



**TOWN OF MORRISTOWN TOWN CHARTER COMMITTEE**  
**MEETING NOTICE & AGENDA**  
**COMMUNITY MEETING ROOM**  
On Zoom and at 43 Portland St. Morrisville, VT 05661  
**5:30 PM Monday, June 24, 2024**

[Join Zoom Meeting](#) or by phone join via conference call (audio only): 1 (646) 558-8656 | Meeting ID: [810 342 4528](#) | Passcode: 05661

- I. 5:30PM - CALL TO ORDER**
- II. 5:31PM - AGENDA CHANGES/ADDITIONS**
- III. 5:32PM - APPROVE MINUTES**
  1. Approve Minutes 4-22-24
- IV. 5:35PM - NEW BUSINESS**
  1. Review timeline of committees work November 2023 - June 2024
  2. Legislative Update (re: Effective 7/1/2024 - Local Option Tax (LOT) authorization no longer requires town charter
  3. Discussion and listening session (re: Local Option Tax Benefits & Challenges and Charter Vision)
- V. 6:35PM - OLD BUSINESS**
  1. Communication Schedule (Revision to be based on vote being held November 2024 or March 2025)
- VI. 6:45PM - OTHER BUSINESS**
  1. Schedule next meeting 7-22-24 (Monday 5:30PM)
- VII. 6:48PM - ADJOURN**



**TOWN CHARTER COMMITTEE MEETING MINUTES  
OF APRIL 22, 2024**

Members: Judy Bickford, Don McDowell, Laura Streets, Richard Craig, Brian Yeaton, George Cormier  
Absent: Chris Palermo, Christopher Moks, Craig Santenello, Sara Haskins  
Guests: Tom Cloutier, Richard Lowe, Kristin Marriott, Jeff Carr\*

*\*participating via Zoom*

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**4:30PM - CALL TO ORDER**

Don McDowell called the Town of Morrystown Charter Committee Meeting to order at 4:30 PM at the Tegu Building.

**4:31PM - AGENDA CHANGES/ADDITIONS**

None

**4:32PM - APPROVE MINUTES**

**1. Approve minutes 3-18-24**

*Motion made by Richard Craig to approve the minutes of 3/18/2024. Motion seconded by Judy Bickford. Motion carried. (3/0/2) Don McDowell and George Cormier abstained.*

Brian Yeaton joined the meeting after minutes were approved.

**4:35PM - NEW BUSINESS**

**1. Jeff Carr, Economist presentation**

Mr. Carr introduced himself to the committee and presented a comprehensive report regarding the Charter Committee's one percent local option, Sales & Use Tax, and a one percent option, Meals, Rooms, and Alcohol Tax. He went over the main points of the report:

- Jeff Carr, an economist, presented on the topic of local option taxes.
- Discussed his experience with implementing local action taxes in St. Albans and his own community.
- Outlined the benefits of local action taxes for communities with significant non-resident visitors using public services.
- Explained the types of taxes that can be implemented: local option sales tax, rooms tax, meals tax, and alcohol tax.

Mr. Carr clarified that these taxes would only apply to transactions within the community and provided details on what is covered under each tax category. Several points were emphasized, including the following. Mr. Carr stated that a local option tax allows our community to benefit from people outside the town who use local resources, especially as Morristown's location between two ski areas supports traffic traveling through the town. Discussion on the impact of a 1% positional assessment on local businesses and consumer behavior. Evidence suggests that such a tax does not materially alter consumer behavior or drive customers away. Local room rent providers initially opposed, but were reassured by comparisons with neighboring communities. Difficulty in assessing who bears the cost of the tax. Challenges in collecting data from e-commerce providers like Airbnb, Expedia, and HomeAway as the tax department does not collect this data until assessment begins. It was discussed that a 1% tax does not change the retail environment as many other towns already have local option taxes. The perception that rental and AirBnB business would be lessened was shown to be false. The tax is applied to the location where the goods are received. Therefore, Amazon deliveries will be subject to the local option tax. He also presented the financial estimates for implementing local option taxation. There is the expectation of substantial income from implementing local option taxes. It was repeated that the language of the charter must be as expected by the legislature.

