

Southborough Advisory Committee
17 Common Street
Southborough, MA

September 26, 2019

Town of Southborough
Board of Selectmen
17 Common Street
Southborough, MA 01771



VIA: U.S. Mail and e-mail

Dear Board of Selectmen:

At our meeting on July 9, 2019 Advisory discussed adding the Massachusetts local meals option tax to Southborough. The local optional meals tax was originally adopted by the Massachusetts legislature in 2009. As you know there has been recent discussion in Southborough regarding adding the local meals option tax to meals sold in Southborough. Specifically, the Economic Development Committee (EDC) reviewed this in the recent past.

Advisory has taken a fresh look at this issue and recommends that Southborough adopt the local meals option tax at the next Town Meeting. If adopted at ATM 2020, the earliest the tax could be implemented would be July 2020 to give our local businesses time to make the changes necessary to collect the tax.

The local options tax is currently a maximum of .75%. (There is currently a proposed bill (S 1703) to double the local tax to 1.5%). For every \$50 check, the tax would add thirty eight cents. Currently, 241 towns and cities out of 351 have adopted the optional meals tax. All towns that surround Southborough except for Hopkinton have adopted the local meals tax including Framingham, Westborough, Ashland, and Marlborough.

The annual revenue expected to be generated from the adoption for a full year is about \$120,000 based on meals sold in Southborough for the period March 2016 to February 2017. The Massachusetts DLS database that provides this information does not have info after February 2017 due to a change in the Massachusetts reporting system. It is expected that newer information will be available in the next few months. It is easy to estimate the potential revenue as local businesses already have to file monthly meals tax returns to remit the 6.25% state meals tax that they currently collect.

Advisory believes that the benefits of adding the local tax far outweigh any con. The only downside to adopting the local meals tax is that local businesses will have to re-program their software to add the new tax. The tax is a pass-thru so is paid by the customer just like the customers currently pay the state meals tax. We do not believe that an additional .75% added on to a meal check will cost our local

businesses any revenue. We also don't believe that the addition of the local meals tax will be a burden to Southborough residents.

When Southborough residents eat outside of Southborough they are likely already paying the tax. Conversely, many who eat in Southborough are not Southborough residents. We don't have an estimate of how much of the additional tax will be passed thru to Southborough residents but we know it is not anywhere near 100%. Given a choice between raising real estate taxes which affect all residents and adding the meals tax which will not affect all residents – Advisory believes that the meals tax is clearly the better option.

Please also note that this tax is not just imposed on sit down restaurants. It is also imposed on fast food establishments such as Wendy's and Starbucks.

Advisory is asking that you put the local meals tax on a future agenda so that we can discuss with you.

Sincerely,

A handwritten signature in blue ink that reads "Kachy M. Cook". The signature is written in a cursive, flowing style.

Chair, Southborough Advisory Committee

Copies to:

Mark Purple
Brian Ballantine
Heidi Kriger