

The Impact of Increased Property Values on Property Taxes



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What happens if I improve my property?

- If your town has zoning, the listed value of your property will go up commensurate with the improvement (based on the value as of April 1st).
- If your town doesn't have zoning, the listed value of your property at the next reappraisal will incorporate the value of the improvement.

What happens in a Reappraisal?

- In an appreciating market, the CLA will go up in the year of the reappraisal which will drive the actual tax rate down. If your property increases in value consistent with the townwide average, your tax bill will be roughly level (all other things held equal).

<u>South Burlington Example</u>		
	CLA	HS Rate
FY20	93.28	1.6030
FY21	89.92	1.6337
Reappraisal as of 4/1/21		
FY22	112.03	1.3249
FY23	100.99	1.2953

Example: Jim and Jane's South Burlington home had been listed at \$350,000 since South Burlington last reappraised in 2006. In 2021, South Burlington did a reappraisal, and the new listed value was \$450,000.

<u>South Burlington Example</u>				
	CLA	HS Rate	Listed Value	Gross Taxes
FY20	93.28	1.6030	\$ 350,000	\$ 5,611
FY21	89.92	1.6337	\$ 350,000	\$ 5,718
Reappraisal as of 4/1/21				
FY22	112.03	1.3249	\$ 450,000	\$ 5,962
FY23	100.99	1.2953	\$ 450,000	\$ 5,829





How are education property tax credits calculated?

- The credit is calculated as the difference between tax based on housesite value and tax based on income (which is the voted town income rate x household income).
- For households with income of \$90,000 or more, the credit covers the housesite taxes on up to \$225,000 of *equalized* value
- For households with income up to \$90,000, the credit covers the housesite taxes on up to \$400,000 of *equalized* value
- For households with income up to \$47,000, the credit still covers the housesite taxes on up to \$400,000 of equalized value, but the income rates are set in statute

What's going on with equalized tax rates?

When property values go up statewide, the yields go up

And when the yields go up, equalized rates go down

Yields and Average Equalized Rates: FY22 – FY24			
	FY22	FY23	FY24 (Forecast)
Homestead Yield	\$11,317 	\$13,314 	\$15,479
Avg. Homestead Equalized Rate	\$1.52 	\$1.39 	\$1.31

How do the yields going down effect the credit coverage limits?

<u>South Burlington Example</u>						
	CLA	HS Rate	Equalized Rate	\$400,000	Maximum Taxes Covered	
FY20	93.28	1.6030	\$ 1.4953	\$ 400,000	\$	5,981
FY21	89.92	1.6337	\$ 1.4690	\$ 400,000	\$	5,876
Reappraisal as of 4/1/21						
FY22	112.03	1.3249	\$ 1.4843	\$ 400,000	\$	5,937
FY23	100.99	1.2953	\$ 1.3081	\$ 400,000	\$	5,232

How is the example household's net education tax impacted?

- The reappraisal did not significantly increase their taxes, but the equalized tax rate going down will lower the amount of taxes sensitized by the credit.

South Burlington Example								
	Gross Taxes	min	Limit	-	Income Tax*	=	Credit**	Net Taxes
FY20	\$ 5,611		\$ 5,981		\$ 1,215			
FY21	\$ 5,718		\$ 5,876		\$ 1,195		\$ 4,396	\$ 1,322
Reappraisal as of 4/1/21								
FY22	\$ 5,962		\$ 5,937		\$ 1,220		\$ 4,523	\$ 1,439
FY23	\$ 5,829		\$ 5,232		\$ 1,090		\$ 4,717	\$ 1,112
FY24							\$ 4,142	???

*Assume constant income of \$50,000 per year

**The credit a household earns in one year is applied to the following year's bill

You made it! Where can you learn more?

- ◆ FY24 CLAs from PVR's 2022 equalization study are posted here:
<https://tax.vermont.gov/municipalities/reports/equalization-study>
- ◆ Current year (FY23) education tax rates are posted here:
<https://tax.vermont.gov/property/education-property-tax-rates>
- ◆ That part of our website also has some “frequently asked questions” (FAQs) related to tax rates and bills:
<https://tax.vermont.gov/property/education-property-tax-rates/faqs>