

Testimony Regarding Tax Abatement and Flood-Related Damage

January 12, 2024



Testimony of the Vermont League of Cities and Towns

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House Ways and Means Committee Regarding H. 541 (Tax Abatement and Flood-Related Damage)

January 11, 2024

Thank you for considering relief to municipalities that have abated taxes of flood impacted Vermonters. VLCT supports H. 541, and its intent is one of VLCT's five keys to municipal recovery:

- Relief for tax abatement related to flood stricken properties
- Relief from local match required for FEMA assistance

- Revenue replacement for cities and towns that lost revenue due to flooding
- Additional funding for the Flood Resilient Communities Fund
- Attention to emergency preparedness coordination at the state and local level

Vermont law specifically allows municipalities to abate taxes for five reasons, including when property is lost or destroyed during a tax year. Boards of Abatement -- comprised of the town clerk, the selectboard, the justices of the peace, listers and treasurer -- consider these requests in quasi-judicial hearings. These boards have the authority to abate town taxes and statewide education taxes, though if they abate education taxes, the town still needs to pay those taxes to the education fund.

Our understanding is that the worst-hit communities by this summer's flooding have been asked to grant dozens of tax abatements, and are still being asked to grant new abatements. The scale of this disaster calls for state assistance to ensure these abatements don't result in a reduction of government services at the local level as municipalities are told to make the education fund whole. **We also believe any abatement assistance should consider reimbursing municipalities for all or a portion of the municipal tax abated. While a minority of Vermont's municipalities were severely impacted by the flooding, Vermont should come together to share the pain these communities are feeling.**

Municipalities are frequently asked to abate taxes after a disaster. VLCT is a trusted resource for those communities, and we receive many legal inquiries from our members -- all 247 cities, towns and villages -- about the abatement process. As a result, VLCT built a [Tax Abatement Toolkit](#). It includes an info sheet about the tax abatement process, a model request for tax abatement form, model rules and procedures for a board of abatement meeting, a model tax abatement notice and agenda, an info sheet about abating homestead penalties, and a notice of tax abatement decision form. While we don't track which towns are using the toolkit, in 2023 alone, the toolkit page received more than 600 views. We've seen increased web traffic on the toolkit site since July. I've attached the toolkit to this testimony as exhibit A.

In the aftermath of the July flooding, on July 31st, VLCT published an article entitled "[Conducting Tax Assessment Appeal and Tax Abatement Hearings During the State of Emergency](#)" in an effort to help promote the ability of towns to offer flood victims abatements. That article, viewed 180 times between

July and December, highlights the abatement toolkit. I've attached the article to this testimony as Exhibit B.

I've also asked Susan Senning, a VLCT staff attorney who helps answer more than 4,000 legal inquiries a year from municipal officials, including many on tax abatement, to be with me today. She has helped create some of these tools, can share how our members use them, and what guidance we provide our members about abatement. Our legal inquiry service has documented at least 80 times in the past four years where they have referred municipal officials to the tax abatement toolkit. There are undoubtedly dozens of other times we have done so and not documented that referral.

I did some informal surveying of town managers and selectboard members around Vermont before this testimony so I could share some specific examples of the financial situation towns face post flooding.

In Barre City, they've received about 50 abatement requests to date, but expect many more. Three hundred and sixty homes were impacted, and 90 received substantial damage determinations. Their grand list is likely to drop more than 3.6 percent because of the flooding. Forty property owners have asked for buyouts, which would cost about \$8 million, with a \$2.5 million local share. Their estimated budget impact, between abatements, lost revenue and local match – nearly \$1.5 million. Which is likely to go up with buyouts and the large plans for the resiliency underway in Barre City.

In smaller towns, like Hardwick, they've already abated six properties totaling about \$14,147, and anticipate a couple more. They anticipate these properties will come off the grand list next year. Their estimated budget impact today, about \$75,000 – largely due to FEMA match and lost water and wastewater revenue.

Some towns haven't abated any taxes yet, like Woodstock. But they have offered abatement to those impacted, and are going to encourage them to apply for abatement again in the near future.

And other towns, like Richmond, haven't abated taxes, but estimate their budget will be impacted by non-reimbursable disaster work to the tune of \$85,000.

Other towns haven't complied the numbers entirely yet, but Johnson Village estimates water and wastewater revenues will be down 10 percent, and electric revenues down 5 percent.

While you work on H. 541, I hope you will consider the following feedback:

Section 1 (line 11, page 2): To ensure fairness and equity across municipalities with different capacity, we encourage the committee to consider extending the eligibility period for abatement reimbursement. We recommend providing until June 30, 2024.

Section 1 (line 19, page 2): VLCT appreciates the Legislature's allowance of properties that meet one OR more of the criteria. This is vitally important to enable Vermonters impacted by the flooding and their municipalities to benefit from the abatement program.

VLCT also recommends adding language that directs the Commissioner to reimburse communities 90 percent (to match FEMA's match requirement) of the municipal tax abated. This cost share will ensure towns are invested in the abatement and sharing the pain with the state, but also recognize the scale of this disaster.

Thank you for your consideration of this testimony, and for asking VLCT for its opinion on this important issue. I'd be happy to answer any questions.

Attachments

[Testimony to House Ways and Means Jan 11 2024](#)