revenue
Boston, MA	5.70%	6.5% local option + 2.75% convention center financing fee + 3% STR community impact fee	14.95% hotels; 17.95% STRs	
Providence	7% sales + 5% hotel	1%	13% (8% for whole home rentals)	Beginning January 1, 2026, a whole home short-term rental will be charged a 5% tax. This aligns with the 5% state hotel tax in single room rentals
Portland, ME	9%	1.50%	10.50%	The 1.5% local rate only applies to hotels of more than 40 beds and raises revenue for a separate assessment district
Montreal	5% federal + 9.975% state	3.50%	18.48%	
<i>States not covered above</i>				
New Hampshire	8.50% N/A		8.50%	No local tax in New Hampshire
Connecticut	15% N/A		15%	No local tax in Connecticut