

# Local Option Taxes and the PILOT Special Fund

Senate Committee on Government Operations

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# Local Option Taxes

- State law grants towns the authority to levy additional 1% taxes on sales, meals and alcohol, and/or rooms.
  - Burlington and Rutland City have some local taxes that are similar to the LOT.
- LOT is collected and administered by the Department of Taxes.
- State law apportions LOT revenue 70% to town that levies the LOT, 30% to PILOT Special Fund.
  - The 30% LOT on jet fuel sales is instead dedicated to the Transportation Fund for aviation uses.
  - \$5.96 per-return fee is collected, paid 70%/30% from the amounts that would otherwise go to the town/PILOT Special Fund, respectively.
- Local voters must approve LOTs. The tax is paid based on commercial activity occurring within a town – not based on property ownership or residency.
- Act 144 of 2024 allows all towns to implement a LOT without a charter change
  - Commissioner of Taxes can limit the number of new local option taxes to 5 per calendar year



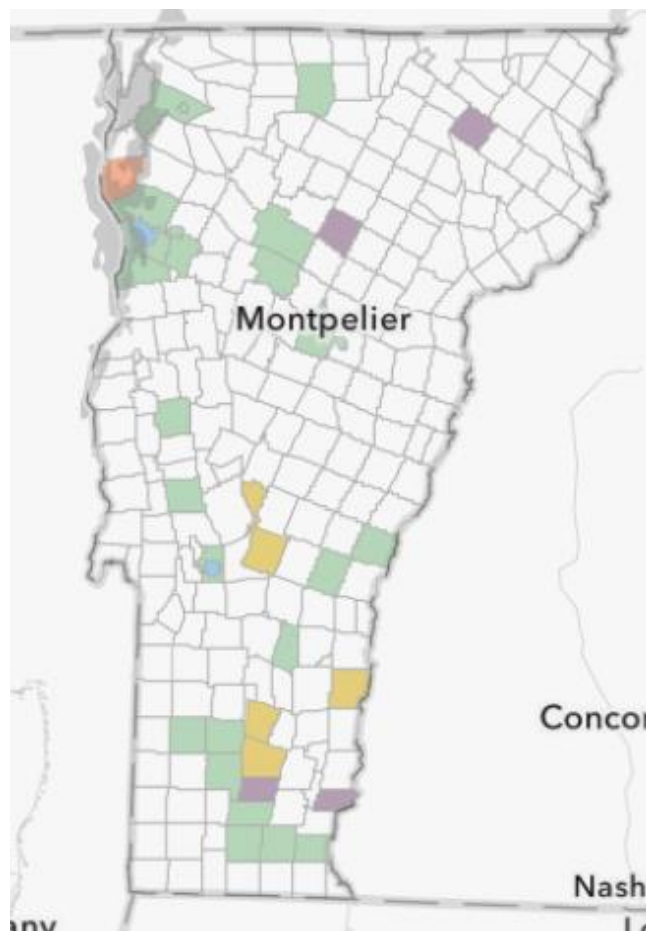
# PILOT Special Fund

- 30% of LOT revenue flows to the PILOT Special Fund, which pays for PILOT payments to towns for State-owned property, prisons, UVM (\$750K cap)
  - PILOT Special Fund uses/expenditures are directed by the Legislature.
- General PILOT payments are calculated by a formula and subject to appropriations – if appropriations are insufficient to fully fund PILOT payments, the payments are prorated.
- FY 2024 was the first year that PILOT payments to towns were fully funded. (\$11.25M). Payments had been prorated in prior years.



