



Shelburne Selectboard

*INFORMATION CONCERNING PROPOSED
LOCAL OPTION TAX PROGRAM*

Shelburne Local Option Tax Information

What is the Local Option Tax?

Current State Sales Tax %	
Retail sales	6%
Rooms	9%
Meals	9%
Alcohol	10%

- State law authorizing towns to raise revenue to reduce reliance on property taxes
- 1% levy added to State sales tax on retail sales, rooms, meals and alcohol
- Many basic necessity goods are exempted from LOT (and State sales tax)
- ~70% of LOT remitted to Town; 30% retained by State for PILOT program
- LOT collected by merchant on taxable items and tax filed under usual procedures
- LOT administered by State; not Town or merchant
- LOT will provide ongoing annual source of reliable non-property tax revenue

Shelburne Local Option Tax Information

Why is a LOT program being considered here and now?

- **Reduce heavy reliance on property taxes for current and future needs**
 - 6¾% pre-pandemic annual growth in Town property taxes is unsustainable
 - Significant near-term capital improvements/replacements/upgrades required
 - Any major new capital expenditures will still be subject to voter approval
- **Diversify and expand other Town revenue sources**
 - Budget vulnerable to swings in property tax collections and other revenue receipts
 - Reliable, projectable annual revenue to stabilize Town Budget
 - Substantial visitor/tourist contribution to help offset provided services
- **Provide secure funding for voter-approved infrastructure needs in the future**

Shelburne Local Option Tax Information

What is exempt from LOT?

Clothing and shoes

Food and Food Products

Non-Alcoholic Beverages

Gasoline and Diesel Fuel

Retail Electricity and Heating Fuel

Agricultural Supplies

Motor Vehicle Purchase or Rental

Medical Equipment and Supplies

Over-the-Counter Drugs

Feminine Hygiene Products

Other Special Purposes

Shelburne Local Option Tax Information

How are LOT charges calculated – examples?

Retail Sales:

Lamp	\$50.00
State tax (6%)	3.00
LOT (1%)	<u>0.50</u>
Total	\$53.50

Meals:

Hamburger & fries	\$10.00
State tax (9%)	0.90
LOT (1%)	<u>0.10</u>
Total	\$11.00

Rooms:

Single	\$250.00
State tax (9%)	22.50
LOT (1%)	<u>2.50</u>
Total	\$275.00

Alcoholic Beverages:

Beer	\$7.00
State tax (10%)	0.70
LOT (1%)	<u>0.07</u>
Total	\$7.77

Shelburne Local Option Tax Information

What is feedback from merchants in LOT municipalities?

- LOT amount immaterial to purchase decisions
- One-time LOT software set-up effort is not significant

Shelburne Local Option Tax Information

How much annual LOT can we expect and how was it estimated?

Annual LOT revenues estimated to be **\$939,961** based on:

- 2021 taxable retail sales \$580,621
- 2019 taxable meals receipts 85,904
- 2019 taxable rooms receipts 35,294
- 2019 taxable alcoholic beverage sales 15,645
- 2022 projected taxable online sales 222,498

Annual LOT collections will vary based on sales activity in LOT categories

Town receives LOT revenue quarterly in arrears

Data source: VT Department of Taxes

Shelburne Local Option Tax Information

What is our visitor/tourist LOT sales footprint?



- Local taxable sales to anyone from outside Shelburne creates Town LOT revenue
- Precise data for taxable sales to visitors/tourists is not collected
- LOT-exempt items (groceries, clothing, etc.) are likely to be purchased by residents; taxable LOT items are more likely to be purchased by visitors/tourists
- Shelburne population represents only 4% of Chittenden County sales/market area
- Economic data indicates that visitors/tourists account for a substantial share of Shelburne's retail, meals, rooms and alcoholic beverage sales

Shelburne Local Option Tax Information

What is visitor/tourist activity in Shelburne?



Shelburne has substantial visitor/tourist commerce

Top 3 Shelburne Visitor/Tourist Destinations

- Teddy Bear Factory - 60,000 visitors yearly, “vast majority are from out of state/Chittenden County.”
- Shelburne Farms – 140,000 visitors yearly, “vast majority are non-Shelburne residents.”
- Shelburne Museum - 105,000 visitors yearly, “half are from out of state, most Vermonters are non-Shelburne residents.”

Other Shelburne businesses, particularly along Rt. 7, have significant visitor/tourist sales

Over 5 million vehicles per year pass through Shelburne

Shelburne Local Option Tax Information

What services do we provide to visitors/tourists?

Police

Safety/Public dispatch

Rescue

Roads

Recreation Activities

Bike/Walking paths

Library

Administration

Water

Wastewater

Stormwater

The cost of these services is substantial and currently borne entirely by Shelburne residents

Shelburne Local Option Tax Information

Selectboard has enacted LOT expenditure policy

“It is the policy of the Shelburne Selectboard that revenues derived from local option taxes be dedicated to the following purposes:

Capital expenditures/projects;

Debt reduction;

Reserve funds for future capital projects;

Repairs or other emergency needs related to a disaster as declared by the Selectboard or State or Federal agencies; and/or

Land conservation/open space protection for creation and/or utilization of public space.”

Adopted by the Shelburne Selectboard October 11, 2022

Shelburne Local Option Tax Information

What safeguards do we have against uncontrolled Town spending of LOT?

Same checks/oversight procedures as for any Town expenditure

- **Communicate with Selectboard/Town administration**
- **Request pertinent data and budget assumptions**
- **Question expenditure(s) during public budget hearings**
- **Vote for/against proposed Annual Budget at Town Meeting**

Shelburne Local Option Tax Information

What action must be taken to authorize a LOT levy?

