

**EDUCATION PROPERTY TAXES**  
**GUIDELINES FOR TREASURERS AND COLLECTORS**

(Effective for fiscal year 2009 taxes)

June 2008

Property Valuation and Review Division  
Vermont Department of Taxes

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Vermont Town Treasurers and Tax Collectors:

All properties on the education grand list are classified as either homestead or nonresidential. A statewide education tax, imposed at different rates, is applied to those two classes of property. 32 V.S.A. § 5402(a). The basis for this classification is the Homestead Declaration that must be filed by each resident homeowner annually by April 15. Any property that is not a homestead is nonresidential property.

We hope this booklet will answer your questions on the levying of the FY09 education taxes, on the application of the property tax adjustments provided in 32 V.S.A. §6066a and any related issues. This and other information on property taxes is available on the Tax Department's web site. You can find us at: <http://www.state.vt.us/tax/>. As always, if you have questions, contact:

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## PROPERTY TAX RATES

**Municipal Tax Rates** –The selectboard (most often with the advice of the treasurer) sets the tax rate or rates needed to raise money for town highway and general fund expenses. The municipal rate is levied against the municipal grand list.

**Education Tax Rates** – These rates are to be levied against all homestead and nonresidential parcels on the education grand list. A homestead education tax rate and a nonresidential education tax rate are set annually by the commissioner of taxes.

The education tax rates in your town or city depend upon your local per pupil spending and your local common level of appraisal<sup>1</sup>.

Homestead Education Rate: For tax year 2008 (FY09), the base education tax rate for homestead property is \$0.87. It will be adjusted by your district spending adjustment and by your school district's common level of appraisal.

Nonresidential Education Rate: For tax year 2008 (FY09), the base tax rate for nonresidential property is \$1.36. It will be adjusted by your school district's common level of appraisal. *The district spending adjustment does not affect the nonresidential rate.*

The Commissioner of Taxes will send local officials (selectboards and treasurers) a Notice of Education Tax Rates for Fiscal Year 2009 of the rates on June 30, 2008. Property classified as homestead will be taxed at the homestead rate. Property classified as nonresidential will be taxed at the nonresidential rate.

Detailed information on how the Department of Education determines the district spending adjustment for each school district and how the common level of appraisal adjustment is applied can be found at:

<http://www.state.vt.us/tax/pvredtaxrates.shtml>

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<sup>1</sup> The common level of appraisal is the factor applied to the education tax rates to bring the assessments in different towns upon which those rates will be applied to the same level of appraisal. It corrects for the fact that not all towns reappraise properties in the same year.

## FREQUENTLY ASKED QUESTIONS ON EDUCATION TAX RATES

### **How does the spending level voted in my town affect the homestead tax rate?**

The tax rate levied on homestead property is adjusted upward if the residents of that school district spend more than the “base education spending” amount. The base is \$8,210 per pupil for tax year 2008 (FY09). Here’s an illustration of how the rate is adjusted.

Say your local school budget provides for spending of \$9,200 per pupil. The **homestead** tax rate of \$0.87 will be adjusted. It will be higher in proportion to the amount your voters decided to spend over \$8,210 per pupil. In this example, the district spending adjustment is:

$$\$9,200 \div \$8,210 = 1.12058 \text{ or } 112.058\%$$

The effective homestead tax rate is  $\$0.87 \times 1.12058 = \$0.9749$

If the common level of appraisal in your town is 90.00%, your homestead education rate to be applied to homestead properties becomes \$1.0832.

$$\$0.9749 \div 0.9000 = \$1.0832$$

Keep in mind that some town districts are also members of union school districts or unified school districts. In those instances, the tax rate is a combination of the individual rates of the different districts of which you are a member.

**Is the nonresidential tax rate of \$1.36 adjusted to reflect spending over the “base education payment?”**

**No.** The rate for nonresidential property is the same for all property in Vermont. It is adjusted only by the common level of appraisal. If the CLA is 90.00% the rate becomes:

$$\$1.36 \div .9000 = \$1.5111.$$

Will there be towns where the **nonresidential tax rate is lower** than the homestead tax rate?

Yes. In towns with **per pupil spending in excess of \$12,834 the homestead rate will be higher** than the nonresidential rate for fiscal year 2009. Consider a school district with spending of \$13,000 per pupil.

The homestead tax rate will be \$1.4058. That's \$0.87 times the district spending adjustment.

$$\text{District spending adjustment} = (\$13,000 \div \$8,210) = 1.58343$$

$$\$0.87 \times 1.58343 = \$1.3776$$

The nonresidential tax rate is \$1.36.

Of course, both these rates would then be adjusted by the CLA.

Is there an additional adjustment for school districts whose per pupil spending is a lot more (**excess spending**) than the average statewide?

Yes. If a town has "excess spending," then the Department of Education includes that excess twice in the computation its district spending adjustment. [32 V.S.A. §§5401\(12\) and 5401\(13\)](#). Excess spending means the per-pupil spending (less eligible construction costs) is in excess of 125 percent of the excess spending base. For FY09 the excess spending base is \$10,630. So the threshold is \$13,287 (1.25 x \$10,630). Let's look at an example:

Your school district spends \$13,500 per pupil. The excess spending base is \$10,630. 125% of \$10,630 is \$13,287.

