

Agenda Summary
August 13, 2025

Agenda Item No. B-4

Alternative Revenue Source Discussion Continuation

Summary: At the Selectboard's 7/30/25 meeting the Selectboard discussed the potential of alternative revenue sources to take some of the pressure off the property tax.

The Selectboard asked staff to provide greater context into how much increasing existing local option taxes would raise and also a potential tax on short-term rental tax. On the following page is an estimate of what each percentage point would raise on an annual basis.

The Town currently has a 1% tax on sales, rooms, meals, and alcohol which are all collected by the State. The State retains 0.25 of 1% and the Town receives 0.75 of 1%. The state also retains a fee per return of \$5.96 x 0.75 (there are 25,000 Stowe LOT returns processed annually). See attached for FY25 final LOT remittance to the Town. The state administering local option taxes requires less municipal staff time and administrative capacity to collect, administer, and enforce for lack of compliance.

The Town currently does not have a specific short-term rental tax and municipalities at this time are not authorized to assess one. It remains to be seen whether the State would be agreeable to collect the tax on behalf of the municipality, which would be more efficient and administratively feasible. The 3% short-term rental tax surcharge currently assessed by the State only applies to rentals on properties which do **not** need a lodging license (i.e. properties with fewer than three guest rooms).

Also, it should be noted that STRs and Stowe Mountain Resort ski passes are subject to the rooms local option tax and the sales local option tax respectively; therefore, increasing local option tax rates would serve to increase tax revenue from those business sectors.

For your reference, enclosed is a timeline in accordance with Vermont law to potentially advance a charter change proposal for the 2026 Annual Town Meeting. The dates included are the deadlines for certain requirements but that is not to say that they could not happen sooner.

It is important to understand and also to express to the voters that a charter change is not assured, and requires approval by the Vermont General Assembly. As an aside, it may be prudent to support VLCT efforts or efforts by others for enabling legislation that would give broader STR and additional local option taxing authority to all municipalities.

Town Plan & Policy Impact: See above.

Fiscal & HR Impact: See above.

Recommendation: Discuss and advise what you desire to advance for consideration by the voters at next Annual Meeting. Any charter change language authorizing a new local options tax on STRs should stipulate that it would be collected and administered by the Department of Taxes.

Status Quo Total Revenue (ESTIMATE +/-)

Tax	0.75 of 1%	0.80 of 1%	0.75 of 2%	0.80 of 2%	0.75 of 3%	0.80 of 3%
Sales	\$1,600,000	\$1,707,000	\$3,313,000	\$3,534,000	\$5,026,000	\$5,361,000
MRA	\$1,808,000	\$1,928,000	\$3,625,000	\$3,867,000	\$5,443,000	\$5,806,000
Meals	\$669,000	\$714,000	\$1,341,000	\$1,431,000	\$2,014,000	\$2,148,000
Rooms	\$904,000	\$964,000	\$1,813,000	\$1,933,000	\$2,721,000	\$2,903,000
Alcohol	\$235,000	\$250,000	\$471,000	\$503,000	\$708,000	\$755,000
STR (est.)	\$360,000	\$385,000	\$725,000	\$775,000	\$1,090,000	\$1,160,000

****Amounts based on 1-year 2.5% growth on final FY25 LOT remittance figures received August 2025.**

Additional Revenue vs. Status Quo

Tax	0.75 of 1%	0.80 of 1%	0.75 of 2%	0.80 of 2%	0.75 of 3%	0.80 of 3%
Sales	-	\$107,000	\$1,713,000	\$1,934,000	\$3,426,000	\$3,761,000
MRA	-	\$120,000	\$1,817,000	\$2,059,000	\$3,635,000	\$3,998,000
Meals	-	\$45,000	\$672,000	\$762,000	\$1,345,000	\$1,479,000
Rooms	-	\$60,000	\$909,000	\$1,029,000	\$1,817,000	\$1,999,000
Alcohol	-	\$15,000	\$236,000	\$268,000	\$473,000	\$520,000
STR (est.)	\$360,000	\$385,000	\$725,000	\$775,000	\$1,090,000	\$1,160,000

