

Local Options Tax (LOT) Analysis - Town of Waitsfield

1/9/26

Key Takeaways

Recent Vermont legislation simplifies the implementation of Local Option Taxes (LOTs) and increases the local revenue share.

What is a LOT?

A 1% tax is added to state sales, meals & alcoholic beverages, and/or rooms taxes, with 75% of the revenue retained by the municipality. Exemptions include items not subject to those underlying state taxes, such as groceries, clothing, medical supplies, and heating fuel for domestic purposes. LOTs also capture online sales delivered locally, creating additional new revenue.

How Common are LOTs in Vermont?

As of January 2026, 38 Vermont towns¹ fund a mix of infrastructure, housing, emergency services, recreation, economic development, and more through their LOTs.

LOT Revenue Potential in Waitsfield

- Projected annual revenue², w/out online sales: \$465,018
- Projected annual revenue, including online sales: \$598,641
- Equivalent property tax hike: 26% in Waitsfield
- LOT burden: visitors ~82%, residents ~18% (~\$186 per household annually)

Waitsfield's Context

Like many Vermont towns, Waitsfield's facilities, equipment, roads, and bridges are aging and many are in need of significant investment. Historically, the cost of repairing, replacing, and enhancing this infrastructure was borne solely by property owners (and by occasional Federal and State grants). A LOT allows a municipality to share this cost with its guests who also rely on this infrastructure, thereby easing the burden on the municipal budget and property taxpayers.

Next Step

Waitsfield must decide if an LOT aligns with local priorities. MRVPD & VT Dept. of Taxes are available to assist.

Context

Recent legislative changes in Vermont have significantly eased municipalities' ability to adopt and enhance local revenue generation through local option taxes (LOTs). This presents a valuable opportunity for municipalities to generate additional revenue without increasing property taxes.

¹ Culmination of all LOT-enacted communities listed on the VT Dept. of Taxes Local Options Taxes webpage, <https://tax.vermont.gov/business/local-option-tax>

² This figure was determined using 2024 State Tax Receipt Data

With the passage of Act 144 of 2024³, the previous requirements for a municipal charter change and legislative approval have been eliminated, streamlining the process for Vermont communities to implement LOTs. Additionally, Act 57 of 2025⁴ modified the distribution of LOT revenue between municipalities and the state, increasing the local share from 70% to 75%.

In light of these developments, the Mad River Valley Planning District (MRVPD) has prepared this summary of the current landscape of LOTs in Vermont. It also highlights a previous LOT initiative in the Mad River Valley (MRV) and evaluates potential opportunities and impacts specifically for the Town of Waitsfield.

What is a Local Options Tax?

A local option tax (LOT) allows municipalities in Vermont to raise revenue by assessing a 1% tax in addition to certain State tax types. Vermont law ([24 V.S.A. § 138](#)) permits municipalities to adopt one or more of three types of LOTs:

- **Local Option Sales Tax**
 - 6% sales tax + 1% = 7% total tax
- **Local Option Meals & Alcoholic Beverage Tax**
 - 9% meals tax + 1% = 10% total tax
 - 10% alcoholic beverage tax + 1% = 11% total tax
- **Local Option Rooms Tax**
 - 9% rooms tax + 1% = 10% total tax

LOTs apply only to transactions that are also subject to corresponding state taxes, with several exemptions⁵. For sales tax, exempt items include groceries, clothing, medical supplies, and over-the-counter drugs. However, alcoholic beverages purchased for off-premise consumption — such as beer, wine, or liquor at grocery stores — are subject to the 6% sales tax.

Additionally, once a municipality implements a LOT, the VT Department of Taxes begins collecting this additional amount on online purchases delivered to local addresses, which represents a significant revenue stream not captured in traditional state tax data.

Revenue from LOTs is divided between the state and the municipality. The municipality receives 75%, with processing fees retained by the state⁶. The remaining 25% is allocated to the State of Vermont's Payment in Lieu of Taxes (PILOT) Fund. This fund compensates municipalities for state-owned properties that are exempt from property taxes.

