

Testimony of the Vermont League of Cities and Towns
Ted Brady, Executive Director
Senate Committee on Government Operations
Regarding H. 629
March 26, 2024

My name is Ted Brady, and I am the Executive Director of the Vermont League of Cities and Towns, which represents all 247 cities and towns in Vermont. I want to thank the committee for taking the time to understand the impacts this bill will have on municipalities' ability to collect both local and state taxes.

VLCT cooperated with members of the House Ways and Means Committee, legal advocates, delinquent tax collectors, and tax sale experts during deliberations in the House to try and craft a compromise piece of legislation that codified the best practices of tax sales – processes that ensured municipalities followed existing statute, complied with case law, and gave homeowners every opportunity to pay their taxes before a tax sale is conducted. The delinquent tax collectors charged with ensuring every Vermonter pays their fair share of local and state education property taxes are compassionate, smart, fair people who, like you, have a vested interest in people paying their taxes and staying in their homes.

VLCT literally wrote the book on how to properly conduct a tax sale. Our Delinquent Tax Collector handbook is a comprehensive guide to how to do the job, including how to legally and fairly conduct a tax sale. We also put on annual trainings on how to do the job of delinquent tax collector. In addition, we counsel municipalities on the best practices of abating taxes through the publication of a tax abatement toolkit and annual trainings in how to use the toolkit.

To that end, we support several sections of the bill, including:

- Section 1, adding additional requirements of written tax abatement decisions. These requirements are already addressed in VLCT's model tax abatement toolkit.
- Section 1, providing for boards of abatement to hear "classes" of tax abatement requests.
- Section 1, allowing municipalities a new authority to abate de minimis amounts of taxes for the purpose of reconciling municipal accounts.
- Section 2, codifying the need to notify tax payers of their right to request abatement when they are delinquent on taxes. VLCT already counsels municipalities to do this, as it is case law in some parts of the state already.
- Section 4, requiring municipalities to offer a delinquent taxpayer an opportunity to enter into a repayment plan.
- Section 4 extending the written notice requirements to 30 days.

VLCT has significant concerns, but does not oppose one key policy change:

- Section 4, prohibiting a town from bringing a property tax to tax sale for a full year after delinquency. Most municipalities already wait this long or longer, and as such, VLCT does not

object to adding this additional waiting period, which essentially doubles the amount of time a taxpayer has to cure their debt.

However, this policy change does have significant implications:

- Delinquent tax collectors tell us that the quicker a property gets to tax sale, the more likely the delinquent taxpayer can pay, as bills quickly add up, and digging out of a bigger hole is much harder.
- The bill does nothing to address the debt a town needs to take on to pay the taxes that would otherwise have been paid for by bringing the property to a timely tax sale. Municipalities collect taxes for the state – specifically the education fund portion of property taxes. Municipalities have to pay the state whether a taxpayer pays the taxes or not. This bill essentially creates an unfunded mandate – requiring towns to pay a tax the state doesn't allow them to collect.

VLCT has serious concerns, and opposes the inclusion of the following sections:

- Section 4 creates a new personal service requirement. This exceeds the notice requirements recognized by both the Vermont Supreme Court and the U.S. Supreme Court and puts an onerous burden on municipalities. What if the property is unimproved land or the last known address in Vermont is a Post Office Box? Personal service is costly, and these additional, unnecessary, costs will be added to the delinquent taxpayer's debt.
- Section 6 cuts the interest rate from 1% to 0.5% for investors that purchase properties at tax sale. This will result in fewer investors interested in bidding at tax sales, which forces municipalities to pay a higher share of delinquent property taxes to the state. This would place a further burden on taxpayers who do pay their property taxes on time and would take away tools that help municipalities collect delinquent taxes. Will the state forgive property taxes owed by municipalities because of not being able to collect them due to these new tax sale requirements? It also eliminates language that calculates interest for partial months. It's unclear why we are giving a no-interest period for partial months.
- Section 7 creates a work group on abatement and tax sale and tasks Vermont Legal Aid with calling the first meeting. This group is tasked with considering the very issues that have been debated in this bill. It also tasks the group with studying a policy change in the bill: reducing the interest investors can charge in half. This acknowledgement of the uncertainty of the policy change reaffirms our belief that the policy itself shouldn't be implemented in this bill. I want to note that members of the House Ways and Means Committee made statements that the legislature would not be appointing a member to this committee because of the time commitment on Legislators. In the first half of this session, there have been no fewer than six bills advancing towards passage that create new summer study committees or permanent

appointments from VLCT. Like legislators, we only have so much time, and would request that this committee be removed from the report – as we’ve spent hours deliberating on this topic this session, and do not support doing so again next year.

I hope the committee will consider the practical realities of not addressing these concerns and continue to hear from practitioners who conduct or participate in tax sales. Specifically, please hear from the attorneys that conduct these sales, the delinquent tax collectors who work tirelessly and compassionately with taxpayers, and other municipal representatives before passing this bill. The changes I’ve referenced above may not be exhaustive of the necessary changes to operationalize this bill – but they are our highest concerns. Again, thank you for working with Vermont’s municipalities to make this bill workable for municipal officials, and respecting our need to collect delinquent taxes.