



VERMONT LEGISLATIVE  
**Joint Fiscal Office**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

## Fiscal Note

March 9, 2022

Graham Campbell, Senior Fiscal Analyst

### **S.214: An act relating to valuation of time-share projects: As Amended by the Senate Finance Committee**

<https://legislature.vermont.gov/Documents/2022/WorkGroups/Senate%20Finance/Bills/S.214/Drafts,%20Amendments%20and%20Legal%20Documents/S.214~Abby%20Shepard~%20Draft%20203.2,%20203-8-2022%20-%20Strike-All%20Amendment~3-8-2022.pdf>

#### **Bill Summary**

**T**his bill makes changes to state assistance to municipalities regarding assessment and reappraisal of property. It increases the statewide refund cap available to municipalities who reimburse taxpayers because of lost appeals of assessment. It creates a new State appraisal and litigation assistance program in the Department of Taxes. It also increases the per parcel payment available to municipalities for equalization and reappraisal assistance. Finally, it requires the Department of Taxes to submit a report on the valuations of time-share projects.

#### **Fiscal Impact**

**JFO estimates that this bill will require an additional General Fund appropriation of \$845,000 in FY2023, increasing modestly thereafter.** This fiscal impact is the result of the changes to the per parcel payment amounts in Sections 3 and 4.

The increase in the statewide refund cap to municipalities in Section 1 could have a negative fiscal impact on the Education Fund if there are very large refunds in the future. In an average year, JFO estimates that the effect of raising the cap will have a minimal impact. However, to the extent there is a very large refund awarded to a town, the impact of this provision could be up to \$900,000. Because these refunds are a credit against the property taxes remitted by towns to the Education Fund, this would reduce Education Fund revenues.

In future fiscal years, the creation of a program within the Department of Taxes to assist municipalities with appraisals and litigation will require an appropriation. The Department is directed in this bill to estimate the costs of such a program in FY 2023. The creation and operating costs will need to be appropriated, likely beginning in FY 2024.

## Details and Explanation

The main fiscal impacts in this bill are Section 1 (increase in the refund cap) and sections 3 and 4 (the per parcel payments remitted to municipalities).

### Section 1: Statewide refund cap increases from \$100,000 to \$1 million.

In Vermont, municipalities are responsible for defending appraisals of property in the event of an appeal. Should the appeal be successful, the municipality is responsible for reimbursing the appellant the difference in municipal and Education property tax collected. The municipality can submit a request to the Department of Taxes for a refund for this reduced assessment. To receive the refund, it must demonstrate that the lower value was applied consistent with best practices for property valuation.

In current law, the total amount of refunds that can be issued statewide in a given year is capped at \$100,000. If total requests exceed this amount, towns are awarded refunds in a prorated fashion. This bill increases that cap to \$1 million. The fiscal impact associated with this provision is dependent upon a) whether towns will request more refunds as a result of the higher cap, and b) the number of large refunds (greater than \$100,000) submitted. The fiscal impact is a reduction in Education Fund property tax revenues, since the refund is applied as a credit to property taxes collected in a given year, rather than a payment.

To the first question, it is unclear whether the increase in the cap will generate increased requests for refunds. Data from the Department of Taxes shows that since FY2018, between 1 and 6 towns were awarded refunds each year. In only one of those years has the cap ever exceeded \$100,000, and in some years, the total awards have been less than \$10,000. If the new cap does generate additional refund requests, JFO does not expect these additional requests to greatly exceed \$100,000.

To the second point, in the event a municipality is responsible for refunding the municipal and Education tax for a very large assessment change, the increase in the cap could lead to a significant impact in a single year. For example, a municipality may be responsible for a \$500,000 reimbursement because of an appeal. Under current law, the maximum refund they could receive is \$100,000 whereas this bill would change that to \$500,000.

As such, JFO believes the increase in the cap will have minimal fiscal impact in a typical year. However, in some years, the impact could be up to \$900,000 if there is a number of large successful appeals.

### Sections 3 and 4: Increase in the State per parcel payments to municipalities.

Under current law, Vermont municipalities receive payments from the State for maintaining the grand list.

Under 32 V.S.A. § 4041a, a municipality receives \$8.50 per parcel for the costs associated with conducting reappraisals and maintenance of its grand list. Under 32 V.S.A. § 5405, they also receive \$1 per parcel to assist with the equalization study each year. These payments are made from the General Fund and totaled approximately \$3.3 million in FY2022.

The bill proposes merging these two payments into a single \$12 per parcel payment for both maintaining the grand list, conducting reappraisals, and assisting with reappraisals. **JFO estimates that this will result in an increase in the annual appropriation by \$845,000 in FY 2023 growing slowly thereafter.**

## Appendix: Resources

- Vermont Department of Taxes. “2021 Utility and High Value Commercial Property Recommendations.” January 15, 2022. <https://legislature.vermont.gov/assets/Legislative-Reports/2021-Utility-and-High-Value-Commercial-Property-v2.pdf>
- Act 74 of 2021: An act relating to making appropriations for the support of government.  
<https://legislature.vermont.gov/Documents/2022/Docs/ACTS/ACT074/ACT074%20As%20Enacted.pdf>