Jeff provided a presentation based on real data from the Vermont Department of Taxes, covering tax figures from 2018 to 2022. The data used are 180-day data to avoid preliminary inaccuracies, with projections made up to 2025-2026 using state average growth rates. Jeff presented a revenue estimate for the Local Option Tax (LOT), projecting \$756,275 in the first year, increasing to \$1,033,044 in the following year. He emphasized the significance of this revenue for the community. Mr. Carr was thanked by the committee for his involvement. The Committee started a discussion on the use of additional revenues. Reduced tax burden on residents, infrastructure funds for paving and sidewalks, along with new building for public works as a whole. More discuss needs to be had but the time for the meeting was coming to an end.

## **2. Communication schedule**

Carrie Johnson briefly touched on the next phase of the committee meeting is to determine the scheduling of public information meetings. These meetings are intended to be focused, single-topic sessions for public engagement. Organize and schedule public information meetings to discuss the charter and local option tax.

### **5:00PM - OLD BUSINESS**

#### **1. Draft Charter to be presented to the Selectboard**

The committee finalized the draft charter in the March meeting and will have this document presented to the Selectboard at their next meeting, which succeeds this meeting.

### **5:12PM - OTHER BUSINESS**

None

### **5:15PM - ADJOURN**

***Motion made by Richard Craig to adjourn. Motion seconded by Laura Streets. Motion carried. (5/0)***

Meeting adjourned at 5:30 pm

Submitted and filed this 4/22/24.

Bonnie McDermott, Scribe

*Please note all minutes are in Draft form and are subject to approval at the next Town Charter Committee meeting.*

# Memo



**To:** Morristown Charter Change Committee  
**Through:** Carrie Johnson, Interim Town Manager  
**From:** Jeffrey B. Carr, *Economic & Policy Resources*  
**Date:** April 18, 2024  
**Re:** Considerations for a Morristown Local Option Tax

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## Potential Action:

Shall the Morristown Charter Change Committee recommend to the Town Selectboard that the Town request approval by the Vermont General Assembly of a Town Charter change to enact:

- (1) a one percent local option Sales & Use Tax, within the Town of Morristown, and/or
- (2) a one percent local option Meals, Rooms and Alcohol Tax within the Town of Morristown;

Consistent with 24 V.S.A. Sec. 138a and to be administered by the State of Vermont?

## The Issue

As the Committee knows, the ability to assess a local option tax at the municipal level in Vermont is authorized by Vermont Statute for the purpose of “...affording municipalities an alternative method of raising municipal revenues...” other than property taxes. As such, the Vermont Local Option Tax (LOT) allows municipalities to adopt a 1% tax on the purchase of items and services which are already subject to the statewide Sales, Meals, Alcoholic Beverages, and Rooms Taxes. The local option Sales Tax would be assessed on these items at 1% of gross purchase price, in addition to the baseline statewide tax. The local option Meals and Rooms Tax would assess an additional 1% on sales of non-exempt retail items, alcoholic beverages, meals, and rooms. By statute the LOT does not apply to items subject to use tax, nor would it be assessed on purchases of motor vehicles which are covered by another state consumption tax—the Motor Vehicle Purchase and Use Tax on vehicles purchased, leased and/or registered in Vermont (if the vehicle was acquired from an out-of-state seller this tax is considered a “use tax”.)

Currently, the State assesses a 6% Sales and Use Tax on a number of goods (including e-commerce sales) and services (e.g. utility bills and cable TV). The State also assesses a 6% Use tax—which is not a part of the LOT. The State assesses a 9% tax on meals and rooms charges, and a 10% tax on the sale of alcoholic beverages. The LOT for the Town would add a percentage point to all of those qualifying purchases. Therefore, within the Town, the LOT Sales tax would be 7% on qualifying purchases—with one percentage point of those tax receipts inuring to the Town on a quarterly basis—reduced by the 30% assessment for the State’s Payment in lieu of Taxes Program (or PILOT) and net of a \$5.96 per item processed administrative charge assessed by the Vermont Department of Taxes. The LOT would mean restaurant meals and room charges would be subject to total 10% tax—with one percentage point of those taxes inuring to the Town

