

Local Option Tax: City of St. Albans, VT

Outline of Implementation of Tax and Collection of Revenues-UPDATE

Presented to the St. Albans City Council

by Economic & Policy Resources, Inc.

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Question:

- Shall the City Council of the City of St. Albans request approval by the Vermont General Assembly of a City Charter change to enact:

(1) a one percent local option Sales & Use Tax, within the City of St. Albans, and/or

(2) a one percent local option Meals, Rooms and Alcohol Tax within the City of St Albans?

...To be administered by the State of Vermont.



Question (Con't):

- A Local Option Tax of 1% may be added to the following State taxes:*
- Alcoholic beverages tax (State tax is 10%)...w/St.Albans LOT Tax would be 11%
- Meals tax (State tax is 9%)... w/St.Albans LOT Tax would be 10%
- Rooms tax (State tax is 9%)... w/St.Albans LOT Tax would be 10%
- Sales tax (State sales tax is 6%)... w/St.Albans LOT Tax would be 7%
- Again, a St.Albans LOT would not apply to:
 - Use Tax
 - Motor vehicle purchase & use tax (or the State sales tax on vehicles)
- Burlington and Rutland administer and collect their own local taxes
- The City currently has a local option tax on Liquor that collects some dollars

Use of LOTs Around the State

- The concept of LOTs have gained a significant amount of acceptance around the State.
 - A total of 15 municipalities in VT impose a Sales LOT,
 - Burlington (with a 2% LOT) and Rutland (with a 1% LOT) each have a locally-administered “Gross Receipts” tax on rooms, restaurants and entertainment/admissions on top of the statewide tax on those items
 - A total of 7 municipalities in VT impose a meals, rooms, and alcohol LOT only,
 - A total of 15 municipalities have both LOT on Sales tax items as well as meals, rooms, and alcohol, including St. Albans Town, which was implemented in July 2014.
 - Other potentially competing commercial centers also have LOTs on the books--including the Town of Williston, the Town of Colchester, the City of Winooski, and the Town of Stowe.



City LOT – Revenue Potential

Fiscal Year	FY Total City LOT Revenue	Annual % Growth	Total Sales	Annual % Growth	Total Meals, Rooms, & Alcohol	Annual % Growth	Sales Share of Total Estimated LOT Revenue
FY 06	\$671,822		\$585,241		\$86,581		87.1%
FY 07	\$595,666	-11.3%	\$527,089	-9.9%	\$68,577	-20.8%	88.5%
FY 08	\$522,391	-12.3%	\$427,376	-18.9%	\$95,015	38.6%	81.8%
FY 09	\$606,016	16.0%	\$515,665	20.7%	\$90,350	-4.9%	85.1%
FY 10	\$550,515	-9.2%	\$480,200	-6.9%	\$70,316	-22.2%	87.2%
FY 11	\$527,732	-4.1%	\$505,175	5.2%	\$22,556	-67.9%	95.7%
FY 12	\$650,497	23.3%	\$548,960	8.7%	\$101,537	350.2%	84.4%
FY 13	\$689,755	6.0%	\$577,305	5.2%	\$112,450	10.7%	83.7%
FY 14	\$637,019	-7.6%	\$528,149	-8.5%	\$108,870	-3.2%	82.9%
FY 15	\$628,442	-1.3%	\$516,895	-2.1%	\$111,547	2.5%	82.3%
FY 16	\$670,469	6.7%	\$536,102	3.7%	\$132,403	18.7%	80.0%
FY 17	\$708,747	5.7%	\$565,444	5.5%	\$143,303	8.2%	79.8%
FY 18	\$779,187	9.9%	\$616,345	9.0%	\$162,842	13.6%	79.1%
FY 19 - Prelim.	\$855,256	9.8%	\$684,422	11.0%	\$170,834	4.9%	80.0%
Average % 10 YR/19 YR Growth				1.9%		2.6%	

1. FY 10 and FY 11 include time periods for which historical gross activity data is not available for Meals and Alcohol sales activity. Gross sales activity data is complete for all analyzed years, and therefore the most accurate time series.

