

# Local Option Tax: What Is It and When Does It Apply?

Any vendor authorized to collect sales, meals, rooms, and alcohol taxes in Vermont is required to collect applicable local option tax. No additional registration with the Vermont Department of Taxes is necessary.

## What is local option tax?

Local option tax is a way for municipalities in Vermont to raise revenue. A municipality may vote to levy any combination of the following 1% local option taxes in addition to state business taxes:

### Local Option Sales Tax

6% sales tax + 1% = 7% total tax

### Local Option Meals Tax

9% meals tax + 1% = 10% total tax

### Local Option Alcoholic Beverages Tax

10% alcohol tax + 1% = 11% total tax

### Local Option Rooms Tax

9% rooms tax + 1% = 10% total tax

A transaction is subject to local option tax if it is subject to Vermont sales, meals, rooms, or alcoholic beverage tax. Local option tax is "destination-based." In other words, the tax is based on the location where the buyer takes possession of the item or where it is delivered.

Although the local option tax is levied by the municipality, the vendor who collects this tax remits it to the Vermont Department of Taxes along with any state taxes. Any vendor who is located out of state and is registered to collect Vermont state business taxes must also collect local option tax where applicable.

## Which municipalities levy local option tax?

The current list of participating local option tax municipalities is located on the Department's website:

[tax.vermont.gov/business-and-corp/sales-and-use-tax/local-option-tax/municipalities](http://tax.vermont.gov/business-and-corp/sales-and-use-tax/local-option-tax/municipalities)

### Please note these exceptions:

- Local option tax does not apply to transactions that are subject to use tax or to motor vehicle purchase and use tax.
- The City of Burlington, City of Rutland, and City of St. Albans have their own local taxes on meals, entertainment, lodging, or alcohol. They administer and collect these taxes.

## Calculating local option tax

Please note that you should always calculate local option tax as 1% of the taxable (net) sales for each town. Do **not** make the mistake of calculating use tax as 1% of 6%, the sales tax rate, which will result in collecting too little local option tax. See the examples below.

Be sure to charge, collect, and remit local option tax for applicable purchases in the municipality where the buyer is consuming or taking possession of the item or where the item is being delivered.

## How should vendors show local option tax on invoices and receipts?

Vermont business taxes and local option tax may be shown combined or separately on invoices and receipts. The two options are illustrated by the examples shown here.

### Example 1

#### Business and local option tax combined:

|                             |                |
|-----------------------------|----------------|
| Item 1                      | \$10.00        |
| Item 2                      | \$15.00        |
| Subtotal                    | \$25.00        |
| 7% Sales & Local Option Tax | \$ 1.75        |
| <b>Total</b>                | <b>\$26.75</b> |

### Example 2

#### Business and local option tax listed separately:

|                     |                |
|---------------------|----------------|
| Item 1              | \$10.00        |
| Item 2              | \$15.00        |
| Subtotal            | \$25.00        |
| 6% Sales Tax        | \$ 1.50        |
| 1% Local Option Tax | \$ 0.25        |
| <b>Total</b>        | <b>\$26.75</b> |

Always calculate the local option tax as 1% of the taxable (net) sales for each town.

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Disclaimer: The information provided here is intended to be an overview only. Vermont tax statutes, regulations, Vermont Department of Taxes rulings, or court decisions supersede information presented here.

Rev. 06/2019 • Pub. FS-1012



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## How can I be sure the address of the sale or rental is in a local option municipality?

Some ZIP codes represent properties that fall within, and others outside of, a local option municipality. In these cases, the ZIP code +4 digits is needed to determine if a given business location is in a local option municipality and therefore if the local option tax applies. If the full ZIP code isn't known, find it on the USPS website at [tools.usps.com/go/ZipLookupAction!input.action](https://tools.usps.com/go/ZipLookupAction!input.action).

## Need more information?

### *Department of Taxes Website*

There is more information available on the Vermont Department of Taxes website at [tax.vermont.gov/business-and-corp/sales-and-use-tax/local-option-tax](https://tax.vermont.gov/business-and-corp/sales-and-use-tax/local-option-tax)

### *Avalara SalesTax Website*

Another handy resource for finding sales tax rates, including municipalities that levy a local option tax, is using the free sales tax rate map at the online site Avalara Sales Tax.



## Tax charts provide a quick reference

For easy reference, use the charts for each tax type plus local option tax found at [tax.vermont.gov/research-and-reports/tax-rates-and-charts](https://tax.vermont.gov/research-and-reports/tax-rates-and-charts)

## Know tax law and regulations

Business owners are expected to be familiar with state tax laws and regulations applicable to their businesses. For more information, please see the following:

### 32 V.S.A. Chapter 233

[legislature.vermont.gov/statutes/chapter/32/233](https://legislature.vermont.gov/statutes/chapter/32/233)

### Regulations

[tax.vermont.gov/regulations](https://tax.vermont.gov/regulations)

### Technical Bulletins

[tax.vermont.gov/bulletins](https://tax.vermont.gov/bulletins)

### Forms and Publications

[tax.vermont.gov/forms-and-publications](https://tax.vermont.gov/forms-and-publications)

To learn more about Vermont business taxes, visit [tax.vermont.gov](https://tax.vermont.gov) or contact the Department's Business Tax Section at [tax.business@vermont.gov](mailto:tax.business@vermont.gov) or (802) 828-2551.

