

1 Introduced by

2 Date:

3 Subject: Taxation; statewide education property tax; rates

4 Statement of purpose of bill as introduced:

5 This bill proposes to establish the statewide education tax base rates and  
6 base education amount for fiscal year 2015. The bill also requires that the  
7 Commissioner of Taxes, when formulating his or her rate recommendations  
8 under statute for fiscal year 2016 and after, assume that the applicable  
9 percentage base for the purpose of calculating income sensitivity is 1.94.

10 The bill also makes several changes to Vermont's education financing laws.  
11 It alters the way average daily membership is calculated by eliminating a  
12 provision that increased the counting of pupils for fast growing schools. It  
13 lowers the hold harmless threshold from 3.5 percent to five percent to allow a  
14 lower equalized pupil count for schools that lose more students. The bill adds  
15 language that includes small school support grants in education spending over  
16 three years. It alters the taxation of municipally owned lakeshore property in  
17 another town so that the hosting municipality can vote to exempt such  
18 property. The bill allows a homestead to be rented for part of the year. The  
19 bill eliminates the high spending threshold and replaces it with an allowable  
20 increase for all districts tied to inflation. The bill lowers the calculation of  
21 allocable rent for purposes of the renter rebate, and requires a report on how

1 best to support renters in Vermont. The bill extends the slope for people who  
2 phase out of receiving income sensitivity payments, and it reduces the total cap  
3 on income sensitivity payments from \$8,000.00 to \$6,000.00. The bill also  
4 requires that one-half of any unreserved surplus over forecast be transferred to  
5 the Supplement Property Tax Relief Fund, and removes the sunset of that fund.

6 An act relating to setting the statewide education tax base rates and base  
7 education amount for fiscal year 2015 and making several changes to  
8 Vermont's education financing laws

9 It is hereby enacted by the General Assembly of the State of Vermont:

10 \* \* \* Statewide Education Property Tax Rates, Base Education  
11 Amount, and Applicable Percentage \* \* \*

12 Sec. 1. FISCAL YEAR 2015 EDUCATION PROPERTY TAX RATES AND  
13 APPLICABLE PERCENTAGE

14 (a) For fiscal year 2015 only, the education property tax imposed under  
15 32 V.S.A. § 5402(a) shall be reduced from the rates of \$1.59 and \$1.10 and  
16 shall instead be at the following rates:

17 (1) the tax rate for nonresidential property shall be \$1.52 per  
18 \$100.00; and

19 (2) the tax rate for homestead property shall be \$0.99 multiplied by the  
20 district spending adjustment for the municipality per \$100.00 of equalized  
21 property value as most recently determined under 32 V.S.A. § 5405.



1 school year. ~~If, however, in one year, the actual average daily membership of~~  
2 ~~kindergarten through 12th grade increases by at least 20 students over the~~  
3 ~~previous year, the commissioner shall compute the long term membership by~~  
4 ~~adding 80 percent of the actual increase, to a maximum increase of 45~~  
5 ~~equalized pupils.~~

6 \* \* \* Decrease in Equalized Pupils; Hold-Harmless Provision

7 (applies to equalized pupil calculations in fiscal year 2016 and after) \* \* \*

8 Sec. 5. 16 V.S.A. § 4010(f) is amended to read:

9 (f) For purposes of the calculation under this section, a district’s equalized  
10 pupils shall in no case be less than ~~96 and one-half~~ 95 percent of the district’s  
11 equalized pupils in the previous year.

12 \* \* \* Education Spending in Small Schools \* \* \*

13 Sec. 6. 16 V.S.A. § 4001(6) is amended to read:

14 (6) “Education spending” means the amount of the school district  
15 budget, any assessment for a joint contract school, technical center payments  
16 made on behalf of the district under subsection 1561(b) of this title, and any  
17 amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) which is paid  
18 for by the school district, but excluding any portion of the school budget paid  
19 for from any other sources such as endowments, parental fund raising, federal  
20 funds, nongovernmental grants, or other state funds such as special education

1 funds paid under chapter 101 of this title, but not one-third of the small school  
2 support grants under subsection 4015(b) or (c) of this title.

