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MEMO

TO: Senate Finance Committee

FROM: Karen Horn, Director Public Policy & Advocacy (khorn@vlct.org)

RE: H. 954 Miscellaneous Tax/ Billing and Collection of Education Property Tax

DATE: June 16, 2020

Thank you for the opportunity to testify regarding Section 4 of H. 954. This section directs the Department of Taxes in consultation with the Vermont League of Cities and Towns, Vermont Municipal Clerks' and Treasurers' Association, The Vermont Bankers' Association and the Association of Vermont Credit Unions to submit an implementation plan to transition responsibility for billing and collection of the statewide education property tax from municipalities to the department.

The COVID-19 pandemic has shown how dysfunctional the education funding system is in Vermont and the extent to which measures taken at one level of government affect deadlines, workloads, collections and remittances at other levels of government. Cities and towns are the middlemen in billing and collecting the statewide education property tax and we believe it is timely to design a system that takes the middleman out of the equation.

We support the timing of the directive in H. 954. Vermont is transitioning to a new grand list management system. It should be feasible to incorporate Department of Taxes billing and collection of education property taxes as part of that transition, potentially without significant additional cost.

New Integrated System to Collect and Manage Statewide Education Property Tax.

As stated on the Department of Taxes Division of Property Valuation and Review website, "the Department of Taxes Division of Property Valuation and Review is implementing a new integrated system to collect the statewide education grand list and to manage the statewide education property tax system. The new solution will modernize the collection of municipal and education property tax, and will be a real-time, online system used by every municipality in the state." The new system, with Axiomatic, is anticipated to go live in April 2022.

Timeline Changes Due to COVID 19

In just the last several months the federal and thus state filing deadlines for income taxes were extended from April 15 to July 1. As a result the deadline for filing a homestead declaration and property tax credit claim was extended to July 1. This means that towns will have to process more changes to homesteads later in the year than is normal.

The legislature is expected to publish a yield before July 1, which according to statute, is the date upon which a default yield takes effect. Education property tax rates should be published by August 1 (as of now), which is a delay. Legislation allows towns to adjust billing due dates without a town meeting during the declared emergency (S. 344). Property Valuation and Review's website recommends that towns with billing dates in early or mid-July consider adjusting their timeframes to accommodate the delays in delivery of education property tax rates to towns. The deadlines for providing education property taxes to the state for sending towns remain June 1 and December 1, necessitating the passage of H. 951. That bill, provides for the state to pay interest on borrowing that a town must undertake to make the Education Fund whole and that is due to the COVID 19 pandemic.

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The filing deadline for all towns to file their 2020 abstract grand list is extended to August 15. The deadline for filing the final grant list is extended to September 15, which if utilized by a town, will result in the extension of all subsequent dates including grievances, Board of Civil Authority appeal requests, and tax billing.

In 2012, an issue brief highlighted some of the challenges relative to statewide collection of the education property tax. It also found that there would be some significant advantages to state billing and collection that would make it easier for some to pay education property taxes. Consistent deadlines and one place to send payments would make it easier for banks that are escrowing property tax payments. We believe that much has changed and that some of the potential advantages cited in that report should be revisited.

Thank you for the opportunity to testify.

Resources:

Jill Remick, Director Property Valuation and Review testimony to Ways and Means Committee, April 1, 2020.

<https://legislature.vermont.gov/Documents/2020/WorkGroups/House%20Ways%20and%20Means/COVID-19/W~Jill%20Remick~Property%20Tax%20Timeline~4-1-2020.pdf>

Mark Perrault and Chloe Wexler, Municipal Property Tax Due Dates

<https://legislature.vermont.gov/Documents/2020/WorkGroups/House%20Ways%20and%20Means/COVID-19/W~Mark%20Perrault~Town%20Property%20Tax%20Bill%20Due%20Dates~4-30-2020.pdf>

State Electronic Collection of Statewide Education Property Tax Issues, 2012

https://ljfo.vermont.gov/assets/Meetings/Tax-Structure-Commission/2020-01-13/41ae4f4519/GENERAL-274245-v1-State_collection_and_billing_of_education_tax.pdf