

State Property Tax Administration: Considerations & Questions

The Working Group on Water Quality Funding, which was established under Vermont Legislative Act 73 of 2017, requested that the Vermont Department of Taxes provide an overview of considerations for State assessment, billing, and collection of State and Municipal property taxes. This request is part of the working group's effort to evaluate administrative structures for the assessment and collection of a statewide parcel and/or impervious surface fee.

Currently, Vermont municipalities assess, bill, and collect local and statewide property taxes with administrative support from the Department of Taxes. The below considerations focus on a shift in these responsibilities to the State.

The Department of Taxes is in no way advocating for a shift in property tax administration. The vast administrative, financial, and political elements that this issue touches upon are far outside of the scope of this working group. The below considerations are for discussion purposes only and should not be considered proposals, position statements, or recommendations for any specific course of action. If the State wishes to proceed with such a government shift, it should employ a more thorough implementation analysis and involve a broad range of additional stakeholders from both State and Municipal governments.

The first section of this document focuses on considerations for property tax billing, collections, and appeals; and the second section centers on property assessment.

Property Tax Billing, Collections, and Appeals

Assumptions

- The most cost-effective and transparent administrative structure is desired.
- Local control is an important concept in Vermont and should factor into any discussion concerning property tax administration.
- It is unlikely that such a massive administrative overhaul would proceed during a single session, unless given a great deal of priority by the Legislature, administration, and municipalities.
- Vermont municipalities are divided on the current property tax collection structure.
- Roughly 100 to 250 municipal FTEs statewide currently work to bill and collect property taxes.*
- Municipalities would continue to set local tax rates and vote on local exemptions.

Open Questions

- Currently, the appeal of property tax bills centers around the assessed value of properties. While the billing, collection, and appeal functionality could be split from the assessment functionality, it would create a situation that is difficult to administer and burdensome for taxpayers. With that in mind, would the billing, collections, and assessment systems still be administered by one entity or split between two? And, would the appeal mechanism remain linked to the property value assessment?
- What is the cost for all municipal government in Vermont to bill and collect property taxes?*
- How would the shifting of revenue from municipalities to the State impact local lending institutions?*

*Data is either unavailable or incomplete; a significant Statewide study would be necessary to acquire.

- Would the State be responsible to municipalities for the value of municipal taxes billed or taxes paid? Depending on how this is decided, it could add additional costs to the State.
- How quickly could the State implement a property management system? And, would it require a separate system or be integrated into an existing system?
- Would RFPs be necessary or would the State be allowed to leverage existing contracts and systems?
- What entity would be responsible for collecting delinquent taxes? Municipalities currently administer this function with assistance from the Department of Taxes and VLCT.
- How would the shift from municipal resources to the State be managed and displayed?
- How would various changes affect town clerks and municipal recording functions? Would they be significant enough to require an increase in recording fees? Or, would these records and record-keeping responsibilities shift to the State?

Considerations

- A shift in responsibility from localities to the state may be viewed as undesirable by some.
- Rate calculations for property tax adjustment claims and municipal reimbursements would become a much more streamlined process as the necessary data would be held in the State systems.
- Municipalities currently cover the shortfall in education tax collections relative to the grand list; financial impact of this shortfall for State administration would need to be quantified.
- Consolidation of offices and assessment personnel should result in some licensing and software cost reductions due to fewer user licenses.
- Use Value Appraisal Program administration would be simplified slightly.
- Vermont allows municipalities to retain education tax funds related to property tax billing to the tune of about \$3M annually. If the billing responsibility were shifted to the State, the State would then likely retain these funds. When assessment disbursements are included, the State sends nearly \$6M to municipalities.

