

March 5, 2015

VALA House Ways & Means Proposal update as it relates to H.361

TO: Representatives Ancel, Branagan, Donovan, Canfield, Clarkson, Condon, Greshin, Konline, Masland  
Till and Young

The Vermont Assessors and Listers Association (VALA) presented testimony before the House Education Committee on February 18<sup>th</sup> concerning the attached education fund change proposals. The House Education Committee has formulated H.361 as a bill which is now before your committee. VALA met on March 4, 2015 and again has recommended our legislative committee to pursue further the points that were offered in our letter to you on February 25<sup>th</sup>, **but as these points relate to H.361.**

VALA's testimony to the House Education Committee concerned 2 points. The first point was to have only one education tax rate and not two tax rates (Homestead and Non-Homestead). VALA strongly believes that the division caused within a community by the two tax rates should end. These two tax rates are now fairly even. It would be a good time to put the community whole again with all the property taxpayers involved in the education of its children. It would be a good time to end the political turmoil caused each year by trying to balance these two groups of taxpayers. It would simplify the formula and remove some of the anguish of the property taxpayers toward the State Education Property Tax.

The second point, however, is of even greater concern to us as it deals with fairness and equity for all property taxpayers. It would help to turn the Income Sensitivity part of the formula from a regressive to a progressive formula by removing the "Cliff" for incomes over \$50,000. **This "Cliff" is a major flaw of the funding formula and needs to be corrected.** VALA is presenting to the Ways & Means Committee a chart that shows this flaw and its possible correction. It would not change any other aspects of the formula. It would only involve a factor change to the Income Adjustments over \$50,000.

VALA believes that as much as \$50,000,000, or more, in rebate savings could be achieved by removing this "Cliff". These savings could be used to make the formula fairer and more equitable for the other property taxpayers. It would also make them more responsible in their voting of school budgets.

VALA requests that the Ways & Means Committee have JFO test VALA's formula for removing the "Cliff" to see if the rebate savings would be achieved. **There is no question that by removing the "Cliff" in this manner that tax fairness is better achieved.** It is very possible that this removal of the "Cliff" could help to lower the education fund deficit, **to lower the 2015/16 education tax rate increase of \$1.56 as proposed in H.361 to less than last year's \$1.50**, and to extend the Income Sensitivity Level to \$111,000 as shown in Column 3. This removal of the "Cliff" for incomes over \$50,000 could be a win in many respects for you as a legislature and to the Vermont property taxpayers.

It is very possible that by going to just the one tax rate that the above could be even better achieved. This should also be tested by JFO.

If you look at these numbers on a \$400,000 Housesite, it is also apparent that the \$8,000 cap on rebates should be lowered to \$4,000.

VALA believes that the Chart is very easy to understand. VALA hopes that the Committee will discuss this Chart and give it the attention it deserves. Should you want testimony on it, please contact either Tom Vickery at [tvickery@waterburyvt.com](mailto:tvickery@waterburyvt.com) or Randy Viens at [rviens@essex.org](mailto:rviens@essex.org).