Town of Waterbury
Draft Local Option Tax Policy
October 2025

Background:

The legal voters of the Town of Waterbury adopted a municipal charter on December 5, 2023. The charter contained the following language:

"The Town Selectboard is authorized to levy a one percent tax on sales, meals, and alcoholic beverages, and rooms. A tax imposed under the authority of this section shall be collected and administered by the Department of Taxes pursuant to 24 V.S.A. §138.

During the 2024 legislative session, the charter, including the local option tax, was adopted into law. The Department of Taxes imposed tax on July 1, 2024.

Aspirations:

(1) The selectboard shall reasonably endeavor to include all expenditures that are financed with the local option tax in the proposed budget or in the warning for the annual meeting. The selectboard shall also publish in the annual report a summation of the uses for the local option tax.

(2) The selectboard shall endeavor to be conservative in budgeting the planned uses for the local option tax, based on the understanding that the revenue is inherently less stable than property taxes.

(3) Any request for funds by an organization outside of local government, for social service purposes, must be included in the warning for taxpayers to approve at the town meeting consistent with 24 V.S.A. § 2691.

(4) The selectboard aspires to avoid using the local option tax to fund normal operating expenses.

(5) In the event there is a surplus or anticipated surplus of local option tax funds, the funds shall not be spent unless approved by the selectboard at a duly warned meeting. The meeting agenda shall specifically state "Proposed expenditure of local option taxes."

Approved Uses of Funds:

Expenditure of funds shall be focused on the following areas:

(1) Reductions or stability in the tax rate through the purchase of capital expenses or payment of existing debt. Examples may include, but are not limited to:

   a) Investments in vehicles, equipment, roads, bridges, municipal buildings, and sidewalks.
   b) Cash purchases or payments towards items listed above to avoid debt service and interest payments.
   c) Payment of existing debt to stabilize the tax rate and avoid interest charges.

(2) Funding for affordable housing, economic development, and community vitality efforts. Examples may include, but are not limited to:

   a) Investments to create additional affordable housing, investments in land or property to create affordable housing, or payments to service providers and developers to incentivize the creation of affordable housing.
   b) Investments in infrastructure to improve the economic condition of the Town, to include the expansion of water or wastewater infrastructure.
   c) Investments in community vitality, including recreation infrastructure, parks and other public spaces, and flood mitigation efforts.

(3) Efforts to streamline and modernize municipal operations. Examples may include, but are not limited to:

   a) Transitional costs associated with the adoption of new technology will improve business processes, investments to improve the ability of the Town to communicate with the public, and investments to increase participation in local government.

(4) Improve the Town's fund balances and create a local option tax reserve.