

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Ways and Means to which was referred House Bill No. 361  
3 entitled “An act relating to making amendments to education funding,  
4 education spending, and education governance” respectfully reports that it has  
5 considered the same and recommends that the bill be amended as follows:

6 First: By striking Secs. 2–5 (yield; dollar equivalent) in their entirety, and  
7 inserting in lieu thereof the following:

8 Sec. 2. 16 V.S.A. § 4001(13) is amended to read:

9 (13) “Base education amount” means ~~a number used to calculate tax~~  
10 ~~rates. The base education amount is \$6,800.00 per equalized pupil, adjusted as~~  
11 ~~required under section 4011 of this title.~~

12 Sec. 2a. 32 V.S.A. § 5401 is amended to read:

13 § 5401. DEFINITIONS

14 \* \* \*

15 (13)(A) “District Education property tax spending adjustment” means  
16 the greater of: one or a fraction in which the numerator is the district’s  
17 education spending plus excess spending, per equalized pupil, for the school  
18 year; and the denominator is the ~~base education amount~~ property dollar  
19 equivalent yield for the school year, as defined in ~~16 V.S.A. § 4001~~  
20 subdivision (15) of this section. ~~For a district that pays tuition to a public~~  
21 ~~school or an approved independent school, or both, for all of its resident~~

1 ~~students in any year and which has decided by a majority vote of its school~~  
2 ~~board to opt into this provision, the district spending adjustment shall be the~~  
3 ~~average of the district spending adjustment calculated under this subdivision~~  
4 ~~for the previous year and for the current year. Any district opting for a~~  
5 ~~two-year average under this subdivision may not opt out of such treatment, and~~  
6 ~~the averaging shall continue until the district no longer qualifies for such~~  
7 ~~treatment.~~

8 (B) “Education income tax spending adjustment” means the greater of:  
9 one or a fraction in which the numerator is the district’s education spending  
10 plus excess spending, per equalized pupil, for the school year; and the  
11 denominator is the income dollar equivalent yield for the school year, as  
12 defined in subdivision (16) of this section.

13 \* \* \*

14 (15) “Property dollar equivalent yield” means the amount of spending  
15 per equalized pupil that would result if the homestead tax rate were \$1.00 per  
16 \$100.00 of equalized education property value, and the statutory reserves  
17 under 16 V.S.A. § 4026 and section 5402b of this title were maintained.

18 (16) “Income dollar equivalent yield” means the amount of spending per  
19 equalized pupil that would result if the applicable percentage in subdivision  
20 6066(a)(2) of this title were 2.0 percent, and the statutory reserves under  
21 16 V.S.A. § 4026 and section 5402b of this title were maintained.

1       Sec. 3. 32 V.S.A. § 5402 is amended to read:

2       § 5402. EDUCATION PROPERTY TAX LIABILITY

3       (a) A ~~Statewide~~ statewide education tax is imposed on all nonresidential  
4       and homestead property at the following rates:

5             (1) The tax rate for nonresidential property shall be \$1.59 per \$100.00.

6             (2) The tax rate for homestead property shall be ~~\$1.10~~ \$1.00 multiplied  
7       by the ~~district~~ education property tax spending adjustment for the municipality,  
8       per \$100.00, of equalized education property value as most recently  
9       determined under section 5405 of this title. The homestead property tax rate  
10       for each municipality which is a member of a union or unified union school  
11       district shall be calculated as required under subsection (e) of this section.

12       (b) The ~~Statewide~~ statewide education tax shall be calculated as follows:

13             (1) The Commissioner of Taxes shall determine for each municipality  
14       the education tax rates under subsection (a) of this section, divided by the  
15       municipality's most recent common level of appraisal. The legislative body in  
16       each municipality shall then bill each property taxpayer at the homestead or  
17       nonresidential rate determined by the Commissioner under this subdivision,  
18       multiplied by the education property tax grand list value of the property,  
19       properly classified as homestead or nonresidential property and without regard  
20       to any other tax classification of the property. Tax bills shall show the tax due  
21       and the calculation of the rate determined under subsection (a) of this section,

1 divided by the municipality's most recent common level of appraisal,  
2 multiplied by the current grand list value of the property to be taxed.

3 (2) Taxes assessed under this section shall be assessed and collected in  
4 the same manner as taxes assessed under chapter 133 of this title with no tax  
5 classification other than as homestead or nonresidential property.

6 (3) If a district has not voted a budget by June 30, an interim homestead  
7 education tax shall be imposed at the base rate determined under subdivision  
8 (a)(2) of this section, divided by the municipality's most recent common level  
9 of appraisal, but without regard to any ~~district~~ spending adjustment under  
10 subdivision 5401(13) of this title. Within 30 days after a budget is adopted and  
11 the deadline for reconsideration has passed, the Commissioner shall determine  
12 the municipality's homestead tax rate as required under subdivision (1) of this  
13 subsection.

