

Town of Norwich, Vermont



CHARTERED 1761

Tax Collection Policy and Procedure

Effective: Upon adoption.

Purpose: The purpose of this policy is to outline the process for the collection of Town of Norwich property taxes (subsequently referred to as the “Town”) and to describe the process used for the collection of overdue/late and delinquent taxes.

Authority:

- Levying of property taxes is enabled by 24 VSA §1521, et seq.
- Notice of current taxes is the responsibility of last owner 32 VSA §3651, any lien follows the property according to 32 VSA §5061(a).
- Collecting of current taxes is outlined in 32 VSA §§4772 & 4792.
- Overdue (late) installments that are not delinquent are subject to interest payments according to 32 VSA §4873. Pursuant to 32 VSA §5136, the Town votes to charge interest on overdue taxes. (Note: because town votes to collect interest on overdue taxes, that interest must be collected and may not be waived or reduced by the Delinquent Tax Collector; however, there is an exception re: COVID-19 that the VT Legislature granted.)
- Authority to conduct tax collections, based on Delinquent Tax Warrant(s) enabled in 32 VSA §§4794 & 1674(2).
- Delinquent penalty authorized under 32 VSA §1674(2) (and 24 VSA §1236(10)).
- Issuance of corrected new tax bill resulting from filing a late Homestead Declaration does not extend the payment time of the original bill, nor relieve the taxpayer of any interest or penalties associated with the original bill according to 32 VSA §6066a(f)(1).
- Note: there are other statutory references that apply to specific instances related to taxes and tax collection. Refer to the *VLCT Handbook for Collectors of Delinquent Taxes* for such detail, or contact the Town Manager’s Office who serves as Delinquent Tax Collector.

Policy: Annually and as determined by state law, the Selectboard will set a property tax rate and levy property taxes on property owners. Current property taxes are due upon receipt of the tax

Town of Norwich, Vermont
Tax Collection Policy and Procedure
July 22, 2020

bill. However, subject to voter authorization at Town Meeting (1st Tuesday in March) tax payments may be made in two installments.

Definitions:

Delinquent payments: Current taxes that are not paid by the second installment deadline (typically the second Friday in February but can be adjusted by Town vote or decree) are considered delinquent and are subject to a 1% monthly “simple” interest charge for the first three months thereafter 1.5% for subsequent months, and a one-time 8% penalty.¹

Overdue/Late payments: Current taxes that are not paid by the first installment deadline (typically the second Friday in August but can be adjusted by Town vote or decree) are considered overdue/late and are subject to a 1% monthly “simple” interest charge for the first three months the account is late and thereafter 1.5% penalty for subsequent months the account remains overdue/late, including in a delinquent status.

“Returned checks” or “bounced checks” (indicating insufficient funds in the account to which the tax payment was made means a payment has not been made. If the returned check results in an overdue/late payment, then all penalties and charges outlined above apply.

Collection of Property Taxes

Procedure: Unless determined otherwise by the voters of Norwich or by decree by the Legislature, the first payment is due on or by the second Friday in August and the second payment due by the second Friday in February. Clearly legible USPS postal cancellation on or by the due date are considered “on time” payments. Payments can be made in cash, check, money order, credit card or via direct payment from a bank account (ACH). Contact the Finance Office for information on alternate payment options. Any USPS postal cancellation that is not clearly legible can result in an account being considered overdue/late/delinquent. Legibility is determined solely by the Town.

Procedure for the Collection of Overdue/Late and Delinquent Taxes

Notice: a property owner may be entitled to an abatement of their delinquent property taxes under 24 VSA §1535 (attached). Property owners are encouraged to first consult with the Delinquent Tax Collector to discuss the status of the owner’s property tax “account”.

¹ Interest that is assessed on overdue/late taxes is “simple” interest, rather than “compound” interest. Also, interest is applied to a fraction of a month as if it were the entire month. For example, if taxes are due on August 15, there will be a full one percent interest applied as of August 16, since that one day is a fraction of the calculated month.

Town of Norwich, Vermont
Tax Collection Policy and Procedure
July 22, 2020

Thereafter, if the property owner remains committed to seeking an abatement, the owner would need to contact the Town Clerk (802-649-1419 x3), to schedule a meeting with the Board of Abatement.