3 \* \* \*

4 Sec. 7. 16 V.S.A. § 4001(6) is amended to read:

5 (6) “Education spending” means the amount of the school district  
6 budget, any assessment for a joint contract school, technical center payments  
7 made on behalf of the district under subsection 1561(b) of this title, and any  
8 amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) which is paid  
9 for by the school district, but excluding any portion of the school budget paid  
10 for from any other sources such as endowments, parental fund raising, federal  
11 funds, nongovernmental grants, or other state funds such as special education  
12 funds paid under chapter 101 of this title, but not ~~one-third~~ two-thirds of the  
13 small school support grants under subsection 4015(b) or (c) of this title.

14 \* \* \*

15 Sec. 8. 16 V.S.A. § 4001(6) is amended to read:

16 (6) “Education spending” means the amount of the school district  
17 budget, any assessment for a joint contract school, technical center payments  
18 made on behalf of the district under subsection 1561(b) of this title, and any  
19 amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) which is paid  
20 for by the school district, but excluding any portion of the school budget paid  
21 for from any other sources such as endowments, parental fund raising, federal

1 funds, nongovernmental grants, or other state funds such as special education  
2 funds paid under chapter 101 of this title, but not ~~two-thirds of the~~ small school  
3 support grants under subsection 4015(b) or (c) of this title.

4 \* \* \*

5 \* \* \* Municipally Owned Lakeshore Property \* \* \*

6 Sec. 9. 32 V.S.A. § 3839 is added to read:

7 § 3839. MUNICIPALLY OWNED LAKESHORE PROPERTY

8 (a) Notwithstanding section 3659 of this title, a town may vote to exempt  
9 from its municipal taxes, in whole or in part, any parcel of land, but not  
10 buildings, that provides public access to public waters, as defined in 10 V.S.A.  
11 § 1422(6), and that is also:

12 (1) owned by the Town of Hardwick, and located in Greensboro,  
13 Vermont; or

14 (2) owned by the Town of Thetford, and located in Fairlee and West  
15 Fairlee, Vermont.

16 (b) An exemption voted by a town under subsection (a) of this section shall  
17 be for up to ten years. Upon the expiration of the exemption, a town may vote  
18 additional periods of exemption not exceeding five years each.

19 Sec. 10. 32 V.S.A. § 5401(10)(K) is added to read:

20 (K) Any parcel of land, but not buildings, that provides public access to  
21 public waters, as defined in 10 V.S.A. § 1422(6), and that is also:







1 Sec. 13. 32 V.S.A. § 5401(15) is added to read:

2 (15) “Allowable increase” means:

3 (A) for school districts whose education spending per equalized pupil  
4 is at or below the statewide average, the “allowable increase” means the  
5 statewide average education spending per equalized pupil for the prior fiscal  
6 year multiplied by the most recent New England Economic Project cumulative  
7 price index, as of November 15, for state and local government purchases of  
8 goods and services from fiscal year 2015 through the fiscal year for which the  
9 amount is being determined, plus one percent.

10 (B) for school districts whose education spending per equalized pupil  
11 is above the statewide average, the “allowable increase” means the statewide  
12 average education spending per equalized pupil for the prior fiscal year  
13 multiplied by the most recent New England Economic Project cumulative price  
14 index, as of November 15, for state and local government purchases of goods  
15 and services from fiscal year 2015 through the fiscal year for which the amount  
16 is being determined.

17 \* \* \*

18 \* \* \* Electrical Generating Plants \* \* \*

19 Sec. 14. 32 V.S.A. § 5402(d) is amended to read:

20 (d) A municipality which has upon its grand list an operating electric  
21 generating plant subject to the tax under ~~section 5402a of this chapter~~ chapter

1 215 of this title shall be subject to the nonresidential education property tax at  
2 three-quarters of the rate provided in subdivision (a)(1) of this section, as  
3 adjusted under section 5402b of this chapter; and shall be subject to the  
4 homestead education property tax at three-quarters of the base rate provided in  
5 subdivision (a)(2) of this section, as adjusted under section 5402b of this  
6 chapter, and multiplied by its district spending adjustment.

