

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 as a basis for calculating certain categorical grants. The base education
11 amount is \$6,800.00 per equalized pupil, adjusted as required under section
12 4011 of this title.

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

14 § 5401. DEFINITIONS

15 * * *

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

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

9 (B) “Education income tax spending adjustment” means the greater of:
10 one or a fraction in which the numerator is the district’s education spending
11 plus excess spending, per equalized pupil, for the school year; and the
12 denominator is the income dollar equivalent yield for the school year, as
13 defined in subdivision (16) of this section. For a district that pays tuition to a
14 public school or an approved independent school, or both, for all of its resident
15 students in any year and which has decided by a majority vote of its school
16 board to opt into this provision, the education income tax spending adjustment
17 shall be the average of the education income tax spending adjustment
18 calculated under this subdivision for the previous year and for the current year.
19 Any district opting for a two-year average under this subdivision may not opt
20 out of such treatment, and the averaging shall continue until the district no
21 longer qualifies for such treatment.

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

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

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

§ 5402. EDUCATION PROPERTY TAX LIABILITY

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

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

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

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

1 (1) The Commissioner of Taxes shall determine for each municipality
2 the education tax rates under subsection (a) of this section, divided by the
3 municipality’s most recent common level of appraisal. The legislative body in
4 each municipality shall then bill each property taxpayer at the homestead or
5 nonresidential rate determined by the Commissioner under this subdivision,
6 multiplied by the education property tax grand list value of the property,
7 properly classified as homestead or nonresidential property and without regard
8 to any other tax classification of the property. Tax bills shall show the tax due
9 and the calculation of the rate determined under subsection (a) of this section,
10 divided by the municipality’s most recent common level of appraisal,
11 multiplied by the current grand list value of the property to be taxed.

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

15 (3) If a district has not voted a budget by June 30, an interim homestead
16 education tax shall be imposed at the base rate determined under subdivision
17 (a)(2) of this section, divided by the municipality’s most recent common level
18 of appraisal, but without regard to any ~~district~~ spending adjustment under
19 subdivision 5401(13) of this title. Within 30 days after a budget is adopted and
20 the deadline for reconsideration has passed, the Commissioner shall determine

1 the municipality's homestead tax rate as required under subdivision (1) of this
2 subsection.

3 * * *

4 (d) A municipality which has upon its grand list an operating electric
5 generating plant subject to the tax under chapter 213 of this title shall be
6 subject to the nonresidential education property tax at three-quarters of the rate
7 provided in subdivision (a)(1) of this section, as adjusted under section 5402b
8 of this chapter; and shall be subject to the homestead education property tax at
9 three-quarters of the base rate provided in subdivision (a)(2) of this section, as
10 adjusted under section 5402b of this chapter, and multiplied by its ~~district~~
11 spending adjustment under subdivision 5401(13) of this title.

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

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

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

20 (A) Determine the municipal district homestead tax rate using the
21 base rate determined under subdivision (a)(2) of this section and a ~~district~~

1 spending adjustment under subdivision 5401(13) of this title based on the
2 education spending per total equalized pupil in the municipality who attends a
3 school other than the union school.

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

8 (C) Determine a combined homestead tax rate by calculating the
9 weighted average of the rates determined under subdivisions (A) and (B) of
10 this subdivision (2), with weighting based upon the ratio of union school
11 equalized pupils from the member municipality to total equalized pupils of the
12 member municipality; and the ratio of equalized pupils attending a school other
13 than the union school to total equalized pupils of the member municipality.
14 Total equalized pupils of the member municipality is based on the number of
15 pupils who are legal residents of the municipality and attending school at
16 public expense. If necessary, the Commissioner may adopt a rule to clarify
17 and facilitate implementation of this subsection.

18 Sec. 4. 32 V.S.A. § 6066(a)(1) and (2) are amended to read:

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

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

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

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

5 (I) the ~~applicable~~ income percentage of household income for
6 the taxable year; plus

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

9 (B) For a claimant with household income of less than \$90,000.00
10 but more than \$47,000.00, the statewide education tax rate, multiplied by the
11 equalized value of the housesite in the taxable year, minus (if less) the sum of:

12 (i) the ~~applicable~~ income percentage of household income for the
13 taxable year; plus

14 (ii) the statewide education tax rate, multiplied by the equalized
15 value of the housesite in the taxable year in excess of \$500,000.00.

16 (C) For a claimant whose household income does not exceed
17 \$47,000.00, the statewide education tax rate, multiplied by the equalized value
18 of the housesite in the taxable year, minus the lesser of:

19 (i) the sum of the ~~applicable~~ income percentage of household
20 income for the taxable year plus the statewide education tax rate, multiplied by

1 the equalized value of the housesite in the taxable year in excess of
2 \$500,000.00; or

3 (ii) the statewide education tax rate, multiplied by the equalized
4 value of the housesite in the taxable year reduced by \$15,000.00.

