

Vermont Bankers Association

January 10, 2024

H.629 Municipal Tax Abatement and Tax Sale Testimony

- Good morning, for the record Chris D'Elia, President VBA.
- Thank you for the opportunity to testify.
- Like to start by saying we very much support the goal of trying to keep people in their homes.
- We are fortunate, the pandemic era mortgage assistance program has done a great job of assisting those in need.
- But as we know, pandemic era assistance funds and programs are winding down.
- Regarding H.629, I would like to offer some general comments before addressing specific sections of the bill.
- We agree with the idea of trying to standardize the processes of abatement and tax sales outlined in the bill.
- With that in mind, I am looking forward to hearing the testimony of VLCT and the Town Clerks.
- We certainly understand the concerns outlined by Legal Aid.
- Time frames for tax sales vary from town to town.
- We would hate to see someone lose their home over a delinquency of a few hundred dollars.
- That said, my biggest takeaway from the other day is people not taking advantage of the available property tax credit, not filing the homestead declaration.
- That needs to be addressed in some way.
- Also want the Committee to understand that not all tax sales are the same. We have:
 - Owner occupied
 - Seasonal
 - Commercial

- Abandoned

- Yet the proposal in H.629 impacts all tax sales the same way.
- I think it is also important to keep in mind, not everyone is a speculator trying to flip the home. People are desperate to find housing and tax sales are one option for them.
- Also keep in mind, towns need to come up with funds to address the shortfall in revenue collected.
- This can be addressed with a short-term loan in anticipation of future collections.
- If the delinquent taxes are never collected, then the burden shifts to other taxpayers in the town.
- As a committee, I would also be concerned about the unintended effects of creating more blighted properties (will explain that later).
- Pages 1 – 4: No issues, but question about the findings, is that a public record?
- If it is, I don't know if folks would be put off by having their personal circumstances open to the public, would that limit abatement requests?
- Page 4: Town collection of interest on overdue taxes unchanged compared to the investor section, didn't know if that was intentional?
- Page 5: Concern about the 2 year and has more than \$15,000 of overdue taxes. If taxes are \$4000 per year, you are looking at 4 years before a sale can commence. This places a greater burden on the taxpayer because delinquency is growing, interest is accruing. If they didn't have the first \$4000, chances are they are not going to have \$15000. What happens to the condition of the property during that time. Will the owner be able to maintain the property. If not, then I would think the town would have a growing concern about it becoming a blighted property. Places a burden on the town because they are going to be carrying that deficit for a number of years. Chances are the town would have to borrow to cover the

shortfall in tax revenue. If taxes are never collected, that shifts the burden to other property taxpayers.

- Page 5: No problem with offering a payment plan, but don't wait until the tax sale, offer it once the taxes are delinquent.
- Page 6: No problem with the number of days
- Page 7: I would recommend making the same change under (4), give the mortgage holder additional time to review, make a decision and execute that decision about paying the back taxes.
- Page 7: Do not know what is gained by notifying VHCB or local housing group. Not against it, just not clear what it accomplishes.
- Page 7: Notice provided and in five languages, no issues, but someone the other day raised the burden on clerks and how language would differ in locations outside of Burlington.
- Pages 8 and 9: No issues.
- Page 10: The three year redemption period will greatly hamper the bidding pool. Who is going to want to acquire a property, make investments only to have the rug pulled out from under them. Interest will accrue during the time period making it harder for the taxpayer to redeem. Title insurance will not be available on the property until the redemption period concludes. No title insurance, no lending on the property, a bank will not touch it. Property will sit there and again concerns about maintenance and blight. Even if a buyer didn't need a loan, who is going to want to tie up capital for three years. Lowering the interest rate will remove the incentive for some purchasers to consider the property, it will reduce the pool of bidders. If there are no bidders, it is my understanding that the town becomes the default purchaser.
- Legal Aid comments about redemption periods. My review shows a range from none to four years. Website that compiles the states: <https://www.taxtitleservices.com/redemption-periods-for-tax-sales/> Some are lien, others are deed states. The big difference between the two is a tax deed grants you ownership of the property where a

tax lien is a legal claim against the property, but does not grant you an ownership interest in the property.

- Page 11: Unsure of who the collector is, the town or bidder on the property. We don't have a problem with the notices. If it is the winning bidder, again it is another challenge to acquiring the property. Bidders may not want the responsibility of the notice requirements.
- Page 11: Again, not sure what we gain with notice to VHCB and local housing group.
- Page 12 – 13: Payments to the property owner. I appreciate the comments of Legal Aid referencing the Supreme Court case. The practical impact of these provisions is a smaller bidding pool. If the town becomes the default purchaser under b(1), the town is going to have to raise the funds to pay the previous owner. That impact will be felt by other taxpayers. Under b(2), what investor would want to purchase the property, have a three year redemption period, make improvements, sell the property and give the previous owner the amount received from the sale less the cost to redeem and \$500. Also under this section, if there is a lien on the property, rather than the funds going to the property owner, the lien holder needs be paid to write off the note. It was also mentioned to me, what if the property owner is deceased, who gets paid.
- In conclusion, there are items in the bill that could move forward, but others that need work. Given we are only in week two, I would suggest you direct the interested parties to work together to come up with agreed-upon solutions.