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net of the PILOT allocation reduction and the Department of Taxes administrative charges, also on a quarterly basis. The 1% LOT on short-term room charges would also be assessed on in-Town providers of shorter-term rentals through Air BnB, Home Away, Expedia and others that similarly must pay the State tax on short-term room rentals. We unfortunately do not have any data for this group of short-term rental providers—but we will have some data should the Town start to collect a LOT on those rental offerings. Alcohol beverage purchases from providers within the Town would be taxed at the rate of 11%—again with one percentage point of those taxes inuring to the Town on a quarterly basis after PILOT and the Department of Taxes’ administrative charge—should the Town elect to collect a LOT on such transactions.

In Vermont, the concept of LOT has gained a significant amount of acceptance, especially over the past five years. As of January of 2024, a total of 23 municipalities across the State impose a local option sales tax,<sup>1</sup> and a total of 25 municipalities impose the local tax on meals, rooms, and alcoholic beverages. 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 applied to these items. A total of 6 municipalities in the State have LOT on meals, rooms, and alcohol only, and three municipalities have a 1% LOT on Rooms charges only. In total, 20 municipalities have both LOT on Sales tax items as well as meals, rooms, and alcohol, including the Town of Stowe, which implemented its 1% LOT on Sales on July 1, 2023, and has had a local option tax on meals, rooms and alcohol sales since July 2006.

Deliberations about who pays LOT taxes (e.g. residents versus visitors to the municipality) include numerous news stories “pro and con” about the effects of such a proposal. Short of doing primary research on incidence, we can only speculate somewhat on the likely impacts of groups of potential LOT paying groups. Through experience with past LOT proposals and the Town’s prior experience with LOT indicates there will be both some support and some opposition within the community to the concept of establishing one or more LOTs. The level of support typically is tied to the potential benefits of using the proceeds of any LOT for certain important and beneficial projects within the Town (and occasionally for some operating budget relief such as is the case in the Town of Williston). Typically, Selectboards do establish a policy for the use of LOT proceeds as part of the LOT policy debate, and there is likely at least some recognition within the community that LOT can be viewed as “user-charges” for both residents and visitors who value the assets of the community and patronize the communities establishments and therefore use the Town’s services offerings and amenities within the community without paying except if they were a residential or business property tax payer in the Town. In other words, because LOT proposals can be structured to be “elective”<sup>2</sup> primarily because they are consumption-based taxes, they become a way or means to allow non-resident users to more directly support the town services needed to support the Town’s attractions-amenity base instead of only relying indirectly on only the resident and business property taxpayers. As a result, in many ways LOT represents the only way to directly charge non-resident users of the Town’s amenities for the

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<sup>1</sup> Up by eight municipalities over the past 5 years. Note that the Town of Killington rescinded its LOT Sales tax and subsequently imposed a LOT for meals, rooms, and alcoholic beverages.

<sup>2</sup> If the customers of an establishment that is located in a municipality that assess a LOT of one form or another do not want to pay a LOT, they can choose not to patronize that particular business establishment.

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Town services (e.g. roads, pedestrian sidewalks-paths, public safety, “Way-Finding Signs,” etc.) for the cost to the Town for providing those public services to non-resident/non-resident business users. Opposition to any LOT proposal typically comes from parties within the community concerned about the anti-competitive impact on local businesses who must charge, collect, and remit the LOT to the State Department of Taxes—which in turn, sends the LOT proceeds back to the Town after deductions on a one-quarter lagged basis.. There also can be expected to be opposition to any LOT proposal from those who tend to be philosophically opposed to any increase in the Town’s taxes and/or fees.

