

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 requires that school budgets be voted in a form that provides information
12 about how spending and rates are linked. It alters the way average daily
13 membership is calculated by eliminating a provision that increased the
14 counting of pupils for fast growing schools. It lowers the hold harmless
15 threshold from 3.5 percent to five percent to allow a lower equalized pupil
16 count for schools that lose more students. The bill adds language that, starting
17 in fiscal year 2019, eliminates small school support grants over three years,
18 except for geographically necessary schools. It alters the taxation of
19 municipally owned lakeshore property in another town so that the hosting
20 municipality can vote to exempt such property. The bill allows a homestead to
21 be rented for part of the year. The bill anchors excess spending increases to

1 inflation in a set year, as opposed to current law which ties the increase to the
2 previous year's spending. The bill lowers the calculation of allocable rent for
3 purposes of the renter rebate, and requires a report on how best to support
4 renters in Vermont. The bill extends the slope for people who phase out of
5 receiving income sensitivity payments, and it reduces the total cap on income
6 sensitivity payments from \$8,000.00 to \$6,000.00 for households that do not
7 have a member 65 years of age or older. The bill also requires that one-third of
8 any unreserved surplus over forecast be transferred to the Education Fund, and
9 requires the Emergency Board to determine how much of that amount can be
10 sustainably added to the General Fund transfer in the next year. The bill
11 provides a payment for the school district in Thetford to compensate that
12 community for an error in its excess spending calculation. It appropriates
13 \$6,000,000.00 from the Supplemental Property Tax Relief Fund to help lower
14 property tax rates. And the bill creates a study to examine how a reduction in
15 listed property value affects towns, and the costs to towns of defending
16 property tax appeals.

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

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

1 * * * Statewide Education Property Tax Rates, Base Education
2 Amount, and Applicable Percentage * * *

3 Sec. 1. FISCAL YEAR 2015 EDUCATION PROPERTY TAX RATES AND
4 APPLICABLE PERCENTAGE

5 (a) For fiscal year 2015 only, the education property tax imposed under
6 32 V.S.A. § 5402(a) shall be reduced from the rates of \$1.59 and \$1.10 and
7 shall instead be at the following rates:

8 (1) the tax rate for nonresidential property shall be \$1.52 per
9 \$100.00; and

10 (2) the tax rate for homestead property shall be \$0.98 multiplied by the
11 district spending adjustment for the municipality per \$100.00 of equalized
12 property value as most recently determined under 32 V.S.A. § 5405.

13 (b) For claims filed in 2014 only, “applicable percentage” in 32 V.S.A.
14 § 6066(a)(2) shall be reduced from 2.0 percent and instead shall be 1.90
15 percent multiplied by the fiscal year 2015 district spending adjustment for the
16 municipality in which the homestead residence is located; but in no event shall
17 the applicable percentage be less than 1.90 percent.

18 Sec. 2. FISCAL YEAR 2015 BASE EDUCATION AMOUNT

19 As provided in 16 V.S.A. § 4011(b), the base education amount for fiscal
20 year 2015 shall be \$9,382.00.

1 (11)(A) Shall prepare and distribute annually a proposed budget for the
2 next school year according to such major categories as may from time to time
3 be prescribed by the ~~commissioner~~ Secretary.

4 * * *

5 (D) The board shall present the budget to the voters by means of a
6 question in the form of a vote provided as follows:

7 “Article #1 (School Budget):

8 The total proposed budget of \$_____ is the amount determined by
9 the school board to be necessary to support the school district’s educational
10 program. It is estimated that this proposed budget, if approved, will result in
11 education spending of \$_____ per pupil. This projected spending per pupil is
12 _____ % higher/lower than spending for the current year. Shall the voters of the
13 school district approve the school board to expend \$_____, which is the
14 amount the school board has determined to be necessary for the ensuing fiscal
15 year?”

16 * * *

17 * * * Increase in Average Daily Membership * * *

18 Sec. 6. 16 V.S.A. § 4010(b) is amended to read:

19 (b) The ~~commissioner~~ Secretary shall determine the long-term membership
20 for each school district for each student group described in subsection (a) of
21 this section. The ~~commissioner~~ Secretary shall use the actual average daily

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

7 * * * Decrease in Equalized Pupils; Hold-Harmless Provision

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

9 Sec. 7. 16 V.S.A. § 4010(f) is amended to read:

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

13 * * * Education Spending in Small Schools * * *

14 Sec. 8. 16 V.S.A. § 4015 is amended to read:

15 § 4015. SMALL SCHOOL SUPPORT

16 (a) In this section:

17 (1) "Eligible school district" means a school district which operates at
18 least one school, has been determined by the Secretary of Education to be
19 eligible due to geographic necessity; and

20 (A) has a two-year average combined enrollment of fewer than 100
21 students in all the schools operated by the district; or

1 (B) has an average grade size of 20 or fewer.