14 \* \* \*

15 (d) A municipality which has upon its grand list an operating electric  
16 generating plant subject to the tax under chapter 213 of this title shall be  
17 subject to the nonresidential education property tax at three-quarters of the rate  
18 provided in subdivision (a)(1) of this section, as adjusted under section 5402b  
19 of this chapter; and shall be subject to the homestead education property tax at  
20 three-quarters of the base rate provided in subdivision (a)(2) of this section, as

1 adjusted under section 5402b of this chapter, and multiplied by its ~~district~~  
2 spending adjustment under subdivision 5401(13) of this title.

3 (e) The Commissioner of Taxes shall determine a homestead education tax  
4 rate for each municipality which is a member of a union or unified union  
5 school district as follows:

6 (1) For a municipality which is a member of a unified union school  
7 district, use the base rate determined under subdivision (a)(2) of this section  
8 and a ~~district~~ spending adjustment under subdivision 5401(13) of this title  
9 based upon the education spending per equalized pupil of the unified union.

10 (2) For a municipality which is a member of a union school district:

11 (A) Determine the municipal district homestead tax rate using the  
12 base rate determined under subdivision (a)(2) of this section and a ~~district~~  
13 spending adjustment under subdivision 5401(13) of this title based on the  
14 education spending per total equalized pupil in the municipality who attends a  
15 school other than the union school.

16 (B) Determine the union district homestead tax rate using the base  
17 rate determined under subdivision (a)(2) of this section and a ~~district~~ spending  
18 adjustment under subdivision 5401(13) of this title based on the education  
19 spending per equalized pupil of the union school district.

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Sec. 4. 32 V.S.A. § 6066(a)(2) is amended to read:

(2) “Applicable percentage” in this section means two percent, multiplied by the ~~district~~ education income tax spending adjustment under subdivision 5401(13)(~~B~~) of this title for the property tax year which begins in the claim year for the municipality in which the homestead residence is located; ~~but in no event shall the applicable percentage be less than two percent.~~

Sec. 4a. REVISION AUTHORITY

Notwithstanding 4 V.S.A. § 424, the Office of Legislative Council is authorized to change all instances in statute of the term “applicable percentage” to “income percentage” in 32 V.S.A. chapters 135 and 154.

Sec. 4b. 16 V.S.A. § 4031 is amended to read:

§ 4031. UNORGANIZED TOWNS AND GORES

(a) For a municipality that as of January 1, 2004 is an unorganized town or gore, its ~~district~~ education property tax spending adjustment under 32 V.S.A. § 5401(13) shall be one for purposes of determining the tax rate under 32 V.S.A. § 5402(a)(2).

(b) For purposes of a claim for property tax adjustment under 32 V.S.A. chapter 154 by a taxpayer in a municipality affected under this section, the

1 applicable percentage shall not be multiplied by a spending adjustment under  
2 32 V.S.A. § 5401(13).

3 Sec. 5. 32 V.S.A. § 5402b is amended to read:

4 § 5402b. STATEWIDE EDUCATION TAX RATE ~~ADJUSTMENTS~~

5 YIELDS; RECOMMENDATION OF THE COMMISSIONER

6 ~~(a) Annually, by December 1, the Commissioner of Taxes shall recommend~~  
7 ~~to the General Assembly, after consultation with the Agency of Education, the~~  
8 ~~Secretary of Administration, and the Joint Fiscal Office, the following~~  
9 ~~adjustments in the statewide education tax rates under subdivisions 5402(a)(1)~~  
10 ~~and (2) of this title:~~

11 ~~(1) If there is a projected balance in the Education Fund Budget~~  
12 ~~Stabilization Reserve in excess of the five percent level authorized under~~  
13 ~~16 V.S.A. § 4026, the Commissioner shall recommend a reduction, for the~~  
14 ~~following fiscal year only, in the statewide education tax rates which will~~  
15 ~~retain the projected Education Fund Budget Stabilization Reserve at the five~~  
16 ~~percent maximum level authorized and raise at least 34 percent of projected~~  
17 ~~education spending from the tax on nonresidential property; and~~

18 ~~(2) If there is a projected balance in the Education Fund Budget~~  
19 ~~Stabilization Reserve of less than the three and one half percent level required~~  
20 ~~under 16 V.S.A. § 4026, the Commissioner shall recommend an increase, for~~  
21 ~~the following fiscal year only, in the statewide education tax rates which will~~

1 retain the projected Education Fund Budget Stabilization Reserve at no less  
2 than the three and one half percent minimum level authorized under 16 V.S.A.  
3 § 4026, and raise at least 34 percent of projected education spending from the  
4 tax rate on nonresidential property.

