

Rutland Herald

Editorial

Not so simple

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Legislators met Monday in pursuit of the phantom of simplicity.

Vermont's property tax system is not one of simplicity. The complex mechanism put in place by Acts 60 and 68 is designed to achieve tax equity from town to town while retaining local control of school budgets and factoring in the ability of the taxpayer to pay based on his or her income. That's a complicated task.

Because property taxes are a perpetual source of complaint, the system's lack of simplicity has drawn more than its share of criticism. Legislators have responded by looking for ways to simplify.

But the present system is complex for a reason. Legislators who fashioned Act 60 in the 1990s were taking on a complex set of interlocking goals. They wanted to use the state as a collector of property taxes so state government could reapportion it more fairly. At the same time, they wanted to preserve the role of voters in approving school budgets. The state would collect the revenues, but the level of spending at the local level would be approved by local voters.

Legislators also wanted to respond to criticism that the property tax was not linked to a taxpayer's ability to pay as the income tax was. So they instituted income-sensitive provisions that allowed the state to send a refund to most taxpayers, depending on their incomes. This year that refund — or prebate or rebate — is being funneled back through the towns, lowering the town tax bill received by the taxpayer.

If that sounds complicated, it is. It is also one of the most innovative and fairest property tax systems in the nation. It has its flaws, such as the way that volatile real estate markets can skew property values and the need to adjust valuations so that some towns aren't underappraised relative to others.

In the quest for simplicity lawmakers frequently turn to the income tax. We already have an income tax — why not just add on to it, reducing property taxes in the process?

Members of the House Ways and Means Committee have been debating these issues, and they are coming to realize that an income for schools would create complications of its own. What about renters? Special provision would have to be made for them. And property taxes would still be levied for nonresidential property. It's not as easy as it seems.

Those who believe the wealthy have obtained unwarranted tax breaks in recent years argue that switching toward the income tax would extract greater revenues from those with high incomes but relatively lower property taxes. But botching up the present system to achieve greater fairness on the income tax makes no sense. If policymakers think the wealthy need to pay more income tax, they can adjust the income tax brackets.

Simplicity is fine, but it cannot be a goal in itself. Every gesture toward simplicity seems to produce new complications. It is important to contain property taxes, but that is the job of the voters at the local level. It will do the taxpayer no good to wreck the system, as complicated as it is, that gives the voters an unprecedented level of fairness.