2 * * *

3 (7) “Eligible due to geographic necessity” means that the Secretary of
4 Education has determined, on an annual basis, that the driving times, distances,
5 and travel routes are an obstacle to transporting students, consistent with the
6 methodology used by the Secretary in response to 2009 Acts and Resolves
7 No. 153, Sec. 21(1). A determination by the Secretary of eligibility due to
8 geographic necessity under this section shall be final.

9 * * *

10 Sec. 9. EDUCATION SPENDING IN SMALL SCHOOLS

11 For fiscal year 2019, any school that was eligible for small school support
12 of its education spending under 16 V.S.A. § 4015 in fiscal year 2018 but is not
13 eligible in 2019 because the school is not eligible due to geographic necessity
14 shall, upon application, receive small school support that is two-thirds of the
15 support it received in fiscal year 2018. For fiscal year 2020, any school that
16 was eligible for small school support of its education spending under
17 16 V.S.A. § 4015 in fiscal year 2018 but is not eligible for a small school grant
18 in 2020 because the school is not eligible due to geographic necessity shall,
19 upon application, receive small school support that is one-third of the support it
20 received in fiscal year 2018.

* * * Municipally Owned Lakeshore Property * * *

Sec. 10. 32 V.S.A. § 3839 is added to read:

§ 3839. MUNICIPALLY OWNED LAKESHORE PROPERTY

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

(1) owned by the Town of Hardwick, and located in Greensboro,

Vermont; or

(2) owned by the Town of Thetford, and located in Fairlee and West

Fairlee, Vermont.

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

Sec. 11. 32 V.S.A. § 5401(10)(K) is added to read:

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

(i) owned by the Town of Hardwick, and located in Greensboro,

Vermont; or

(ii) owned by the Town of Thetford, and located in Fairlee and West

Fairlee, Vermont.

1 inflation, as determined by the Secretary of Education on or before November
2 15 of each year based on the passed budgets to date. As used in this
3 subdivision, “increased by inflation” means increasing the statewide average
4 district education spending per equalized pupil for fiscal year 2014 by the most
5 recent New England Economic Project cumulative price index, as of
6 November 15, for state and local government purchases of goods and services,
7 from fiscal year 2014 through the fiscal year for which the amount is being
8 determined.

9 Sec. 14. 2013 Acts and Resolves No. 60, Sec. 2 is amended to read:

10 Sec. 2. 32 V.S.A. § 5401(12) is amended to read:

11 (12) “Excess spending” means:

12 (A) ~~the~~ The per-equalized-pupil amount of the district’s education
13 spending, as defined in 16 V.S.A. § 4001(6), plus any amount required to be
14 added from a Capital Construction Reserve Fund under 24 V.S.A. § 2804(b)~~;~~

15 (B) ~~in~~ In excess of ~~123~~ 121 percent of the statewide average district
16 education spending per equalized pupil increased by inflation, as determined
17 by the Secretary of Education on or before November 15 of each year based on
18 the passed budgets to date. As used in this subdivision “increased by inflation”
19 means increasing the statewide average district education spending per
20 equalized pupil for fiscal year 2014 by the most recent New England
21 Economic Project cumulative price index, as of November 15, for state and

1 local government purchases of goods and services, from fiscal year 2014
2 through the fiscal year for which the amount is being determined.

3 * * * Electrical Generating Plants * * *

4 Sec. 15. 32 V.S.A. § 5402(d) is amended to read:

5 (d) A municipality which has upon its grand list an operating electric
6 generating plant subject to the tax under ~~section 5402a of this chapter~~ chapter
7 215 of this title shall be subject to the nonresidential education property tax at
8 three-quarters of the rate provided in subdivision (a)(1) of this section, as
9 adjusted under section 5402b of this chapter; and shall be subject to the
10 homestead education property tax at three-quarters of the base rate provided in
11 subdivision (a)(2) of this section, as adjusted under section 5402b of this
12 chapter, and multiplied by its district spending adjustment.

