

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Ways and Means to which was referred House Bill No.  
3 397 entitled “An act relating to miscellaneous amendments to the statutes  
4 governing emergency management and flood response” respectfully reports  
5 that it has considered the same and recommends that the report of the  
6 Committee on Government Operations and Military Affairs be amended as  
7 follows:

8 First: By striking out Secs. 4 and 5 in their entirety and inserting in lieu  
9 thereof new Secs. 4 and 5 to read as follows:

10 Sec. 4. 32 V.S.A. § 3709 is amended to read:

11 § 3709. PILOT SPECIAL FUND

12 (a) There is hereby established a PILOT Special Fund consisting of local  
13 option tax revenues paid to the Treasurer pursuant to 24 V.S.A. § 138. This  
14 Fund shall be managed by the Commissioner of Taxes pursuant to chapter 7,  
15 subchapter 5 of this title. Notwithstanding subdivision 588(3) of this title, all  
16 interest earned on the Fund shall be retained in the Fund for use in meeting  
17 future obligations. The Fund shall be exclusively for payments required under  
18 chapter 123, ~~subchapter~~ subchapters 4 and 4C of this title, and for any  
19 additional State payments in lieu of taxes for correctional facilities ~~and to the~~  
20 ~~City of Montpelier~~. The Commissioner of Finance and Management may draw  
21 warrants for disbursements from this Fund in anticipation of receipts.

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Sec. 5. 32 V.S.A. chapter 123, subchapter 4C is added to read:

Subchapter 4C. Voluntary Buyout Reimbursement Program

§ 3710. VOLUNTARY BUYOUT REIMBURSEMENT PROGRAM

(a) There is established the Voluntary Buyout Reimbursement Program within the Department of Taxes to reimburse municipalities for municipal property taxes assessed under chapter 133 of this title for flood-prone properties acquired by a municipality pursuant to 20 V.S.A. § 51 or a prior voluntary buyout program operated by the Division of Emergency Management.

(b) On or before September 1 of each year, the Commissioner of Public Safety shall certify to the Commissioner of Taxes the properties eligible for the Voluntary Buyout Reimbursement Program and shall submit any other information required by the Commissioner of Taxes. To be eligible for the program under this subchapter, a municipality must have acquired an eligible property on or after July 1, 2023 and preserved the property as open space with a deed restriction or covenant prohibiting development of the property. The Commissioner of Public Safety shall first certify properties to the Commissioner of Taxes pursuant to this subsection on or before September 1, 2025.

1       (c) Upon notification by the Commissioner of Public Safety, the  
2       Commissioner of Taxes shall certify the payment amounts and make an annual  
3       payment to each municipality for each eligible property to compensate for the  
4       loss of municipal property tax. The payment shall be calculated using the  
5       grand list value of the acquired property for the year during which the property  
6       was either damaged by flooding or identified as flood-prone by the  
7       Commissioner of Public Safety, multiplied by the municipal tax rate, including  
8       any submunicipal tax rates, in effect each year. This payment shall be made on  
9       or before January 1 of each year for five years.

10       (d) A property shall not be eligible for reimbursement payments for more  
11       than 10 years. The Commissioner shall make an annual payment for the full  
12       amount calculated under subsection (c) of this section for five years. After a  
13       municipality has received payments for an eligible property for five  
14       consecutive years, the Commissioner shall make an annual payment to the  
15       municipality for any subsequent year of eligibility in an amount equal to one-  
16       half of the amount calculated under subsection (c) of this section.

17       (e) Payment under this section shall be calculated and issued from the  
18       PILOT Special Fund under 32 V.S.A. § 3709 only after all other grants under  
19       chapter 123, subchapter 4 are calculated and issued. If the PILOT Special  
20       Fund balance is insufficient to pay the full amount of all payments authorized

1 under this subchapter, then payments calculated under this section and due to  
2 each municipality for each property shall be reduced proportionately.

