



# **Local Option Tax Presentation**

*WEST WINDSOR, VT*

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# Local Option Tax (LOT) Proposal

As part of an ongoing process to identify alternative revenue sources beyond property taxes, the West Windsor Selectboard encourages voters to consider and approve a one percent (1%) local option tax on rooms, meals & alcohol, and sales, with the proceeds being used to offset capital expenses.

At our annual Town Meeting on Tuesday, March 3<sup>rd</sup>, West Windsor voters will vote on three separate articles authorizing the adoption of these taxes. Those articles are as follows:

- **ARTICLE 5:** Shall the Town assess a one percent (1%) tax on rooms, as allowed by Vermont law, with the proceeds of such tax being dedicated to offset capital expenses?
- **ARTICLE 6:** Shall the Town assess a one percent (1%) tax on meals and alcoholic beverages, as allowed by Vermont law, with the proceeds of such tax being dedicated to offset capital expenses?
- **ARTICLE 7:** Shall the Town assess a one percent (1%) tax on sales, as allowed by Vermont law, with the proceeds of such tax being dedicated to offset capital expenses?

This presentation will provide information relating to the collection of these taxes and why LOT is important.

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# Why Adopt a Local Option Tax?

As property tax bills continue to rise each year, largely due to statewide education spending increases, the West Windsor Selectboard has been striving to maintain a reasonable municipal budget and exercise sound financial planning for the future. Identifying alternate revenue sources to help alleviate some of this pressure locally without cutting services is essential to these efforts.

Local Option Taxes allow West Windsor to diversify its revenue sources to capture visitor & tourist spending.

As West Windsor continues to grow as a popular destination for outdoor activities due to its location, access to natural resources, and extensive trail networks, LOT will help offset the property tax burden on residents.

# Who Pays These Taxes?

## **LOT on Rooms:**

- Visitors and tourists
- Short-term renters

## **LOT on Meals & Alcohol:**

- Retail customers, restaurant guests, and those purchasing made-to-order food

## **LOT on Sales:**

- Residents and non-residents who purchase taxable goods in West Windsor or that are delivered to West Windsor – See the State of Vermont’s [General Guidelines on Sales Tax: What is Taxable and Exempt](#) for more information

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*A LOT on sales applies only to sales of items that are subject to the Vermont sales tax. Likewise, anything that is currently assessed a tax for rooms, meals, or alcohol will also be assessed an additional 1% local option tax. If an item is not currently taxed, no LOT will apply.*

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# Will My Purchase Be Taxable?

There are many exemptions to Sales and Use Tax, which are defined in Vermont Statute [32 V.S.A. § 9741](#). For a quick reference guide, please see the State of Vermont's [General Guidelines on Sales Tax: What is Taxable and Exempt](#) for more information. *If an item is not currently taxed, no LOT will apply.*

**Question:** If I purchase a new vehicle and have it delivered, will it be affected by LOT?

**Answer:** No, local option sales tax does *not* apply to the sale or rental of motor vehicles, because such sales are subject to the state's Motor Vehicle Purchase and Use Tax instead of the general sales tax.

**Question:** If I purchase a new piece of equipment, will it be affected by LOT?

**Answer:** It depends. By Statute, farm and agricultural equipment is exempt from general sales tax. To qualify, a piece of equipment would need to be used for farming at least 75% of its use time. If there is no exemption and the purchase has a sales tax levied, a LOT would also apply.

**Question:** Will my digital subscriptions be taxed the additional 1%?

**Answer:** Yes, digital subscriptions and online purchases of taxable goods are subject to a local option sales tax.

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# How Will LOT Revenue Be Used?

Local Option Taxes will be dedicated to help fund capital expenses, which have previously been solely funded via property taxes. West Windsor has been utilizing capital planning for replacement of Highway Department equipment and major road repairs for many years. LOT revenue will reduce the tax burden necessary for this continued practice.

In addition to equipment and major road repairs, there are also Town assets in need of repairs and upgrades, including several projects at the Town Hall, for which maintenance has been deferred and funding has not been budgeted. The auditorium, which hosts many popular events throughout the year, is in need of new flooring. In 2023, the Town received an estimate of \$50,000.00 for that project, which is unlikely to have decreased in the last three years.

