



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

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H.541 – An act relating to State education property taxes and flood-related damage

As introduced

Bill Summary

The bill proposes to reimburse municipalities for certain State education property tax payments if the municipality granted State education property tax abatements to property owners for damage caused by severe storms and flooding in 2023.

Fiscal Impact

JFO estimates this bill will cost \$ 1.1 million to the Education Fund in fiscal year 2024. Absent any other changes in policy, the statewide homestead property yield and/or statewide nonhomestead property tax rate will need to be adjusted to account for the anticipated cost of reimbursements.

Background and Details

The following sections have a fiscal impact.

Section 1

Section 1 allows the Commissioner of Taxes to approve an application by a municipality for reimbursement of State education property tax payments. For a municipality to qualify it must have abated, in proportion to the municipal tax it abated, the State education property taxes assessed on eligible property after the application of any property tax credit. Eligible property refers to property lost or destroyed by severe storms and flooding in an area that was declared a federal disaster between July 1, 2023 and October 15, 2023.

The storm or flooding must have resulted in at least one of the following:

- 50 percent or greater loss in value to the primary structure;
- Loss of use of the property for at least 60 days;
- Loss of access to utilities for at least 60 days; or
- Condemnation of the primary structure on the property.

If flooding between July 1, 2023 and October 15, 2023 disrupted a municipality's tax collections, causing it to incur unanticipated interest expenses on funds borrowed to make State education property tax payments, the municipality may be reimbursed for these expenses, up to an eight percent interest rate.

Section 2

Section 2 clarifies that when calculating the homestead property tax credit, all disaster relief payments shall be excluded. This is estimated to have a de minimis impact on the calculation of property tax credits.