



Office of Mayor Miro Weinberger

Karen Horn
Vermont League of Cities & Towns
89 Main St, Suite 4
Montpelier, VT 05602

April 21, 2020

Re: Fiscal Year 20-21 State Education Taxes Collected by Cities and Towns

Dear Karen:

I'm writing to ask that VLCT assist with information sharing about two significant issues related to Property Taxes Collected to Pay State Education Taxes for FY 2020-2021 (July 1, 2020-June 30, 2021).

The City of Burlington and other cities and towns are required to pay to the State Education Taxes to School Districts regardless of whether or not we collect the taxes. In addition to having to pay out the State Education Taxes regardless of whether we collect them, municipalities are:

- a) Charged, by the State of Vermont, a daily penalty in the amount of an annual rate of 8%. This is required under 32 VSA § 5409 (1) and 16 V.S.A. § 426.
- b) Subject to withholding of State funds due to the Town for any purpose, presumably even fees for service and State provided federal funds as per 32 VSA § 5409 (1).

Burlington collects more than \$2 in State Education Taxes for every \$1 in taxes for municipal services. In the current COVID-19 emergency with record numbers of people out of work and many businesses closed or severely impacted, we are concerned about our ability to collect from taxpayers and in turn pay the State Education Tax for FY 20-21.

The Burlington City Council approved a resolution on April 6 to allow certain taxpayers impacted by COVID-19 to delay payment of both the municipal and education portion of their property taxes due on June 12 without penalty or interest until August 12. The City of Burlington resolved to pay all remaining education property taxes due to the School Department for fiscal year 2020 in a timely manner, even if some taxpayers' payments are not made until August (or later). Short-term borrowing to cover both the municipal and education portion of the tax was possible in the short-run due to the City's stellar credit and solid financial standing.

Burlington is now exploring the possibility of extending property tax relief to affected taxpayers beyond August 2020. The City is prepared to reduce spending and/or borrow to cover the

unbudgeted cost of covering FY21 municipal taxes that are not paid on time. However, we have limited capacity to continue to do this for the State Education Tax which is more than twice (\$75M annually) the amount of the municipal tax (\$35M annually).

We are requesting that the State of Vermont:

- 1) Eliminate the 8% municipal penalty and withholding of State provided funds for non-payment of uncollected State Education Funds; and
- 2) Take the responsibility of borrowing to pay unpaid State Education Taxes until the economic emergency created by COVID-19 is over and the vast majority of taxpayers are able to repay unpaid education taxes; interest charges to taxpayers should match the rate the State is able to arrange for a statewide borrowing for the Statewide Education Tax, which is much less than the compounded rate individual towns are forced to charge.

Thank you for the work you are doing to rapidly respond to an ever-evolving situation and am happy to answer questions or provide any support I can. Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Weinberger', written in a cursive style.

Miro Weinberger
Mayor