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Submitted Public Comment on H.629

Committee members,

I am writing to you about H. 629. I have some problems with the bill as written.

There are certainly ways that the tax sale process could be improved. No collector wants to do a tax sale, and I believe most of us do everything possible to avoid it. This bill should be reworked so that the process is still available to towns, but better for the taxpayers.

I have been the Treasurer for the Town of Marshfield for 25 years, and the Collector of Delinquent Taxes for more than 15 years. In that time, I have sold only two abandoned properties, but I have advertised several sales.

Requiring a \$15,000 minimum bill would mean waiting 10 or 15 years for some of our taxpayers. Because I am prepared to do a sale every year, **I rarely have to sell properties**. The property owners know that they need to get on a payment plan as soon as they are delinquent, and those who ignore the payment plan notices have to pay before the date of the sale. I warn taxpayers of the possibility of a sale every year, because letting people get several years behind will make it that much harder for them to catch up. I do make exceptions for extenuating circumstances but as a rule, people know that they have to pay their taxes within the year. I know this sounds harsh but enabling people to get farther and farther behind does not help them get out of a hole that they are in, and over the years, some of the people who used to be delinquent every year have caught up and are now able to pay on time.

The tax sale is the only real mechanism that we have to collect delinquent taxes. (I don't know of any towns that have successfully used the foreclosure process). The bill as written will deter potential buyers. I don't believe anyone would buy a property at tax sale if they have to wait 5 years and then pay the grand list price, which could be more or less than it is at the time of the sale, less \$500. Why would anyone do that? If they have to pay the grand list price, which should be fair market value, they could just buy a property today at market value, and own it tomorrow. The lower interest rate that the bill proposes and the \$500 would not be attractive enough to make it worth waiting five years, with the potential decline to the property that could happen over those five years. It is also not clear what would happen to the buyer's investment if the property was destroyed during those five years. Waiting the five years just allows the current owner to go an additional five years without paying any taxes.

If the tax sale process becomes so unattractive to potential buyers, the town will either have to let the taxes go uncollected, which would be unfair to the rest of the taxpayers, or purchase the property, taking it off the taxable inventory. The town could then sell the property, but if it is purchased at fair market value, the town would have to be able to sell it at more than fair market value to cover the town's costs. I don't see how this could work.

The bill doesn't address what happens with the additional taxes that become delinquent during those five years. The way tax sales are currently conducted, at the end of the one-year redemption period, the new buyer has to pay the additional delinquent taxes that have accrued during that one-year period. Would the buyer be responsible for 5 years' worth of delinquent taxes, after paying market value?

The town has to pay the full amount of our education tax liability every year, whether we have collected the taxes or not, so for these five years, the town has to front the education taxes on the property. That places another burden on the remaining taxpayers. Carrying five years' worth of delinquent education taxes would mean the town would have to borrow money to cover the delinquencies.

The one-year redemption period is sufficient to allow the taxpayer to work with their mortgage company or other agencies, or sell the property, while requiring the town to only cover one year of additional education tax.

For the notices in five languages, I hope those notices are to be provided by the tax department or some other state agency. We do not have interpreters, and where do we find out what the five most common languages are? And the proposed language of the warning mentions taxes on property "contiguous to your property" – we do not notify abutters. Notice costs are borne by the delinquent taxpayer, so this would add to their costs. Requiring certified mail every year for five years also raises the delinquent taxpayer's redemption costs, unless you intend to have those costs borne by the town.

There are some provisions of the bill that would improve the process. Requiring the town to send a notice about abatement is a good idea; VLCT has been advising this for years, and I believe most of us do it anyway, but putting it in statute would make sure everyone does it, early in the process rather than at the time the sale is advertised.

Requiring a notice about how to file for a tax credit is also a good idea. The information is briefly mentioned on the back of the original tax bill, but a plainly worded notice would be a good idea. The Tax Department should be required to provide something in lay terms. There is a process by which the Listers notify the tax department about anyone who hasn't filed a homestead may be entitled to one, but I don't know if or how the tax department follows up, and whether they advise about the potential credits. I do know that their communications are not always easy to understand. I advise people to file for a tax credit but I have been told by some that they don't want the extra paperwork, or they haven't filed their income taxes, or they are afraid that if the state gives them money, they will just take it away somewhere else. The Tax Department should help us to educate our taxpayers. Adding an insert to the tax bill costs more in postage and time, but maybe the benefits are worth it.

I believe the statutes already require us to send the bill to the owner of record, but maybe it needs to be more plainly stated that escrow companies should not get the only bill. I often hear from my taxpayers that they don't get the bill because their taxes are escrowed, but that isn't true. We always send the bill to the homeowner, and a copy goes to the mortgage company if they request it. This should be standard practice.

We should be given resources to help our people. When the VHAP program was taking applications, we included a notice about it with the delinquent tax bills, and people took advantage of the program. I am not aware of what other organizations are out there but would provide a list and contact information if I

had one. Perhaps something could be included in the legislation that would give collectors a resource list to send with the delinquent tax bills.

I think most collectors work with taxpayers to set up payment plans. The time to set up the payment plan is when the taxes first become delinquent, not when the tax sale is imminent. At that point the town has already incurred legal fees that have to be paid whether the sale goes forward or not, at the expense of the other taxpayers, and the homeowner has already missed an opportunity to catch up. The statute could be changed to require us to send some type of payment plan notice with the first delinquent tax bill (many of us already do this).

Changing the notice requirements from 10 days to 30 makes sense, but requiring personal service is problematic for abandoned properties, and adds to the redemption cost for the folks who just refuse the certified mail.

Regarding abatement, the meetings are public but in our town if the reason that the person is requesting abatement has to do with a medical condition or income or other sensitive issue, we are careful not to include too much detail in the written decision because these findings are available for the public. Having such private information on the public record may deter some people from applying.

One of the reasons for requesting abatement should be **temporary** inability to pay. People should not be led to believe that this is an avenue for low income people to be exempted from paying taxes forever.

Automatically exempting interest when a person has applied for an abatement does not make sense, because if the abatement is granted, the interest is abated at the same time. Making the town forego interest because someone has requested abatement would mean that every delinquent taxpayer could request an abatement when they have no grounds, simply to avoid having to pay interest. This would delay the process for those who truly need it.

I would be happy to work with the committee to improve the bill and the tax sale process.