

Vermont Department of Taxes
TECHNICAL BULLETIN

TAX: Education Property Tax

TB-64

SUBJECT: State Reimbursement of Education Tax
Abated Due to 2011 Flooding

ISSUED: January 20, 2012

STATUTORY REFERENCE: 2012, H. 461

INTRODUCTION

The General Assembly has authorized the Department to approve applications by municipalities for reimbursement of education taxes assessed on property lost or destroyed due directly or indirectly to flooding that occurred between April 1, 2011 and October 1, 2011 in an area that was declared a federal disaster and that were abated by the municipality under the provisions of 24 V.S.A. §1535. The abatement must have occurred prior to April 15, 2012. A municipality may also be reimbursed for unanticipated interest expense incurred on funds borrowed due to disruptions to tax collections in order to make payments required pursuant to 32 V.S.A. § 5402 (payment of education taxes collected by the municipality to the State Treasurer) and 16 V.S.A. §426 (payment of education taxes by municipality to the account of the school district). The law directs the Department to adopt application and approval procedures including loss thresholds. This bulletin sets out those procedures.

CONDITIONS FOR ABATEMENT

In order to receive reimbursement for abated education taxes with respect to a property, the following conditions must exist:

1. the loss or destruction to the property resulted directly or indirectly from flooding that occurred between April 1, 2011 and October 1, 2011 in an area that was declared a federal disaster;
2. abatement was granted by the municipality's board of abatement pursuant to 24 V.S.A. §1535 prior to April 15, 2012;
3. the municipality abated an equal proportion of municipal taxes on the property;
4. the primary structure on the property suffered at least a 50 percent loss in value; and
5. the property owner lost use of the primary structure for at least 90 days.

WHAT MAY BE ABATED

- Net taxes due after credit for any State property tax adjustment
- Taxes due for the portion of the tax year during which the use of the property was lost

APPLICATION PROCEDURE

1. The property owner applies to the municipality's Board of Abatement.
2. If taxes are abated, the Board of Abatement makes written findings with respect to conditions (1) through (5) above.
3. The municipality applies for reimbursement no later than May 1, 2012 on a form provided to municipalities by the Department of Taxes.
4. The Department approves or denies reimbursement requests within 30 days of receiving the application. Applications may be filed prior to the due date but each municipality may only submit one application.
5. Approved reimbursements will be paid within 60 days of receiving the application.

IMPORTANT DATES FOR ABATEMENT REIMBURSEMENT

Abatements must occur prior to April 15, 2012

Applications for reimbursement must be filed with the Department by May 1, 2012

CONDITIONS AND PROCEDURES FOR REIMBURSEMENT OF INTEREST EXPENSE

In order to receive reimbursement of interest expense, the following conditions must exist:

1. The interest expense was incurred on funds borrowed due to disruptions to tax collections due to flooding in an area declared a disaster in order to make payments required pursuant to 32 V.S.A. § 5402 (payment of education taxes collected by the municipality to the State Treasurer) and 16 V.S.A. §426 (payment of education taxes by municipality to the account of the school district);
2. The interest expense was unanticipated and above the municipality's ordinary cost of borrowing in anticipation of tax collections;
3. The interest for which reimbursement is sought was incurred for use of the funds borrowed prior to June 1, 2012.

Reimbursements shall not exceed the reasonable interest expense incurred by the municipality. Applications should be filed by June 1, but this date may be extended for good cause.

USE OF TECHNICAL BULLETINS

A technical bulletin provides general information to the public and does not replace the need for competent legal or accounting advice. This technical bulletin supersedes all prior department pronouncements on this subject.

Drafted by:

Molly Bachman 1/20/12
Molly Bachman Date

General Counsel

Approved by:

Mary N. Peterson 1/24/12
Mary Peterson Date
Commissioner of Taxes