Overview of CLA Change in H.887

Senate Committee on Finance Julia Richter, JFO May 1, 2024



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Overview of CLA Change in H.887

- Change would make the pre-CLA property tax rates closer to the post-CLA property tax rates
 - This is done by comparing local CLAs to the statewide average CLA
- Except in cases when a district has an per pupil spending below the yield, these changes would not impact property tax rates after the CLA is applied
- For the impact to be neutral, several math functions need to be applied



Example of Property Tax Rate Calculation Under Current Law and with Proposed Change

 Recall the calculation of a local homestead property tax rate as it is applied on district tax bills:

> District's per pupil spending HS yield

Actual local homestead property tax rate =

/ Local CLA

- Let's assume:
 - Statewide homestead yield = \$10,000
 - Statewide average CLA = 0.75
 - District A has the following parameters:
 - Per pupil spending = \$15,000
 - Local CLA = 0.60



Example of Property Tax Rate Calculation Under Current Law

- Using these parameters, solve for District A's equalized (pre-CLA) homestead property tax rate
 - District A's per pupil spending = \$15,000
 - Statewide homestead yield = \$10,000

 $Equalized \ local \ homestead \ property \ tax \ rate = \frac{District's \ per \ pupil \ spending}{HS \ yield}$

District A's equalized local homestead property tax rate = $$1.50 = \frac{$15,000}{$10,000}$



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Example of Property Tax Rate Calculation Under Current Law

- Next, apply the District's CLA to its equalized rate to get the actual tax rate that is seen on property tax bills:
 - District A's equalized HS tax rate = \$1.50
 - District A's local CLA = 0.60

Actual local homestead property tax rate = $\frac{District's \ equalized \ HS \ tax \ rate}{District's \ local \ CLA}$

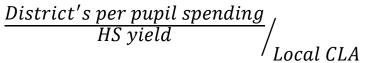
Actual local homestead property tax rate = $2.50 = \frac{1.50}{0.60}$



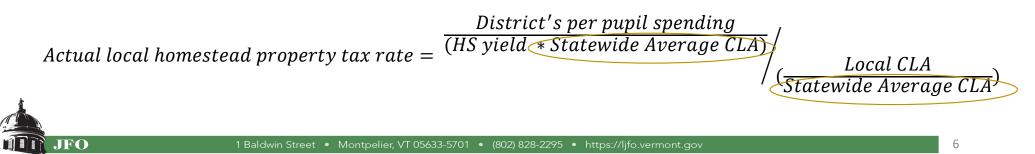
Example of Property Tax Rate Calculation with Proposed Change

• Recall the calculation of a local homestead property tax rate as it is applied on district tax bills:

Actual local homestead property tax rate =



 For the impact to be neutral, some adjustments need to be made, specifically:



Example of Property Tax Rate Calculation with Proposed Change

- Using these parameters, solve for District A's equalized (pre-CLA) homestead property tax rate:
 - District A's per pupil spending = \$15,000
 - Statewide average CLA = 0.75
 - Statewide homestead yield = \$7,500 = \$10,000 * 0.75

 $Equalized \ local \ homestead \ property \ tax \ rate = \frac{District's \ per \ pupil \ spending}{HS \ yield}$

District A's equalized local homestead property tax rate = $$2.00 = \frac{$15,000}{$7,500}$



Example of Property Tax Rate Calculation with Proposed Change

- Next, apply the District's CLA to its equalized rate to get the actual tax rate that is seen on property tax bills:
 - District A's equalized HS tax rate = \$2.00
 - Statewide average CLA = 0.75
 - District A's adjusted local CLA = 0.80 = 0.60 / 0.75

Actual local homestead property tax rate = $\frac{District's \ equalized \ HS \ tax \ rate}{District's \ local \ CLA}$

Actual local homestead property tax rate = $2.50 = \frac{2.00}{0.80}$



Summary of District A Example Comparison of Current Law to Proposed Change

- Change would make the pre-CLA property tax rates closer to the post-CLA property tax rates
- After all calculations are applied, the tax rate would be the same

	Current Law	Proposed change
District per pupil spending	\$15,000	\$15,000
HS property yield	\$10,000	\$7,500
Pre-CLA tax rate	\$1.50	\$2.00
CLA seen on tax bill	0.60	0.80
Post-CLA tax rate	\$2.50	\$2.50



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