The Federal Tax Bill and Municipal Property Taxes

In anticipation of changes to federal tax law, many Vermont residents are seeking to prepay next year’s municipal property taxes. As a general matter, the VCLT Municipal Assistance Center does not recommend that a town accept payments for next year’s taxes because there is a lack of clear legal authority to do so in state law, and because doing so puts significant administrative burdens on the town.

We also note that tax experts say that any advantage for early payment of municipal property taxes applies only to taxes that have already been billed. This subject was discussed by the Vermont Tax Commissioner and a Vermont CPA on the 12/21/17 edition of “Vermont Edition” on Vermont Public Radio: http://digital.vpr.net/post/what-new-tax-overhaul-means-vermonters#stream/0

A town should allow early payment of any taxes that have been billed but are not yet due (e.g. future installments). However, it is legal and legitimate for a town to refuse prepayment of taxes that have not been billed. A town receiving multiple requests from taxpayers may want to release a statement to give notice that the town is not accepting prepayment of next year’s taxes and that tax payments will only accepted after tax bills have been issued by the town.

Because there are still questions surrounding the federal tax bill, town officials should avoid making representations on the effects of the federal tax bill on property tax payments and should instead direct taxpayers to seek professional advice from tax advisers and accountants.