Behaviorally, a one percentage point change in the total charges on a bill for taxable sales, taxable meals, taxable rooms, and/or purchases of alcoholic beverages tend to be very small (e.g. \$1.00 per every \$100 dollars spent). Generally speaking, experience with LOT through the State indicates that differences in total bills of that magnitude in relation to the total bill for consumption have not been reported to be enough to significantly alter consumption behavior-habits. This is especially true because the Town is part of a destination for many non-residents and visitors throughout Lamoille County region—including Canadian visitors. In addition, the Town and other potentially competing commercial-destination centers in the region also have LOT on the books (e.g. the Town of Stowe’s local option sales tax and meals, rooms, and alcohol tax, the Town of Elmore’s local option rooms tax, the City of Montpelier’s LOT on meals, rooms, and alcohol sales, and Barre City’s sales, meals, rooms, and alcohol LOT). Many municipalities throughout the northwest Vermont region—as a possible more distant competitors—also have one or more LOT in effect—including the City of Burlington, Town of Williston, Town of Colchester, the Town of Shelburne, and the City of Winooski. Many other municipalities that rely heavily on visitor traffic also have one or more LOT on their books and have had them for many years.

**“First Draft” Estimate of Revenue Potential (Subject to Further Analysis-Confirmation):**

Following up on the initial estimates by LOT source presented last month, the following table sets forth the estimated LOT tax receipts by major LOT source for the most recent fiscal years using the latest available data from the Vermont Department of Taxes. The proposed LOT tax was applied to the historical brick and mortar sales data from the Vermont Department of taxes (using 180 day data from those returns) for items and services subject to sales, meals, rooms, and alcohol tax.<sup>3</sup> These estimates of past revenues assume no significant diminutive impact associated with the imposition of the 1% LOT taxes on consumption-sales (which has proven to be correct given experience with other LOT proposals over the last five years) and that the reported bricks and mortar” sales tax receipts and meals, rooms, and alcohol receipts data as reported by the Vermont Department of Taxes is substantially correct. Since there is no current data set for e-commerce sales within the Town, this initial estimate of local option sales taxes uses a per person estimate of total retail sales and the percentage of which is estimated on

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<sup>3</sup> Please note that the Vermont Department of Taxes does not publish gross sales data by municipality when there are fewer than ten taxpayers for confidentiality reasons. Since the Town has fewer than ten rooms taxpayers, the historical data used for this analysis does not include estimated rooms tax for the historical period back to FY 2020 (as the last year when the Town had more than 10 room rental providers). This means that this analysis likely underestimates LOT revenue to the Town that was calculated based on this non-reported historical data.

average to be “e-commerce sales” subject to the LOT sales tax (at 15% of the total from national retail sales data from the U.S. Department of Commerce). That per person estimate of retail sales has been adjusted to account for the Town’s less than average level of median household income (at \$61,651 from 2018-2022) relative to the statewide average of \$74, 014 (also over the 2018-2022 period). Since there is no data for the short-term rentals from providers such as Air BnB, Home Away, Expedia, etc.) we have not included any estimate of LOT meals or rooms tax data from those providers, and the prospect of this revenue provides some upside risk to the overall revenue estimate. We take the 2023 base estimate forward to fiscal year 2025-26 with the assumption that the LOT will take effect on July 1, 2025. The two tables below set forth the initial revenue estimate of the 2023 base and the forward looking initial LOT revenue projection by source and combined—assuming the Town proceeds with both a lot sales tax and meals, rooms, and alcohol tax proposal. These estimates can be adjusted if the Committee and the Selectboard decide differently. at data Attachment A (below) takes this historical data forward with conservative assumptions. We also believe that the suppressed data for room receipts since fiscal year 2020 likely makes the 2023 base estimate and forward-looking revenue estimate “likely” on the conservative side of potential differences. It is possible that the LOT revenues from the Meals, Rooms and Alcohol LOT could be significantly higher than estimated in the Table below and in the forward-looking table in Attachment A when the Air BnB, Home Away, Expedia, and similar providers are included. The initial 2026 LOT revenue estimate was based on three quarters of revenue (given the one-quarter lagged character to the Town’s LOT receipts). The second year LOT revenue estimate was calculated using the one-quarter lagged nature of receipts based on fiscal year activity orientation of when the LOT tax liabilities are determined. All data from the Tax Department are based on 180-day (or six month) data which are “FINAL” for these Tax Department reported data.