³ Vermont Legislature, "An act relating to local option taxes," Act 144 of 2024, <https://legislature.vermont.gov/Documents/2024/Docs/ACTS/ACT144/ACT144%20As%20Enacted.pdf>

⁴ Vermont Legislature, "An act relating to miscellaneous amendments to the statutes governing emergency management and flood response," Act 57 of 2025,

<https://legislature.vermont.gov/Documents/2026/Docs/ACTS/ACT057/ACT057%20As%20Enacted.pdf>

⁵ Vermont Department of Taxes, "Sales Tax: What Is Taxable and Exempt," <https://mrvpd.org/wp-content/uploads/2018/11/Sales-Tax-What-Is-Taxable-and-Exempt.pdf>

⁶ The VT Department of Taxes charge \$5.96 per tax return filed which is deducted from the municipality's 75% share before the funds are distributed. MRVPD analyzed seven Vermont municipalities with existing LOTs and found that processing fees reduced the municipal LOT share by an average of 11.7% for Retail Sales and 1.2% for Meals, Rooms, & Alcohol Tax (MRT), attributed to transaction volume.

There's no additional administrative burden on municipalities that enact an LOT. The VT Department of Taxes collects the LOT in addition to the underlying state taxes, issuing a quarterly check to the municipality for its portion.

How can Local Options Taxes be used?

Local options tax (LOT) revenue provides municipalities with flexible funding that can be directed toward various community priorities. To date, 38 Vermont municipalities have enacted some sort of LOT⁷, often allocating funds to address a combination of needs:

- **Infrastructure Improvements:** Many towns allocate revenue from their LOT to support critical infrastructure projects. For example, Waterbury implemented a LOT on retail sales, meals & alcohol receipts, as well as rooms receipts in 2024. The town has designated these funds for debt reduction associated with infrastructure investments and road paving⁸.
- **Emergency Services:** In some communities, LOT revenue has been allocated to improve emergency preparedness and response capabilities. Stowe, which has had a LOT on meals, alcohol, and rooms (MRT) since 2010⁹, introduced a new LOT on retail sales in 2023. This new tax was specifically intended to address challenges stemming from inflation, population growth, tourism, and a decline the number of emergency volunteer¹⁰. The revenue generated from this tax enables the town to maintain adequate emergency services by providing additional funding for staffing, equipment upgrades, and enhanced training programs and opportunities. Stowe generates over \$2 million annually from its 1-percent LOTs¹¹.
- **Housing Initiatives:** The lack of attainable housing is impacting many communities in Vermont. In response, some municipalities have established dedicated Housing Trusts funded by LOT revenue. For instance, Waterbury created a Housing Trust Fund in August 2024, allocating \$100,000 of its first-year LOT revenue to tackle housing needs. The Waterbury Housing Trust Fund features a "Waterbury Home Improvement Program," modeled after Vermont's successful state-level program, the Vermont Housing Improvement Program (VHIP), but with modifications to better suit local needs¹². This program offers grants of up to \$30,000 per project to assist property owners in rehabilitating existing units or creating new accessory dwelling units.
- **Economic Development:** In March 2025, Ludlow voters approved a LOT projected to generate approximately \$700,000 from taxes on retail sales, meals and alcohol, and rooms receipts. According to

⁷ Vermont Department of Taxes, "Option Tax Finder,"

<https://vcgi.maps.arcgis.com/apps/instant/lookup/index.html?appid=ec6d6af106f14e408731de6063883021>

⁸ "Local sales taxes begin, but property tax bills get a one-week delay," Waterbury Roundabout, July 13, 2024,

<https://www.waterburyroundabout.org/business-archive/local-sales-taxes-begin-but-property-tax-bills-get-a-one-week-delaynbs>

⁹ "Local taxes continue to deliver big bucks for Stowe," Stowe Reporter, May 30, 2024,

https://www.vtcng.com/stowe_reporter/news/local_news/local-taxes-continue-to-deliver-big-bucks-for-stowe/article_70209384-1e98-11ef-996c-ffe487766703.html