Your per-pupil spending exceeds the threshold by \$213. (\$13,500 – \$13,287) This is your school district's excess spending.

$$\text{The district spending adjustment is: } (13,500 + 213) \div 8,210 = 1.67028$$

$$\text{Rate becomes } (1.67028 \times \$0.87) \div \text{CLA}$$

$$\text{If the CLA is 85\%, the homestead rate is } (1.67028 \times \$0.87) \div .85 = \$1.7095$$

In this example, the excess spending adjustment adds less than 3 cents to the homestead rate.

We used to **round our tax rates** to the nearest whole cent. Can we do this for education taxes?

No. The education tax rates you will receive about June 30 will be rounded at the 4<sup>th</sup> decimal point, e.g. \$1.7941. Those are the rates that must be levied. Neither those rates nor the local agreement rate can be rounded further. You may continue to round the municipal rate if you choose.

My town has a tax classification system authorized by our charter. Under the charter commercial property is assessed at 120% of appraised value. Does our **charter** affect how education taxes are levied?

No. It doesn't affect the education taxes—only the municipal taxes. [32 V.S.A. §5402](#)(b)(1).

My town is completing a reappraisal for the April 1, 2008 grand list. Using the common level of appraisal to adjust the tax rates doesn't seem fair. Our common level of appraisal was 85% based on last year's grand list. The tax bills for this year will use a grand list that is at 100% of market value. Will the tax rates be adjusted to account for **reappraisals**?

Yes. In those towns that have reappraised for 2008, the common level of appraisal used to calculate the rates will be the ratio of the reappraised 2008 education grand list to the equalized education grand list certified January 1, 2008. The Director of PVR is charged by statute with determining whether a reappraisal has occurred that warrants a new CLA. [32 V.S.A. §5406](#)(c).

Towns also levy taxes for highways and other **municipal services**. Are there different rates for homestead and nonresidential properties?

No. Municipal taxes that pay for highways and other municipal services are levied on the municipal grand list. With the exception of the few communities that have different rates in accord with their charter, municipal taxes are not subject to tax classification.

The selectboard determines the amount to be raised from taxes and divides that figure by the total municipal grand list established by the listers. [17 V.S.A. §2664](#). There is no adjustment for the common level of appraisal as there is no need to adjust the municipal values to a single point in time. This is not a state tax requiring equalization across towns.

## LOCAL AGREEMENT RATE

If your town or city has non-approved locally voted exemptions or tax stabilization agreements, you must set a local agreement rate to raise foregone school taxes.

A municipality shall assess a tax on its municipal grand list at a rate sufficient to raise an amount equal to the difference between the municipality's total education property tax liability to the state under this chapter and the amount collected from education property taxes in the municipality after reductions for all tax agreements in effect in the municipality as defined in subsection (c) of this section. Any such tax assessed under this section shall be identified on the tax bill of the municipality as a separate tax for municipally voted tax agreements. [32 V.S.A. §5404a\(d\)](#).

Check the abstract of the grand list (form 411). It will indicate whether non-approved local agreements are contained in the grand list. If there are such agreements, a local agreement rate must be levied. The listers/assessor in your municipality can answer questions on these agreements.

Setting the local agreement rate. The idea is to determine how much education tax revenue was foregone as a result of the local agreement. You then levy the appropriate tax rate against the municipal grand list to raise that amount. Let's take an example.

Your voters have decided to stabilize the taxes on a business that is expanding in town. The selectboard has entered into an agreement with the owner to exempt \$500,000 of the value for each of the next five years. [24 VSA §2741](#). The voters have also decided to exempt an **additional** \$15,000 on homes owned by qualifying veterans. [32 VSA §3802\(11\)](#). There are 10 such properties for a total reduction in homestead listed value of \$150,000.

For the purposes of this example, the nonresidential education tax rate is \$1.6027. The homestead education tax rate is \$1.5503. As a result of the local agreements, the total foregone education tax revenue is \$10,339. It's made up of a nonresidential portion (the \$500,000 business stabilization) equal to:

$$5,000 \times \$1.6027 = \$8,013.50$$

plus a homestead portion (the new home exemption) equal to:

$$1,500 \times \$1.5503 = \$2,325.45$$

Let's say the total municipal grand list for your town is 1,020,000. The local agreement rate would be determined by dividing the total foregone revenue (\$8,013.50 + \$2,325.45) by the municipal grand list. That is:

$$\$10,339 \div 1,020,000 = \$0.010136. \text{ Rounded to 4 decimals: } \$0.0101$$

## PROPERTY TAX ADJUSTMENT CREDITS

(Payment Based on Income)

Eligible Vermonters may apply to the Vermont Department of Taxes (VDOT) for a property tax adjustment credit when making their declaration of homestead.

The first credit amounts to be applied to the tax bills will be placed on the ftp server on July 1. The file includes data from timely filed applications (filed by April 15, 2008).

The vast majority of Vermont communities use New England Municipal Resources Center (NEMRC) grand list administration software and that firm has updated its software to accommodate these credits for tax billing and accounting purposes.
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Simultaneous with the credit file being uploaded for towns to retrieve, the VDOT:

notifies the town treasurer of the amount of the credit; and

sends a notice to the taxpayer detailing what makes up the credit, e.g. personal income tax refund of \$100, incentive payment of \$1, and property tax adjustment of \$500, total credit of \$601.

The tax bill to be issued by the Town must reflect the deduction of \$601.