**Table A: Profile of Fiscal Year 2023 LOT Base**

Projected Morristown Local Option Tax Revenue							
MORRISTOWN BASE FY 2023 CALCULATIONS							
LOT Tax Base for Financial Model							
	LOT-Applicable Sales	1% LOT Receipts	30% PILOT Program Fee	Total LOT Returns	LOT Processing Fees	Total Net	Town Revenue
Annual Taxable Retail Sales (FY'23 base)	\$ 112,814,956	\$ 1,128,150	\$ 338,445	171	\$ 8,561	\$ 781,144	
Annual Meals Receipts (FY'23 base)	18,084,605	180,846	54,254	39	651	125,941	
Annual Rooms Receipts (FY'20 base)--Number is Surpressed (used 75% of FY'20)	604,906	6,049	1,815	9	651	3,584	
Annual Alcohol Receipts (FY'23 base)	1,497,023	14,970	4,491	11	651	9,828	
Projected Online Sales - @ \$3,018 Per Capita @15% of Total	2,569,461	25,695	7,708	50	2,503	15,483	
<b>Total</b>	<b>\$ 135,570,950</b>	<b>\$ 1,355,709</b>	<b>\$ 406,713</b>	<b>232</b>	<b>\$ 13,017</b>	<b>\$ 935,980</b>	

**Table B: Year #1 and Year #2 LOT Revenue Estimate**

Year-by-Year Preliminary Revenue Estimate	1			2		
	FY 2025/26			FY 2026/27		
LOT Category	LOT Sales	LOT Receipts	Net Revenue*	LOT Sales	LOT Receipts	Net Revenue*
<i>Different rate for each fiscal year, enter rates here =&gt;</i>	2.8%	S&U		3.1%	S&U	
	3.5%	M&R		3.9%	M&R	
Annual Taxable Retail Sales (FY'23 base)	\$ 121,011,907	\$ 1,210,119	\$ 838,522	\$ 124,763,276	\$ 1,247,633	\$ 864,782
Annual Meals Receipts (FY'23 base)	19,838,074	198,381	138,216	20,611,759	206,118	143,631
Annual Rooms Receipts (FY'20 base)--Number is Surpressed (used 75% of FY'20)	663,557	6,636	3,994	689,436	6,894	4,175
Annual Alcohol Receipts (FY'23 base)	1,642,173	16,422	10,844	1,706,218	17,062	11,293
Projected Online Sales - @ \$3,018 Per Capita @15% of Total	2,756,154	27,562	16,790	2,841,594	28,416	17,388
<b>Total</b>	<b>\$ 145,911,865</b>	<b>\$ 1,459,119</b>	<b>\$ 1,008,366</b>	<b>\$ 150,612,284</b>	<b>\$ 1,506,123</b>	<b>\$ 1,041,269</b>
			2.9%			3.3%
	Annual Revenues:			Annual Revenues:		
* Assumes 30% PILOT and static number and amount of processing fees.						
	0.75		\$ 756,275	0.75		\$ 780,952
	0.25		\$ -	0.25		\$ 252,092
			<b>\$ 756,275</b>	Total		<b>\$ 1,033,044</b>

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## Recommendations by Decision-Point for a LOT Proposal

The following represents EPR's recommendations by decision-point for the Charter Change Committee for their review and potential action.

### Decision Point #1:

- The Committee should decide on which LOT to pursue (Sales, Meals, Rooms and Alcohol) or decide to pursue both. **EPR recommends that the Committee recommend both the Sales Tax and Meals, Rooms, and Alcohol LOT options. Although it is tempting to skip a LOT for Rooms since the Town has fewer than 10 rooms providers, the Town would be potentially "passing" on potentially significant LOT revenues from short-term room rental providers through Air BnB, Expedia and Home Away type listings.**

### Decision Point #2:

- The Committee should make recommendations to the Selectboard on a policy for how to use the proceeds of the LOT. **EPR recommends the following...that LOT proceeds be used:**
  - 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 when appropriate);
  - To fund "Pay as You Go" expenditures for "high priority" Town infrastructure or amenity investments;
  - To fund debt service for Town infrastructure or important Town amenity investments that the Town has issued general obligation debt for in the past and/or plans to borrow for in the future;
  - To provide funds for fiscal emergencies experienced by the Town; or
  - To fund any individual, combination of some, and/or all of the above.