Overdue/Late payments:

The Selectboard shall set a tax rate, prepare tax bills, and mail the tax bills to property owners no less than 30 days prior to the deadline for the first tax installment (typically 4:30 pm on the second Tuesday of August). **Tax bills are due upon receipt**. The two installment system established by the voters during the annual Town Meeting in addition to the notice information printed on the tax bills, no additional notice to property owners who are overdue/late is warranted.²

Delinquent payments:

- a. No less than 15 days after the final installment is due (typically 4:30 pm on the second Friday of February), The Treasurer shall issue to the Delinquent Tax Collector a Warrant against the delinquent taxpayers in the amount of taxes remaining unpaid. The Finance Officer lends assistance to the Treasurer in the preparation of the Warrant. The Warrant commands the Delinquent Tax Collector to collect those taxes and pay them into the town treasury.
- b. The Delinquent Tax Collector will set up a file for each delinquent taxpayer to track and record amounts due, payments made, and any communication between the taxpayer and the collector. Each file should contain a record of the taxpayer's account.
- c. Thirty to 45 days after a taxpayer is declared delinquent, the Delinquent Tax Collector will notify, via US mail to the tax payer, notice of the delinquency. Any failure in delivery of this preliminary letter **does not** negate the taxpayer's responsibility or prevent the town from pursuing further action.
- d. State law requires that a collector of delinquent taxes must give notice to a delinquent taxpayer before taking action to collect the delinquent amounts. Such notice must indicate the amount owed, including taxes, fees, interest and when and where they

² The tax collection system is established such that, though bills are due upon receipt, they can be paid via the two installment procedure. Essentially, the time between receipt of the tax bill and the installment dates serve as the "grace" period for property owners to pay their property taxes. So, even though tax bills are due upon receipt, interest is not charged until after the 30-day bill sending requirement of the Selectboard (i.e., until after the first installment deadline defining overdue/late payment subject to interest charges and the second installment deadline defining delinquency subject to a delinquent penalty and new/on-going interest charges). Note that the "no additional notice is required" statement relates specifically to notifying the property owner that they are overdue/late. This does not relate to the notices sent by the Finance Office/Delinquent Tax Collector related to monthly interest charges, delinquencies, and the like.

Town of Norwich, Vermont
Tax Collection Policy and Procedure
July 22, 2020

should be paid. The notice must allow residents at least ten days and nonresidents at least twenty days (but not more than forty) to pay the amount due before the collector proceeds with a tax sale or other action. 32 VSA

- e. When a payment is made on a late or delinquent tax, it will normally be applied to the oldest outstanding tax first, unless instructed otherwise by the taxpayer. When a payment is made on a delinquent tax, the accumulated interest is first deducted from the payment. Then if a collection/penalty fee is due, the balance (after deduction of the interest due), is allocated to the tax principal due and the collection fee by dividing by 1.08.
- f. Partial payments will be accepted and allocated as described above. Acceptance of partial payment does not reduce the taxpayer's obligation to pay any outstanding tax, interest and collection fee that is due.
- g. The Delinquent Tax Collector may enter into an installment plan with the taxpayer to pay his/her taxes over time. Payments must be made at least each month. An installment plan must be in writing and signed by the taxpayer and the Delinquent Tax Collector. Providing the taxpayer keeps to the payment schedule, no further action will be taken to collect the delinquent tax. The written payment agreement must be executed by the delinquent taxpayer within 45 days of the first monthly delinquency notice. Note: the delinquent tax payer is expected to adhere to any said installment plan **and** remain current on a subsequent year's new tax bill (i.e., Current taxes). It is permissible for a delinquent taxpayer, though delinquent in one year, to pay taxes first toward their current taxes, to prevent/minimize that current year's taxes from becoming delinquent which would result in the 8% penalty for that year. If agreed, an installment plan can be arranged to incorporate both delinquent taxes (and related penalty and interest) and a current year's taxes, so long as the delinquent taxes (and related penalty and interest) are paid in full within the terms of the installment plan.
- h. If the delinquent property owner declines to enter into an installment plan with the Town or the delinquent taxpayer defaults on any installment plan, the Delinquent Tax Collector will take additional action to obtain delinquent taxes and any related interest/penalty charges. When voluntary agreement to pay delinquent taxes fails by the property owner, advance notice shall be given to property owners that the Delinquent Tax Collector intends to take additional action to collect the amount(s) owed. For residents, at least 10-days' notice is required, and for non-residents, at least 20-days' notice is required. The notice needs to include the time and place where payment of the taxes and fees may be made. Failure to make payment based on this notice to take further action permits the Delinquent Tax Collector to initiate any of four

Town of Norwich, Vermont
Tax Collection Policy and Procedure
July 22, 2020

methods for collecting delinquent taxes. The most common includes Tax Sale. The other less common methods include: Foreclosure, Distrain, and Action at Law.