13 Sec. 16. EDUCATION TAXES IN VERNON

14 Notwithstanding any other provision of law, for the purposes of 32 V.S.A.
15 § 5402(d), the town of Vernon shall continue to be treated as if its grand list
16 included an operating electric generating plant subject to the tax under
17 32 V.S.A. chapter 215 until the end of fiscal year 2017, and shall be taxed as
18 follows:

19 (1) for fiscal year 2016, the town of Vernon shall be subject to the
20 nonresidential education property tax and the homestead education property
21 tax at 83 percent of the rate as calculated under subsection 5402(a) of this title;

1 Development, shall report to the Senate Committee on Finance and House
2 Committee on Ways and Means with recommendations on how to develop
3 programs to assist renters in lieu of the current renter rebate program at
4 32 V.S.A. § 6066(b). For purposes of the report, the Vermont Housing
5 Council shall be joined by a representative from the Vermont Low Income
6 Advocacy Council and the Vermont Community Action Directors’
7 Association. The report shall consider the current benefits to renters from the
8 renter rebate program, and propose alternative programs that also benefit
9 low-income renters. Any alternative proposals shall have approximately the
10 same eligibility parameters as the current renter rebate program, shall be
11 structured to deliver comparable results, and shall take into account the portion
12 of rent paid by renters that is attributable to property taxes. The report shall be
13 due on or before January 15, 2015.

14 * * * Income Sensitivity Slope; Housesite Value * * *

15 Sec. 19. 32 V.S.A. § 6066(a) is amended to read:

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

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

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

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

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

4 (II) the statewide education tax rate, multiplied by the
5 equalized value of the housesite in the taxable year in excess of \$200,000.00
6 \$250,000.00.

7 * * *

8 * * * Income Sensitivity Limit * * *

9 Sec. 20. 32 V.S.A. § 6067 is amended to read:

10 § 6067. CREDIT LIMITATIONS

11 Only one individual per household per taxable year shall be entitled to a
12 benefit under this chapter. An individual who received a homestead exemption
13 or adjustment with respect to property taxes assessed by another state for the
14 taxable year shall not be entitled to receive an adjustment under this chapter.

15 No taxpayer shall receive an adjustment under subsection 6066(b) of this title
16 in excess of \$3,000.00. No taxpayer shall receive total adjustments under this
17 chapter in excess of \$6,000.00 related to any one property tax year, unless one
18 or more members of the household are 65 years of age or older, in which case
19 the limit shall be \$8,000.00 related to any one property tax year.

1 * * * Supplemental Property Tax Relief * * *

2 Sec. 21. 32 V.S.A. § 308c(a) is amended to read:

3 (a) There is hereby created within the General Fund a General Fund
4 Balance Reserve, also known as the “rainy day reserve.” After satisfying the
5 requirements of section 308 of this title, and after other reserve requirements
6 have been met, any remaining unreserved and undesignated end of fiscal year
7 General Fund surplus shall be reserved in the General Fund Balance Reserve.
8 The General Fund Balance Reserve shall not exceed five percent of the
9 appropriations from the General Fund for the prior fiscal year without
10 legislative authorization. Monies from this Reserve shall be available for
11 appropriation by the General Assembly.

12 (1) The Emergency Board shall, at the end of each fiscal year ~~2013~~,
13 beginning at the end of fiscal year 2015, determine at its July meeting the
14 amount of available general funds that is greater than the amount of forecasted
15 available general funds most recently adopted by the Board for that fiscal year
16 ~~2013~~.

17 (2) Of the amount added to the General Fund Balance Reserve in each
18 fiscal year ~~2013~~, to the extent available, ~~one-half~~ one-third of the amount
19 identified in subdivision (1) of this subsection is hereby appropriated in the
20 fiscal year just concluded for deposit in the ~~Supplemental Property Tax Relief~~
21 ~~Fund established by section 6075 of this title~~ Education Fund. If the amount

1 added to the General Fund Balance Reserve is insufficient to support both the
2 appropriation in this subdivision and the appropriation in ~~subdivision (3)~~
3 subdivisions (3) or (4) of this subsection, the appropriation in this subdivision
4 shall take precedence.

5 (3) Of the amount added to the General Fund Balance Reserve in each
6 fiscal year, to the extent available, one-third of the amount identified in
7 subdivision (1) of this subsection is hereby appropriated in the fiscal year just
8 concluded to the State Teachers' Retirement System for payment of the retired
9 teacher health care obligations.