¹⁰ "5 more Vermont towns pass new or expanded local option taxes," VTDigger, March 7, 2023,

<https://vtdigger.org/2023/03/07/5-more-vermont-towns-pass-new-or-expanded-local-option-taxes/>

¹¹ "Town of Stowe considers charter change to get more revenue," Stowe Reporter, August 7, 2025,

https://www.vtcng.com/stowe_reporter/news/local_news/town-of-stowe-considers-charter-change-to-get-more-revenue/article_1a09f7d1-757d-4028-a921-c1b54f1fab49.html

¹² Waterbury Housing Task Force, "Housing Trust Fund Program Recommendations,"

https://www.waterburyvt.com/fileadmin/files/Elected_Boards/Town_Select_Board/Meetings/2025/04/Housing_Trust_Fund_Program_Recommendations_20250326.pdf

the town manager, this revenue will support necessary infrastructure improvements to accommodate Ludlow's significant seasonal population shifts, from 2,000 during off-peak times to approximately 30,000 during peak tourism seasons¹³. The LOT provides a means for visitors to contribute to the infrastructure they use while in town.

- **Recreation:** LOTs can also be utilized to support the maintenance and improvement of recreational facilities that benefit both year-round residents and visitors. For example, the City of St. Albans adopted a LOT on retail sales, meals and alcohol, and rooms in 2020, with the revenue paying for a new community pool and a neighborhood sidewalk project¹⁴. Likewise, Waterbury allocated part of its LOT revenue toward trail maintenance, recognizing that recreation is a cherished community asset and an economic driver that attracts tourism to the area.

These examples from across Vermont illustrate the diverse ways in which communities are leveraging LOTs to address local priorities.

Past Effort

The Mad River Valley (MRV) previously explored implementing a local options tax (LOT) to fund community initiatives and promote economic development.

In February 2018, the Mad River Valley Planning District (MRVPD) established a subcommittee in partnership with the Mad River Valley Chamber of Commerce (MRVCC) to review past studies and strategic plans related to community development and economic vitality. Initially named the MRV For Local Opportunities (FLO) Committee, it was later renamed the MRV LOT Committee¹⁵. The committee recommended pursuing a LOT as a stable source of funding for community reinvestment.

The initiative developed into a tri-town effort to adopt a local option tax across Waitsfield, Warren, and Fayston, facilitated by a Memorandum of Understanding (MOU) that would coordinate the collection and allocation of funds. The towns collaborated through 2019 and early 2020 to create a framework for this collaborative approach.

However, in March 2020, Waitsfield voters rejected a charter change that would have allowed the town to enact a LOT. This decision effectively terminated the tri-town initiative, as the collaborative approach required the participation of all three towns.

With the introduction of 2024 legislation (Act 144) that eliminates the requirements for a charter change and legislative approval, along with further changes in 2025 (Act 57), it's important to revisit the potential impact of LOTs on the Mad River Valley towns and community.

Potential Impact Analysis: Projecting LOT Effects on Waitsfield

To evaluate the potential impacts of a Local Option Tax (LOT) on the Town of Waitsfield, MRVPD staff analyzed VT Department of Taxes in-person retail sales data and receipts from meals, alcohol, and room taxes (MRT). This analysis covered four years of data from 2021 to 2024 and included realistic assumptions about the

