

We are preparing our town budget for next year. What consideration should we give delinquent property taxes in our budget, when we have no control over them?

Like many other areas of municipal law, Vermont statutes are silent on this issue. As a result, towns have developed a variety of different strategies to address delinquent taxes in their budgets. Some towns present an estimate of both the amount of delinquencies that will be collected in the next year and the amount of current taxes that will go delinquent. Others present a net amount they estimate the amount of delinquencies will go up or down by. Some towns ignore delinquent taxes when they are preparing the budget, believing that they will be relatively consistent from year to year and will have little impact on the town's financial position.

By and large, property tax collection efforts are relatively successful in Vermont, and if delinquent tax collections are fairly consistent, the selectboard might not need to be very concerned about them. It is roughly estimated that total outstanding delinquencies in most towns will typically equal only four to six percent of its total annual property tax levy. However, if there is some expectation that collections will not be as successful in the future, it may be wise to give delinquent taxes some consideration when putting together the town budget, so the town does not end up with a deficit. Conversely, it should be remembered that a recent success in delinquent tax collection might not actually be the windfall that it first appears to be. Future revenues can be impacted by present collections. A dollar collected yesterday cannot be collected tomorrow, too.

Previous town reports can be a good place to start when gathering information on delinquent tax collections. Most delinquent tax collectors include a summary of their previous year's work in the town report. A review of the last few years' reports should give a pretty good indication of collection trends and the delinquent tax collector and treasurer can be useful in understanding the success of future collection efforts.

- Jim Barlow, Attorney, VLCT Municipal Assistance Center

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