

Why so many towns are considering adding local taxes this Town Meeting Day

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A larger-than-usual number of Vermont municipalities are considering local option taxes for Town Meeting Day this year. Some of the reasons: rising costs amid climate and health care crises, a desire to reduce property taxes, plus an easier approval process.

[Ludlow is among those communities.](#) On Tuesday, residents will vote on a 1% local option tax on rooms, meals, alcohol and sales to fund flood mitigation projects and fire department equipment.

At a public forum earlier this week, Municipal Manager Brendan McNamara said the taxes would raise about \$700,000 annually for the town and village — with almost all of it projected to come from visitors to the area, versus community members.

And he said the funds could come in handy when, say, Ludlow is still waiting on \$2 million from FEMA for flooding in 2023.

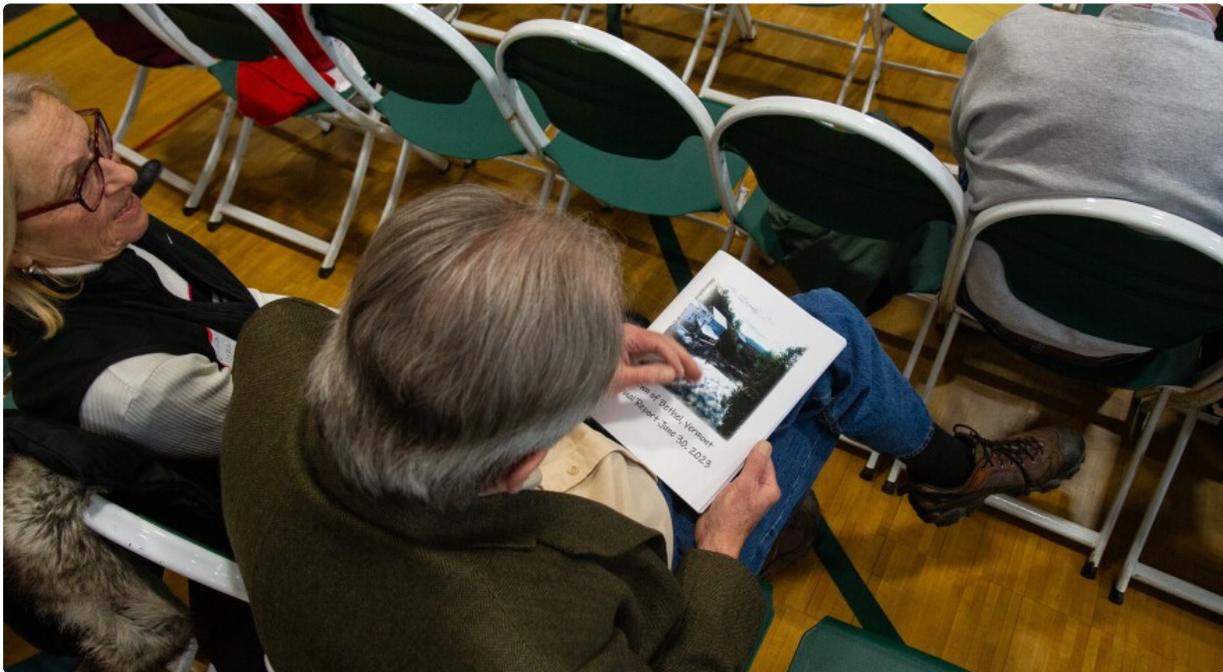
"Instead of taking a loan at a crazy interest rate from the bank, we [would] have these funds that can help restore our infrastructure during a crisis," McNamara said.

The town of Hartford — which includes the Upper Valley villages of Hartford, West Hartford, Quechee, White River Junction and Wilder — will also decide next week [whether to adopt a local option sales tax of 1%.](#)

"So that would be in addition to the 6% sales tax the state charges," said Hartford Selectboard Chair Michael Hoyt. "And the proceeds of any local option tax would be used exclusively to offset the town municipal property tax rates."

Hartford already has a 1% local option tax on rooms, meals and alcohol. But Hoyt said over the last two years especially, there have been a lot of budgetary increases outside of the municipality's control.

"Particularly town staff health care costs and general inflation," he said.



Elodie Reed

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Vermont Public File

Bethel voters, seen here at Town Meeting Day in 2024, will be among the Vermont communities to decide next week whether to adopt local option taxes.

Hoyt said he's heard some worry about whether additional sales tax might put business owners at a disadvantage compared to businesses right across the Connecticut River, in New Hampshire.

"They have zero sales tax," he said. "So there's always some concerns, you know, our business is going to get up and move to Lebanon or to somewhere else in New Hampshire."

But Hoyt added that the upside is savings for homeowners on property taxes. Using state tax data, the town estimated the additional local sales tax [could bring in more than \\$1 million in extra funds annually.](#)

"So if we had the local option sales tax in effect this year, [someone who owns a \\$250,000 home would have realized \\$175 in savings.](#)" Hoyt said.

Finding ways to lower property taxes is at the forefront for many public officials, according to Samantha Sheehan, the municipal policy and advocacy specialist for the Vermont League of Cities and Towns.

"This is a really challenging budget year for many communities," she said. "Municipalities are looking for more types of local revenues that are not coming from property taxes alone."

Sheehan said there's a significantly larger number of municipalities considering local option taxes, compared to years past.

From warnings Vermont Public has reviewed, at least a dozen towns and cities have it on the ballot for this Town Meeting Day.

In addition to the prospect of lowering property taxes, Sheehan noted [a change to state law last year](#) that made it easier for municipalities to adopt local option taxes. Now they don't have to go through a charter change, and they don't have to get that change approved by the governor and the Legislature.

"About half of Vermont's municipalities are unchartered," she said, adding that this is the first year they have the authority to vote on local option taxes.

VLCT is also advocating in the Legislature this year [for towns to keep more of the local taxes they collect](#) – 80% instead of 70%.

The other percentage of the money goes to the state for a fund [that currently has a surplus](#). And VCLT wants those extra dollars to go back to the communities that raised the money.

Sheehan pointed out that most of the services and infrastructure Vermonters interact with every day are paid for by cities and towns.

"Clean drinking water, sewer, safe sidewalks that everyone can use, trail networks... All of that is maintained by municipal government, " she said. "So it makes sense that with the challenges many communities are up against in Vermont today, that they're looking at considering these taxes."

Sheehan said there are currently 34 towns and cities with local option taxes.

Have questions, comments or tips? [Send us a message](#).