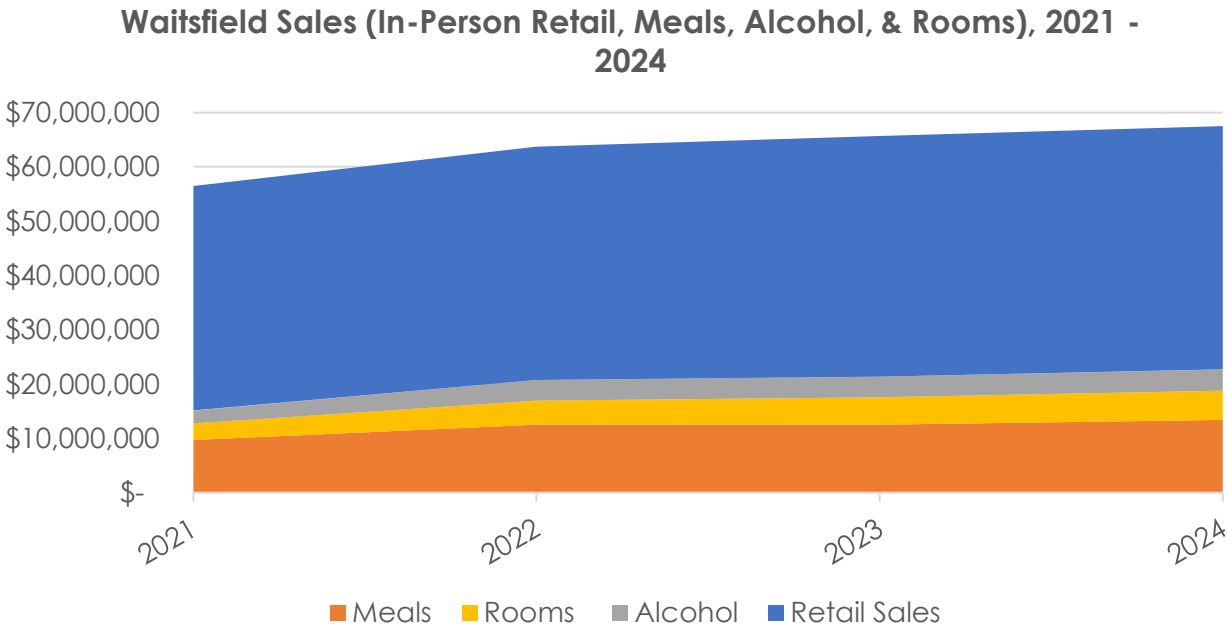
¹³ "Amid federal and state funding questions, more Vermont municipalities are turning to local option taxes," VTDigger, April 16, 2025, <https://vtdigger.org/2025/04/16/amid-federal-and-state-funding-questions-more-vermont-municipalities-are-turning-to-local-option-taxes/>

¹⁴ City of St. Albans, "Considering a Local Option Tax for the City," <https://www.stalbansvt.com/lot>

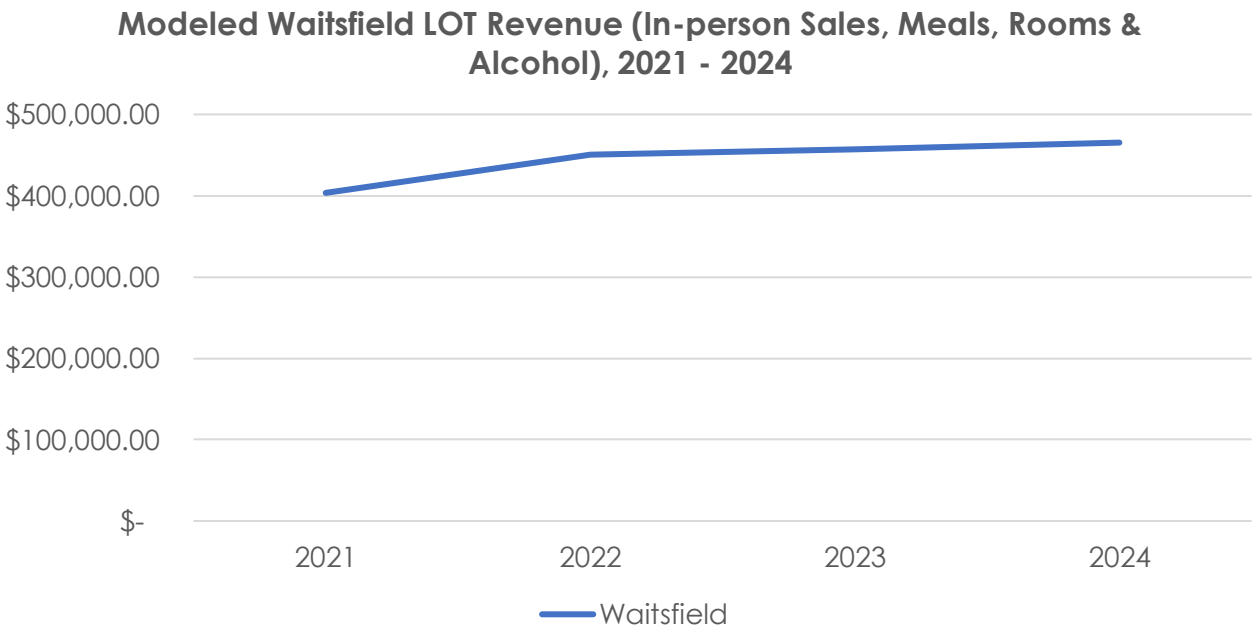
¹⁵ Mad River Valley Planning District, "MRV LOT Committee," <https://mrvpd.org/mrv-lot/>