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

11 Sec. 4a. 2014 Acts and Resolves No. 174, Sec. 64 is amended to read:

12 Sec. 64. 32 V.S.A. § 6066(a) is amended to read:

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

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

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

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

20 (I) the ~~applicable~~ income percentage of household income for
21 the taxable year; plus

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

4 * * *

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

6 § 4031. UNORGANIZED TOWNS AND GORES

7 (a) For a municipality that as of January 1, 2004 is an unorganized town or
8 gore, its ~~district~~ education property tax spending adjustment under 32 V.S.A.
9 § 5401(13) shall be one for purposes of determining the tax rate under 32
10 V.S.A. § 5402(a)(2).

11 (b) For purposes of a claim for property tax adjustment under 32 V.S.A.
12 chapter 154 by a taxpayer in a municipality affected under this section, the
13 ~~applicable~~ income percentage shall not be multiplied by a spending adjustment
14 under 32 V.S.A. § 5401(13).

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

16 § 5402b. STATEWIDE EDUCATION TAX RATE ADJUSTMENTS
17 YIELDS

18 ~~(a) Annually, by December 1, the Commissioner of Taxes shall recommend~~
19 ~~to the General Assembly, after consultation with the Agency of Education, the~~
20 ~~Secretary of Administration, and the Joint Fiscal Office, the following~~

1 adjustments in the statewide education tax rates under subdivisions 5402(a)(1)
2 and (2) of this title:

3 (1) If there is a projected balance in the Education Fund Budget
4 Stabilization Reserve in excess of the five percent level authorized under
5 16 V.S.A. § 4026, the Commissioner shall recommend a reduction, for the
6 following fiscal year only, in the statewide education tax rates which will
7 retain the projected Education Fund Budget Stabilization Reserve at the five
8 percent maximum level authorized and raise at least 34 percent of projected
9 education spending from the tax on nonresidential property; and

10 (2) If there is a projected balance in the Education Fund Budget
11 Stabilization Reserve of less than the three and one half percent level required
12 under 16 V.S.A. § 4026, the Commissioner shall recommend an increase, for
13 the following fiscal year only, in the statewide education tax rates which will
14 retain the projected Education Fund Budget Stabilization Reserve at no less
15 than the three and one half percent minimum level authorized under 16 V.S.A.
16 § 4026, and raise at least 34 percent of projected education spending from the
17 tax rate on nonresidential property.

18 (3) In any year following a year in which the nonresidential rate
19 produced an amount of revenues insufficient to support 34 percent of education
20 fund spending in the previous fiscal year, the Commissioner shall determine
21 and recommend an adjustment in the nonresidential rate sufficient to raise at

1 ~~least 34 percent of projected education spending from the tax rate on~~
2 ~~nonresidential property.~~

3 ~~(4) If in any year in which the nonresidential rate is less than the~~
4 ~~statewide average homestead rate, the Commissioner of Taxes shall determine~~
5 ~~the factors contributing to the deviation in the proportionality of the~~
6 ~~nonresidential and homestead rates and make a recommendation for adjusting~~
7 ~~statewide education tax rates accordingly.~~

8 ~~(b) If the Commissioner makes a recommendation to the General Assembly~~
9 ~~to adjust the education tax rates under section 5402 of this title, the~~
10 ~~Commissioner shall also recommend a proportional adjustment to the~~
11 ~~applicable percentage base for homestead income based adjustments under~~
12 ~~section 6066 of this title, but the applicable percentage base shall not be~~
13 ~~adjusted below 1.94 percent.~~

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

18 (1) the homestead base tax rate in subdivision 5402(a)(2) of this title is
19 1.00 per \$100.00 of equalized education property value;

20 (2) the income percentage in subdivision 6066(a)(2) of this title is 2.0;

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

3 (4) the percentage change in the median education tax bill applied to
4 nonresidential property, the percentage change in the median education tax bill
5 of homestead property, and the percentage change in the median education tax
6 bill for taxpayers who claim an adjustment under subsection 6066(a) of this
7 title are equal.

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

11 Second: In Sec. 6, Fiscal Year 2016 Education Property Tax Rates, in
12 subdivision (a)(1), by striking out “\$1.535” and inserting in lieu thereof
13 “\$1.525” and in subdivision (a)(2), by striking out “\$1.00” and inserting in lieu
14 thereof “\$0.98”, and in subsection (b) by striking out “applicable” and
15 inserting in lieu thereof “income” in both instances

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

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

19 DISTRICT

20 (a) Tax incentive. Subject to subsection (c) of this section, a
21 prekindergarten–grade 12 district created pursuant to Sec. 17 of this act shall

1 receive an equalization of its homestead property tax rates during fiscal years
2 2020 through 2023 as follows:

3 (1)(A) Subject to the provisions of subdivision (2) of this subsection and
4 notwithstanding any other provision of law, the district's equalized homestead
5 property tax rate shall be:

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

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

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

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

10 (B) The household income percentage shall be calculated
11 accordingly.

12 (2) During the years in which a district's equalized homestead property
13 tax rate is decreased pursuant to this subsection, the rate for each town within
14 the district shall not increase or decrease by more than five percent in a single
15 year. The household income percentage shall be calculated accordingly.

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

1 (c) Applicability.

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

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

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11 (Committee vote: _____)

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Representative _____

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FOR THE COMMITTEE