2. Sales Tax uses a 10 YR Average Growth less one pct. Pt./M&R Tax uses a 19 YR Average % Growth less one pct. pt.

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City LOT – Revenue Potential-10 Yrs.

Fiscal Year - Forecast	FY Total City LOT Revenue	Annual % Growth	Total Sales	Annual % Growth	Total Meals, Rooms, & Alcohol	Annual % Growth
FY 19	\$855,256	9.8%	\$684,422	11.0%	\$170,834	4.9%
FY 20	\$872,579	2.0%	\$697,232	1.9%	\$175,347	2.6%
FY 21	\$890,260	2.0%	\$710,282	1.9%	\$179,979	2.6%
FY 22	\$908,308	2.0%	\$723,575	1.9%	\$184,733	2.6%
FY 23	\$926,731	2.0%	\$737,118	1.9%	\$189,613	2.6%
FY 24	\$945,536	2.0%	\$750,914	1.9%	\$194,622	2.6%
FY 25	\$964,732	2.0%	\$764,968	1.9%	\$199,763	2.6%
FY 26	\$984,326	2.0%	\$779,286	1.9%	\$205,040	2.6%
FY 27	\$1,004,328	2.0%	\$793,871	1.9%	\$210,457	2.6%
FY 28	\$1,024,746	2.0%	\$808,729	1.9%	\$216,016	2.6%
FY 29	\$1,045,588	2.0%	\$823,866	1.9%	\$221,723	2.6%
FY 30	\$1,066,865	2.0%	\$839,285	1.9%	\$227,580	2.6%
FY 31	\$1,088,585	2.0%	\$854,994	1.9%	\$233,591	2.6%

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LOT – Decision Points

Decision Point #1:

- The City Council must decide on which LOT to pursue (Meals, Rooms, Alcohol; OR Sales) or decide to pursue both. **EPR and City staff recommend that the City pursue a charter change for both LOT options.**

Decision Point #2:

- The City needs to decide and have a policy for how to use the proceeds of the LOT:
 - To fund general governmental services (e.g. add new “high efficacy service;” and/or replace some funds used for municipal services paid for by the property tax;
 - To fund “Pay As You Go” expenditures for City infrastructure or amenity investments;
 - To fund “debt service” for City infrastructure or amenity investments; or
 - To fund a combination of some or all of the above.
- **EPR and City staff recommend that the proceeds from both LOT options be used to fund future investments in the City’s infrastructure and amenities—with a small portion (suggested at 5% of the total proceeds from both LOTs in any given year) be set-aside and used to provide assistance to low income households in the City to better afford the City’s programs (e.g. recreation programs).**



LOT – Decision Points

Decision Point #3:

- The City staff needs to engage the City attorney to draft charter change language for review and possible approval. **EPR and City staff recommend the City attorney be asked to draft charter change language for City Council review-approval/City vote.**

Decision Point #4:

- Engage local stakeholders in outreach regarding the LOT issue and its implementation. The Council will need an active factual Voter/Stakeholder outreach or information meetings on proposed change to City charter to allow LOT. **EPR and City staff recommend that outreach begin immediately after a City Council decision to move forward on the LOT.**



Timeline to Town Meeting Day

- **Mid-December through January:** If the City Council is agreeable to moving forward, request City Attorney to draft Charter change language-including a proposed effective date for the LOT(s) (Still possible for July 1, 2020 assuming the City Counsel elects to propose a City-wide vote)
 - Includes conforming changes to existing local option taxing authority currently in the City's charter
 - Warning of LOT ballot measure/Charter changes required between 30-40 days prior to Town meeting day (Town Meeting Day is Tuesday, March 3, 2020)—likely by late January
- **February: Voter/Stakeholder Outreach/Information Meetings** on proposed LOT Charter Change
- **Town Meeting Day-March 3, 2020:** City-wide vote
- **Post-March 3, 2020:** Assuming City voters approve City Charter changes on Town Meeting Day 2020, City charter change would need to be submitted to the Vermont General Assembly during the 2020 session for a July 1, 2020 implementation date; Monitor legislative developments-consideration of Charter change; Implementation outreach effort
- **Implement City LOT Systems**-including additional outreach