



1% Local Option Tax

Berlin, Vermont scenario

What is a Local Option Tax?

- An additional 1% tax that generates money for the Town on business done in the Town.
- Berlin gets 70% of the proceeds, the State gets 30% (some of which come back to the Town)

What is taxed?

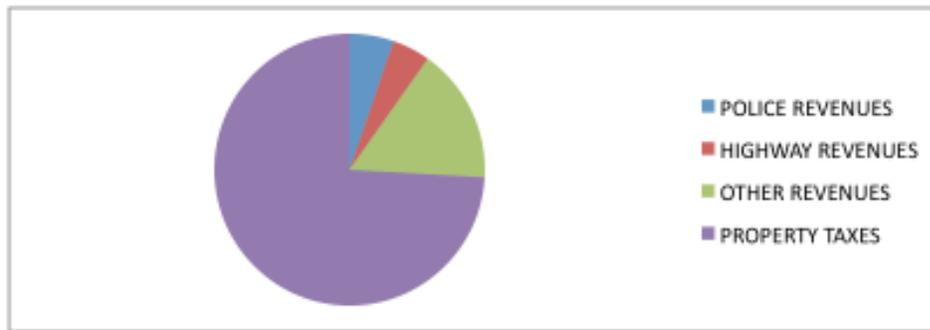
- Anything that would normally be subject to Vermont's 6% sales tax that is purchased at or delivered to a Berlin address

What is not taxed?

- Drugs, medical supplies & equipment
- Food
- Clothing
- Gasoline & diesel
- Cars
- Residential/farm utilities: electricity, oil, gas

How much are you talking about?

- Using 2014's numbers (\$59.6M in sales & use receipts): roughly \$420,000
 - ...plus more PILOT money from the State
- Our municipal budget this year is ~\$2.6M
 - The local option revenue amounts to about 16% of our entire budget!



What would we do with the \$420K?

- The most popular option:
 - **Lower property taxes!**
- Other options:
 - Put \$\$\$ into a capital improvement fund
 - For roads, facilities, equipment
 - Increase police coverage
 - Increase fire department's response time
- One idea pitched: reduce property taxes 10%, then put the rest in a capital fund

How would this affect my property tax rate?

- If your house is appraised at \$200,000:
 - Annual taxes would decrease roughly \$170
- You would have to spend more than \$17,000 annually on goods subject to sales and use tax in Berlin to pay more in taxes with the 1% LOT
- \$100k house: ~\$85 \$300k house: ~\$255

Doesn't this hurt economic growth?

- Conventional wisdom says the LOT will drive business away
- There are no studies in Vermont to point one way or the other – the different situations are hard to compare
- I looked at how the LOT towns did compared to the Vermont average for the two years just before and the two years just after each town enacted the LOT:
 - There was a **positive** result! (see the next slide)

Sales & use receipts compared to Vermont average
2 years before 1% local option tax

Sales & use receipts compared to Vermont average
2 years after 1% local option tax

(2007/2008) Rutland Town 49.1303%

16.2985% Wilmington (2013/2014)

22.1120%

5.8728% Dover (2008/2009)

12.7193%

5.1782% Middlebury (2009/2010)

3.8050%

(2006/2007) Middlebury 1.3732%

2.3080% S. Burlington (2008/2009)

2.6779%

1.9441% Killington (2009/2010)

10.5036%

VERMONT 0.0000%

0.0000% VERMONT

(2005/2006) S. Burlington -0.3699%

-1.1280% Stratton (2005/2006)

6.1673%

(2010/2011) Wilmington -5.8135%

-5.5234% Winhall (2011/2012)

3.3234%

(2005/2006) Dover -6.8465%

(2002/2003) Stratton -7.2953%

(2006/2007) Killington -8.5596%

(2004/2005) Burlington -8.6306%

(2008/2009) Winhall -8.8468%

-8.2108% Burlington (2007/2008)

0.4198%

-9.7488% Rutland Town (2010/2011)

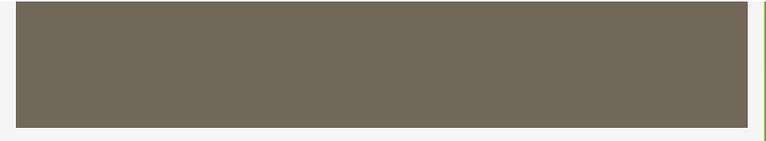
-58.8791%

We have the option...

- “Should the [town] continue to fund its budget almost exclusively with property tax revenue, in which increases largely hit the wallets of [town] residents, or should businesses and residents of neighboring communities be asked to contribute more money to help pay for [town] services?”

“Local option taxes are about who pays”

Times Argus, Feb 25, 2012



What do you think?

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