# PILOT Payments versus LOT towns

**Green** = All  
**Yellow** = MRT  
**Blue** = Sales  
**Purple** = Rooms  
**Red** = Meals and alcohol only



Fiscal Year 2024 PILOT Payments by Town

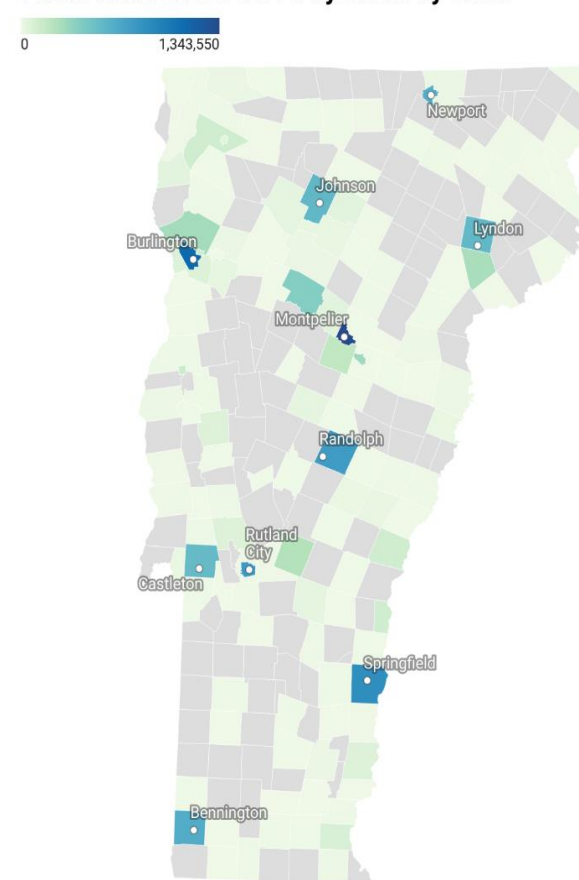


Table 1: Top 10 PILOT Payments by Town\*

Town	FY 2024 Pilot Payment (\$)
Montpelier	1,343,550
Burlington	1,112,453
Springfield	854,719
Rutland City	770,102
Randolph	754,629
Bennington	634,035
Newport City	626,466
Lyndon	556,952
Johnson	551,702
Castleton	537,180

Source: Vermont Department of Taxes

\*Note: These figures include all taxing jurisdictions in each city or town

- Towns with local option taxes are clustered near ski areas, regional shopping areas, or in Chittenden County
- Municipalities receiving PILOT payments are spread throughout the state.
  - 118 PILOT payments in FY 2024 were less than \$25,000.



# Revenue and Appropriations Trajectory

- After a steady increase between fiscal years 2017 and 2021, revenues started to increase much more quickly than expenses starting in fiscal year 2022
- At the end of fiscal year 2024, the PILOT Special Fund had a balance of \$10.3 million.
- With additional revenue to the Fund, the State was able to increase PILOT payments to 100% of their calculated value

PILOT Special Fund Since Fiscal Year 2017

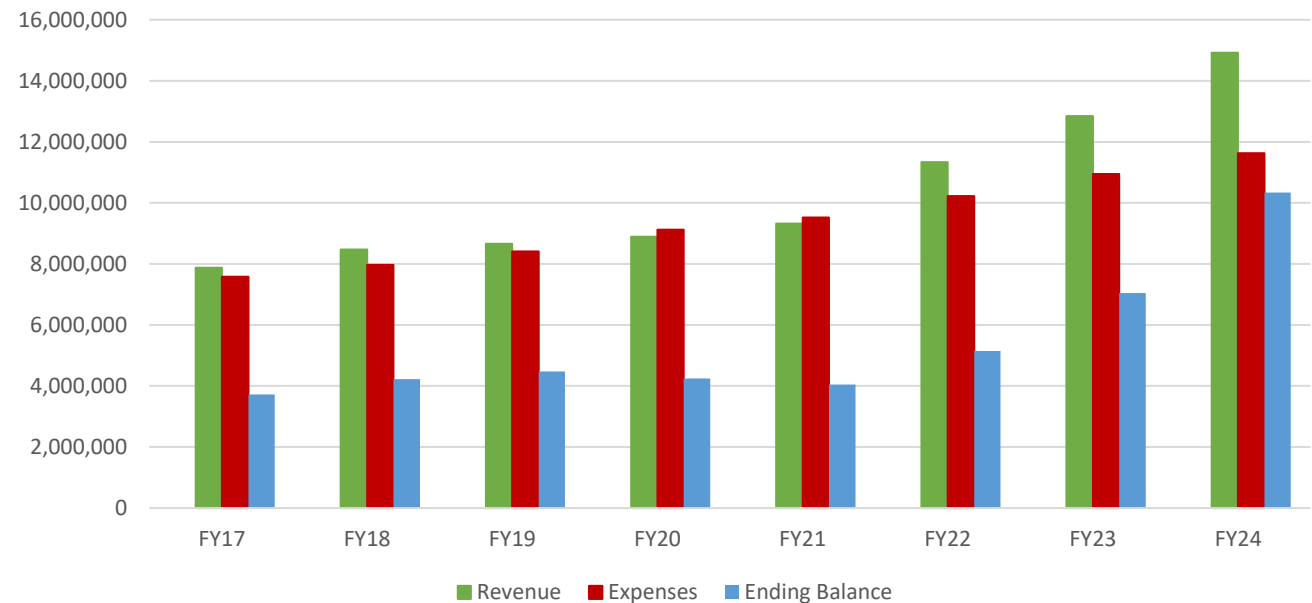


Table 2: PILOT Payments and Proration

Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024
PILOT Payment (\$ millions)	\$7.17	\$7.60	\$8.04	\$8.75	\$9.25	\$9.75	\$10.58	\$11.25
Proration (%)	74.7	75.6	76.3	81.1	81.1	85.8	94.8	100.0

Sources: Department of Finance and Management Special Fund Reports; Vermont Department of Taxes



# Two Sources of PILOT Revenue Strength

## 1. Pandemic-era changes in spending habits

- Increased spending on goods online
- Post-pandemic travel

### **SOURCE G-FUND**

*revenues are prior to all E-Fund allocations and other out-transfers; used for analytic and comparative purposes only*

