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Commitment to move to an income based education tax

Sec. XX. EDUCATION FINANCING REFORM

(a) By January 1, 2017, the General Assembly shall transition to a tax system for financing education in Vermont that incorporates an education income tax. This new education financing system shall have the following components:

(A) a property tax structured on the current homestead and nonresidential property categories, but with a much lower homestead property tax rate than set in current law;

(B) an education income tax structured as part of the current income tax system, paid by people who pay Vermont income taxes;

(C) the education income tax shall be indexed to a taxpayer’s federal adjusted gross income and shall be calculated by dividing the per-equalized-pupil amount of the district’s education spending, divided by a State base spending amount, multiplied by the statewide education income tax base rate, and then multiplied by the taxpayer’s federal adjusted gross income;

(D) the education income tax shall be incorporated into Vermont’s current system for withholding and estimated tax payments; and

(E) adjustments for income sensitivity shall be eliminated.

1 (b) It is the intent of the General Assembly to pass legislation in 2015 and
2 2016 to implement subsection (a) so that the first year of the education income
3 tax would be in effect would be calendar years 2017, and the money raised
4 would provide funding for schools in fiscal year 2018.

5 (c) The General Assembly recognizes that the education financing system
6 established by Acts 60 and 68 is financially unsustainable, and it is the
7 intention of this body to develop a replacement financing system by fiscal year
8 2017, that will adhere to the principles of the *Brigham v. State* decision while
9 providing a simpler system for taxpayers to understand. The General
10 Assembly makes a commitment to consider an income based education tax in
11 subsections (a) and (b) of this Act, but should this approach prove unworkable
12 the General Assembly will continue to work towards another replacement
13 system.

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