Using LOT revenue to help fund capital planning will allow for these necessary repairs and upgrades to Town assets without the need to raise additional revenue from property taxes or otherwise risk the continued health of the assets.

# How Does West Windsor's Tax Rate Compare To Other Area Towns?

The West Windsor Selectboard has remained committed to cutting expenses wherever possible without reducing services, exploring alternative revenue sources, and carefully reviewing every line of the budget. We believe that every reasonable means of accomplishing a goal should be exhausted before requesting a single additional tax dollar from our residents. This principle continues to guide our work on behalf of the Town of West Windsor.

Using figures from the [Vermont Department of Taxes](#) for FY2026, West Windsor's Homestead and Nonhomestead Tax Rates are the lowest in the area.

**FY2026 Education Property Tax Rates**

Town	CLA	SA	CLA + SA	District Rate	Homestead Rate	State Rate	Nonhomestead Rate
Baltimore	95.96%	72.36%	132.61%	1.6990	<b>1.2812</b>	1.703	<b>1.2842</b>
Barnard	98.38%	72.36%	135.96%	2.0936	<b>1.5399</b>	1.703	<b>1.2526</b>
Bridgewater	107.08%	72.36%	147.98%	2.0936	<b>1.4148</b>	1.703	<b>1.1508</b>
Cavendish	62.10%	72.36%	85.82%	1.6990	<b>1.9797</b>	1.703	<b>1.9844</b>
Chester	66.02%	72.36%	91.24%	1.6990	<b>1.8621</b>	1.703	<b>1.8665</b>
Hartford	103.42%	72.36%	142.92%	1.7994	<b>1.2590</b>	1.703	<b>1.1916</b>
Hartland	64.43%	72.36%	89.04%	2.1658	<b>2.4324</b>	1.703	<b>1.9126</b>
Ludlow	66.75%	72.36%	92.25%	1.8298	<b>1.9835</b>	1.703	<b>1.8461</b>
Plymouth	48.80%	72.36%	67.44%	2.0936	<b>3.1044</b>	1.703	<b>2.5252</b>
Reading	97.77%	72.36%	135.12%	2.0936	<b>1.5494</b>	1.703	<b>1.2604</b>
Pomfret	91.75%	72.36%	126.80%	2.0936	<b>1.6511</b>	1.703	<b>1.3431</b>
Springfield	76.29%	72.36%	105.43%	1.6172	<b>1.5339</b>	1.703	<b>1.6153</b>
Weathersfield	64.71%	72.36%	89.43%	1.7713	<b>1.9807</b>	1.703	<b>1.9043</b>
West Windsor	108.04%	72.36%	149.31%	1.7150	<b>1.1486</b>	1.703	<b>1.1406</b>
Windsor	103.09%	72.36%	142.47%	1.7150	<b>1.2038</b>	1.703	<b>1.1953</b>
Woodstock	56.80%	72.36%	78.50%	2.0936	<b>2.6670</b>	1.703	<b>2.1694</b>

# How Does Capital Planning Help?

- Capital planning allows for improved financial stability and reduces the risk of large emergency expenses.
- By projecting future costs and planning ahead, capital budgets help to keep taxes flat rather than enduring single spikes for large expenditures.
- Capital budgets allow for earned interest on reserve funds rather than incurring interest for loan and bond payments.

Transparency is a key component to our healthy budgeting process. The goal is to provide as much information as possible to allow voters to see how their money is being spent.

The Selectboard & Town Administrator will maintain a Town Asset Capital Budget, which will allow for transparent tracking of capital expenses. This is already done for the Equipment Fund & Roadway Maintenance Fund, both of which will be included in the Town Asset Capital Budget. This budget will appear in the annual Town Report to show taxpayers the full range of capital planning across Town assets.

Local Option Taxes will be applied in full as a revenue source for these capital expenses.

# What Qualifies as a “Capital Expense”?

Local Option Tax revenue will be dedicated to helping offset the cost of capital expenses. In 2025, \$240,000 was allocated to capital planning, the entirety of which was funded via property taxes. Due to the rising cost of vehicles and equipment, that figure increases to \$275,000 in the FY27 budget.

**The Town of West Windsor considers capital expenses to be “items not purchased in the ordinary course of business in a fiscal year that are subject to depreciation and relate to a capital asset of the Town”.**

Simply put, LOT revenue will help pay for replacements, repairs, and improvements to Town assets that aren’t covered in our annual operating budgets.

