

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21

**DRAFT**

**TWO YIELD IDEA**

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

\* \* \*

(13)(A) “District Education property tax spending adjustment” means the greater of: one or a fraction in which the numerator is the district’s education spending plus excess spending, per equalized pupil, for the school year; and the denominator is the ~~base education amount~~ “education property tax dollar equivalent yield” for the school year, as defined in ~~16 V.S.A. § 4001~~ 32 V.S.A. § 5401. For a district that pays tuition to a public school or an approved independent school, or both, for all of its resident students in any year and which has decided by a majority vote of its school board to opt into this provision, the ~~district~~ education property tax spending adjustment shall be the average of the ~~district~~ education property tax spending adjustment calculated under this subdivision for the previous year and for the current year. Any district opting for a two-year average under this subdivision may not opt out of such treatment, and the averaging shall continue until the district no longer qualifies for such treatment.

(B) “Education income tax spending adjustment” means the greater of: one or a fraction in which the numerator is the district’s education spending plus excess spending, per equalized pupil, for the school year; and the

1 denominator is the “education income tax dollar equivalent yield” for the  
2 school year, as defined in 32 V.S.A. § 5401. For a district that pays tuition to a  
3 public school or an approved independent school, or both, for all of its resident  
4 students in any year and which has decided by a majority vote of its school  
5 board to opt into this provision, the education income tax spending adjustment  
6 shall be the average of the education income tax spending adjustment  
7 calculated under this subdivision for the previous year and for the current year.  
8 Any district opting for a two-year average under this subdivision may not opt  
9 out of such treatment, and the averaging shall continue until the district no  
10 longer qualifies for such treatment.

11 \* \* \*

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

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

21 Sec. 2. 32 V.S.A. § 5402 is amended to read:

1 § 5402. EDUCATION PROPERTY TAX LIABILITY

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

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

5 (2) The tax rate for homestead property shall be ~~\$1.40~~ \$1.00 multiplied  
6 by the ~~district~~ education property tax spending adjustment for the municipality,  
7 per \$100.00, of equalized education property value as most recently  
8 determined under section 5405 of this title. The homestead property tax rate  
9 for each municipality which is a member of a union or unified union school  
10 district shall be calculated as required under subsection (e) of this section.

11 \* \* \*

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

13 § 5402b. STATEWIDE EDUCATION TAX RATE ADJUSTMENTS

14 YIELDS

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

20 (1) ~~If there is a projected balance in the Education Fund Budget~~

21 ~~Stabilization Reserve in excess of the five percent level authorized under 16~~

1 ~~V.S.A. § 4026, the Commissioner shall recommend a reduction, for the~~  
2 ~~following fiscal year only, in the statewide education tax rates which will~~  
3 ~~retain the projected Education Fund Budget Stabilization Reserve at the five~~  
4 ~~percent maximum level authorized and raise at least 34 percent of projected~~  
5 ~~education spending from the tax on nonresidential property; and~~

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

14 (3) ~~In any year following a year in which the nonresidential rate~~  
15 ~~produced an amount of revenues insufficient to support 34 percent of education~~  
16 ~~fund spending in the previous fiscal year, the Commissioner shall determine~~  
17 ~~and recommend an adjustment in the nonresidential rate sufficient to raise at~~  
18 ~~least 34 percent of projected education spending from the tax rate on~~  
19 ~~nonresidential property.~~

20 (4) ~~If in any year in which the nonresidential rate is less than the~~  
21 ~~statewide average homestead rate, the Commissioner of Taxes shall determine~~

1 ~~the factors contributing to the deviation in the proportionality of the~~  
2 ~~nonresidential and homestead rates and make a recommendation for adjusting~~  
3 ~~statewide education tax rates accordingly.~~

4 (a) Annually, no later than December 1, the Commissioner shall calculate  
5 and announce the education property tax yield and the education income tax  
6 yield for the following fiscal year. In making these calculations, the  
7 Commissioner shall assume:

8 (1) the homestead base tax rate in 32 V.S.A. § 5402(a)(2) is 1.00 per  
9 \$100.00 of equalized education property value;

10 (2) the applicable percentage in 32 V.S.A. § 6066(a)(2) is 2.0;

11 (3) the statutory reserves under 16 V.S.A. § 4026 and section 5402b of  
12 this title were maintained at five percent; and

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

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

1       ~~(b) If the Commissioner makes a recommendation to the General Assembly~~  
2       ~~to adjust the education tax rates under section 5402 of this title, the~~  
3       ~~Commissioner shall also recommend a proportional adjustment to the~~  
4       ~~applicable percentage base for homestead income based adjustments under~~  
5       ~~section 6066 of this title, but the applicable percentage base shall not be~~  
6       ~~adjusted below 1.94 percent.~~

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

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

13       Sec. 5. EFFECTIVE DATE

14               Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactive to  
15       January 1, 2015.

16

17