spending patterns of both residents and visitors. These assumptions were informed by the MRVPD’s 2018 LOT economic research and updated for today’s context.

To provide context, the following graph displays the in-person retail, meals, alcohol, & rooms sales in the town of Waitsfield from 2021 to 2024. This source data formed the basis for the projections presented throughout this report.



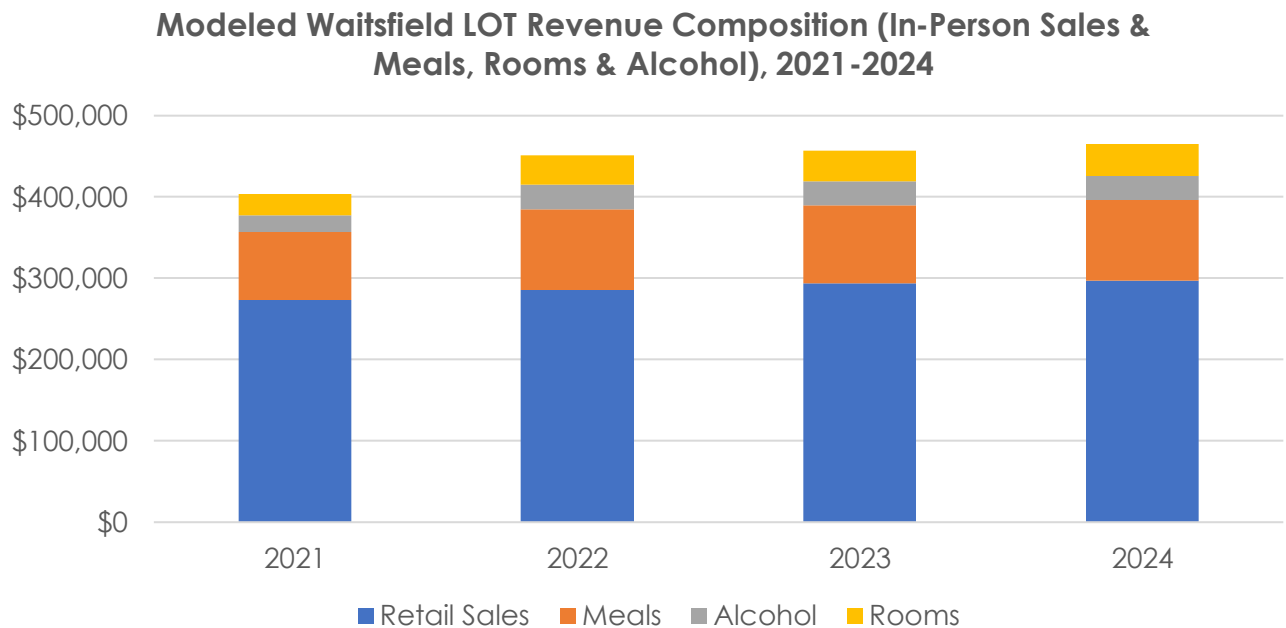
The analysis modeled a 1% LOT applied to all eligible categories (in-person retail sales, meals and alcoholic beverages, and rooms), collected in addition to existing state taxes. From 2021 to 2024, the analysis indicates that annual municipal revenue from the LOT in Waitsfield ranged from \$403,528 in 2021 to \$465,018 in 2024. These numbers include the 25% retained by the State of Vermont, as well as processing fees, as estimated on pg. 2 above. These projections are based on current state sales tax data (illustrated above) and do not account



or online sales by residents, as online retailers are not required to track or remit the LOT until a municipality implements one.

