

1 H.697

2 Introduced by Representatives Dolan of Waitsfield, Birong of Vergennes,  
3 Anthony of Barre City, Hill of Wolcott, Morris of Springfield,  
4 and O'Sullivan of Burlington

5 Referred to Committee on

6 Date:

7 Subject: Taxation; local option taxes

8 Statement of purpose of bill as introduced: This bill proposes to allow towns  
9 with a population of fewer than 2,500 to vote to establish a local option tax.  
10 A local option tax established under this act would allow towns to keep  
11 80 percent of the revenue and remit 20 percent to the State.

12 An act relating to establishing a local option tax for smaller towns

13 It is hereby enacted by the General Assembly of the State of Vermont:

14 Sec. 1. 24 V.S.A. § 138 is amended to read:

15 § 138. LOCAL OPTION TAXES

16 ~~(a) Local option taxes are authorized under this section for the purpose of~~  
17 ~~affording municipalities an alternative method of raising municipal revenues to~~  
18 ~~facilitate the transition and reduce the dislocations in those municipalities that~~  
19 ~~may be caused by reforms to the method of financing public education under~~  
20 ~~the Equal Educational Opportunity Act of 1997. Accordingly:~~

1           (1) ~~the~~ The local option taxes authorized under this section may be  
2 imposed by a municipality;

3           (2) a municipality opting to impose a local option tax may do so prior to  
4 July 1, 1998 to be effective beginning January 1, 1999, and anytime after  
5 December 1, 1998 a local option tax shall be effective beginning on the next  
6 tax quarter following 90 days' notice to the Department of Taxes of the  
7 imposition; and

8           (3) a local option tax may ~~only~~ be adopted by a municipality in which:

9                (A) the education property tax rate in 1997 was less than \$1.10 per  
10 \$100.00 of equalized education property value; or

11               (B) the equalized grand list value of personal property, business  
12 machinery, inventory, and equipment is at least ten percent of the equalized  
13 education grand list as reported in the 1998 Annual Report of the Division of  
14 Property Valuation and Review; or

15               (C) the combined education tax rate of the municipality will increase  
16 by 20 percent or more in fiscal year 1999 or in fiscal year 2000 over the rate of  
17 the combined education property tax in the previous fiscal year-, and

18           (4) a local option tax may be adopted by a municipality with a  
19 population under 2,500, regardless of whether or not the conditions of  
20 subdivision (3) of this subsection are met.

1 (b) If the legislative body of a municipality by a majority vote  
2 recommends, the voters of a municipality may, at an annual or special meeting  
3 warned for that purpose, by a majority vote of those present and voting, assess  
4 any or all of the following:

5 (1) a one percent sales tax;

6 (2) a one percent meals and alcoholic beverages tax;

7 (3) a one percent rooms tax.

8 (c) Any tax imposed under the authority of this section shall be collected  
9 and administered by the Department of Taxes, in accordance with State law  
10 governing such State tax or taxes; provided, however, that a sales tax imposed  
11 under this section shall be collected on each sale that is subject to the Vermont  
12 sales tax using a destination basis for taxation. Except with respect to taxes  
13 collected on the sale of aviation jet fuel, a per-return fee of \$5.96 shall be  
14 assessed to compensate the Department for the costs of administration and  
15 collection, 70 percent of which shall be borne by the municipality, and  
16 30 percent of which shall be borne by the State to be paid from the PILOT  
17 Special Fund. The fee shall be subject to the provisions of 32 V.S.A. § 605.

18 (d)(1) Except as provided in subsection (c) of this section ~~and, in~~  
19 subdivision (2) of this subsection with respect to taxes collected on the sale of  
20 aviation jet fuel, and in subdivision (3) of this subsection governing small  
21 municipalities, of the taxes collected under this section, 70 percent of the taxes

1 shall be paid on a quarterly basis to the municipality in which they were  
2 collected, after reduction for the costs of administration and collection under  
3 subsection (c) of this section. Revenues received by a municipality may be  
4 expended for municipal services only, and not for education expenditures.  
5 Any remaining revenue shall be deposited into the PILOT Special Fund  
6 established by 32 V.S.A. § 3709.

7 (2)(A) Of the taxes collected under this section on the sale of aviation jet  
8 fuel, on a quarterly basis, 70 percent of the taxes shall be paid to the  
9 municipality in which they were collected, and 30 percent shall be deposited in  
10 the Transportation Fund.

11 (B) All revenues referenced in subdivision (A) of this subdivision (2)  
12 shall be used exclusively for aviation purposes consistent with 49 U.S.C.  
13 § 47133 and Federal Aviation Administration regulations and policies.

14 (3) For a municipality with fewer than 2,500 residents that adopts a tax  
15 pursuant to this section, 80 percent of the taxes shall be paid to the  
16 municipality and 20 percent shall be paid to the PILOT Special Fund.  
17 Revenues received by a municipality may be expended for new municipal  
18 investments only, including housing, and not for education expenditures.

19 \* \* \*

20 Sec. 2. EFFECTIVE DATE

21 This act shall take effect on July 1, 2020.