3 Second: By adding two new sections to be Secs. 13a and 13b and their  
4 reader assistance headings to read as follows:

5 \* \* \* Local Option Tax; Amount Paid to Municipality \* \* \*

6 Sec. 13a. 24 V.S.A. § 138 is amended to read:

7 § 138. LOCAL OPTION TAXES

8 \* \* \*

9 (c)(1) Any tax imposed under the authority of this section shall be collected  
10 and administered by the Department of Taxes, in accordance with State law  
11 governing such State tax or taxes and subdivision (2) of this subsection;  
12 provided, however, that a sales tax imposed under this section shall be  
13 collected on each sale that is subject to the Vermont sales tax using a  
14 destination basis for taxation. Except with respect to taxes collected on the  
15 sale of aviation jet fuel, a per-return fee of \$5.96 shall be assessed, ~~70~~ 75  
16 percent of which shall be borne by the municipality, and ~~30~~ 25 percent of  
17 which shall be borne by the State to be paid from the PILOT Special Fund.  
18 Notwithstanding 32 V.S.A. § 603 or any other provision of law or municipal  
19 charter to the contrary, revenue from the fee shall be used to compensate the  
20 Department for the costs of administering and collecting the local option tax  
21 and of administering the State appraisal and litigation program established in

1 32 V.S.A. § 5413. The fee shall be subject to the provisions of 32 V.S.A. §  
2 605.

3 \* \* \*

4 (d)(1) Except as provided in subsection (c) of this section and subdivision  
5 (2) of this subsection with respect to taxes collected on the sale of aviation jet  
6 fuel, of the taxes collected under this section, ~~70~~ 75 percent of the taxes shall  
7 be paid on a quarterly basis to the municipality in which they were collected,  
8 after reduction for the costs of administration and collection under subsection  
9 (c) of this section. Revenues received by a municipality may be expended for  
10 municipal services only, and not for education expenditures. Any remaining  
11 revenue shall be deposited into the PILOT Special Fund established by 32  
12 V.S.A. § 3709.

13 \* \* \*

14 \* \* \* Flooding Abatement Program \* \* \*

15 Sec. 13b. 2024 Acts and Resolves No. 82, Sec. 1, as amended by 2024 Acts  
16 and Resolves No. 108, Sec. 3, is further amended to read:

17 Sec. 1. REIMBURSEMENT TO MUNICIPALITIES OF STATE

18 EDUCATION PROPERTY TAXES THAT WERE ABATED DUE  
19 TO FLOODING

20 (a)(1) The Commissioner of Taxes may approve an application by a  
21 municipality for reimbursement of State education property tax payments owed

1 under 32 V.S.A. § 5402(c) and 16 V.S.A. § 426. To be eligible for  
2 reimbursement under this section, prior to November 15, ~~2024~~ 2025, a  
3 municipality must have abated, in proportion to the abated municipal tax,  
4 under 24 V.S.A. § 1535 the State education property taxes that were assessed  
5 on eligible property, after application of any property tax credit allowed under  
6 32 V.S.A. chapter 154.

7 (2) As used in this subsection, “eligible property” means property lost  
8 or destroyed due directly or indirectly to severe storms and flooding in an area  
9 that was declared a federal disaster between July 1, 2023 and ~~October 15, 2023~~  
10 December 31, 2024, provided the loss or destruction resulted in one or more of  
11 the following:

12 (A) a 50 percent or greater loss in value to the primary structure on  
13 the property;

14 (B) loss of use by the property owner of the primary structure on the  
15 property for 60 days or more;

16 (C) loss of access by the property owner to utilities for the primary  
17 structure on the property for 60 days or more; or

18 (D) condemnation of the primary structure on the property under  
19 federal, State, or municipal law, as applicable.

20 (b) If a municipality demonstrates that, due to disruption to tax collections  
21 resulting from flooding in an area that was declared a federal disaster between

1 July 1, 2023 and ~~October 15, 2023~~ December 31, 2024, the municipality  
2 incurred unanticipated interest expenses on funds borrowed to make State  
3 education property tax payments owed under 32 V.S.A. § 5402(c) and 16  
4 V.S.A. § 426, the municipality may be reimbursed by an amount equal to its  
5 reasonable interest expenses under this subsection, provided the amount of  
6 reimbursed interest expenses shall not exceed eight percent.

7 \* \* \*

8 Third: By striking out Sec. 15, effective date, and its reader assistance  
9 heading in their entireties and inserting in lieu thereof a new reader assistance  
10 heading and Sec. 15 to read as follows:

11 \* \* \* Effective Dates \* \* \*

12 Sec. 15. EFFECTIVE DATES

13 (a) This section shall take effect on passage.

14 (b) Notwithstanding 1 V.S.A. § 214, Sec. 10 (flooding abatement  
15 reimbursement program) shall take effect retroactively on November 15, 2024.

16 (c) All other sections shall take effect on July 1, 2025.

17  
18 (Committee vote: \_\_\_\_\_)

19 \_\_\_\_\_  
20 Representative \_\_\_\_\_  
21 FOR THE COMMITTEE