Stakeholders (in no particular order)

- Selectboards/City Councils
- Municipal Clerks
- Municipal Listers
- Professional Assessors
- Secretary of State's Office
- Vermont League of Cities and Towns
- Vermont Association of Listers and Assessors
- Legislature – House Ways and Means, Senate Finance, House and Senate Education, House and Senate Government Operations
- Governor Scott
- Mayors and Municipal Managers
- Vermont Taxpayers
- Department of Taxes
- Agency of Education

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- Department of Forest, Parks & Recreation
- Agency of Transportation
- Agency of Commerce and Community Development
- Department of Finance & Management
- Vermont Treasurer
- Attorney General's Office
- Agency of Digital Services
- Department of Buildings and General Services
- Vermont Bankers Association
- Vermont Credit Union Association

Research Contacts

- Vermont Department of Taxes Division of Policy, Outreach, and Legislative Affairs
- Vermont Department of Taxes Division of Property Valuation and Review
- Vermont State Archives & Records Administration
- Vermont Legislative Joint Fiscal Office
- Vermont Legislative Council

Property Assessment

Assumptions

- This issue would likely require more than one legislative session to address.
- Roughly 150 to 300 FTEs statewide currently administer property assessments for municipalities.*
- Grievances/appeals would be handled by the same entity responsible for assessment.
- If assessment were conducted by the Department, then appeals would utilize the standard appeals structure in [32 VSA Chapter 151 Subchapter 8](#).
- It would be impractical for taxpayers driving to Montpelier to appeal their property tax assessment unless the property inspection requirements were eliminated.
- The State would contract with outside assessors for reappraisal services (similar to VCGI contracting with mapping vendors).

Open Questions

- If the State were to become responsible for assessment of all properties in Vermont, what is the staffing level required at the State?*
- How much do municipalities spend each year on legal fees related to property tax assessments? (The Attorney General's Office is presently charged with exploring this.)*
- What is the current cost for all municipal governments in Vermont to assess property taxes?*
- What staffing levels would be necessary for the State to handle the annual appeal volume?*
- How would the equalization study be impacted? Would it be continued simply as an evaluative process or would it continue to impact the tax rate?
- Would there be an appeal, review, or consent mechanism to finalize the local grand lists with municipalities?

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- If the State were to administer assessments, how would connections be made to the local zoning and review boards and how would the State ensure it knows the local conditions that trigger re-assessment?
- Would tax mapping remain at the municipal level?
- Would municipalities be expected to contribute to reappraisal costs?
- Would the State mandate reappraisal timelines or continue with the current structure? How would this impact the cost to Vermonters? (Reappraisals average about \$85 per parcel)
- Would the land records remain at the towns? If not consolidated, it would create administrative burdens. Meanwhile, larger municipalities have invested in IT land records and document management systems.
- How would this affect the roughly ~600 locally elected listers?
- How would this affect currently employed assessors and assistant assessors (approximately 25 to 50)?

Considerations

- Movement to a State assessment system would improve the consistency of appraisals across the Vermont.
- Assessment of high value commercial properties by the State has been a perennial issue due to limited local resources and potential conflicts of interest. This is an issue and responsibility that could be shifted to the State and addressed without the overarching changes illuminated in this document.
- Local assessment practices vary greatly, and, although some listers pursue education and certification, there are currently no professional requirements for listers.
- Appeals require property inspections, and property inspections across the State would be time consuming. To conduct inspections throughout the state without incurring prohibitive travel expenses field offices would need to be created*
- Opening field offices and connecting them to the Department of Taxes' IT network and firewall would be a time-intensive and expensive process; a detailed implementation plan would be required.
- Consolidation of offices and assessment personnel should result in some licensing and software cost reductions due to fewer user licenses (a part-time user license costs the same as a full-time license).
- Economies of scale resulting from a consolidation of assessment resources should produce lower reappraisal costs per parcel.
- Any change must avoid conflicting with the Vermont Supreme Court's Brigham decision (equal educational opportunity) and Vermont's constitution regarding a municipality's right to vote on a budget and tax appropriately.
- Current Use and Land Use Change Tax administration would be greatly simplified.
- The State makes several payments to municipalities related to property tax assessments, totaling approximately \$3M. If the administrative structure shifted to the State, these payments would likely be adjusted or eliminated.

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- Vermont municipalities approach assessment in many ways and the system lacks standardization. For example, local listers have been eliminated in some towns, some towns elect listers, and, in some cases, listers work with a contracted assessor.

Additional Research Contacts

- Assessment Software Providers
- Reappraisal Firms

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