

S.261, AN ACT RELATING TO MUNICIPAL RETENTION OF PROPERTY TAX COLLECTIONS, AS INTRODUCED

SENATE FINANCE – UPDATED FEBRUARY 8, 2022

Education Property Tax Payments and Retention of Revenues Collected

There have traditionally been two tracks for municipalities to pay statewide education property tax revenues collected from taxpayers. The payment tracks are based on whether the municipality raises enough property tax revenue on its grand list to fund its education spending. First, by making payments to the State Treasurer for deposit into the Education Fund in two installments, one on June 1 and one on December 1. 32 V.S.A. § 5402(c). Second, by making payments directly to the school district within 20 days after the date the property taxes become due, although there are some exceptions. 16 V.S.A. § 426(a). The State then makes payments from the Education Fund on April 30, September 10, and December 10 to fund the education spending in every school district. 16 V.S.A. § 4028. In both situations, the education property tax revenue is collected by the municipality on behalf of the State and is considered State revenue.

All municipalities may retain 0.225% (or 0.00225) of the total education tax collected if the municipality makes timely payments to the State. 32 V.S.A. § 5402(c).

State Funding to Municipalities to Administer Education Property Tax

Municipalities receive State funds from the General Fund and the Education Fund for the administration of the statewide education property tax, which includes a municipality's responsibility to reappraise and maintain the grand list. Municipalities receive annually:

1. \$8.50 per parcel for reappraisal and maintaining the grand list, which is paid from the Education Fund. 32 V.S.A. § 4041a(a).
2. \$1 per parcel for equalization, which is paid from the General Fund. 32 V.S.A. § 5405(f).
3. 0.225% of education tax revenue collected, but it is limited to when a homestead owner files a new or corrected declaration or rescinds an erroneous declaration, on or before September 1 of the property tax year, that is not reflected in the first Education Fund payment or in a municipality's first payment to the Education Fund, , which is forgone from the Education Fund. 32 V.S.A. § 5410(h).
4. 0.225% of education tax revenue collected, if the municipality makes timely payments to the State, which is forgone from the Education Fund. 32 V.S.A. § 5402(c).

Penalties and Interest

Even if taxes are delinquent, municipalities still have to pay the education property tax due to the State, including if the municipality pays the school district directly. If municipalities do not make their payments to the State on time, they face a penalty of 8% of the amount due. 32 V.S.A. § 5409(1). State aid (primarily the 0.225% retention) may be withheld if payments are over 90 days overdue. *Id.*

Several penalty and interest provisions for late payment or nonpayment of property taxes by taxpayers exist under Vermont statute, which must first be approved by voters. See, e.g., 32 V.S.A. §§ 1674(2), 4843, 4873, and 5136. There are also penalties for non-filers or late or fraudulent filings of the homestead declaration or misclassification of property, some of which are at the discretion of the municipality to charge, but others are statutorily required. See, 32 V.S.A. § 5410(g).