

Essex Economic Development Commission

Special Local Option Tax Meeting

Minutes

Date 9-10 am, Monday, February 22, 2021
Location Microsoft Teams, Essex Junction, VT
Members Annie Cooper, Chairperson; Brian Shelden, Vice Chairperson; Botur Kosimi, Clerk; Jeff Benjamin; Greg Morgan (On Leave)
Staff Evan Teich / Greg Duggan; Owiso Makuku; Darren Schibler; Robin Pierce
Public Irene Wrenner, Ken Signorello (Essex Reporter), Elaine Haney, Tracy Delphia

Chairperson Cooper called the meeting to order approximately at 9:10 am.

Public to Be Heard

Member of the public Ms Wrenner questioned whether the participants would be talking about tax on cell phones, cables, online orders, etc. aside from obvious local purchases. Mr Teich took note of it.

Changes to Agenda

Mr Schibler noted about the incorrect adjournment time indicated in agenda as 9:15 am and clarified that the meeting will not be that short, but probably end around 10 am. There were no other changes proposed to the agenda.

Short Presentation by Mr Duggan

- Mr Duggan shared his screen to go over the memo on local option tax that he had previously shared with participants. He said that we are currently in information gathering stage and staff are looking for EDC help in terms of connecting with businesses and residents to find out their thoughts and concerns. He mentioned a few areas that the local option tax may apply such as sales, meals, alcoholic beverages, rooms and if it is implemented the Essex community can generate around \$1.2 million annually per state estimates which most likely will be used to fund capital projects. Mr Duggan talked about neighboring towns that already have such tax and list of questions and businesses that staff prepared for EDC to begin the outreach for necessary feedback.
- Ms Makuku asked about the share of the town from this projected tax revenue and Mr Duggan responded that it is for both the town and the village since both have same zip code and the state does not separate that data. He commented that the state also charges administrative fee of about 31% so the actual revenue is around \$1.6 million. Mr Teich marked that for general information in the state of Illinois such administrative fee is less than 2%. Ms Makuku also shared a suggestion to include questions for outreach to neighboring communities to find out how local option tax affected their businesses.
- Mr Shelden reiterated his offer to staff that if they can get the data about sales tax by addresses he can break it down by town and village segments. He asked if it is possible to determine what percentage of sales tax currently Essex versus non-Essex residents pay. Mr Teich commented that one could bet residents outside of Essex probably pay 99% of room tax while businesses would be using hotels for their clients. He also mentioned that when it comes to taxes on foods one may be able to find out through credit cards. Mr Shelden remarked that it would be useful to know that percentage, but it is complicated and hard to determine.

- Mr Kosimi shared some of his general observations and thoughts such as the need to be precise as to which areas this local option tax would apply to, understanding of postponing any taxation after economy recovers from pandemic for at least 6 months from now and having a clear action plan in order not to trigger any backlash. He also acknowledged that Essex would eventually implement local option tax since most surrounding municipalities already have it and he's ready to help staff take some concrete steps in this preliminary information gathering stage.
- Ms Cooper noted that the discussion of local option tax started almost 2 years ago and there is a long path before it can become real, including local governing bodies putting it in ballot for voters to decide. She concurred that the nature of this project would require some time to properly analyze and evaluate, so we are doing our work ahead of time and in the right time. She said as she sees it right now we are ingesting information and as EDC, we are interested in collecting feedback from businesses and residents.
- Mr Duggan explained that there are 4 categories this tax could apply to and the town can choose any combination of them, but we can still get more details as to what it means for products, utilities, cable, etc. He said the point about waiting 6 months is well taken, but would encourage the work to continue meanwhile so we are ready when the right time comes. Mr Duggan underlined that part of it is putting together a plan for Selectboard or Trustees as how the funds would be used, would it be lowering property taxes and is there an offset to some extent. He pointed out that currently all taxes are paid by property owners and part of the idea behind it is to capture some tax from people traveling through Essex and using its infrastructure, so taxation is spread out to visitors and not just residents.
- Mr Teich spoke about research they had done revealing that materials used in manufacturing are not part of this tax, neither are utilities and gasoline used in production of goods or services, so there is no double taxation. He mentioned that the state is trying to be very conscious about it and has many forms and FAQ's on the tax that the staff will share with others. Mr Teich concluded that as we dive deeper into discussion it may be a good thing to define our vision on how to use this funds. He wondered that Essex has a backlog of projects for capital use that is currently paid by taxing residents, businesses and property owners and if we can provide some property tax relief and still be able to fund those projects as well as various economic development activities. He cautioned about sales tax being volatile than property taxes and importance of using funds carefully to avoid budget shortcomings.
- Ms Haney talked about the impact of local option tax on businesses such as manufacturing tax exemption covering materials and equipment necessary for production and it not excluding other supplies that businesses purchase every day that do not relate to production. She emphasized that it is important to make sure during outreach phase that businesses are aware of such distinctions and asked EDC to be mindful of the need to find out from the tax department specifically what the impact will be on manufacturers in particular as some businesses may not know so we can provide fully informed responses. Ms Haney underlined that Essex has quite a few manufacturing companies so we really need to do our due diligence of talking to and focusing on them.
- Mr Benjamin asked if there are state guidelines that define exactly what is included in local option tax and if there is flexibility on behalf of town on how to implement it. Mr Duggan responded that it is defined by the state and there are some factsheets that we can pull together for educational purposes, but still many other questions will need to be answered down the road.
- Ms Wrenner commented that local option tax seems to be regressive by its nature meaning it affects people with lower income more adversely taking greater percentage of their earnings away as it charges people with higher income at the same level. She also said that researching this tax would be a lot of work so it may be wise to have it approved by the voters before going ahead with spending time and money on it as the town government. Ms Wrenner expressed concerns that the bulk of dinners at Essex restaurants may still be purchased by local residents so will mostly hurt people who live here and pay property taxes already. She suggested inviting opponents of local option tax to discussion table to ensure we do not go forward with something that is not thorough and inclusive.

- Ms Delphia urged in conversations with other communities that already have local option tax to give attention at pros and cons of only introducing rooms, meals and alcohol tax, as it is more discretionary spending and typically will not negatively affect seniors and people on fixed incomes.
- Ms Cooper offered to vote on creating a subgroup and Mr Kosimi volunteered to be part of it. He stated that it might be time to get started with some actions, so Mr Duggan agreed to put initial documentation together with other staff and present it at the next EDC meeting for review.

Chairperson Cooper made a motion to adjourn at approximately 10:20 am, moved by Mr Sheldon and seconded by Mr Kosimi, passed 3-0.

Prepared by Botur Kosimi

03/01/21