

State Electronic Administration, Billing & Collection of the Statewide Education Tax Issues for Discussion/Further Research – January 6, 2012

- Billing
 - Billing dates currently vary widely by municipality; state billing would require uniform billing dates for all taxpayers
 - Municipalities currently allow 1 to 4 installments (average is 2; most do 1); multiple installments would increase administrative costs and reduce cash flow benefits for the state
- Collection
 - Some municipalities allow a pre-payment discount (in 2008, 11 municipalities offered discounts ranging from 2% to 4%)
 - Some municipalities allow for payment by credit card (in 2008, 20 municipalities allowed it)
 - Many municipalities determine on-time payment by postmark (in 2008, 127 municipalities used postmarks)
- Delinquent Taxes
 - The
- Cash Flow
 - Cash flow from the state's perspective will depend on: (1) billing dates and number of installments; (2) the education payment schedule; and (3) interest rates
 - Education payments are currently made to school districts on or before September 10th, December 10th, and April 10th; a different schedule, tied to collection dates, could potential improve cash flow for school districts
 - At the request of JFO, the treasurer's office is currently preparing cash flow analyses under alternative billing and payment scenarios
- Abatements
 - Local boards of abatement have the authority to abate both education and municipal property taxes; however, municipalities must cover the cost of any education tax forgone
 - There is currently no explicit statutory authority for the tax department to abate education taxes – this problem was highlighted by recent flood-related education tax abatements

- Maintaining current-law would mean that municipalities would continue to cover the cost of abatements of education tax; alternatively, some procedure for abating education taxes at the state level could be created
- Escrow
 - Escrow companies would need to contact both the state and the municipality in which the mortgaged property is located; now only the municipality must be contacted
 - However, uniform billing dates and electronic submission of information to escrow companies has the potential to make escrow simpler and more efficient for escrow companies
- Locally-Voted Exemptions
 - Education taxes forgone due to locally-voted exemptions are currently paid for by other taxpayers in the municipality
 - If the state adopts these exemptions, the cost could be billed back to the municipality; municipalities could add the cost to their municipal property tax bill
- Electronic Administration
 - The feasibility study suggests two options for electronic administration: (1) contract with NEMRC (or other provider); and (2) develop in-house capability
 - The tax department could contract with the NEMRC Center, the company that currently provides billing services to all municipalities; this is the lowest-cost option
 - Alternatively, the tax department could contract to build a custom module for billing, furthering the tax department's goal of having a single, integrated tax system; however, this is a higher-cost alternative
- Assessment Calendar
 - The tax department's feasibility study proposes moving the assessment calendar back one quarter to avoid delays in lodging the grand list that would prevent timely billing
 - The assessment calendar is slightly different for municipalities with populations under 5,000 inhabitants; would it be necessary to continue this distinction?
 - If the assessment calendar is moved back to January 1, then the timetable for taxes on gores will also need to be adjusted
- Privacy

- Recently, the state supreme court ruled that information used by municipalities to calculate adjustments to residents' education tax should remain private; however, property tax bills are considered public information
- State billing of the tax would eliminate the privacy issue; education tax bills would show actual education tax due
- Start-Up and On-Going Costs
 - The feasibility study estimated that start-up costs would range from \$4.1 to \$6.1 million and that minimum on-going costs would be about \$2.5 million
 - These estimates: (1) include the administrative cost of tax department collection of delinquencies; (2) exclude any tax department cost related to the abatement function; and (3) exclude the one-time cost of delinquent taxes in the first year of implementation
 - Municipalities currently receive a collection fee that amounts to about \$2.1 million; if delinquent tax collection remains at the municipal level, it would cover all on-going costs
 - However, no source of revenue for start-up costs has been proposed; paying these costs out of the education fund would increase base education tax rates by roughly one-half cent
 - Depending on billing dates and the number of installments, there may be some cash flow benefits that accrue to the state; these savings could potentially be used to offset some costs