### “Data for the Town” File

In the vast majority of cases, all will go smoothly. The taxpayer will file on time with the correct information and the data will flow to the town allowing for the credit to be issued on the initial tax bill. That is our example 1 below—Sally Perfect.

The other examples will show you what will happen when everything isn't perfect.

1. **Sally Perfect** files an HS-122 and has a \$500.00 adjustment payment due and has requested that \$100.00 of income refund be applied.

Here's the result:

- 7/1/08 Correspondence is mailed to Sally from the department stating that \$601.00 will be applied to SPAN 123-456-11125.
- 7/1/08 the town will get a “Data to the Town” file and Sally will appear as follows: 123-456-11125, Perfect,Sally, Anywhere street,601.00,2008

2. **Tom Badguy** files an HS-122 and has a \$600.00 adjustment payment due. On June 1, 2008 the listers used the listers' response and sent Tom to the VDOT as NR (notified the Tax Department that the listers do not believe this property is a homestead). On June 2, 2008, the VDOT sends an NR Letter to Tom giving him an opportunity to respond.

What happens?

- 7/1/08 Correspondence is mailed to Mr. Badguy from the department stating that \$600.00 will be applied to SPAN 123-456-91264.
- 7/1/08 the town will get a "Data to the Town" file and Tom will appear as follows: 123-456-91264, Badguy, Tom, Anywhere street, 600.00, 2008

Then on 7/15/08 Tom writes back to the VDOT stating the property is not his primary residence.

What happens then?

- State will make the HS-122 informational (non-operational). The VDOT will bill Tom back for the \$600.00.
- The town will get a delete in the weekly homestead file shutting the flag off on that SPAN. The town will issue a corrected tax bill to the taxpayer at the non-residential rate that reflects the \$600.00 credit to Tom's tax bill.

3. **Jim Duemoremoney** files an HS-122 and has a \$100.00 adjustment payment due. It is later discovered he is due more than \$100 in property tax adjustment.

- 7/1/08 Correspondence is mailed to Mr. Duemoremoney from the VDOT stating that \$100.00 will be applied to SPAN 123-456-66222.
- 7/1/08 The town gets a "Data to the Town" file and Jim appears as follows: 123-456-66222, Duemoremoney, Jim, Anywhere street, 100.00, 2008.

Then on 7/11/08 Jim faxes in a letter to the VDOT stating that there is an error on his property tax adjustment. The state corrects Jim's adjustment claim and Jim is due an additional \$300.00 adjustment credit.

What happens?

- 9/17/08 Correspondence is mailed to Jim from the department stating that \$300.00 will be applied to SPAN 123-456-66222.
- 9/17/08 the town will get a "Data to the Town" file and Jim will appear as follows: 123-456-66222, Duemoremoney, Jim, Anywhere street, 300.00, 2008
- The town will issue a corrected tax bill to the taxpayer showing a \$400.00 adjustment credit.

4. **Joshua Untimely** files an HS-122 and has a \$500 adjustment payment due. The received date on this claim is 6/2/08.

What will happen with this untimely claim?

- 6/9/08 The weekly Homestead file will have an add for SPAN 123-456-77788. When the tax bill is issued, the town will charge a 1% penalty on the school tax for untimely filing.
- 9/15/08 Correspondence is mailed to Joshua from the VDOT stating that \$485.00 will be applied to SPAN 123-456-77788 (retention of \$15 fee for untimely filing).
- 9/15/08 the town will get a “Data to the Town” file and Joshua will appear as follows: 123-456-77788, Untimely, Joshua, Anywhere street, 500.00, 15.00, 485.00, 2008.
- The town will issue a corrected tax bill to the taxpayer showing a \$485.00 adjustment payment. (*Town will retain the \$15.00 fee for issuing the corrected tax bill*).

“Edit the Credit “ Weekly file (after 7/1/08)

5. **Larry IncorrectSpan** files an HS-122 and has a \$500 adjustment payment due. It is later learned he filed using the incorrect SPAN.

Here’s what happens:

- 7/2/08 Correspondence is mailed to Larry from the department stating that \$500.00 will be applied to SPAN 123-456-33333.
- 7/2/08 the town will get a “Data to the Town” file and Larry will appear as follows: 123-456-33333, IncorrectSpan, Larry, Anywhere street, 500.00, 2008.

On 8/15/08 Larry calls the department and says he received his property tax bill and it has 2 problems. It is billed at the non-residential rate, and he does not have his \$500.00 credit.

The VDOT researches the issue and finds that his return was filed under an incorrect SPAN #. It should be 33339. The department fixes the SPAN number. Then...

- 8/20/08 the town will get an “add and delete” in the weekly Homestead file. Turn off the flag on SPAN ending 33333 and turn on the flag for SPAN ending 33339.
- Also on 8/20/08 the town will get a weekly “Edit the Credit” file. The file will reflect that SPAN ending 33333 should have \$0.00 for a credit and that SPAN 33339 should have a credit of \$500.00
- The town will then issue corrected tax bills for each SPAN to give the proper rates and credits.

**Can the declaration of homestead portion and property tax adjustment claim portion of Form HS-122 be filed separately?**

YES, but there are penalties for filing or changing a submission after April 15, 2008. Consider this situation...

HS-122 is filed April 10, 2008. The property tax adjustment section is blank.