Tax Rate for Equivalent Revenue Raised via Property Taxes

Tax	0.75 of 1%	0.80 of 1%	0.75 of 2%	0.80 of 2%	0.75 of 3%	0.80 of 3%
Sales	-	\$0.0020	\$0.0319	\$0.0360	\$0.0637	\$0.0700
MRA	-	\$0.0022	\$0.0338	\$0.0383	\$0.0676	\$0.0744
Meals	-	\$0.0008	\$0.0125	\$0.0142	\$0.0250	\$0.0275
Rooms	-	\$0.0011	\$0.0169	\$0.0191	\$0.0338	\$0.0372
Alcohol	-	\$0.0003	\$0.0044	\$0.0050	\$0.0088	\$0.0097
STR (est.)	\$0.0067	\$0.0072	\$0.0135	\$0.0144	\$0.0203	\$0.0216

Offset in Property Tax per \$1 million assessed

Tax	0.75 of 1%	0.80 of 1%	0.75 of 2%	0.80 of 2%	0.75 of 3%	0.80 of 3%
Sales	-	\$20	\$319	\$360	\$637	\$700
MRA	-	\$22	\$338	\$383	\$676	\$744
Meals	-	\$8	\$125	\$142	\$250	\$275
Rooms	-	\$11	\$169	\$191	\$338	\$372
Alcohol	-	\$3	\$44	\$50	\$88	\$97
STR (est.)	\$67	\$72	\$135	\$144	\$203	\$216

Charter Amendment Schedule – Town Meeting 2026

Tuesday, March 3, 2026	Town Meeting Vote
Wednesday, January 28, 2026	Second public hearing and Australian Ballot warning adoption
Wednesday, January 14, 2026	First public hearing
Friday, January 2, 2026	Deadline to record proposed charter amendments
Monday, December 22, 2025*	Selectboard approval of proposed charter amendments
Wednesday, December 10, 2025	Selectboard discussion of draft charter amendments

*Wednesday, December 24 meeting currently scheduled for Christmas Eve



Local Option Sales and Use Tax - Stowe Information

<u>Dates Returns Processed</u>	<u>Returns Processed</u>	<u>Tax Collected</u>	<u>70% of Tax Collected</u>	<u>Minus 70% Fee (\$5.9600/rtn)</u>	<u>Town Check Amount</u>
08/03/2024 - 11/01/2024	5,906	\$456,166.06	\$319,316.24	\$24,639.83	\$294,676.41
11/04/2024 - 02/04/2025	6,487	\$569,365.91	\$398,556.14	\$27,063.76	\$371,492.38
02/05/2025 - 05/04/2025	6,364	\$774,457.89	\$542,120.52	\$26,550.61	\$515,569.91
05/05/2025 - 08/05/2025	6,465	\$428,244.11	\$299,770.88	\$26,971.98	\$272,798.90
	25,222	\$2,228,233.97	\$1,559,763.78	\$105,226.18	\$1,454,537.60

Local Option Meals and Rooms Tax - Stowe Information

<u>Dates Returns Processed</u>	<u>Returns Processed</u>	<u>Tax Collected</u>	<u>70% of Tax Collected</u>	<u>Minus 70% Fee (\$5.9600/rtn)</u>	<u>Town Check Amount</u>
08/03/2024 - 11/01/2024	536	\$628,766.84	\$440,136.79	\$2,236.19	\$437,900.60
11/02/2024 - 02/04/2025	588	\$641,084.07	\$448,758.85	\$2,453.14	\$446,305.71
02/05/2025 - 05/04/2025	569	\$774,233.80	\$541,963.66	\$2,373.87	\$539,589.79
05/05/2025 - 08/05/2025	434	\$320,093.64	\$224,065.55	\$1,810.65	\$222,254.90
	2,127	\$2,364,178.36	\$1,654,924.85	\$8,873.85	\$1,646,051.00

<u>Account Type</u>	<u>Total Returns</u>	<u>Tax Collected</u>	<u>Adjusted Tax Collected</u>	<u>Minus Fees</u>	<u>Remaining Balance</u>
SUT	25,222	\$2,228,233.97	\$1,559,763.78	\$105,226.18	\$1,454,537.60
MRT	2,127	\$2,364,178.36	\$1,654,924.85	\$8,873.85	\$1,646,051.00
	27,349	\$4,592,412.33	\$3,214,688.63	\$114,100.03	\$3,100,588.60