5 (3) In any year following a year in which the nonresidential rate  
6 produced an amount of revenues insufficient to support 34 percent of education  
7 fund spending in the previous fiscal year, the Commissioner shall determine  
8 and recommend an adjustment in the nonresidential rate sufficient to raise at  
9 least 34 percent of projected education spending from the tax rate on  
10 nonresidential property.

11 (4) If in any year in which the nonresidential rate is less than the  
12 statewide average homestead rate, the Commissioner of Taxes shall determine  
13 the factors contributing to the deviation in the proportionality of the  
14 nonresidential and homestead rates and make a recommendation for adjusting  
15 statewide education tax rates accordingly.

16 (b) If the Commissioner makes a recommendation to the General Assembly  
17 to adjust the education tax rates under section 5402 of this title, the  
18 Commissioner shall also recommend a proportional adjustment to the  
19 applicable percentage base for homestead income based adjustments under  
20 section 6066 of this title, but the applicable percentage base shall not be  
21 adjusted below 1.94 percent.

1        (a) Annually, no later than December 1, the Commissioner shall calculate  
2        and recommend a property dollar equivalent yield and an income dollar  
3        equivalent yield for the following fiscal year. In making these calculations, the  
4        Commissioner shall assume:

5                (1) the homestead base tax rate in subdivision 5402(a)(2) of this title is  
6                1.00 per \$100.00 of equalized education property value;

7                (2) the applicable percentage in subdivision 6066(a)(2) of this title  
8                is 2.0;

9                (3) the statutory reserves under 16 V.S.A. § 4026 and this section were  
10               maintained at five percent; and

11               (4) the percentage change in the median education tax bill applied to  
12               nonresidential property, the percentage change in the median education tax bill  
13               of homestead property, and the percentage change in the median education tax  
14               bill for taxpayers who claim an adjustment under subsection 6066(a) of this  
15               title are equal.

16        (b) For each fiscal year, the General Assembly shall set a property dollar  
17        equivalent yield and an income dollar equivalent yield, consistent with the  
18        definitions in this chapter.

19        Second: In Sec. 6, Fiscal Year 2016 education property tax rates, in  
20        subdivision (a)(1), by striking out “\$1.535” and inserting in lieu thereof

1       “\$1.525” and in subdivision (a)(2), by striking out “\$1.00” and inserting in lieu  
2       thereof “\$0.98”

3       Third: By striking out Sec. 18 in its entirety and inserting in lieu thereof a  
4       new Sec. 18 to read:

5       Sec. 18. TAX INCENTIVES; PREKINDERGARTEN–GRADE 12

6                   DISTRICT

7       (a) Tax incentive. Subject to subsection (c) of this section, a  
8       prekindergarten–grade 12 district created pursuant to Sec. 17 of this act shall  
9       receive an equalization of its homestead property tax rates during fiscal years  
10       2020 through 2023 as follows:

11               (1)(A) Subject to the provisions of subdivision (2) of this subsection and  
12       notwithstanding any other provision of law, the district’s equalized homestead  
13       property tax rate shall be:

14                   (i) decreased by \$0.08 in fiscal year 2020;

15                   (ii) decreased by \$0.06 in fiscal year 2021;

16                   (iii) decreased by \$0.04 in fiscal year 2022; and

17                   (iv) decreased by \$0.02 in fiscal year 2023.

18               (B) The household income percentage shall be calculated  
19       accordingly.

20               (2) During the years in which a district’s equalized homestead property  
21       tax rate is decreased pursuant to this subsection, the rate for each town within

1 the district shall not increase or decrease by more than five percent in a single  
2 year. The household income percentage shall be calculated accordingly.

3 (b) Common level of appraisal. On and after the effective date of merger,  
4 the common level of appraisal shall be calculated independently for each town  
5 within the district for purposes of determining the homestead property tax rate  
6 for each town.

7 (c) Applicability.

8 (1) This section shall apply only to a prekindergarten–grade 12 district  
9 that obtains a favorable vote of all “necessary” districts on or before  
10 November 30, 2017, is operational on or before July 1, 2019, and is either a  
11 supervisory district or has an average daily membership of 1,100, or both.

12 (2) This section shall not apply to a regional education district or one of  
13 its variations that receives incentives pursuant to 2010 Acts and Resolves  
14 No. 153, Sec. 4, as amended by 2012 Acts and Resolves No. 156, Sec. 13.

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17 (Committee vote: \_\_\_\_\_)

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\_\_\_\_\_

19

Representative \_\_\_\_\_

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FOR THE COMMITTEE