The town classifies the property as homestead. The tax bill goes out July 15, 2008.

Another HS-122 is filed August 1, 2008 that contains property tax adjustment information.

The town retrieves the September 15, 2008 tax adjustment amounts data that includes the August 1, 2008 submission.

A corrected tax bill must be issued that includes property tax credit amount in the September 15 data (reduced by \$15 to cover the cost of issuing a corrected tax bill).

**What happens if the property tax adjustment claim is filed timely, but then amended after April 15?**

Say an HS-122 is filed April 10, 2008. The property tax adjustment section is completed. The town classifies the property as homestead. The tax bill goes out July 15, 2008 and includes a property tax credit.

Another HS-122 is filed August 1, 2008 that contains changed property tax adjustment information. The town retrieves the September 15, 2008 tax adjustment amounts data that includes the August 1, 2008 submission. The necessary action will depend on whether the credit has increased or decreased.

Credit amount decreased. The amended HS-122 results in the taxpayer being due less of a credit than was on the original tax bill. The Town is not notified. The Tax Department bills the taxpayer for the amount of the overpayment.

*The Town will not be asked to collect any overpayment of the credit from the Taxpayer that was the result of an amended or rescinded property tax adjustment claim. The State will collect from the Taxpayer in those instances.*

Credit amount increased. The amended HS-122 results in the taxpayer being due more of a credit than was on the original bill. The Town issues a corrected tax bill with the higher credit

amount. The Town does not receive \$15 for the issuing of a new tax bill that is sent as a result of an *amended* property tax adjustment claim (\$15 fee retained if new bill is issued as a result of an *untimely* filed property tax adjustment claim). If the original bill was already paid and the taxpayer now has a credit, the Town issues a check to the Taxpayer for the credit.<sup>2</sup> The check is to be issued within 20 days of the first date upon which taxes become due and payable or 20 days after notification by the commissioner, whichever is later. 32 V.S.A. §6066a(f)(4).

### **How is the 2008 property tax adjustment calculated?**

The 2008 property tax adjustment is calculated based on 2007 household income and the 2007 property taxes levied on the housesite. There is a worksheet included in the 2007 Vermont income tax booklet and on the Tax Department web site that property owners can use to calculate the property tax adjustment. Go to: <http://www.state.vt.us/tax/pdf.word.excel/pvr/hs-122calc.xls>

### **When does the Town receive information on the credit amounts?**

The Tax Department will place a file containing all timely-filed property tax adjustment amounts on the ftp server on **July 1, 2008**.

The Tax Department will place a file containing all untimely-filed property tax adjustment amounts on the ftp server **September 15, 2008**.

On **September 22, 2008** the Tax Department starts a schedule of placing property tax adjustment files on the ftp server weekly and notifying taxpayers of adjustment amounts. These edits will only relate to timely- and untimely-filed claims.

Any claims received after September 1, 2008 are late and are rejected by the Tax Department.

### **Will homeowners receive an itemization of what payments went towards the property tax bill?**

Yes. Claimants will receive a detailed notice from the VDOT. For property tax adjustment claims filed by April 15, 2008, the VDOT sends notification to the claimant July 1, 2008. For property tax adjustment claims filed between April 15, 2008 and September 2, 2008, the Tax Department sends notification to the claimant on September 17, 2008.

### **When does the town receive the property tax adjustment money?**

Beginning this year (FY09) towns will not receive actual payment of the education tax adjustment amount. Instead that amount will be included in the cash flow statement the town treasurer receives from the Department of Education in September and April. Towns will receive a check from the Tax Department for the portion of the property tax adjustment credit that relates to municipal taxes. Those checks will be issued on August 1 and September 15 in accord with 32 V.S.A. §6066a(g).

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<sup>2</sup> Towns will not be notified of any additional adjustment amounts after December 31 of the claim year, and such amounts shall be paid to the claimant by the Tax Dept.

**If most of the property tax adjustment money is flowed to the school districts through the netting process, how are towns supposed to pay refunds to taxpayers?**

Towns will receive checks from the VDOT for the portion of the adjustment amount that is attributable to municipal taxes. This money can be used to make refunds. Though it is unlikely, if refunds exceed the amount paid to towns for municipal taxes, then the town would have to bill the school district for that amount at the end of the fiscal year.

**If the information on the notice of property tax adjustment to the claimant is incorrect, who should the homeowner contact for correction or explanation?**

Contact Taxpayer Services at 1-866-828-2865 (toll-free in VT) or 802-828-2865 (local) or email to [schooltax@state.vt.us](mailto:schooltax@state.vt.us).

**Will the property tax bill show the property tax adjustment amount so the “net” property tax bill will read like an itemized statement?**

[Title 32 section 6066a\(f\)](#) requires the total amount allocated for payment of property taxes to be shown on the net bill. This figure will include the property tax adjustment and any income tax refund designated to pay the homestead property tax (plus the 1% incentive on the amount of any income tax refund).

**How is the privacy of a homeowner with household income above \$106,000 protected? Their property tax bills will have no credit and the property tax bills are public records.**

You cannot deduce a person’s income from the property tax bill. Property owners of any income level may apply an income tax refund as a credit towards the property tax bill. A person with \$200,000 income may have a credit for an income tax refund applied. And, not everyone with household income under \$106,000 will be eligible for property tax adjustment. A person with \$55,000 household income with a modest home may not be eligible for a credit.