7 Sec. 15. EDUCATION TAXES IN VERNON

8 Notwithstanding any other provision of law, for the purposes of 32 V.S.A.  
9 § 5402(d), the town of Vernon shall continue to be treated as if its grand list  
10 included an operating electric generating plant subject to the tax under  
11 32 V.S.A. chapter 215 until December 31, 2017.

12 \* \* \* Renter Rebate \* \* \*

13 Sec. 16. 32 V.S.A. § 6061(7) is amended to read:

14 (7) “Allocable rent” means for any housesite and for any taxable year ~~21~~  
15 19 percent of the gross rent. “Gross rent” means the rent actually paid during  
16 the taxable year by the individual or other members of the household solely for  
17 the right of occupancy of the housesite during the taxable year. “Allocable  
18 rent” shall not include payments made under a written homesharing agreement  
19 pursuant to a nonprofit homesharing program, or payments for a room in a  
20 nursing home in any month for which Medicaid payments have been made on  
21 behalf of the claimant to the nursing home for room charges.

1       Sec. 17. RENTER REBATE REPORT

2           The Vermont Housing Council, with the assistance of the Department of  
3       Taxes and the Agency of Commerce and Community Development, shall  
4       report to the Senate Committee on Finance and House Committee on Ways  
5       and Means with recommendations on how to develop programs to assist  
6       renters in lieu of the current renters' rebate program at 32 V.S.A. § 6066(b).  
7       The report shall consider the current benefits to renters from the renters' rebate  
8       program, and propose alternative programs that also benefit low--income  
9       renters. The report shall assume that the renters' rebate program in its current  
10       form would end, and that any alternate proposals shall have approximately the  
11       same eligibility parameters as the current renters' rebate program. The report  
12       shall be due on or before January 15, 2015.

13                   \* \* \* Income Sensitivity Slope; Housesite Value \* \* \*

14       Sec. 18. 32 V.S.A. § 6066(a) is amended to read:

15           (a) An eligible claimant who owned the homestead on April 1 of the year in  
16       which the claim is filed shall be entitled to an adjustment amount determined  
17       as follows:

18           (1)(A) For a claimant with household income of \$90,000.00 or more:

19                   (i) the statewide education tax rate, multiplied by the equalized  
20       value of the housesite in the taxable year;

21                   (ii) minus (if less) the sum of:

1 (I) the applicable percentage of household income for the  
2 taxable year; plus

3 (II) the statewide education tax rate, multiplied by the  
4 equalized value of the housesite in the taxable year in excess of ~~\$200,000.00~~  
5 \$250,000.00.

6 \* \* \*

7 \* \* \* Income Sensitivity Limit \* \* \*

8 Sec. 19. 32 V.S.A. § 6067 is amended to read:

9 § 6067. CREDIT LIMITATIONS

10 Only one individual per household per taxable year shall be entitled to a  
11 benefit under this chapter. An individual who received a homestead exemption  
12 or adjustment with respect to property taxes assessed by another state for the  
13 taxable year shall not be entitled to receive an adjustment under this chapter.  
14 No taxpayer shall receive an adjustment under subsection 6066(b) of this title  
15 in excess of \$3,000.00. No taxpayer shall receive total adjustments under this  
16 chapter in excess of ~~\$8,000.00~~ \$6,000.00 related to any one property tax year.

