



## Allocation of Payments

Tax Collector Policy Number 10-3 Version 02 dated 11/15/2022

### **POLICY: 10-3 Allocation of Payments**

#### **PURPOSE:**

To standardize the handling of payments when received and manage taxpayer expectations on the posting of payments.

#### **DEFINITIONS:**

**Late payment** – Any payment received after a grace period expires is considered late and will begin accruing interest. Back Taxes always take priority when monies are received, and the monies received will always be applied to the oldest tax owed first.

**Due Date** – 1<sup>st</sup> collection period is 1 July and is for the time-period 9 months in arrears (1 OCT) and three months forward (30 SEP) Second Due date for 2<sup>nd</sup> half payments and supplemental Motor Vehicles is 1 January. Prorated assessments are due 30 days after the Tax Bill is created.

1. When no back taxes are due and full payment for all outstanding tax bills is presented, the payment will be applied to all outstanding tax bills.
2. When back taxes are due, the payment will be applied to the furthest back tax owed first. The remaining amount if any, will be applied to bills in the order of date due. This minimizes outstanding interest charges to the taxpayer.
3. When no back taxes are due and an overpayment is presented, the tax bills will be paid and the remainder of the overpayment will be left on one of the bills. A refund form will be generated if the overpayment exceeds \$4.99 and it will be sent to the address of record on the tax roll. The taxpayer must sign and return the form to the tax office in order to receive the refund. This may take up to 4 months to process and send out a check from the Town. The Board of Selectmen votes an approval on these refunds so at least one Board of Selectmen meeting is required to approve payments. The Tax Office itself does not payout the Refund.
4. Under payments to current tax bills:
  - a. If the paying instrument does not specify the bill to be paid, the tax office shall try and minimize the number of outstanding tax bills. This is done by paying the maximum number of tax bills that may be covered by the payment. The shortfall when possible will be applied to one of the remaining tax bills.
  - b. In all cases except back taxes owed, if the bill number is provided on the instrument, the total amount of the check will be applied to the identified bill and not to any other owed bill.
  - c. In the case of an invalid current year tax bill number, the tax office will try and follow the intended payment as follows: yyyy-01-xxxxxxx bills will attempt to pay outstanding real estate bills; yyyy-02-xxxxxxx bills will attempt to pay personal property tax bills; and for yyyy-MV-xxxxxxx; yyyy-03-xxxxxxx and yyyy-04-xxxxxxx will attempt to pay Motor Vehicle tax bills.



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- d. Underpaid tax bills on undesignated payments will be allocated by the tax office to minimize outstanding tax bills. This usually means payment of Motor Vehicle and Supplemental Motor Vehicle taxes will take precedence over real estate and personal property taxes. Since Real Estate and Personal Property taxes as determined by resolution at the Annual Town Meeting are generally split payments and Motor Vehicle taxes are not, paying Motor Vehicle tax bills first is generally in the best interest of the taxpayer.
5. Outstanding taxes paid by a check that does not refer to a specific bill number (an undesignated payment) will result in payment of tax bills owed at the discretion of the Tax Office. In that case, if a second check is sent designated for a specific bill number already paid with an undesignated check, that second check will be returned to the taxpayer indicating “no outstanding balance.” At that point it is the taxpayers responsibility to contact the tax office within the grace period to resolve any other outstanding balances. Failure to do this within the grace period will result in additional interest charges on the taxpayer’s accounts.
6. **Warning to taxpayers.** Payment of outstanding taxes by split checks has the inherent risk of having a check returned. **Example: an undesignated check is received by the tax office. which pays off the Motor Vehicle Taxes first and applies the remainder of the payment to the Real Estate bill. The taxpayer then provides a second check specifying Payment to Motor Vehicle taxes. What is likely to happen?**
  - a. **First off the motor vehicle taxes were paid. So, no outstanding balance is showing on the Motor Vehicle bills. The check will be returned to the taxpayer as the tax office is attempting to prevent an overpayment which will have to be refunded. Refunds cost the Town money to process! It will NOT go to your other outstanding Taxes!**
  - b. **The remaining real estate tax will therefore remain unpaid and if the taxpayer does not pay the Real Estate Bill outstanding amount within the grace period, a delinquency notice will eventually be generated, and additional non-refundable interest charges will occur.**
  - c. **The returned check even though it could have paid the outstanding balance on your real estate bill within the grace period could not be applied to the outstanding balance because you designated the payment to go to your motor vehicle bill which has already been paid!**
7. How can you prevent this situation? Put the tax bill numbers you are paying on your payment instrument (usually the memo field) This tells the tax office which bills you are attempting to pay. Additional documentation may also be included with your payment to direct where payment is to be made. Or if the first payment is undesignated, **DO NOT** designate the second payment either!!! We can usually figure it out to the taxpayer’s benefit.
8. E-checks are particularly vulnerable to this situation especially when improper (Old) bill numbers are not updated and then used on the payment or the checks do not indicate where the payment should be applied in the first place. If we do not cash the second E-check and return it to you, it is your responsibility to resolve the check return with your bank so you get a proper credit on your account. **If you get it back from us, we didn’t cash it!** We do not have your payment recorded and cannot resolve your personal bank account balance issues! This is



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between your financial institution and you, the taxpayer. You do need to call the tax office immediately to resolve your remaining tax liability.

9. Please remember we are not clairvoyant. We do not have your phone number, your cell number, or email addresses. All our notifications are done by USPS (regular mail).