**What happens if the property sells after April 1? Will the tax bill still have the credit? Won’t that complicate proration of taxes?**

When homestead property is transferred, the property tax adjustment amount is allocated to the seller. The parties, of course, may agree otherwise. [32 V.S.A. §6063\(b\)](#).<sup>3</sup>

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<sup>3</sup> Paragraph (b) added in 2008 to read: In case of sale or transfer of a residence, any property tax adjustment amounts related to that residence shall be allocated to the seller at closing unless the parties otherwise agree.

**What is the point of filing a declaration of homestead after the September 2, 2008 (untimely filing) date? The property remains listed as nonresidential, no property tax adjustment is available and the homeowner gets a late filing penalty?**

It's the law. All owners of a homestead must file an annual declaration of homestead. It's not optional. Otherwise, an owner could decide not to file a declaration during a year when the nonresidential rate was lower than the homestead rate to receive the lower school property tax rate and avoid any consequences for failing to file a declaration.

## PENALTIES – LATE FILERS AND NONFILERS

There are penalties imposed when homestead declarations/property tax adjustment claims are untimely or late-filed, and when a person fails to make the proper declaration. To be timely filed, the Tax Department must receive the homestead declaration by April 15.

I understand the homestead declaration is due April 15. What happens if it's filed after that date?

A. Untimely-filed declarations (and rescinded declarations) received by the Tax Department **on or before September 1 (September 2, 2008)** will be forwarded to the towns. [32 V.S.A. §5410\(h\)](#). The listers will then proceed to change the tax classification of the property in the grand list book enabling the treasurer to issue an amended tax bill--or a correct tax bill in those instances where tax bills have not yet been issued

In the case of an untimely-filed declaration, the amended education tax bill will reflect the classification as homestead. That bill will also include a penalty. The penalty is equal to 1% of the correct education tax for late filing (penalty is 100% if the Tax Department determines the late filing was the result of fraud).

If the corrected tax amount is higher than the original tax amount, and the due date in your town has passed, the difference between the tax paid and the correct tax is delinquent and will be subject to interest as voted by the town (generally one percent per month for the first three months and one and one half percent per month thereafter) and to the 8% commission of the collector of delinquent taxes.

If the corrected tax amount is lower than the original tax amount, the taxpayer will receive a refund from the Town on the overpayment (net of 1% penalty). No interest is due on that overpayment.

B. If the declaration is filed with the Tax Department **after September 2, 2008** it is considered late. The declaration will be accepted and the information sent to the Town. However, the Town cannot amend the grand list book and issue a corrected tax bill to reflect a lower homestead rate if the declaration was received after September 2. There is a 1% penalty (1% of the corrected education tax) due from the taxpayer, however.

If the homestead tax rate is higher than the nonresidential tax rate, the Town will bill for the additional amount (this additional amount is penalty and retained by the Town) plus the usual interest and commission if due on delinquent taxes. That bill will also include a penalty (1% of the education tax) for late filing (penalty is 100% if the Tax Department determines the late filing was result of fraud).

Who bills and collects the penalties?

The collector of current taxes in the town or city bills for and collects the penalties on current taxes. The collector of delinquent taxes bills for and collects the penalties on delinquent taxes.

Where does the penalty money go? To the **Town or the Education Fund**?

The penalty goes to the Town. This includes the one percent penalty, the \$15 to cover the cost of issuing a new tax bill, and additional taxes billed for declarations received by the Tax Department after September 2, 2008. [32 V.S.A. §5410\(i\)](#), [32 V.S.A. §6066a\(d\)](#).

It says above that if the homestead declaration is received by the Tax Department late but before September 3 then the taxpayer's bill will be adjusted to reflect the homestead rate. What if the tax bill has been paid at a nonresidential rate already? How does the **taxpayer get the overpayment back**?

The municipality will refund the overpayment to the taxpayer on final true-up by the following May 15. [32 V.S.A. §5410\(h\)](#)

The taxpayer is not due any interest on this overpayment. Reductions that occur as the result of an appeal are subject to interest. See the example below.

Does the municipality have to pay **interest on any overpayment** that resulted?

Interest is paid only if the credit is the result of an appeal. [32 VSA §5136\(b\)](#) says:

(b) Whenever a municipality votes to collect interest on over-due taxes pursuant to this section, interest in like amount shall be paid by the municipality to any person making any overpayment of taxes occurring as a result of a redetermination of the grand list of the taxpayer on appeal provided by chapter 131 of this title.

Interest is due only if the credit is the result of a grievance, an appeal to the BCA or beyond. Otherwise interest is not due.

A. Say the homestead declaration is untimely filed. The town is made aware of the receipt of the homestead declaration July 12, but the listers do not change the taxpayer's status until September. Education taxes of \$2,000 were due July 10. Full payment of \$2,000 had been received from the taxpayer prior to the due date.

The listers provide the certificate for the town clerk to amend the grand list to reflect the homestead declaration under errors and omissions provisions in [32 V.S.A. §4261](#). The grand list is modified to reflect classification as homestead. An amended education tax bill is issued for \$1,800. It indicates a credit of \$200 is due. No interest is due because the credit is not the result of an "appeal provided by chapter 131 of this title." The Town issues the credit no later than May 15 following the final true-up.