Voter-approved amendment to Town Charter is required to enable collection of LOT

Proposed UPDATED language to amend Town Charter:

Chapter 147: Town of Shelburne (Cite as: 24A V.S.A. Chapter 147, § 9.3)

147-9.3 Local Option Tax

The Town Selectboard shall be authorized to levy a one percent tax on sales, meals and alcoholic beverages, and rooms. Any tax imposed under the authority of this subsection shall be collected and administered pursuant to 24 V.S.A. § 138.

Shelburne Local Option Tax Information

What Vermont cities/towns levy a LOT?

Municipalities with LOT

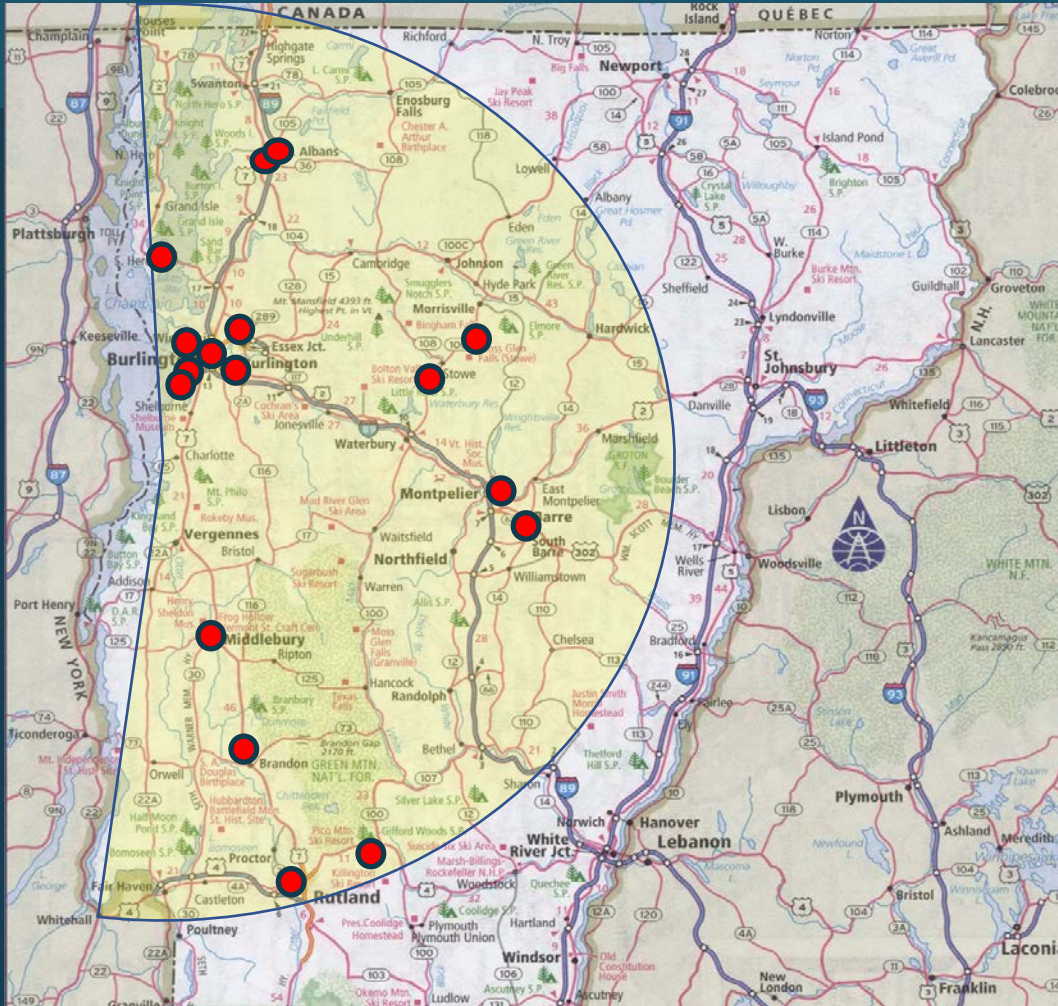
Barre	Rutland Town
Brandon	South Burlington
Brattleboro	South Hero
Burlington	St. Albans City
Colchester	St. Albans Town
Dover	Stowe
Elmore	Stratton
Essex Junction City	Williston
Hartford	Wilmington
Killington	Winhall
Manchester	Winooski
Middlebury	Woodstock
Montpelier	

General Characteristics

- 25 cities/towns with varying populations
- Account for most economic activity in State
- Significant visitor/tourist traffic
- Larger local economic footprint
- Growing capital investment needs
- High utilization of infrastructure/resources
- Desire to lower reliance on property taxes

Shelburne Local Option Tax Information

What neighboring towns have LOT (60-mile radius)?



17 Municipalities

- Barre
- Brandon
- Burlington
- Colchester
- Elmore
- Essex Junction City
- Killington
- Middlebury
- Montpelier
- Rutland Town
- St. Albans City
- St. Albans Town
- South Burlington
- South Hero
- Stowe
- Williston
- Winooski

Population Range: 923 to 43,185

Shelburne Local Option Tax Information

What do other towns say about their LOT experience?

Responses from 3 neighboring Town Managers

Colchester: “It is restricted to voter approved capital projects including debt ... so the first year we decreased our tax rate by 5%. We are now saving for a community recreation center. We would not be able to afford this without the LOT.”

Williston: “Williston’s LOT revenue is about 25% of the general fund operating budget. It’s used for general operating needs. Williston property tax rate will likely be around 30 cents for FY 23, and if the LOT revenue didn’t exist it would likely be 16 cents or so higher.”

St. Albans: “Can’t say enough good things about the LOT. Now you can tax the internet and use the revenues to reinvest in Main Street. Adopt a policy for how you will spend the money. Get the SB to consider the idea....”

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Questions and Answers