In 2021, the Town purchased a 10-wheel truck for the Highway Department at a cost of \$131,000. That same truck will cost approximately \$226,000 for replacement in 2027, representing an average annual inflation rate of roughly 9.5%. Similar inflationary increases are being seen across the Town’s budget, and they are not sustainable for the average West Windsor taxpayer without careful planning and restraint. The Town of West Windsor faces several significant capital improvement projects in the coming years. One need only look at the floor of Town Hall to understand the types of maintenance and replacement that become necessary over time. These projects must be completed one way or another, and they represent substantial costs for a small town.



# How Are Local Option Taxes Managed?

The State of Vermont administers the LOT program and sends 75% of the collected taxes to the municipality on a quarterly basis. The remaining 25% is sent to the State's [PILOT \(Payment in Lieu of Taxes\) fund](#), which is used to compensate municipalities for State property that is exempt from property taxes.

Vermont sales tax is 6%, while rooms and meals taxes are 9%, and alcohol is 10%.

A one percent LOT would make the total sales tax within West Windsor 7%, would raise the taxes on rooms and meals to 10%, and alcohol to 11%.

Tax Category	State Tax	Local Tax	Total Tax
Rooms	9%	1%	10%
Meals	9%	1%	10%
Alcohol	10%	1%	11%
Sales	6%	1%	7%

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# How Does the Department of Taxes Know the West Windsor Boundaries?

The State of Vermont maintains authoritative boundary data through the [Vermont Center for Geographic Information \(VCGI\)](#), a division of the Vermont Agency of Digital Services.

- Every city and town has legally defined boundaries.
- These boundaries are digitized into GIS (Geographic Information System) shapefiles.
- The boundary layer is updated when municipalities change borders (which is rare and requires legal action).
- This GIS layer is the foundation for determining whether a business location falls inside a municipality that has adopted a local option tax.

The State of Vermont offers public access to this data with a [Local Option Tax Finder](#) utilizing GIS.

# What Is the Estimated LOT Revenue?

As we’ve discussed, Local Option Taxes are being proposed in three separate categories. While no specific tax information is available for West Windsor, a conservative estimate would exceed \$50,000.00 annually, after accounting for the State’s 25% share sent to the PILOT fund.