B. Say the homestead declaration was timely received. The declaration indicates there is a “business or rental use of improvements or other buildings”. The listers classify a \$300,000 portion of the property as homestead. They classify \$200,000 as nonresidential. The taxpayer grieves the allocation of the value. She thinks only \$50,000 should be allocated as nonresidential. The grievance is denied. The taxpayer appeals to the BCA and the BCA issues a decision changing the allocation to \$310,000 and \$190,000. The board’s decision is issued after the property tax due date.

The grand list is modified by the town clerk to reflect the BCA decision. A corrected tax bill is issued reflecting a credit. Interest is due because the credit is the result of an “appeal provided by chapter 131 of this title.”

The overpayment to the Education Fund is netted as part of the true-up, but the interest must be paid by the municipality.

Is the **grand list book changed** when a late homestead declaration is filed?

The grand list book will change only if the homestead declaration was received at the Tax Department prior to September 3, 2008. The Tax Department will provide listers with updated information on declarations received on a regular basis. This will allow changes to the grand list book under errors and omissions ([32 V.S.A. §4261](#)). Corrected tax bills can then be issued on those properties.

I just got a call from a taxpayer. He claims he overpaid his education tax because the classification was wrong in the grand list book. Is there an **abatement** process for such things?

There are provisions for abatement in some circumstances. If the issue is lister error, the board of tax abatement can act under [24 V.S.A. §1535](#). If the issue is hardship, there are provisions under [32 V.S.A. §5410\(j\)](#). Let’s look at some scenarios...

**a. Jerry Soldier**’s income tax preparer notices that the tax bill for the previous year was computed using the nonresidential tax rate. The preparer lets Jerry and his wife know that they should have been taxed at the lower homestead rate. They failed to notice the error when the tax bill was issued.

Jerry calls Taxpayer Services and finds there is no homestead declaration of record there. He is told by Taxpayer Services that if the property was his domicile, then he must file a homestead declaration now. The result will be an additional tax bill from the Town for the 1% penalty. He files the homestead declaration and incurs the penalty. He then requests abatement of the penalty and the overpayment (homestead rate was lower than nonresidential rate) from the Town by sending a letter to the town treasurer.<sup>4</sup> In his letter he explains that he is in the Vermont

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<sup>4</sup> The legislative body of a municipality shall have authority in cases of hardship to abate all or any portion of a penalty appealable to the listers under this section and any tax, penalty, and interest arising out of a corrected property classification under this section; and shall state in detail in writing the reasons for its grant or denial of the requested abatement. The legislative body may delegate this abatement authority to the board of civil authority or the board of abatement for the municipality. Requests for abatement shall be made to the municipal treasurer or other person designated to collect current taxes, and that person shall forward all requests, with his or her recommendation, to the body authorized to grant or deny abatement. 32 V.S.A. §5410(j).

National Guard and was deployed to Iraq during the time the declaration should have been filed. He asks that he be considered for abatement on hardship grounds. ([32 V.S.A. §5410\(j\)](#))

The town treasurer gives the request to the board of tax abatement (selectboard delegated authority to BTA previously) and they act on the request.

b. **Tom Unfortunate** notices that the tax bill for the previous year was computed using the nonresidential tax rate. Tom knows that he and his wife should have been taxed at the lower homestead rate. They failed to notice the error when the tax bill was issued.

Tom calls Taxpayer Services and finds there is a homestead declaration of record there. Taxpayer Services investigates and discovers that the homestead declaration data was transmitted to the Town and that an error was apparently made by the listers in not properly classifying the property as a homestead in the grand list book. The Taxpayer Services staff member lets the Town and the Taxpayer know what was discovered and that the property should have been classified as a homestead.

Tom can request abatement under [24 V.S.A. §1535](#) for the overpayment made due to the error of the listers.

*Please let taxpayers know it is their responsibility to review their homestead/nonresidential status upon receipt of their tax bills. Classification errors brought to the listers' attention in a timely manner can be corrected under the errors and omissions process in [32 V.S.A. §4261](#). Timely correction will prevent the Town losing money through abatement. As with all abatements, the money abated comes out of the Town's coffers. The amount due in education tax from the Town is not affected by abatement.*

**Is there any provision for abating the penalty?**

The legislative body (or board of tax abatement or board of civil authority if so delegated by the legislative body) has the authority to abate in cases of hardship. Requests for abatement are made to the collector of current taxes. [32 V.S.A. §5410\(j\)](#).

**There's a provision for abatement of penalty in cases of "hardship." What constitutes hardship?**

It can be considered hardship if the reason for an owner's filing an incorrect declaration or failing to file a correct homestead declaration was due to one or more of the following:

- (1) Full-time active military duty of the declarant outside the state.
- (2) Serious illness or disability of the declarant.
- (3) Serious illness, disability or death of an immediate family member of the declarant.
- (4) Fire, flood, or other disaster.

"Hardship" also means an owner's inability to pay as certified by the Commissioner of Taxes in his or her discretion. [32 V.S.A. §5410\(l\)](#). Any request to the Town or City for **abatement due to inability to pay** must be accompanied by a document from the Tax Department certifying such hardship.