### Decision Point #3:

- The Committee should request from Town staff that they engage the Town Attorney to draft charter change language for review and possible approval. **EPR recommends that this be done ASAP after a decision to pursue LOT has been made, and consult with priorly successful municipal charter amendments pursued by other successful municipalities (including its own past effort—although it might be preferred to not offer the same charter changed that failed previously . It is important that the charter change language be "familiar" to the VT legislature and committee of jurisdiction to facilitate a quick and uncomplicated passage to help facilitate a prospective July 1, 2025 implementation—considering the 90 day "notice requirement" of the passage of the LOT charter change to the Vermont Department of Taxes.**

### Decision Point #4:

- Begin the effort to engage with local stakeholders in outreach regarding the LOT issue and its implementation. The Committee will need an active factual Voter/Stakeholder outreach or information meetings on proposed charter change for the prospective Town LOT proposal. **EPR recommends this effort begin ASAP given the Town's past LOT experience...assuming a positive decision to pursue a LOT proposal of some type by the Town Selectboard. The Committee's arguments could be "previewed" with the Committee's eventual recommendation and**

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presentation to the full Town Selectboard (as a full group before the public in the required public hearing) and then further refined as needed leading up to a municipal-wide vote. At the same time, a group from the Charter Change Group needs to engage with the Town's full legislative delegation to/in Montpelier to facilitate a fast approval by the committees of jurisdiction, your Senators, and eventually the Governor's office.

**Decision Point #5:**

- This is not really a Decision Point, but a schedule-timeline needs to be developed ASAP with tasks, roles and responsibilities, and a timeline to facilitate the Selectboard's decision and to illustrate what is needed by when in order to conform to the LOT charter change and implementation schedule in order to meet a prospective July 1, 2025 implementation date. **EPR believes the timing and work effort on this should commence on likelihood and timing of a prospective Selectboard decision to proceed with a prospective LOT proposal.**



## TOWN CHARTER COMMITTEE MEMORANDUM

**To:** Town Charter Committee  
**From:** Judi Alberi, Executive Assistant  
**Date:** June 24, 2024  
**Subject:** Legislative Update (re: Effective 7/1/2024 - Local Option Tax (LOT) authorization no longer requires town charter)

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### Background:

#### **H.546 – Miscellaneous Tax Bill, Authorization of Local Option Tax**

**H.546** Amends 18 V.S.A. § 5017, 24 V.S.A. § 138, 32 V.S.A. § 3802(22), § 4041a, § 4452, § 5412, § 5824, § 6061, § 6066a, § 6068, § 9741(52), § 9701(12), § 5930, and 33 V.S.A. § 2503(d).  
*Effective date July 1, 2024.*

This year's miscellaneous tax bill includes a long-held VLCT priority: **authorizing municipalities to adopt a local option tax** – of one percent (1%) on sales, rooms, and meals – through a vote at an annual or special town meeting.

Municipalities can choose to approve all three, none, or any combination of local option taxes to address municipal revenue needs. With short-term rentals present in nearly every Vermont municipality, a new revenue source now exists to address local needs without lightening residents' pocketbooks.

The authorization includes a relief valve that allows the tax commissioner to reject or delay implementation of any more than five new municipal local option taxes in a calendar year. This provision is designed to ensure that the Tax Department can onboard municipalities successfully. We believe, from reviewing existing local option tax adoption data, this relief valve should not be a significant barrier. If it is, VLCT will advocate on members' behalf in the coming years.

The governor signed H.546 on June 3, 2024, and the Local Option Tax authorization becomes effective July 1, 2024.

### Attachments:

None