



City of Barre, Vermont

“Granite Center of the World”

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To: Senate Committee on Finance
From: Carol Dawes, Barre City Clerk/Treasurer
Date: January 10, 2022
Re: S.169: An act related to education property tax overpayment by a municipality or school district

During Barre City’s TIF audit conducted by the State Auditor’s Office, it was determined there were a number of errors in calculating taxes due to the education fund. The discrepancies are outlined on pages 13-15 of the final audit report, and summarized below:

1. **Omission of a property from TIF listing in the NEMRC (New England Municipal Resource Center) Grand List program:** The new Merchant’s Bank building at 361 N. Main Street was constructed and added to the NEMRC grand list and TIF list for tax year 2014. Due to an error in reporting, the TIF designation wasn’t carried forward for tax year 2015 (fiscal year 2016). This caused there to be no increment associated with the property for that year, and an overpayment to the education fund.

2. **Timing of property tax appeal:** Downstreet Housing constructed a new building, which houses their offices and meeting space, and 29 affordable housing units. The building was completed in tax year 2016 (Fiscal Year 2017), and was included in the grand list for that year at its full value. However, Downstreet appealed the assessment through the Board of Civil Authority and later to the Department of Taxes Property Valuation and Review Division. The assessment was settled in spring 2017, well after the grand list was finalized for that tax year, and therefore the increment and education tax amounts were overcalculated.

3. **Omission of property base values:** Three properties were added to the grand list in tax year 2017, but did not have their corresponding base values identified in the Original Taxable Values list for TIF. This caused their values to be considered all increment, which decreased the amount of education taxes for fiscal years 2017, 2018 and 2019.

Table 3: Impact of Errors on Education Tax Liability and Amount Owed to Barre City by the Education Fund

Period	Description of Errors	Addition/(Reduction) to Education Tax Liability
FY2016	Understated TIF NHS exemption due to the omission of the \$1.5M increment value	(\$16,645)
FY2017	Inflated property assessment value and overstated TIF NHS exemption; and omission of two property base values	(\$8,808)
FY2018	Omission of base values for three properties	\$2,206
FY2019	Omission of base values for three properties	\$2,285
FY2020	No errors noted	\$0
Total Amount Due to Barre City from the Education Fund		(\$20,962)

#1 above
2 and #3 above
3 above
3 above

Table from TIF audit, p. 15

According to the State Auditor's Office, the Agency of Education does not have statutory authority to initiate or make reimbursements from the State Education Fund, as such reimbursements are not one of the statutorily allowed uses of Education Fund resources. According to AOE, reimbursement from the Education Fund requires Legislative action.

There is precedent for this request: similar reimbursements were made to Thetford School District, the Town of Brandon, and Windsor Central Unified Union School District through Act 122 (2020).

In accordance with the guidance from SAO and AOE, S.169 has been drafted to not only reimburse the City of Barre \$20,962, as calculated by the State Auditor's Office, but to authorize the Secretary of Education to make such refunds to municipalities or school districts when the overpayment is caused by error or miscalculation. We ask that you support S.169 as presented.

For your information, a similar bill (H.508) has been introduced in the House by Rep. Peter Anthony and Rep. Tommy Walz.

Thank you for your consideration.