



MAD RIVER VALLEY VERMONT

Tax impact of the FLO on the Mad River Valley

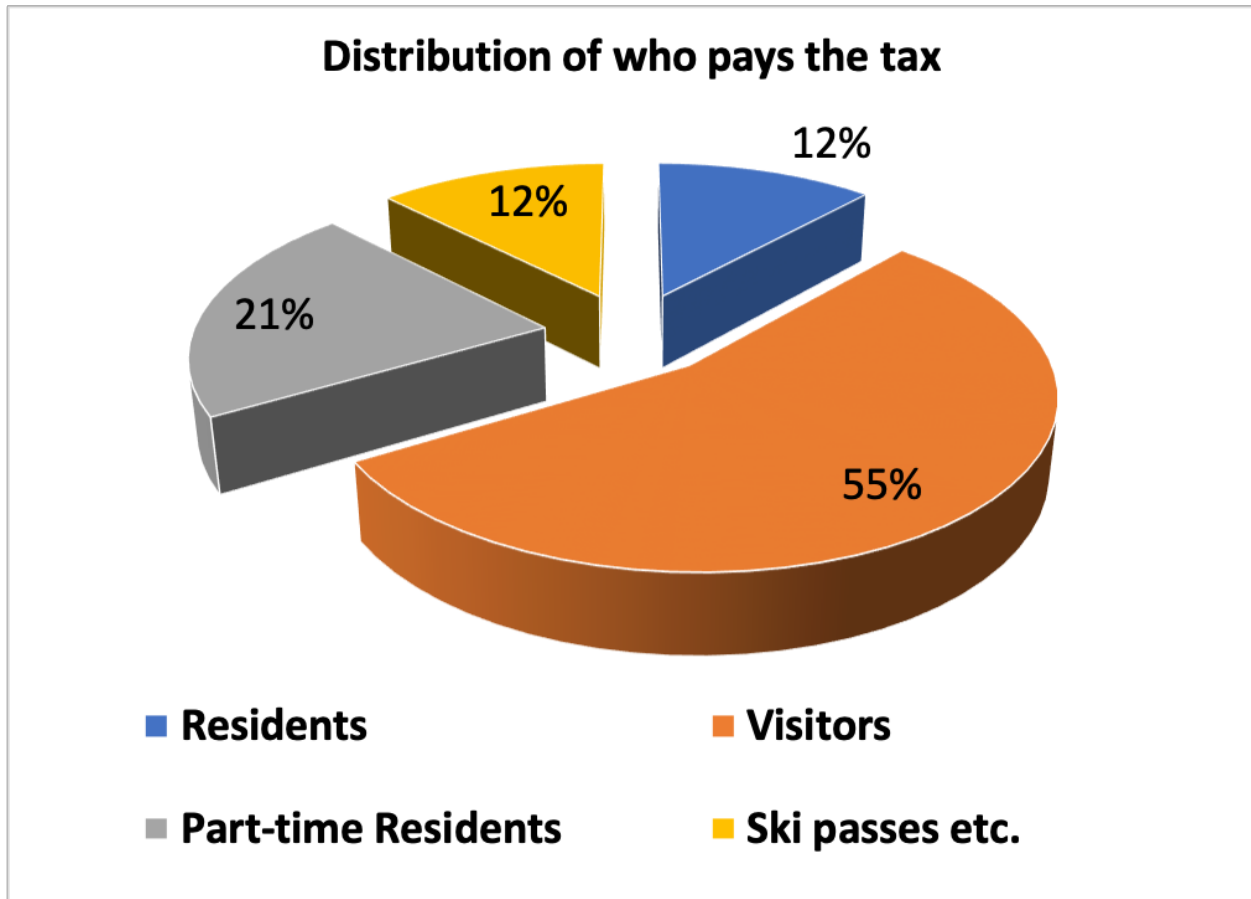
Based on the last several years of reporting by the State of Vermont, the total of Sales Tax, Rooms & Meals Tax and Liquor Tax collected by the businesses in the towns of Warren, Waitsfield and Fayston combined we have estimated that adding the 1% local options tax (LOT) would add about \$1M per year, of which \$700k would come to the FLO.

An important consideration is who would be paying the taxes.

The following analysis show that only approximately 12% would fall on residents of the three towns, amounting to an average of about \$2 per person per month.

It should be noted that necessities like groceries, services, rent, residential fuel, etc. are not taxed in Vermont, neither will they be impacted by a LOT. Also, gas for vehicles and the vehicles themselves have separate taxes and are not subject to the LOT. Thus, the LOT impact, like the sales taxes themselves, is progressive, being primarily on discretionary purchases.

We suggest in any analysis it would seem reasonable to most residents to invest \$2 per month in the future of their Mad River Valley.



