

TAX: LOCAL OPTION SALES TAX

TB-37

Replaces TB - 14

**SUBJECT: REQUIREMENT TO COLLECT
LOCAL OPTION SALES TAXES**

Issued: 03/16/07

Revised: 03/06/09

REFERENCES: 24 V.S.A. § 138

The purpose of this bulletin is to address the collection of Local Option Sales Tax imposed under the provisions of section 138 of Title 24, Vermont Statutes Annotated, July 1, 2002. The principles below will apply to any municipalities that enact Local Option Sales Taxes.

GENERAL RULES

Local Option Sales Tax is collected on a destination sales basis. A vendor located within the borders of a Local Option Sales Tax town, and any other registered vendor that delivers or sends items to a Local Option Sales Tax town must collect Local Option Sales Tax (1%) on sales that are subject to the state sales (6%) tax. If the property being delivered or sent is taxable, shipping charges are also subject to both taxes. Sales from a Local Option Sales Tax town where delivery is made to a non-local option town are not subject to the Local Option Sales Tax. Out-of-state vendors that have voluntarily agreed to collect Vermont state sales tax through their membership in the Streamlined Sales Tax Project (SSTP) must also collect Local Option Sales Tax.

Persons making amusement charges subject to state sales tax must also collect the Local Option Sales Tax on these charges if the entertainment or recreational facility is located in a Local Option Sales Tax town. Utility sales subject to state sales tax (electricity used commercially, cable TV and telecommunications, for example) are subject to the Local Option Sales Tax if the charge is for service provided at an address in a Local Option Sales Tax town. Charges for leases or rentals of tangible personal property subject to state sales tax are also subject to the Local Option Sales Tax if the property is located in a Local Option Sales Tax town. The Local Option Sales Tax does not apply to motor vehicles which are subject to the 6% purchase and use tax nor does it apply to automobile rentals.

Sales made from temporary sites are subject to the Local Option Sales Tax if the temporary site is in a Local Option Sales Tax town.

EXAMPLES

1. A customer purchases a tennis racquet at a store in Manchester which is a Local Option Sales Tax town. The vendor must collect the 6% state sales tax and the 1% Manchester Local Option Sales Tax.
2. A customer from Duxbury telephones a store in Williston and orders a table. The sale is not subject to the Local Option Sales Tax even though Williston is a Local Option Tax town, because the table will be shipped to Duxbury which has not adopted Local Option Sales Tax. However, if the vendor were located in Duxbury and the customer in Williston, the sale would be subject to the Williston Local Option Sales Tax because Williston is the destination of the table.

3. A vendor located in Jamaica sets up a temporary location at a craft fair in Stratton, a Local Option Sales Tax town. Sales of pillows made from the temporary location are subject to the Stratton Local Option Sales Tax. However, if the Vendor was from Stratton and the temporary location was in Jamaica, the sales would not be subject to the Local Option Sales Tax.

4. A salesperson working for a vendor located in Burlington visits a customer in Hinesburg and sells a wrench from an inventory in his van. This sale is not subject to the Burlington Local Option Sales Tax. However, if the vendor was from Hinesburg and the sale was made in Burlington the sale would be subject to the Burlington Local Option Sales Tax.

5. An electrical utility sells electricity subject to Vermont sales tax to commercial customers in several Vermont towns and cities. Sales made into Local Option Sales Tax towns such as Killington are subject to the Local Option Sales Tax.

6. A fuel oil dealer has offices in Barre from which customer accounts are serviced. A customer contacts the Barre office to establish accounts, close accounts or to handle issues regarding service or billing. After accounts have been established, fuel is delivered automatically depending on historical consumption patterns. When the dealer makes deliveries in towns that have a Local Option Sales Tax, sales which are subject to the state sales tax (such as deliveries to commercial accounts) are also subject to the Local Option Sales Tax. **Note:** Residential fuel deliveries are not subject to Vermont sales tax or to Local Option Sales Tax.

7. An operator of a business in Burlington (a Local Option Sales Tax town) orders a computer from a business located outside of Vermont who is not registered to collect Vermont sales tax. Therefore, the computer is subject to the 6% Vermont use tax, but there is no local option use tax. If the out-of-state business was registered to collect Vermont sales tax, the computer would be subject to the 6% state sales tax and the 1% Burlington Local Option Sales Tax.

8. An operator of a business in South Burlington (a Local Option Sales Tax town) purchases a computer from a Waterbury business. No state sales tax is collected because the purchaser holds a direct-pay permit. The transaction is subject to the South Burlington Local Option Sales tax, and the purchaser must accrue and pay the Local Option Sales Tax on their state sales tax return.

9. A leasing company located in Richmond collects Vermont sales tax on lease payments for a bulldozer located in Williston. These lease payments are subject to the Williston Local Option Sales Tax. However, if the leasing company were in Williston and the bulldozer in Richmond, no Local Option Sales Tax would be collected as Richmond is not a Local Option Sales Tax town. The tax on the first lease payment is determined by where the item is received and, to the extent the vendor has knowledge of the location of the bulldozer during subsequent lease periods, the tax is determined by the location of the bulldozer.

10. A vendor operates a roller-skating rink in Manchester (a Local Option Sales Tax town). Admission charges to skating rinks are amusement charges subject to Vermont sales tax. Tickets for admission can be purchased at outlets in various towns. Local Option Sales Tax is collected on the ticket sales regardless of the location of the ticket outlet.

11. A telecommunications service provider located in Randolph provides service to a customer located in Manchester. The charges are subject to the state sales tax and the Manchester Local Option Sales Tax.

REGISTRATION OF VENDORS


Local Option Sales Taxes may be collected by any vendor with a Vermont sales and use tax certificate of authority. No additional registration is required.

COLLECTION OF TAX FROM CUSTOMERS

The Local Option Sales Tax may be combined with the companion state sales tax and collected as a combined 7% sales tax. At the vendor's option, the state tax and local tax may be shown separately. If the one percent tax is collected separately, it is collected at \$.01 on each full dollar plus \$.01 on the excess over a full dollar if the excess is more than \$.50.

FILING RETURNS AND PAYING TAX

Vendors should report the Local Option Sales Tax they collect on their state sales tax returns utilizing their assigned filing frequency. Local Option Sales Tax is reported by jurisdiction in Part II of the return. Vendors should refer to the Department of Taxes website <http://tax.vermont.gov> to check for new local option towns or for additional information about local option tax. You may also contact the **Taxpayer Services Division** by e-mail at bustax@state.vt.us or by calling 802-828-2551 (option #3).



General Counsel

Approved: 

Commissioner of Taxes