

To: Vermont Senate Government Operations Committee – Ruth Hardy, Chair

From: Clark Hinsdale, Chair, Ferrisburgh Selectboard

Re: H. 480

Date: April 19, 2023

Chairperson Hardy, members of the Government Operations Committee and fellow witnesses, thank you for this opportunity to testify on H. 480 as you work to make our property tax system as fair and unbiased as possible. My name is Clark Hinsdale and I am Chair of the Ferrisburgh Selectboard. I also have over 40 years of service in local government and over 20 years of experience working with the Vermont legislature on a variety of issues.

However, more important is the range of local government service that you, the Government Operations Committee, bring to the table. Thank you for that service as well as your present service as Senators.

Our Selectboard recently sent you a letter opposing this bill in the form that it came to you from the House. I might add that the first draft was much milder but fellow Selectboard members strengthened the language of opposition before unanimously voting to signing the letter. This sentiment matches the strong level of concern I have encountered from other local officials and even staff of the Vermont Tax Department.

I understand that the implementation date in the bill has been moved from 2025 to 2026 as the Tax Department has requested more time to develop the new system that will replace the current one. Consider the potential impact of this change. The people who implement the current tax assessing at the local level – professional assessors and local listers – will have three year's notice that they are going to be replaced in a yet-to-be determined manner. What incentive is there for those folks to continue to serve in their present roles? The shortages of qualified people to reappraise or to simply maintain the current Grand Lists, tax appeals and tax abatements will worsen and the Tax Department will inherit a far greater set of problems than those that exist today.

If the changes are not going to take place for three years, then why start the process by taking a range of potential solutions off the table? Your bill could become a series of short-term solutions to help us through the current crisis along with a true study committee including the full range of stake holders to move a 20<sup>th</sup> century system into the 21<sup>st</sup> century.

I expect that the League and the Assessor's Association will provide you with excellent ideas for interim measures, but I will suggest a few as well.

1. Temporarily relax the triggers for reappraisals and ask the Tax Department to work with communities to agree to and schedule reappraisals over 2023, 2024, and 2025 for communities the most out of compliance. This approach would recognize the shortage of qualified appraisers and focus the efforts on those communities.
2. Temporarily allow communities with Tax Department approval to utilize techniques for improving a Common Level of Appraisal (CLA) that are fair to taxpayers across the board. These techniques could include updating construction costs through utilization of the current

Marshall/Swift figures, updating land tables, etc. These techniques are contemplated as new tools for the Tax Department in H. 480 but are not techniques currently available to communities (information provided by my town assessor and not independently verified).

3. Temporarily allow communities to reassess categories of property that are most out of compliance in communities that have Coefficients of Dispersion (COD) above 20%. An example would be a lakeshore town where property values have doubled but other properties have increased significantly less. Bringing those assessments up to the community CLA would not be unfair to those property owners. Again, my understanding is that H. 480 would give the Tax Department this tool whereas it is not currently available to communities.

Keep in mind that the unprecedented run-up in property values in post Covid Vermont would have overwhelmed whatever assessment protocols that were in place be they local, regional, or state managed.

Keep in mind that most Vermonters pay their education property tax based on income and not on property value and therefore glitches in the property assessment systems have little to no impact on Vermonters of low or modest means.

Keep in mind that Vermont is very dependent on tax revenues from non-residential properties and that under assessing these properties ultimately hurts our school funding the most.

From a school funding equity perspective, assessment equity may be most crucial across school districts. Any study of possible improvements in the property tax assessment process should include looking into harmonizing reappraisals across our school districts.

I would like to flag for the committee the largest inequity I have seen in the assessment system – poor application of physical, functional and economic depreciation. The tendency for lower valued properties to be over assessed and high valued properties to be underassessed is contained in your Findings. This problem is largely a result of under application of the various categories of depreciation. And, these discrepancies tend to get worse the longer the period between reappraisals.

I have personally observed modest homes with high pride of ownership systematically over assessed. Folks who keep their house painted and their grounds neat, but who haven't replaced a kitchen or bathroom fixture in a generation have no functional depreciation applied to their outdated but perfectly pleasant home. Likewise, I have seen six figure renovations which didn't expand the exterior footprint that would trigger a permit from the local zoning administrator or a visit from the local assessors, go unnoticed for years. Education on appropriate application of the various forms of depreciation could help to increase fairness.

I want to thank the committee for this opportunity today and commend you for working to make our property tax system consistent and fair. I expect that the local, state and private citizens that manage our property appraisal system here in Vermont number well over 1,000 folks. Let's make sure this bill proves real opportunities for positive change.