



Memorandum

To: Senate Finance Committee

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

Re: Response to COVID 19, Municipal and Education Property Taxes

Date: April 2, 2020

Thank you for your continued consideration of issues related to property taxes, the filing of homesteads and grand lists, and the singular problems presented by the interrelationship of municipal and education property taxation. The current COVID 19 pandemic and executive orders highlight the problems of how K-12 education is funded and the way those funds are both collected and disseminated.

The timeline provided by Jill Remick of Property Valuation and Review and Deputy Tax Commissioner Doug Farnham is very helpful in defining the issues related to the grand list and homestead declarations.

It is important to note that Act 92, signed by Governor Scott on Monday, states that the governor may authorize state agencies to extend any deadline applicable to municipal corporations or regional planning commissions for up to 90 days after the emergency ends. A municipality is likewise authorized to extend or waive deadlines applicable to its licenses, permits, programs, or plans, but not those of the state. Thus, we think that if extending deadlines is determined to be necessary, the legislature has granted that authority to both the governor and to municipalities.

Due to the “Stay Home, Stay Safe” executive order 01-20 and its addenda, access to town offices will likely be difficult, at least in the short term. Almost all town offices are now closed. The processes of developing the grand list, noticing tax payers, hearing grievances, and finalizing and remitting grand lists to appropriate recipients are heavily reliant on face-to-face meetings, paper transactions, and physical mailings. Moving to remote meetings and on-line transactions raises significant cybersecurity issues, which were being discussed even before the present crisis. With all the guidance provided to listers, it will still take time and technology upgrades in many offices to sort out protocols in the time of COVID 19.

Thirty-two V.S.A. § 5409 (5) provides that, in the case of insufficient property tax payment by a taxpayer to a municipality, payments shall be allocated first to the municipal property tax and next to the statewide education tax. This provision will help municipalities in those instances where property taxes are simply not paid or only partially paid.

Delaying payment of property taxes to the town when they are expected to eventually be paid in full may be addressed by borrowing in anticipation of taxes, as long as borrowing is an option. Providing for forgiveness of penalties and interest is another mechanism that may help property tax payers, but likely won't help municipalities which need the revenue provided by property taxes in order to deliver services, especially in this most challenging environment.

If abatements are requested and granted, the municipality needs to make the Education Fund whole – that is, it must make up the difference between what is due the Education Fund and the amount of education property tax abated. The education property tax is by far the largest portion

of property taxes in most towns. There needs to be some provision for addressing this issue at the local level. If local abatement requests are refused, the Tax Department is likely to be asked.

If education property tax payments to the state treasurer or school district are late, the town will incur significant penalties. The legislature should evaluate how potentially late payments might be handled without incurring statutory penalties, which just digs a deeper financial hole at a time when municipalities are struggling to comply with an already awkward law.

Somewhat tangentially, we note that in addition to the homestead filing deadline delay, 32 V.S.A. § 5401 (7) (F) states that a homestead does not include that portion of a principal dwelling used for business purposes if that portion includes more than 25 percent of the building's floor space. The legislature may want to consider altering this requirement in light of the significant number of people suddenly using portions of their principal dwellings for business purposes.

Filing homestead declarations by July 15 will have ramifications for noticing towns of education tax rates and billings. We concur that separating billing of municipal and education property taxes will not be helpful this year. We do think that the subject is worthy of discussion in calmer times. An option not yet discussed is to rely on last year's homestead declaration unless a property owner notified the Tax Department of a change in status. We believe this might require a statutory amendment.

The two additional options are to leave in place current grand list timelines and anticipate sending a large number of corrected tax bills or to delay sending them until August 1 in order to process and furnish homestead declarations and credit claims. We continue to discuss that issue with our members (all 246 cities and towns in Vermont), State Treasurer Beth Pearce, the Tax Department, and your committee.

That is all that we have to offer at this time. Thank you for your commitment to working with us to determine the best path forward.

The link to VLCT's FAQs on Financial Issues during COVID 19 is at <https://legislature.vermont.gov/Documents/2020/Docs/CALENDAR/sc200324a.pdf>.

The link to our continually evolving VLCT COVID 19 webpage is at <https://www.vlct.org/coronavirus#FAQs>.