



# LEGISLATIVE UPDATE

October 26, 2011

## House Ways and Means Committee Approves Bill to Abate State School Taxes

On Tuesday, October 25, the House Ways and Means Committee unanimously approved a bill that would allow the Commissioner of Taxes to abate state education property taxes for properties substantially damaged or destroyed and which have been made uninhabitable due to flooding caused by any of the three major natural disasters Vermont has suffered this year.

Under the bill – which will still need to be formally introduced and approved by the House and Senate and signed by the Governor when the legislature reconvenes on Tuesday, January 3, 2012 – a town will apply to the commissioner for a reimbursement by the Department of Education for payments it owes to its own school district (under 16 V.S.A. § 462) or to the state Education Fund (under 32 V.S.A. § 5402(c)). The bill requires that the town also abate its own municipal taxes “in proportion to” the amount of state school taxes requested to be abated. Applications must be made to the commissioner before April 15, 2012.

The bill will also allow the commissioner to reimburse towns for unanticipated interest expenses incurred due to disruption to tax collections caused by such flooding and making those school tax payments to their districts and/or the state.

The bill authorizes the commissioner to adopt application and approval procedures to implement the bill. Commissioner Mary Peterson has announced her intention to use the following criteria to determine whether a town will be reimbursed by the state for abatements it grants for the state education property tax:

- Local boards of abatement must make four findings in order to receive State reimbursement for abatement of the State Education Property Tax:
  - Is the property damage due to the 2011 federally declared disasters?
  - Did the local board of abatement proportionately abate municipal and education taxes on the property?
  - Did the primary structure on the property suffer at least a 50% loss in value?
  - Did the property owner lose use of the primary structure for at least 90 days?
- The abatement must be on the net taxes due after State property tax adjustments (only what the taxpayer would have paid).
- The abatement must only cover the taxes for the portion of the tax year during which the use was lost.
- The local board will have to make findings of fact in writing that the applicant meets all four of the above findings and must provide those findings to the Division of Property Valuation and Review with its application for reimbursement.

The *Legislative Update*, a publication of the Vermont League of Cities & Towns, is distributed when necessary during Vermont’s legislative session.

### VLCT

89 Main Street, Suite 4  
Montpelier, VT 05602-2948

Tel. ....802-229-9111

Fax .....802-229-2211

Email .....[info@vlct.org](mailto:info@vlct.org)

Website .....[www.vlct.org](http://www.vlct.org)

### Follow VLCT Advocacy on



**Steven E. Jeffrey**

Executive Director

**Karen B. Horn**

Director, Public Policy & Advocacy

**David Gunn**, Editor

To contact your legislator, call the Sergeant-at-Arms at 800-322-5616, fax 802-828-2424, or access the legislative website at [www.leg.state.vt.us](http://www.leg.state.vt.us) for legislators’ email addresses.

Local boards of abatement (selectboard, justices of the peace, town clerk, town treasurer and listers) have had the authority to abate town and school taxes since the inception of the property tax in Vermont. It has always been that any taxes abated were then made up by the rest of the citizens and taxpayers of that town, either through replacement taxes levied on the entire grand list or in reduced town services. (The schools always got 100% of what was coming to them.) The law governing abatement, such as it is, can be found at [24 V.S.A. §§1533–1537](#).

With the advent of the *Brigham* decision and the imposition of the state property tax through Act 60, the school property tax became a state tax and was to be fairly apportioned across the grand list of the entire state. It makes no sense that the taxpayers in just the towns worst impacted by Tropical Storm Irene or the spring flood should shoulder additional burdens due to their neighbors' misfortune of losing their property any more than taxpayers across the state.

Town boards do have the authority to abate more of the school tax than that eligible for the state reimbursement, but they will have to make up the forgiven taxes locally.

The criteria above proposed by the commissioner are those that seem to make theoretical sense, but it would be helpful that as towns receive requests for abatement, you let VLCT know how well these work in the “real life” situations presented by Irene. Please contact Steve Jeffrey ([sjeffrey@vlct.org](mailto:sjeffrey@vlct.org) or 800-649-7915) with questions, comments, or concerns.

You can find additional material distributed by the Commissioner of Taxes on this proposal on the [VLCT Current News](#) web page.