- i. Bi-monthly Reports. The statutes require the collector of delinquent taxes to file a report with the treasurer every two months or when demanded by the legislative body. 32 VSA §4646. The report must include a list of the taxpayers from whom taxes have been collected, showing the amounts collected and the years in which the taxes collected were due.
- j. Annual Reports. The collector of delinquent taxes must file an additional report by January 15 of each year. This report must list all taxes remaining unpaid on December 31, and must include the name of the delinquent taxpayer and the year that the taxes were due. This report must be certified by the collector of delinquent taxes and delivered to the Treasurer. 32 VSA §5162. The report is "certified under oath" by having the signature of the collector of delinquent taxes notarized by a notary public.
- k. In addition to providing the town Treasurer with the annual report, the collector of delinquent taxes must also furnish the annual report to the Town's licensed public accountant hired by the Selectboard.

Procedure for entering into a Tax Sale: If the delinquent property owner fails to meet the requirements of the advance notice of the Town's intent to take additional action to collect the amount(s) owed outlined in subsection e. above, the Delinquent Tax Collector will send a Final Demand Letter warning the delinquent property owner of the Town's intent to sell the property at tax sale (or use of one of the other lesser used procedures for collection). Such letter serves as the last-chance warning before formal proceedings are started.

Properties are not "eligible" for tax sale until said Final Demand letter is sent, which should not be sent less than 2 years from the date the taxes became delinquent but not greater than 3 years from said date. The Delinquent Tax Collector has discretion on these dates, subject to the individuality of specific property delinquencies. "Eligibility" for tax sale, assumes all notices, steps, and other processes have been accomplished leading up to the point when the Town opts to proceed with a tax sale.

At this point, the Delinquent Tax Collector will consult with Town Counsel, upon notification and approval of the Selectboard.

Town of Norwich, Vermont
Tax Collection Policy and Procedure
July 22, 2020

Assuming use of Town Counsel is approved, the Delinquent Tax Collector will proceed with tax sale (or another lesser used procedure for collection) under the advice of counsel.³ The typical process for tax sale involves:

1. Preparing for the Tax Sale:
 - a. Whether the Town will “bid” on the delinquent property.
 - b. Conduct a title search of the delinquent property to identify lien holders.
 - c. Prepare an accounting. The following are fees and expenses that can be recouped as part of a tax sale:
 - i. Levy & extending of warrant\$10.00
 - ii. Recording levy & extending of warrant\$10.00
 - iii. NoticesActual cost
 - iv. PublicationActual cost
 - v. TravelAt state rate
 - vi. Attending and holding sale\$10.00
 - vii. Making and recording return (report of sale)\$10.00
 - viii. Collector’s deed\$30.00
 - ix. Collector’s fee (penalty & interest charges).....As established in the Town
 - x. Expenses incurred in securing the property against illegal activity and fire hazardActual cost incurred, not to exceed 20% of the uncollected tax
 - xi. Legal assistanceLegal expenses actually and reasonably incurred and authorized by the Selectboard, up to a maximum of 15% of the uncollected tax
2. Provide notice of tax sale, including notice to delinquent taxpayer, notice to lien holders and mortgagees, and notice to the public at-large.
3. Settling before sale.
4. Conducting the tax sale.
5. Report of sale.
6. Treatment of sale proceeds.
7. Redemption.
8. Collector’s deed and property transfer tax.
9. Report to the Town Clerk.
10. Accounting to the delinquent taxpayer.
11. Challenges to deed.

³ Note that mobile homes and bankruptcy impose potential issues concerning delinquent property taxes. In these instances, the Town and Delinquent Tax Collector should consult with legal counsel first.

Town of Norwich, Vermont
Tax Collection Policy and Procedure
July 22, 2020

Appendices: the appendices attached herein serve as a guide for the Delinquent Tax Collector in carrying out that individual's duties and responsibilities. As applicable and warranted, the Delinquent Tax Collector may use different forms of the model information contained in the appendices. However, in all instances, the Delinquent Tax Collector will strive to ensure consistency and continuity of procedure, use of the model (or modified versions of the model) information, and otherwise work under the intended purpose of the policy contained herein.

Adopted by the Norwich Selectboard on July 22, 2020

Claudette Brochu

Claudette Brochu, Chair

John Langhus

John Langhus

Roger Arnold

Roger Arnold, Vice-Chair

Mary Layton

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Tax Collection Policy

Final Audit Report

2020-07-24

Created:	2020-07-23
By:	Herbert Durfee (hdurfee@norwich.vt.us)
Status:	Signed
Transaction ID:	CBJCHBCAABAAInEklhwHQIPW8SfzXuX37_ukPx2Xg09Z

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2020-07-23 - 3:17:42 PM GMT- IP address: 75.144.171.193
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2020-07-23 - 3:22:45 PM GMT
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