

Testimony for Senate Finance on H.911

Testimony from:

- Carol Dawes  
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Thank you for allowing me to testify today with regards to H.911, which passed the House on March 21<sup>st</sup>, and is now being considered by the Senate.

Many representatives spoke during the roll call vote, saying they were voting in favor of the bill because it will reduce taxes. While it may have that effect on education taxes, it will increase municipal expenses.

**Sec. 11**, which begins on page 19 of the official version of the bill as passed by the House, and echoed in **Sec. 14**, says “[education] tax levied under this chapter...shall be billed to each taxpayer...separately from any other tax...”.

Every city and town prints property tax bills every year. In nearly all municipalities the tax bill separately lists municipal, local agreement and education taxes, and any other local taxes such as equipment, inventory, or fire district taxes. The bill indicates whether the education taxes are at the homestead or non-residential rate. The bills include each individual rate, and show the math – multiplication of the tax rate by the assessed value of the property. It’s easy for each taxpayer to see exactly how their taxes are calculated and how they break down into municipal and education taxes. I’ve attached a copy of my personal tax bill as an example.

For the current tax year, Barre City issued 3,106 tax bills. The costs associated with processing, printing, and mailing the original bills mailed out in mid-July was \$4,054.93. This is hard costs including tech support, printing, processing, mailing and postage. It does not include staff time. The cost is \$1.30/ per tax bill mailed. H.911 would require us to send two separate bills to each property, effectively doubling our total cost to more than \$8,000.

Barre City costs for processing/mailing annual property tax bills

<b>Vendor</b>	<b>Item</b>	<b>Amount</b>
NEMRC	Programming support to prepare bill file for printing	\$781.25
L. Brown Printing	Printing bills & inserts and preparing to mail	\$1,886.20
Envelopes	Jet Service Envelope	\$214.13
Postmaster	Postage	\$1,173.35
<b>TOTAL</b>		<b>\$4,054.93</b>

And the expenses don’t stop there. Throughout the fall, the state sends us information on property tax revisions based on late homestead and property tax adjustment filings. For each of these revisions we are required to send a revised tax bill. Between July and mid-November 2017, Barre City received more than 150 revisions from the state; all of which required at least one revised bill. Municipalities do receive fees to help cover the costs associated with sending out revised bills, but those fees do not cover all expenses associated with such billing, as revised bills are much more time consuming to process and prepare, and the additional fees certainly wouldn’t cover the cost of double billing.

There are many questions that are raised by the concept of separately billing property taxes. When taxes aren’t paid by the deadline, a delinquent tax bill is mailed. Would delinquent municipal and education tax

bills need to be mailed separately? What happens if someone makes a partial payment on a current or delinquent bill? Do we split it between municipal and education taxes based on some formula?

What about tax sales? Could a property be sold at tax sale for delinquent education taxes even if the municipal taxes are current, or vice versa?

In Barre City, and many of the cities and towns in Vermont, we use NEMRC software for grand list, tax administration and cash receipts to prepare tax bills, collect and manage property taxes. These software systems would need to be changed to accommodate a two-bill system for printing and collections. And not all towns use NEMRC; there are other tax billing and collection software systems that would need to be changed, also. Who will work with these software providers to make the necessary changes? Who will cover those costs?

Current law requires towns to pay education taxes in full to schools regardless of collection rates. Would this still be the case? What if we start to see a large number of unpaid education taxes – either through confusion or deliberate non-payment – would towns be forced to pay costs associated with borrowing money to make the schools whole?

Many people have their taxes escrowed as part of their mortgage payments, and we receive tax payments directly from the mortgage companies. There are frequently errors and confusion, especially related to the revisions received from the state. I can't imagine the impact on escrow companies when they start receiving double bills from property owners, and have to pay accordingly.

Beginning on page 30, **Sec. 21a** appropriates \$200,000 from the equalization and reappraisal account to assist towns with the costs associated with issuing separate municipal and education tax bills. According to the Department of Taxes website, there are 324,118 taxable parcels statewide in 2017. In Barre City the cost to process and mail each original tax bill is \$1.30. If we assume a statewide average cost of \$1 per bill, the cost to mail to all taxable properties in the state is roughly \$324,000, so the cost to mail the separate education bills would be the same. Clearly the \$200,000 appropriation won't cover the costs, and is only allocated for one year. What happens in the 2<sup>nd</sup> year? And the next? Perhaps a better use of the appropriated \$200,000 would be for education and outreach efforts by the Department of Taxes or the Agency of Education.