Business Type	Sales (Taxable \$)	Meals (Taxable \$)	Rooms (Taxable \$)	Alcohol (Taxable \$)	LOT Sales (1%)	LOT Meals (1%)	LOT Rooms (1%)	LOT Alcohol (1%)	Total LOT by Vendor
Local Retailers	\$ 25,000.00	\$ 750,000.00		\$ 500,000.00	\$ 250.00	\$ 7,500.00	\$ -	\$ 5,000.00	\$ 12,750.00
Local Lodgings		\$ 130,000.00	\$ 3,226,600.00		\$ -	\$ 1,300.00	\$ 32,266.00	\$ -	\$ 33,566.00
Short-Term Rentals (Aggregate)*			\$ 1,500,000.00		\$ -	\$ -	\$ 15,000.00	\$ -	\$ 15,000.00
Home Deliveries**	\$ 1,000,000.00				\$ 10,000.00	\$ -	\$ -	\$ -	\$ 10,000.00
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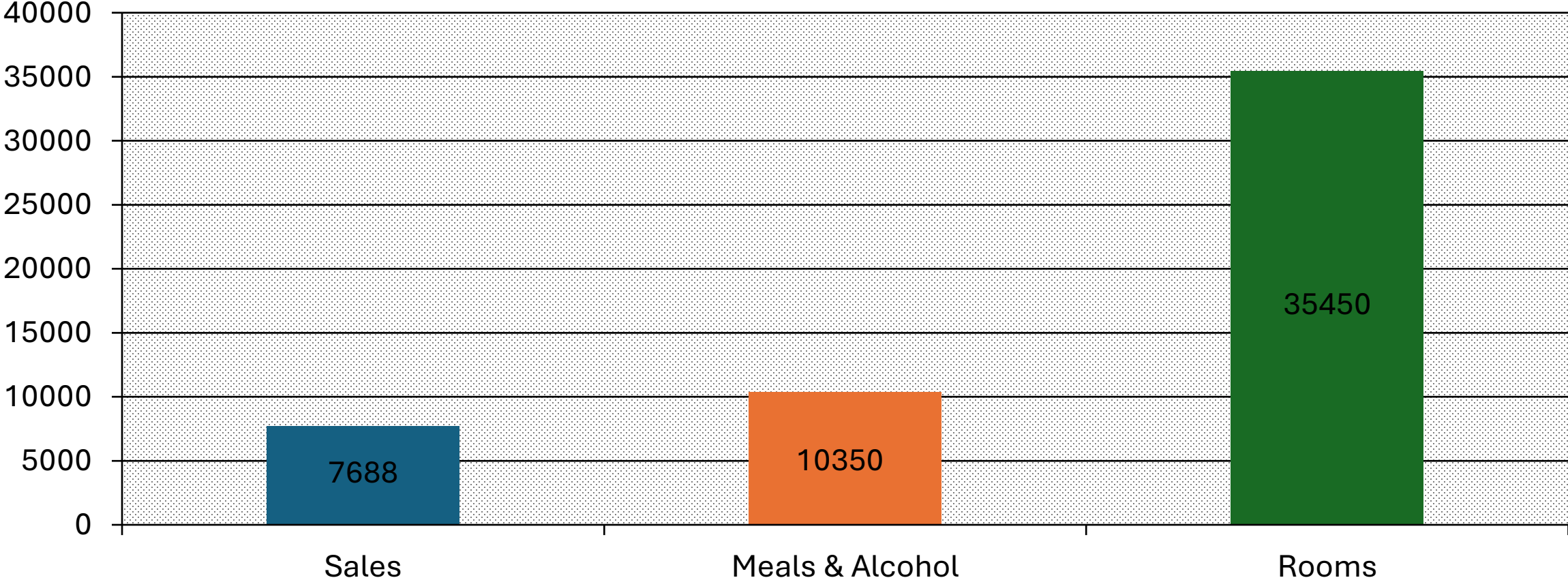
\* Revenue figures from Rentalscape

\*\* Estimate

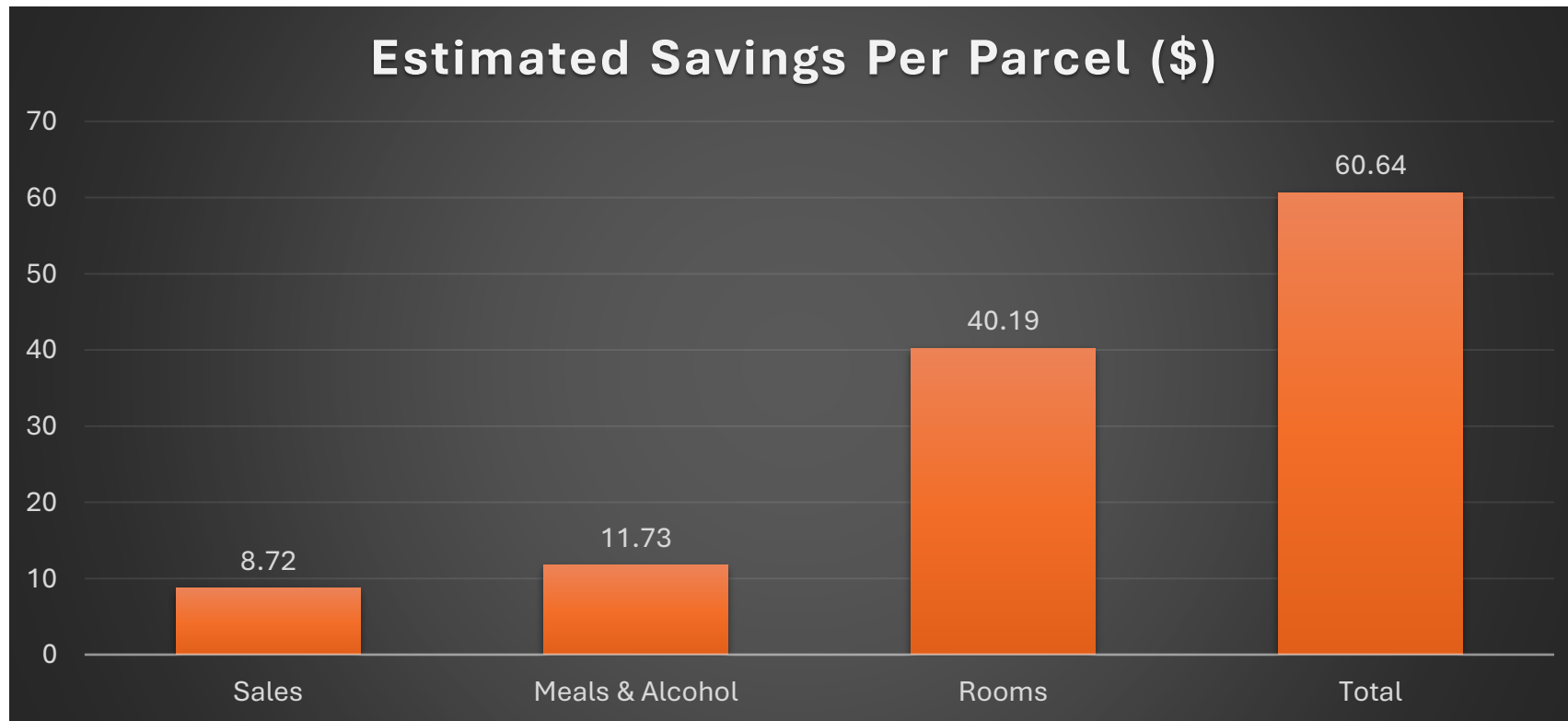
Category	Total LOT (\$)
Sales	\$ 10,250.00
Meals	\$ 8,800.00
Rooms	\$ 47,266.00
Alcohol	\$ 5,000.00
<b>Grand Total</b>	<b>\$ 71,316.00</b>
<b>Municipal Total</b>	<b>\$ 53,487.00</b>