Revenue Composition and Stability

An analysis of VT Department of Taxes receipt data for Waitsfield reveals that in-person retail sales tax accounts for the largest share of its potential local option tax (LOT) revenue based on State tax receipt data, ranging from 63-68% annually. Meals contribute 21-22%, alcohol represents 5-7%, and rooms make up 6-9% of the total. This trend remained relatively consistent during the study period from 2021 to 2024. It’s important to note that these percentages are based on current state tax receipts, which do not capture online retail sales that are subject to an LOT.



Consideration of Online Retail Sales

Research has shown that projections based on state tax data consistently underestimate potential LOT revenue. A comparison between state-reported tax receipts and actual LOT collections from Vermont municipalities that have implemented a LOT on sales tax shows consistently higher revenue than state data suggests. MRVPD’s analysis of the actual LOT collections in six municipalities¹⁶ through August and October 2024 found that revenues greatly exceeded state tax receipt estimates.

State tax reporting primarily captures traditional brick-and-mortar retail activity (aka, in-person). However, once a municipality implements an LOT, it starts collecting tax on online purchases addressed to the town; revenue that is not reflected in the VT Department of Taxes’ publicly available retail sales data by municipality. The estimated online retail component highlights this difference, indicating that online retail represents a significant additional revenue stream that is often overlooked in projections that rely solely on state tax data.

MRVPD sought to clarify discrepancies between state reports and actual municipal collections by analyzing the VT Department of Taxes’ collections and tax receipt estimates for municipalities with active LOTs. In

¹⁶ The municipalities that were analyzed were Waterbury, Wilmington, Woodstock, Brattleboro, Middlebury, and Stowe. These municipalities were chosen because they have a LOT across all four categories (retail sales, meals, rooms, alcohol).
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Waterbury, LOT revenue from retail sales between August and October 2024 totaled \$141,016, while state reports for the same period showed only \$91,463. This reveals a discrepancy of \$50,358, or 55% higher than State-reported in-person retail sales, suggesting unreported online sales.

Similarly, Wilmington realized \$92,458 in retail sales-derived LOT revenue during the time period, compared to state data indicating only \$74,067. This \$18,418 gap corresponds to a 25% increase over the reported in-person sales.

The same comparisons were made for all other municipalities included in this analysis, and the results showed that, on average, actual LOT revenue from retail sales was 45% higher than the State-reported data (In-Person Retail), which we attribute is due to untracked online retail sales. The chart below illustrates this by comparing the values generated using publicly available State data to estimate LOT revenue (In-Person Retail) with the actual revenue generated by the LOT from retail sales and received by each municipality during the same time period (Town Check Amount).

Town	In-Person Retail	Town Check Amount	Estimated Online Retail	% Online Sales Above In-Person
Waterbury	\$91,463.44	\$141,821.48	\$50,358.05	55%
Wilmington	\$74,067.22	\$92,485.23	\$18,418.01	25%
Stowe	\$175,882.91	\$294,676.41	\$118,793.50	68%
Brattleboro	\$175,189.51	\$288,852.58	\$113,663.07	65%
Middlebury	\$236,187.20	\$278,136.48	\$41,949.28	18%
Woodstock	\$60,712.13	\$82,976.88	\$22,264.75	37%
Average				45%

This trend suggests that potential annual LOT revenue in Waitsfield, initially estimated at \$465,018 in 2024, is likely closer to \$598,641 when online retail sales are factored in.