	<b>FY2021</b>	<b>%</b>	<b>FY2022</b>	<b>%</b>	<b>FY2023</b>	<b>%</b>	<b>FY2024</b>	<b>%</b>	<b>FY2025</b>	<b>%</b>
	(Actual)	Change	(Actual)	Change	(Actual)	Change	(Actual)	Change	(Forecast)	Change
<b>REVENUE SOURCE</b>										
Personal Income	\$1069.8	15.5%	\$1267.8	18.5%	\$1210.0	-4.6%	\$1243.1	2.7%	\$1296.4	4.3%
Sales and Use <sup>1</sup>	\$507.6	17.4%	\$545.2	7.4%	\$584.0	7.1%	\$595.2	1.9%	\$610.9	2.6%
Corporate	\$133.4	-9.8%	\$223.3	67.3%	\$281.4	26.0%	\$238.8	-15.1%	\$259.3	8.6%
Meals and Rooms <sup>2</sup>	\$143.8	-12.1%	\$216.8	50.8%	\$237.7	9.6%	\$246.2	3.5%	\$261.8	6.4%

Source: January 2025 Consensus Revenue Forecast

## 2. Increases in the number of municipalities with LOTs

*Table 3: Number of Towns with a Local Option Tax*

Tax Type	2017	2018	2019	2020	2021	2022	2023	2024
Meals and Rooms Tax*	17	18	19	20	21	22	24	28
Sales Tax	14	14	14	16	16	17	20	22

\*The number of municipalities with a LOT in this tax type includes municipalities that assess LOTs on any combination of meals, rooms, and alcohol taxes.

Source: Vermont Department of Taxes



# Adjusting Local Option Revenue Shares

- There was a \$10.3 million ending balance in the PILOT Special Fund at the end of FY 2024.
- **\$14.542 million** in appropriations from the PILOT Special Fund in H.493 (FY 2026 Budget)
  - \$12,200,000 – General PILOT (B.142)
  - \$192,000 – Correctional Facilities PILOT (B.144 + B.338)
  - **\$1,000,000 – Municipal Grand List Stabilization Program (B.1100(c))**
  - **\$1,150,000 – Town Highway Non-federal Disasters (B.917)**
- Increasing municipal LOT share would decrease the amount of revenue available to the PILOT Fund:
  - 70/30 (current law): \$16.8 million
  - 75/25: \$14.0 million
  - 80/20: \$11.2 million
- **Shifting to 80/20 would not generate sufficient revenue on an ongoing basis to fully fund PILOT payments.**

Estimated FY2026 LOT Allocations (\$ millions)

	Total LOT Revenue	Municipal Revenue Share	PILOT Fund Share	Return Fees to Tax
80% Allocation to Towns	\$59.18	\$44.84	\$11.21	\$3.13
75% Allocation to Towns	\$59.18	\$42.04	\$14.01	\$3.13
70% Allocation to Towns	\$59.18	\$39.24	\$16.82	\$3.13

\*Estimate includes all towns that adopted LOTs in 2025 except Ludlow. Estimates do not factor any expected potential changes in consumption taxes due to economic conditions.





Vermont Municipalities With Local Option Taxes (1%)				
Town	Sales	Meals	Rooms	Date Effective
Barre City	*	*	*	Sales 10/22, M&R 10/18
Berlin	*	*	*	1/25
Brandon	*	*	*	10/16
Brattleboro	*	*	*	Sales 7/19, M&R 4/07
Burlington*	*			Sales 7/06
City of Essex Jct	*	*	*	10/22
City of Rutland	*			Sales 7/23
Colchester	*	*	*	10/15
Dover	*	*	*	7/07
Elmore			*	7/21
Hartford	*	*	*	Sales 7/25, M&R 10/17
Jamaica		*	*	7/23
Killington		*	*	10/08
Londonderry		*	*	Rooms 7/23, Meals 7/24
Ludlow	*	*	*	7/25
Manchester	*	*	*	Sales 4/99, M&R 4/08
Marlboro	*	*	*	7/25
Middlebury	*	*	*	10/08
Montgomery	*	*	*	10/22
Montpelier	*	*	*	Sales 7/25, M&R 10/16
Pittsfield		*	*	7/25
Putney			*	7/25
Rutland Town	*	*	*	4/09
Shelburne	*	*	*	7/23
St. Albans City	*	*	*	10/20
St. Albans Town	*	*	*	7/14
South Burlington	*	*	*	10/07
South Hero		*		7/24
Springfield		*	*	7/25
Stowe	*	*	*	Sales 7/23, M&R 7/06
Stratton	*	*	*	7/04
Wardsboro			*	10/23
Waterbury	*	*	*	7/24
Westmore			*	7/24
Williston	*	*	*	7/03
Wilmington	*	*	*	7/12
Winhall	*	*	*	7/10
Winooski	*	*	*	7/19
Woodstock	*	*	*	Sales 7/24, M&R 7/15
<b>Towns with LOTs</b>	<b>29</b>	<b>33</b>	<b>36</b>	

\* Burlington and the City of Rutland (not listed) administer and collect their own local meals, entertainment, lodging, or alcoholic beverage taxes.