



VERMONT LEGISLATIVE Joint Fiscal Office

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Fiscal Note

Date: May 19, 2022

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S.261 (Act 163) – An act related to municipal retention of property tax collections and valuation for purposes of the education property tax

As Passed by the General Assembly

<https://legislature.vermont.gov/Documents/2022/Docs/ACTS/ACT163/ACT163%20As%20Enacted.pdf>

Bill Summary

This bill makes changes to state assistance to municipalities regarding assessment and reappraisal of property. It increases the statewide refund cap available to municipalities who reimburse taxpayers because of lost appeals of assessment. It creates a new State appraisal and litigation assistance program in the Department of Taxes. Finally, it requires the Department of Taxes to submit a report on the valuations of time-share projects.

Fiscal Impact

JFO estimates this bill will have minimal fiscal impact on the State's Education Fund in a typical year. The increase of the award cap in Section 2 from \$100,000 to \$1,000,000 is not estimated to generate significantly more award payments to municipality in a normal year. However, if there were an award for a very large appeal in a given year, it could reduce Education Fund revenues by up to \$900,000.

Background and Details

The following sections have a fiscal impact.

Section 2: Statewide refund cap increase from \$100,000 to \$1 million.

In Vermont, municipalities are responsible for defending appraisals of property in the event of an appeal. Should the appeal be successful, the municipality is responsible for reimbursing the appellant the difference in municipal and Education property tax collected. The municipality can submit a request to the Department of Taxes for a refund for this reduced assessment. To receive the refund, it must demonstrate that the lower value was applied consistent with best practices for property valuation.

In current law, the total amount of refunds that can be issued statewide in a given year is capped at \$100,000. If total requests exceed this amount, towns are awarded refunds in a prorated fashion. This bill increases that cap to \$1 million. The fiscal impact associated with this provision is dependent upon a) whether towns will request more refunds as a result of the higher cap, and b) the number of large refunds (greater than \$100,000) submitted. The fiscal impact is a reduction in Education Fund property tax revenues, since the refund is applied as a credit to property taxes collected in a given year, rather than a payment.

To the first question, it is unclear whether the increase in the cap will generate increased requests for refunds. Data from the Department of Taxes shows that since FY2018, between 1 and 6 towns were awarded refunds each year. In only one of those years has the cap ever exceeded \$100,000, and in some years, the total awards have been less than \$10,000. If the new cap does generate additional refund requests, JFO does not expect these additional requests to greatly exceed \$100,000.

To the second point, in the event a municipality is responsible for refunding the municipal and Education tax for a very large assessment change, the increase in the cap could lead to a significant impact in a single year. For example, a municipality may be responsible for a \$500,000 reimbursement because of an appeal. Under current law, the maximum refund they could receive is \$100,000 whereas this bill would change that to \$500,000.

As such, JFO believes the increase in the cap will have minimal fiscal impact in a typical year. However, in some years, the impact could be up to \$900,000 if there is a number of large successful appeals.

Appendix: Resources

- Vermont Department of Taxes. “2021 Utility and High Value Commercial Property Recommendations.” January 15, 2022. <https://legislature.vermont.gov/assets/Legislative-Reports/2021-Utility-and-High-Value-Commercial-Property-v2.pdf>

Act 74 of 2021: An act relating to making appropriations for the support of government.

<https://legislature.vermont.gov/Documents/2022/Docs/ACTS/ACT074/ACT074%20As%20Enacted.pdf>