# Projected LOT Revenue by Category

West Windsor's Annual LOT Estimates (\$)



# How Much Will LOT Revenue Save Each Property Owner Per Year?



Figures based on approximately 882 taxable parcels in West Windsor

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# Example Transaction Impact

Local Option Taxes are “destination-based taxes”, meaning they apply where the customer takes possession of the purchased goods. When an item is purchased through an online retailer and shipped to a West Windsor address, the item would be subject to the West Windsor local option sales tax.

Here are some examples of how LOT would impact purchases in West Windsor:

- \$200 hotel or short-term rental stay → \$2 LOT
- \$20 lunch at Brownsville Butcher & Pantry → \$0.20 LOT
- \$80 restaurant bill for dinner at the Maple Kitchen → \$0.80 LOT
- \$50 taxable purchase delivered to your home → \$0.50 LOT

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# Implementation Timeline

- Voters must first approve the LOT article(s) at Town Meeting on Tuesday, March 03, 2026
- The Town of West Windsor informs the State of the LOT adoption(s) following Town Meeting
- The State requires approximately 90-days for a notice period for administrative purposes and to issue guidance to businesses regarding tax collection.
- Estimated start: July 1, 2026
- Quarterly LOT payments following the State's official implementation date (75% to West Windsor/25% to the State).

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# Key Takeaways

- Three separate 1% LOT votes at Town Meeting: Rooms, Meals & Alcohol, Sales
- ~\$53k/year in additional revenue to the Town
- Supports capital planning that allows for improved financial stability, reduces risk of emergency expenses, and avoids large unbudgeted purchases requiring bond payments
- Diversifies revenue, allowing tourists and visitors to help offset the tax burden for residents
- Helps to preserve West Windsor's comparatively low tax rates amidst inflationary pressures

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# Questions & Feedback

The Selectboard takes pride in their transparency and willingness to work on behalf of the Town of West Windsor. Countless hours are spent on the budget process each year in an effort to be fiscally responsible and accountable to West Windsor voters.

Questions, concerns, and comments are always encouraged, and may be directed to Town Administrator Matt Frederick via email at [townadmin@westwindsorvt.org](mailto:townadmin@westwindsorvt.org), via phone at 802-484-3520, or in person at the Town Hall.

The [2025 Annual Reports for the Town of West Windsor](#) is available on the Town Website. Physical copies of the Town Report will be available in the Town Clerk's office, at the Post Office, and at Story Memorial Hall for Town Meeting on Tuesday, March 3<sup>rd</sup>.

Thank you very much for your consideration of the Local Option Tax proposals.