## TAX BILLS

The legislative body (selectboard/alderboard/city council) makes out and delivers to the proper collector of current taxes, the warrant for the collection of same. [24 V.S.A. §1521](#). In the case of collection by treasurer, this is generally accomplished via the action of setting the tax rate at a selectboard meeting and causing the tax bills to be produced. In accord with [24 V.S.A. §1521](#), [32 V.S.A. §5402](#), and [32 V.S.A. §6066a](#)(f) the tax bills **must** contain, among other things, the following:

- total assessed value of parcel
- SPAN number
- acreage
- value of homestead, if applicable.
- value of taxable homestead (different from total homestead when veterans' exemption applies).
- value of housesite, if applicable
- value of taxable housesite (different from total housesite value when veterans' exemption applies)
- homestead education tax rate
- nonresidential education tax rate
- municipal tax rate
- local agreement rate (if applicable)
- property tax adjustment credit (if applicable)
- total taxes due (net due if property adjustment credit applies)
- if the property includes a housesite, the amount of state education taxes and municipal taxes on that housesite.

Though not required on a tax bill, it is helpful if the tax bill or other enclosed billing information reminds taxpayers of the need to retain the tax bill for future reference. Most towns and cities are also printing the 3-digit school district code number on the bills. These [Vt. School Codes](#) can be found in the Vermont Income Tax Booklet.

The Tax Department will provide a **model insert** that will explain how school spending affects the tax rates. You are required to make copies of this insert and include one of each with each homestead tax bill. [32 V.S.A. §5402](#)(b)(1).

There is also an insert giving information on Vermont's income sensitivity and current use programs. These are supplied by the Tax Department in a quantity sufficient to include one in each bill.

PAYABLE TO:  
MAIL TO:

**Town of Rutland**  
PO Box 555  
Rutland VT 05701-0555

This is the only bill you will receive. Please forward to new owner if property is sold.

**TAX BILL**

802 - 555 - 5555

PARCEL ID	BILL DATE	TAX YEAR
0007-01-01.	06/10/2008	2008

Taxes unpaid after the due date are delinquent. Maximum interest as allowable by law will be charge in addition to collectors fee of 8%. Postmarks are NOT accepted as timely payment.

Description: DWL AND LAND  
Location: 166 FARM ROAD

OWNER JONES TAYLOR AND BETTY  
166 FARM ROAD  
HIGHGATE VT 05862

HOUSESITE TAX INFORMATION	
SPAN # 099-999-10999	SCL CODE: 999
TOTAL PARCEL ACRES	3.00
HOUSESITE VALUE	147,000
HOUSESITE EDUCATION TAX	1,764.00
HOUSESITE MUNICIPAL TAX	885.09
HOUSESITE TOTAL TAX	2,649.09
FOR INCOME TAX PURPOSES	

ASSESSED VALUE		HOMESTEAD	
REAL	148,500	148,500	
<b>TOTAL TAXABLE VALUE</b>	<b>148,500</b>	<b>148,500</b>	
<b>GRAND LIST VALUES</b>	<b>1,485.00</b>	<b>1,485.00</b>	
For more information about how education tax rates are determined, go online to: <a href="http://www.state.vt.us/tax/pvredtaxrates.shtml">www.state.vt.us/tax/pvredtaxrates.shtml</a>	<b>TAX RATE NAME</b>	<b>TAX RATE x GRAND LIST =</b>	<b>TAXES</b>
	TOWN GENERAL	0.3463 x1,485.00=	514.26
	HIGHWAY	0.2551 x1,485.00=	378.82
	LOCAL AGREEMENT	0.0007 x1,485.00=	1.04
	HOMESTEAD EDUCATION	1.2000 x1,485.00=	1782.00
1st Payment 09/15/2008 455.28	2nd Payment 11/15/2008 455.28	3rd Payment 02/15/2009 455.28	4th Payment 05/15/2009 455.28
<b>TOTAL TAX STATE PAYMENTS</b>			2676.12 855.00
<b>NET TAX DUE</b>			<b>1821.12</b>

**DETACH THE STUBS BELOW AND RETURN WITH YOUR PAYMENT**

Town of Rutland TAX YEAR 2008		Town of Rutland TAX YEAR 2008		Town of Rutland TAX YEAR 2008		Town of Rutland TAX YEAR 2008	
1ST PAYMENT DUE		2ND PAYMENT DUE		3RD PAYMENT DUE		4TH PAYMENT DUE	
09/15/2008		11/15/2008		02/15/2009		05/15/2009	
OWNER NAME		OWNER NAME		OWNER NAME		OWNER NAME	
JONES TAYLOR AND BETTY		JONES TAYLOR AND BETTY		JONES TAYLOR AND BETTY		JONES TAYLOR AND BETTY	
PARCEL ID		PARCEL ID		PARCEL ID		PARCEL ID	
0007-01-01.		0007-01-01.		0007-01-01.		0007-01-01.	
AMOUNT DUE	455.28	AMOUNT DUE	455.28	AMOUNT DUE	455.28	AMOUNT DUE	455.28
AMOUNT PAID		AMOUNT PAID		AMOUNT PAID		AMOUNT PAID	



## PAYMENTS TO OR FROM EDUCATION FUND (RECONCILIATION)

Each town is charged with raising the education taxes based upon the rates established by the Commissioner of Taxes and the values in the local grand lists. The amount of taxes to be raised will change during the tax year due to changes in the grand list that occur when late-filed declarations are received or appeals are settled. Because of this, a process to reconcile tax amounts to be raised by municipalities is required.