I've heard it's been suggested that the bills needn't be mailed separately – that both the education and the municipal tax bills could be sent in the same envelope. Running the Barre City numbers, the cost of printing a separate education tax bill and including it in the same envelope as the municipal tax bill would be approximately 60¢ per bill, or an additional \$1,864 per year. That certainly is less than an additional \$4,000, but it is still an increase that must be borne by the taxpayers in the municipal tax rate. And it doesn't address the other questions raised above.

According to discussions with my representatives, the intention of the separate billing is to provide clarity with regards to how much is collected for education taxes. Nearly all communities itemize tax information on their tax bills already as evidenced by the copy of my personal tax bill, so perhaps the solution is to mandate that property tax bills be itemized to show the breakdown of different types of taxes included on the bill. This would be a cost-effective way to ensure clarity of information on the bill while continuing to issue one unified bill. Double billing – regardless of whether the bills are mailed separately or in a single envelope - will be inefficient, redundant, costly and confusing, especially to the taxpayers.

I'm happy to answer any questions.

PAYABLE TO:  
MAIL TO:

# City of Barre

PO Box 418  
Barre, VT 05641

This is the only bill you will receive. Please forward to new owner if property is sold.

## TAX BILL

802-476-0242

PARCEL ID	BILL DATE	TAX YEAR
0125-0122.0D25	03/28/2018	2017

3% penalty after due date, plus 1% interest per month or part thereof.  
5% additional penalty after 30 days delinquent.

Description: CONDO UNIT D-25  
Location: 122D-25 BATCHELDER ST

OWNER **DAWES CAROLYN S**  
122 BATCHELDER ST D-25  
BARRE VT 05641-4435

HOUSESITE TAX INFORMATION	
SPAN # 036-011-10016	SCL CODE: 011
TOTAL PARCEL ACRES	0.19
HOUSESITE VALUE	115,000
HOUSESITE EDUCATION TAX	1,418.64
HOUSESITE MUNICIPAL TAX	2,076.76
HOUSESITE TOTAL TAX	3,495.40
FOR INCOME TAX PURPOSES	

ASSESSED VALUE	HOMESTEAD			
REAL 115,000	115,000			
<b>TOTAL TAXABLE VALUE</b> 115,000	115,000			
<b>GRAND LIST VALUES</b> 1,150.00	1,150.00			
For more information about how education tax rates are determined, go online to: <a href="http://tax.vermont.gov/property-owners">http://tax.vermont.gov/property-owners</a>	<b>TAX RATE NAME</b>	<b>TAX RATE x GRAND LIST =</b>	<b>TAXES</b>	
	Municipal	1.7781	x1,150.00= 2044.79	
	Local Agreement	0.0278	x1,150.00= 31.97	
	HOMESTEAD EDUCATION	1.2336	x1,150.00= 1418.64	
<b>1st Payment</b> 08/15/2017	<b>2nd Payment</b> 11/15/2017	<b>3rd Payment</b> 02/15/2018	<b>4th Payment</b> 05/15/2018	<b>TOTAL TAX</b> <b>STATE PAYMENTS</b> <b>NET TAX DUE</b> 3495.40

DETACH THE STUBS BELOW AND RETURN WITH YOUR PAYMENT

*City of Barre*  
TAX YEAR 2017

<b>1ST PAYMENT DUE</b>	
08/15/2017	
<b>OWNER NAME</b>	
DAWES CAROLYN S	
<b>PARCEL ID</b>	
0125-0122-0D25	
<b>AMOUNT DUE</b>	
<b>AMOUNT PAID</b>	

*City of Barre*  
TAX YEAR 2017

<b>2ND PAYMENT DUE</b>	
11/15/2017	
<b>OWNER NAME</b>	
DAWES CAROLYN S	
<b>PARCEL ID</b>	
0125-0122-0D25	
<b>AMOUNT DUE</b>	
<b>AMOUNT PAID</b>	

*City of Barre*  
TAX YEAR 2017

<b>3RD PAYMENT DUE</b>	
02/15/2018	
<b>OWNER NAME</b>	
DAWES CAROLYN S	
<b>PARCEL ID</b>	
0125-0122-0D25	
<b>AMOUNT DUE</b>	
<b>AMOUNT PAID</b>	

*City of Barre*  
TAX YEAR 2017

<b>4TH PAYMENT DUE</b>	
05/15/2018	
<b>OWNER NAME</b>	
DAWES CAROLYN S	
<b>PARCEL ID</b>	
0125-0122-0D25	
<b>AMOUNT DUE</b>	
<b>AMOUNT PAID</b>	