Property Tax Revenue Generation Comparison

To understand the potential revenue from a Local Option Tax (LOT), it's essential to compare it to the revenue generated through the primary municipal revenue approach: property taxes. To generate the same amount of revenue solely through property taxes, significant rate increases for all property owners would be necessary.

For our analysis, we'll consider the \$595,672 in estimated Waitsfield LOT revenue for 2024, established above.

Based on these assumptions, this would result in an equivalent municipal tax rate increase from the current rate of .58 to .73. This increase, 15 cents per \$100 valuation, is +26% above current rate. This would mean annual increases of \$451 for a home assessed at \$300,000 and \$677 for a home assessed at \$450,000.

Town	LOT Revenue	Grand List Value	Annual Tax Impact on a \$300k Home	Annual Tax Impact on a \$450k Home
Waitsfield	\$598,641	\$3,980,614	\$451	\$677

These calculations reveal why LOTs have become a popular alternative revenue source for municipalities. They enable towns to finance local priorities without depending solely on property taxes. Additionally, LOTs can be

collected from non-residents who use local services and infrastructure, helping to offset costs for major projects while reducing the financial burden on the municipal budget.

Resident Impact Methodology

This analysis of resident tax burden was built on the category-specific assumptions developed during the initial work of the 2018 MRV for Local Opportunities Committee. The following assumptions update the original assumptions to better reflect the actual spending patterns observed in the tourism-dependent economy of the Mad River Valley. These assumptions estimate the percentage of the tax that residents would pay.

- **Retail Sales Tax In-Person:** 11% paid by residents. Assume MRV residents make 40% of retail purchases subject to LOT, and that Waitsfield residents are 1/3 of the MRV population.
- **Retail Sales Tax Online:** 45% paid by residents. Assume 60% of online purchases are made by locals, and 40% by second homeowners and visitors. Assume 3/4 of local online purchases are from Waitsfield residents, and 1/4 are from Warren/Fayston residents with a PO box or zipcode in Waitsfield.
- **Meals Tax:** 11% paid by residents. Assumes MRV residents make 1/3 of meals and alcohol purchases subject to LOT, and that Waitsfield residents are 1/3 of the MRV population.
- **Alcohol Tax:** 11% paid by residents. Assume MRV residents make 1/3 of meals and alcohol purchases subject to LOT, and that Waitsfield residents are 1/3 of the MRV population.
- **Rooms Tax:** 1% paid by residents. Assumes few, if any, Waitsfield residents rent rooms locally, when hosting visiting family or for special occasions.

Under this scenario, Waitsfield residents would pay an additional \$86 in annual taxes on average. On a household basis, this represents an average annual cost of \$186¹⁷, or approximately \$15.50 per month. This results in residents being responsible for 18% of the funds directed to the LOT, while visitors would cover the remaining 82% of the total tax burden.

What's Next?

Given the analysis of potential local options tax (LOT) revenue and its impacts, Waitsfield may wish to consider how these findings apply to its unique circumstances and priorities.

The Mad River Valley Planning District (MRVPD) is available to assist member towns with policy research, coordination, facilitation, and technical support as needed. For those interested in discussing these options further, please contact the MRVPD Executive Director at joshua@mrvpd.org or 802.496.7173.

Additional Resources

- Local Option Tax Information for Businesses
 - <https://tax.vermont.gov/business/local-option-tax>
- FS-1198, *How to Adopt a Local Option Tax in Your Community*
 - <https://tax.vermont.gov/sites/tax/files/documents/GB-1198.pdf>
- GB-1230, *Guide to Meals and Rooms and Sales and Use Tax Statistical Data*

¹⁷ These calculations assume a total of 849 households and 1,844 residents, using the U.S. Census Bureau's 2020 Decennial Census counts for the town of Waitsfield.

- <https://tax.vermont.gov/sites/tax/files/documents/GB-1230.pdf>
- 24 V.S.A. § 138 Local Option Taxes
 - <https://legislature.vermont.gov/statutes/section/24/005/00138>
- 32 V.S.A. § 3709 PILOT Special Fund
 - <https://legislature.vermont.gov/statutes/section/32/123/03709>