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Agency of Administration

Memorandum

To: House Committee on Ways and Means
From: Jill Remick, Director of Property Valuation and Review, Department of Taxes
Date: February 15, 2023
Re: Department of Taxes Comments – Bill 23-0629 Reappraisal Moratorium

The Department offers the following written testimony on the above-referenced bill.

Moratorium on Reappraisals.

Questions at the Department:

- Is it advisable for the moratorium to include reappraisal orders issued in the last cycle (Grand List 2021), as currently drafted? What is the rationale for pausing progress towards a more equitable grand list?
- What is the best way to transition to an established reappraisal cycle equitably, when towns are in different stages of reappraisal work (e.g., recently paid for reappraisal services, part-way through a contract, under reappraisal order without a contract).
- How can we continue to support Vermont's private reappraisal industry until a predictable reappraisal cycle begins in 2026?

The bill provides that no reappraisals will be required for grand list years 2021 through 2026, even if the current law otherwise would require a reappraisal. A municipality may elect to carry out the reappraisal, but it is not required. The Department sees reappraisal work (projects planned or currently underway) as important progress towards an equitable grand list. Without any incentive or requirement to continue this work, Vermont will see values continue to degrade. Some of the towns who received reappraisal orders last spring had not reappraised in over a decade. As proposed, these towns may not see their values updated until sometime between 2026-2034 (assuming an 8-year cycle).

The Department is unsure about how to transition from the current law to a set reappraisal cycle equitably. Even among the municipalities currently under reappraisal orders, towns are in different stages of contracting, payment, and execution. Without incentive or requirement, towns under reappraisal order may pause on their attempts to make progress towards a reappraisal contract if they're anticipating a statewide cycle in the next decade, despite maintaining grand lists that are triggering the equity controls in place under current law. Others may consider pausing on appraisal work that is partially underway or only partially paid.



Finally, to the degree that reappraisal work does pause or stop with a moratorium, it's critical to explore how that may negatively impact the private appraisal sector in the State. Increasing the capacity of this industry is crucial to the success of any future reappraisal cycle. Private reappraisals firms and VLCT should be consulted to see if the reappraisals ordered for past years through 2020 are sufficient to carry them through to 2026. It might make more sense to delay the moratorium from 2021 to 2022 (i.e. uphold reappraisal orders issued in the last cycle for Grand List 2021).

Appeals Process

Questions at the Department:

- What is the intention of removing the board of civil authority (BCA) role in the property appeals process?
- How much investment will the Department need to professionalize its hearing officers?

The bill eliminates a local step in the valuation appeals process. The current appeals process begins with a lister/assessor grievance, then goes to a volunteer community BCA, then to property tax hearing officer or superior court. As drafted, the appeals process would be shortened and appeals from lister/assessor grievances would go directly to the hearing officers or the superior court. Under the proposal, any grievance would be handled by a state hearing officer or court, rather than the BCA, even those arising from routine grand list maintenance assessments.

Streamlining the appeals process from a volunteer community BCA to trained hearing officers may have benefits but would require new investment at PVR in professionalization and capacity building. State hearing officers are appointed by the Director of Property Valuation and Review (PVR). There are between 45 and 65 appeals each year, and most go all the way to a determination – they tend not to settle or be withdrawn.

PVR currently has four hearing officers, all semi-retired and working on a very part-time basis. Hearing officers earn \$150 per day of hearings, and \$25/hour reviewing the record and writing determinations; they receive no state benefits. PVR has struggled to recruit and retain hearing officers and the Department would benefit from more capacity, even under the current law. The Department does not have access to information about how many appeals cases are heard in aggregate across municipal BCAs and therefore cannot anticipate the additional caseload borne by state hearing officers at this time. Based on existing staffing challenges, the Department recognizes that current compensation is inadequate to attract the number of hearing officers (and hearing officer-hours) that would be needed under the proposed bill.

There are other tradeoffs to consider when excluding the BCAs. These boards do provide a connection to the local community and property at issue that the state hearing officers would not



have. The BCAs consist of elected select board or city council members and justices of the peace (except in municipalities where this is altered via charter). A site visit is required by law in a BCA appeal. If the property owner does not allow a site visit, they are not permitted to pursue their appeal. Under current law and the proposal, neither listers, hearing officers, nor the court is required to do a site visit.

Common Level of Appraisal (CLA) Application

Questions at the Department:

- What's the committee's rationale for applying the CLA to property values instead of property rates?
- How would this impact the property appeals process?

The common level of appraisal or "CLA" is a direct result of Act 60 and Vermont's transition from local education funding to a statewide, shared funding model. It is a correction factor designed so that each town (not each property owner) remits its fair share to the education fund, no matter when the town last did reappraisal. In a way, the CLA acts like an annual state-level statistical reappraisal. One of the things it does is smooth the tax impacts when a town does do a reappraisal, because if it didn't exist, taxes would significantly change every time a reappraisal happens.

Currently, the CLA is a single town-specific correction factor applied to a town's homestead and non-homestead tax rate, and is an example of "indirect equalization." Under the bill, the CLA would alter the property value itself, which is known as "direct equalization." New Hampshire is the only one other state that we know of that has a statewide property tax, and New Hampshire also does indirect equalization. If the State of Vermont were to supplant the town-listed values with the state's own estimate, it's arguable the state would need to handle any appeals of those values, which could be in the tens of thousands annually. This is in addition to the appeals happening as a result of the state-run reappraisals being proposed in other parts of this bill.

PVR's annual equalization study does weigh different categories of property based on the share of town grand list value in those categories and the sales activity for the category, but the end result of the study is a single number for the town. The study is not designed to produce an estimate of fair market value for any single property in the town and should not be applied that way. The study would need to be substantially redesigned if that were its purpose.

CAMA Systems

Currently Vermont municipalities use their own Computer Assisted Mass Appraisal program to establish local property values. These CAMA systems interface with the state's new grand list and tax administration system Vermont Property Information Exchange (VTPIE).



There is a direct relationship between Reappraisal firms and CAMA vendors. Specifically, Reappraisal Firms bid their work on their own CAMA system, or agree to use the town's CAMA system. A statewide reappraisal model would require standardization of CAMA systems to allow for seamless use of CAMA systems and collection of the reappraisal data by the State from the CAMA systems. This is likely preferred over a statewide CAMA system, which would eliminate this concern but would possibly alienate other reappraisal firms and would require towns to abandon their existing CAMA vendors and contracts.

Grand List Maintenance vs. Reappraisals

The expectations, requirements, and complexity of the listing/assessing position have changed exponentially over the past two decades and will only continue to do so as time passes. The proposed change could remove the reappraisal component from the duties of the locally elected listers/appointed assessors, but still rely on them to be responsible for the assessment administration tasks to include (but not limited to):

- Homestead administration and non-filer reporting
- Exemptions
- Current Use value allocation
- Sales Verification
- Hearing Grievances and participation in BCA/BOA hearings (if applicable)
- Reinspection lists
- VTPIE processes
- Transfers
- Name and address changes