Our analysis results in this chart of the source of the LOT collections. Details of the analysis follows the chart on the subsequent pages.



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Residents:

To estimate taxable spending by residents, we refer to the estimates prepared based on the Steadman Hill Consulting Report, Nov. 24, 2014 done for the town of Colchester.

The estimate is based on the spending by category for the Northeast region. These numbers were then normalized for 2016 by taking the Average Household Income for zip codes 05673 and 05674; this meant an increase of 32% adjustment by category. Details:

Average Current Spending Northeast Region
Census Consumer Expenditure Survey

| | Northeast | MRV |
|---|----------------|----------------|
| Alcoholic beverages | \$527 | \$696 |
| Food away from home | \$2,811 | \$3,711 |
| Housekeeping supplies | \$648 | \$855 |
| Household furnishings and equipment | \$1,665 | \$2,198 |
| Audio and visual equipment and services | \$1,011 | \$1,335 |
| Toys, hobbies, and playground equipment | \$145 | \$191 |
| Other entertainment supplies, equipment, and services | \$310 | \$409 |
| Personal care products and services | \$626 | \$826 |
| Reading | \$117 | \$154 |
| TOTAL ANNUAL SPENDING on taxable items | \$4,522 | \$5,969 |

The approximately \$6k per year of purchases subject to sales taxes means that with the added 1% LOT there would be just \$60 of average ANNUAL additional sales tax per household in the Mad River Valley, or just over \$1 per week. *With an estimated 2 people per household this means about \$2 per person per month.*

Note that number of occupied households was obtained from Census Estimates for 2016 and is 1,137 in zip 05673 and 776 in zip 05674 for a total of 1,913. Thus, the total LOT attributed to Residents would be about \$60 times 1913 so the total LOT would be approximately \$114k, or about 12% of the \$1M total.

Visitors:

1. The Chamber of Commerce has estimated that currently there are approximately 500,000 person-room-nights occupied annually by visitors in the approximately 1,900 short term rental accommodation units, based on the current 31% year-round average occupancy and average of 2.25 people per unit.
2. The State of Vermont estimates that the average visitor spends \$110 per day when visiting Vermont. Virtually all of that is on taxable items such as accommodation, meals, alcohol, gifts to take home, etc.. (As this State average includes campers, RV users, etc. the estimate is likely to be low for our market.)
3. Thus, total Visitor spend would be approximately \$110 times 500,000 or \$55M, so the 1% LOT would be approximately \$550k, or about 55% of the \$1M total.



Part-time Residents:

1. Based on the tax rolls we have estimated that there are about 2,600 housing units owned in the Mad River Valley by non-residents, that are separate from the previously counted short-term rental accommodation.
2. These units are used by the owners, and also many of them are rented out, usually for longer term rentals, although some also for short terms.
3. While we do not have hard data, we estimate that the occupancy of 2nd home units is about 20%, i.e. significantly lower than short-term rental accommodation. This estimate may be low leading to conservative estimates.
4. Again, while we have no hard data, we assume that 2nd home owners and seasonal renters spend less than short term visitors per day as many bring supplies with them, and we have assumed half the Visitor spend so \$55 per person per day (compared to \$110 per person per day for Visitors) and assumed two people per unit. Again, virtually all of that is on taxable items.
5. 2,560 units time 20% occupancy and \$55 per person per day would be about \$20.5M, so the 1% LOT would be approximately \$206k, or 21% of the \$1M total.

Ski Pass Sales:

1. While it is recognized that the spending by residents, part-time residents (and their tenants), and visitors includes ski passes, lessons, rental etc., it is still reasonable to include the majority of the ski resort revenue incrementally. This is because the averages used for the other categories are based on Resident spending across all of New England, and Visitor spending for Vermont is based on year-round visitors across the whole state and thus only includes a small amount of ski resort revenue. So, while there is overlap it will be relatively small.
2. Based on data provided by Sugarbush we estimate that total taxable revenue annually at Mad River Glen and Sugarbush combined is about \$15M. We have conservatively estimated that only \$12M is not included in the other categories. All is taxable, so the 1% LOT would be approximately \$120k, or 12% of the \$1M total.

Additional Information:

To a very large extent Vermont does not tax non-discretionary residential spending (with the exception of the separate tax for gas & diesel and motor vehicles) and consequently neither are these impacted by a LOT. To reinforce the progressive nature of the Vermont Sales Taxes, and thus the associated LOT, note that there are about forty exemptions in total including:

- Food products and non-alcoholic beverages for off-premise consumption
- Clothes and shoes
- Drugs, medical supplies, durable medical equipment, mobility enhancing equipment, prosthetic devices
- Motor fuels such as gas and diesel
- Motor vehicles
- Agricultural supplies, fuel and electricity
- Residential heating fuel & electricity
- All Services
- Basic phone service