17 \* \* \* Supplemental Property Tax Relief \* \* \*

18 Sec. 20. 32 V.S.A. § 308c(a) is amended to read:

19 (a) There is hereby created within the General Fund a General Fund  
20 Balance Reserve, also known as the “rainy day reserve.” After satisfying the  
21 requirements of section 308 of this title, and after other reserve requirements

1 have been met, any remaining unreserved and undesignated end of fiscal year  
2 General Fund surplus shall be reserved in the General Fund Balance Reserve.  
3 The General Fund Balance Reserve shall not exceed five percent of the  
4 appropriations from the General Fund for the prior fiscal year without  
5 legislative authorization. Monies from this Reserve shall be available for  
6 appropriation by the General Assembly.

7 (1) The Emergency Board shall, at the end of each fiscal year ~~2013~~,  
8 beginning at the end of fiscal year 2015, determine at its July meeting the  
9 amount of available general funds that is greater than the amount of forecasted  
10 available general funds most recently adopted by the Board for that fiscal year  
11 ~~2013~~.

12 (2) Of the amount added to the General Fund Balance Reserve in each  
13 fiscal year ~~2013~~, to the extent available, ~~one-half~~ one-quarter of the amount  
14 identified in subdivision (1) of this subsection is hereby appropriated in the  
15 fiscal year just concluded for deposit in the ~~Supplemental Property Tax Relief~~  
16 ~~Fund established by section 6075 of this title~~ Education Fund. If the amount  
17 added to the General Fund Balance Reserve is insufficient to support both the  
18 appropriation in this subdivision and the appropriation in ~~subdivision (3)~~  
19 subdivisions (3) and (4) of this subsection, the appropriation in this subdivision  
20 shall take precedence. Notwithstanding any other provision of law, an amount  
21 equal to the amount transferred to the Education Fund under this subdivision

1 shall be added to the base amount used to calculate the General Fund transfer  
2 under 16 V.S.A. § 4025(a)(2) for the next fiscal year.

3 (3) Of the amount added to the General Fund Balance Reserve in each  
4 fiscal year, to the extent available, one-quarter of the amount identified in  
5 subdivision (1) of this subsection is hereby appropriated in the fiscal year just  
6 concluded for deposit in the Supplemental Property Tax Relief Fund  
7 established by section 6075 of this title. If the amount added to the General  
8 Fund Balance Reserve is insufficient to support both the appropriation in this  
9 subdivision and the appropriation in subdivision (4) of this subsection, the  
10 appropriation in this subdivision shall take precedence.

11 ~~(3)~~(4) Of the amount added to the General Fund Balance Reserve in  
12 each fiscal year ~~2013~~, to the extent available, one-quarter of the amount  
13 identified in subdivision (1) of this subsection is hereby appropriated in the  
14 fiscal year just concluded to the Secretary of Administration to be used only  
15 upon Emergency Board action to transfer these funds to appropriations to  
16 offset reduced federal funding.

17 Sec. 21. 32 V.S.A. § 6075 is amended to read:

18 § 6075. SUPPLEMENTAL PROPERTY TAX RELIEF FUND

19 (a) There is created a special fund to be called the “Supplemental Property  
20 Tax Relief Fund.” The purpose of the Fund is to provide education property  
21 tax relief as determined by this section and further action of the Legislature.

1 The Fund shall be administered by the Commissioner of Taxes. The Fund  
2 shall consist of receipts from subdivision 308c(a)(2) of this title.

3 ~~(b) Of the deposit made in the Fund pursuant to subdivision 308c(a)(2) of~~  
4 ~~this title, an amount not to exceed 50 percent of the increase in the forecasted~~  
5 ~~available General Fund projected for fiscal year 2014, shall be transferred and~~  
6 ~~appropriated to the Education Fund. For the purposes of this calculation, any~~  
7 ~~increase in the forecasted available General Fund shall be reduced by the total~~  
8 ~~of any legislative action projected to increase General Fund taxes that result in~~  
9 ~~additional revenue in excess of \$1,000,000 over the revenue raised without~~  
10 ~~legislative action in fiscal year 2014. [Deleted.]~~