The reconciliation process will use the same payment dates that have been in effect for several years. A final year-end reconciliation (based on last payment and billing dates of April 30 and June 1) will ensure that towns and cities are only responsible for raising a tax amount that is based on the established tax rates and the final grand list as of December 31, 2008. The reconciliation process is explained below.

**Please note that payments to your school district are still required to be made within 20 days of your local due dates in accord with [16 V.S.A. §426](#).**

On September 10, 2008 the first net payments of general school aid will be made to the school districts owed money from the Education Fund. The second payment to the school districts owed money from the Education Fund will occur on December 10, 2008. These payments will be estimated based on school budget information sent to the Dept. of Education by June 1, 2008 and on grand list information received at PVR by August 15, 2008.

On November 1, 2008 the first invoice will be sent to towns owing net property tax to the Education Fund. The invoices will be based on the same school spending and grand list information as indicated above. Payment will be due December 1, 2008.

The town and city clerks are required to notify PVR of changes to the grand list in accord with [32 V.S.A. §5404\(b\)](#). PVR will send a reminder to the town and city clerks in January 2009 to ensure the grand list used to determine the final tax amounts due is based on the most up-to-date version. This will ensure all changes the listers have made under errors and omissions ([32 V.S.A. §4261](#)) are accounted for. Most of the BCA appeals will also have been finalized by that time.

The final payment on April 30, 2009 will be a true-up based on the updated grand list data received in January of 2009. Everything will be netted at that time. It will account for any May 15 refunds the Town must make to Taxpayers who filed late declarations that resulted in a lower tax bill.

The second invoice will be sent to the towns owing property tax to the Education Fund on May 1, 2009. This invoice will also reflect the true-up. Payment will be due June 1, 2009.

## COMPENSATION TO TOWNS

The tax levied under [Chapter 135](#) of Title 32 of the Vermont Statutes Annotated is a state tax. The towns and cities are charged with levying and collecting that tax. The legislature provided compensation to the towns for this work.

Towns and cities retain .225<sup>5</sup> percent of the total education tax collected. 32 V.S.A. [§5402\(c\)](#). If the total education tax in your community is \$2 Million, the town will retain \$4,500. The actual amount to be retained will be based on the final tax amount after reconciliation for grand list changes.

In addition, the town retains the 1% penalty levied on late-filed homesteads, and the \$15 fee deducted from untimely filed property tax adjustment claims to compensate for the cost of producing revised tax bills.

Finally, the Town retains as penalty any additional homestead education tax billed as a result of a homestead declaration filed or rescinded after September 2, 2008. This situation arises when the homestead rate is higher than the nonresidential rate and the resulting change in classification is to homestead.

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<sup>5</sup> This is an increase from the previous .125%. The increase is intended to offset the loss in funds most towns face due to the payment of the state credit associated with education taxes to school districts through the netting process.

VERMONT DEPARTMENT OF TAXES	
FY09 TIMELINE – HS-122 PROCESSING	
July 1, 2008	Tax Department notifies towns and cities of <i>timely</i> -filed property tax adjustment credit (PTAC) amounts by placing files on ftp server
	Tax Department sends notices to taxpayers of adjustment amounts.
After July 1	Towns and cities issue net property tax bills that reflect property tax adjustment credits
July 7, 2008	Tax Dept. begins weekly processing of information that changes the adjustment amount ("edit the credit" file). It is provided electronically to towns and cities.
Aug 1, 2008	VDOT pays each municipality the PTAC amount relating to municipal taxes.
Sept 2, 2008*	The last day for filing an <b>untimely</b> Homestead Declaration and Property Tax Adjustment Claim that will result in a lower tax bill or property tax adjustment. <b>Untimely</b> and <b>late</b> homestead declarations are subject to a penalty imposed by the town. <b>Untimely</b> property tax adjustment claims are reduced by \$15.00. The \$15.00 goes to the towns to cover the administrative costs of issuing a new tax bill.
Sept 3, 2008	Homestead declarations received this date forward are <b>LATE</b> . Grand list classification is not affected. Taxpayer will be liable for additional property tax in the form of a penalty if homestead rate is higher than nonresidential rate.
	Property Tax Adjustment claims received by Tax Dept. this date forward will not be paid
Sept 10, 2008	First payment to school district from Ed Fund (based on preliminary 2008 grand list)
Sept 15, 2008	Tax Department notifies towns and cities (files placed on ftp server) of property tax adjustment amounts related to claims filed between April 16 and September 3, 2008.
	Tax Department sends notices to taxpayers of adjustment amounts.
	VDOT pays each municipality the PTAC amount relating to municipal taxes.
Sept 22, 2008	Tax Dept. starts weekly schedule of placing property tax adjustment files on ftp server and notifying taxpayers of adjustment amounts. This will involve edits to <b>Timely-Filed</b> or <b>Untimely-filed</b> Property Tax Adjustment Claims only. <b>LATE</b> claims are rejected by the Tax Department.
Nov1, 2008	First bill sent to Town for payment into Ed Fund - payment due December 1, 2008 - (based on preliminary 2008 grand list)
Dec 10, 2008	Second payment to school district from Ed Fund (based on preliminary 2008 grand list)
April 30, 2009	Final payment to school district from Ed Fund (based on reconciled 2008 grand list)
May 1, 2009	Final bill sent to Town for payment into Ed Fund - payment due June 1, 2009 - (based on reconciled 2008 grand list)