10 (4) Of the amount appropriated to the Education Fund under subdivision
11 (2) of this subsection, the Emergency Board shall determine what portion of
12 that appropriation represents sustainable growth in the General Fund transfer
13 under 16 V.S.A. § 4025(a)(2), and that amount shall be added to the base
14 amount used to calculate the General Fund transfer under 16 V.S.A.
15 § 4025(a)(2) for the next fiscal year.

16 Sec. 22. THETFORD EDUCATION PROPERTY TAX RATES IN FY2014

17 In fiscal year 2015, there is appropriated to the Thetford School District the
18 sum of \$113,125.00 to be used for the sole purpose of reducing the homestead
19 tax rate, which was artificially too high in fiscal year 2014 due to a reporting
20 error in the district budget that caused the district to exceed the excess
21 spending threshold.

1 Sec. 23. PROPERTY TAX APPEALS STUDY COMMITTEE

2 (a) Creation. There is created a Property Tax Appeals Study Committee to
3 study two issues in regard to the statewide education property tax:

4 (1) how a reduction in listed property value affects towns; and

5 (2) the costs to towns of defending property tax appeals.

6 (b) Membership. The Committee shall have five members:

7 (1) one current member of the House of Representatives, who shall be
8 appointed by the Speaker of the House;

9 (2) one current member of the Senate, who shall be appointed by the
10 Committee on Committees;

11 (3) the Commissioner of Taxes or designee;

12 (4) a representative of local government appointed by the Vermont
13 League of Cities and Towns; and

14 (5) a representative of assessing officials appointed by the Vermont
15 Assessors and Listers Association.

16 (c) Powers and duties. The Committee shall study the following issues:

17 (1) The Committee shall analyze the process by which towns are
18 compensated for a reduction in listed value under 32 V.S.A. § 5412 and
19 suggest ways to make that process more equitable.

1 (2) The Committee shall analyze the current costs to towns of defending
2 property tax valuations that benefit the Education Fund and suggest ways to
3 make the cost of defending property tax appeals more equitable.

4 (d) Assistance. The Committee shall have the administrative, technical,
5 and legal assistance of the Office of Legislative Council, the Joint Fiscal
6 Office, and Department of Taxes.

7 (e) Report. On or before January 15, 2015, the Committee shall submit a
8 report to the Senate Committee on Finance and the House Committee on Ways
9 and Means with its findings and any recommendations for legislative action.

10 (f) Meetings.

11 (1) The Committee shall meet no more than six times. The Committee
12 shall select a chair and vice chair from among its legislative members at the
13 first meeting.

14 (2)(A) A majority of the members of the Committee shall be physically
15 present at the same location to constitute a quorum.

16 (B) A member may vote only if physically present at the meeting
17 location.

18 (C) Action shall be taken only if there is both a quorum and a
19 majority vote of the members physically present and voting.

20 (D) The Committee shall cease to exist on January 16, 2015.

1 23 (property tax appeal study), 24 (appropriation), and 25 (repeals) shall take
2 effect on passage.

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

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

9 (d) Sec. 5 (form of budget) shall take effect on January 1, 2015 and apply
10 to budgets voted for fiscal year 2016.

11 (e) Sec. 6 (increased average daily membership) shall take effect on July 1,
12 2014 and shall apply to long-term membership calculations for fiscal year 2016
13 and after.

14 (f) Sec. 7 (hold-harmless provision) shall take effect on July 1, 2014 and
15 shall apply to equalized pupil calculations for fiscal year 2016 and after.

16 (g) Secs. 8 and 9 (small school spending) shall take effect on July 1, 2018
17 and apply to fiscal year 2019 and forward.

18 (j) Secs. 10 (town voted exemption) and 11 (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 (k) Sec. 12 (occupancy of a homestead) shall take effect on January 1, 2015
2 and apply to homestead declarations for 2015 and after.

3 (l) Secs. 13 and 14 (anchoring excess spending) shall take effect on July 1,
4 2014 and apply to property tax calculations for fiscal year 2016 and after.

5 (m) Notwithstanding 1 V.S.A. § 214, Secs. 17 (allocable rent),
6 19 (housesite value), and 20 (adjustment limit) shall take effect retroactively
7 on January 1, 2014 and apply to claims filed for fiscal year 2015.