11 ~~(c) Notwithstanding any other provision of law, an amount equal to the~~  
12 ~~amount transferred to the Education Fund under subsection (b) of this section~~  
13 ~~shall be added to the base amount used to calculate the General Fund transfer~~  
14 ~~under 16 V.S.A. § 4025(a)(2) for fiscal year 2015. [Deleted.]~~

15 (d) The remaining balance in the Supplemental Property Tax Relief Fund  
16 shall be available for the development of proposals for property tax relief. ~~Uses~~  
17 ~~that could be considered are: incentives or rewards to promote or control~~  
18 ~~education spending while improving quality, ways to reduce the base~~  
19 ~~percentage of income used to determine income sensitivity, options to increase~~  
20 ~~the base education payment, and additional deposits into the education fund to~~

1 ~~reduce tax rates. , including incentives to control education costs, reduce~~  
2 ~~property tax rates, or support education related initiatives.~~

3 (e) ~~By January 15, 2014, the Joint Fiscal Office shall prepare a review and~~  
4 ~~projection of revenues in the Education Fund which shall include identifying~~  
5 ~~the historical trends in both the share of property tax and nonproperty tax~~  
6 ~~revenues, and in the General Fund transfer to the Education Fund. [Repealed.]~~

7 \* \* \* Repeals \* \* \*

8 Sec. 22. REPEAL

9 (a) 2013 Acts and Resolves No. 60, Secs. 1, 2, 6(a), and 6(b) (excess  
10 spending percentage decreases) are repealed on passage of this act.

11 (b) 16 V.S.A. § 4001(6)(B) (excess spending exemptions) is repealed on  
12 July 1, 2014.

13 (c) 2011 Acts and Resolves No. 162, Sec. D.103.1(a) and (b) are repealed.

14 (d) 32 V.S.A. § 3802(18) (municipally owned lakeshore property) is  
15 repealed on January 1, 2015.

16 \* \* \* Effective Dates \* \* \*

17 Sec. 23. EFFECTIVE DATES

18 (a) This section, Secs. 14 (cross reference), 15 (education taxes in Vernon),  
19 17 (renter rebate report), 20 (rainy day fund), 21 (supplement property tax  
20 relief fund), and 22 (repeals) shall take effect on passage.



1       (b) Secs. 1 (statewide education tax base rates) and 2 (base education  
2       amount) shall take effect on passage and apply to education property tax rates  
3       and the base education amount for fiscal year 2015.

4       (c) Sec. 3 (applicable percentage) shall take effect July 1, 2014 and apply to  
5       the Commissioner of Taxes' recommendations beginning with fiscal year  
6       2016.

7       (d) Sec. 4 (increased average daily membership) shall take effect on July 1,  
8       2014 and shall apply to long-term membership calculations for fiscal year 2016  
9       and after.

10       (e) Sec. 5 (hold-harmless provision) shall take effect on July 1, 2014 and  
11       shall apply to equalized pupil calculations for fiscal year 2016 and after.

12       (f) Sec. 6 (definition of education spending) shall take effect July 1, 2014  
13       and apply to fiscal year 2016.

14       (g) Sec. 7 (definition of education spending) shall take effect July 1, 2015  
15       and apply to fiscal year 2017.

16       (h) Sec. 8 (definition of education spending) shall take effect July 1, 2016  
17       and apply to fiscal year 2018.

18       (i) Secs. 9 (town voted exemption) and 10 (education property tax  
19       exemption) shall take effect on January 1, 2015 and apply to property  
20       appearing on grand lists lodged in 2015 and after.

1        (j) Sec. 11 (occupancy of a homestead) shall take effect January 1, 2015  
2        and apply to homestead declarations for 2015 and after.

3        (k) Secs. 12 and 13 (allowable increase) shall take effect July 1, 2014 and  
4        apply to property tax calculations for fiscal year 2016 and after.

5        (l) Notwithstanding 1 V.S.A. § 204, Secs. 16 (allocable rent), 18 (housesite  
6        value), and 19 (adjustment limit) shall take effect retroactively on January 1,  
7        2014 and apply to claims filed for fiscal year 2015.