

1 Introduced by Committee on Education

2 Date:

3 Subject: Taxation; statewide education tax; rates; yield

4 Statement of purpose of bill as introduced: This bill proposes to make three
5 sets of changes:

6 (1) The bill sets the nonresidential property tax rate, the property dollar
7 equivalent yield, and the income percentage for fiscal year 2018.

8 (2) The bill creates a new system for calculating spending-adjusted tax
9 rates. It does so by calculating how much money there is in the Education
10 Fund for a statewide base tax rate of 1.00, and it divides that number by the
11 number of students in the State. It then allows towns to raise more than that
12 base amount on an equalized basis. In doing so, the bill moves from a dual
13 yield system to a single yield system. The changes in the calculation of the tax
14 rate are phased in over a four-year period from fiscal years 2018 through 2021.

15 (3) The bill clarifies that merging school districts may transfer some
16 assets and debt back to the towns where the assets are fixed.

17 An act relating to calculating statewide education tax rates

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

2 * * * Yield, Income Percentage, and Nonresidential Tax Rate * * *

3 Sec. 1. PROPERTY DOLLAR EQUIVALENT YIELD AND INCOME
4 PERCENTAGE FOR FISCAL YEAR 2018

5 (a) Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2018 only, the
6 property dollar equivalent yield shall be \$9292.00.

7 (b) Notwithstanding any other provision of law, for fiscal year 2018 only,
8 the income percentage under 32 V.S.A. § 6066(a)(2) shall be 1.7.

9 Sec. 2. NONRESIDENTIAL PROPERTY TAX RATE FOR FISCAL YEAR
10 2018

11 For fiscal year 2018 only, the nonresidential education property tax imposed
12 under 32 V.S.A. § 5402(a)(2) shall be reduced from the rate of \$1.59 and
13 instead be \$1.555 per \$100.00.

14 * * * Excess Spending * * *

15 Sec. 3. REPEALS

16 The following are repealed:

17 (1) 16 V.S.A. § 4001(6)(B) (education spending).

18 (2) 32 V.S.A. § 5401(12) (excess spending).

1 Sec. 4. 16 V.S.A. § 4011(i) is amended to read:

2 (i) Annually, ~~by~~ on or before October 1, the Secretary shall send to school
3 boards for inclusion in town reports and publish on the Agency website the
4 following information:

5 (1) the statewide average district spending per equalized pupil for the
6 current fiscal year; ~~and 125 percent of that average spending;~~ and

7 (2) a statewide comparison of student-teacher ratios among schools that
8 are similar in number of students and number of grades.

9 Sec. 5. 24 V.S.A. § 2804(b) is amended to read:

10 (b) ~~If a reserve fund is established under subsection (a) of this section to~~
11 ~~pay a school district's future school capital construction costs approved under~~
12 ~~16 V.S.A. chapter 123, any funds raised by the district as part of its education~~
13 ~~spending to pay for those future costs shall be considered "approved school~~
14 ~~capital construction spending" in calculating excess spending under 32 V.S.A.~~
15 ~~§ 5401(12).~~ Districts shall submit to the Agency of Education annually a
16 report of deposits into and expenditures from a school capital construction
17 reserve fund. ~~If the Agency of Education determines that any amount in the~~
18 ~~reserve fund has not been used for approved school capital construction within~~
19 ~~five years after deposit into the fund, then 150 percent of that amount shall be~~
20 ~~added to the district's education spending in the then-current year for purposes~~

1 of calculating the excess spending penalty. The definitions in 16 V.S.A.
2 chapter 133 shall apply to this subsection.

3 * * * Calculation of Rates * * *

4 Sec. 6. 32 V.S.A. § 5401 is amended to read:

5 § 5401. DEFINITIONS

6 As used in this chapter:

7 * * *

8 (13)(A)(i) ~~“Education~~ For districts with education spending per
9 equalized pupil that is equal to or in excess of the base spending amount,
10 “education property tax spending adjustment” means the greater of: one or one
11 plus a fraction in which the numerator is the district’s education spending plus
12 excess spending, per equalized pupil; above the base spending amount for the
13 school year; and the denominator is the property dollar equivalent yield for the
14 school year, as defined in subdivision (15) of this section.

15 (ii) For districts with education spending per equalized pupil that
16 is less than the base spending amount, “education property tax spending
17 adjustment” shall be one.

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

1 ~~the denominator is the income dollar equivalent yield for the school year, as~~
2 ~~defined in subdivision (16) of this section. [Repealed.]~~

3 * * *

4 (15) “Property dollar equivalent yield” means the amount of spending
5 per equalized pupil that would result if the homestead tax rate were \$1.00 per
6 \$100.00 of equalized education property value, and the statutory reserves
7 under 16 V.S.A. § 4026 and section 5402b of this title were maintained,
8 calculated as if total statewide education spending per equalized pupil were
9 equal to the total statewide education spending per equalized pupil minus the
10 total statewide base spending amount per equalized pupil.

11 ~~(16) “Income dollar equivalent yield” means the amount of spending per~~
12 ~~equalized pupil that would result if the income percentage in subdivision~~
13 ~~6066(a)(2) of this title were 2.0 percent, and the statutory reserves under~~
14 ~~16 V.S.A. § 4026 and section 5402b of this title were maintained. [Repealed.]~~

15 (17) “Base spending amount” means the amount that results from the
16 following calculation:

17 (A) the sum of the total projected Education Fund revenue sources
18 under 16 V.S.A. § 4025(a) for the following fiscal year, plus any reserve from
19 the prior fiscal year, minus the total projected amount of revenue raised by the
20 statewide education homestead tax in the following fiscal year; minus

1 (B) an amount equal to the projected Education Fund expenditures
2 for the following fiscal year, minus the projected education payments under
3 16 V.S.A. § 4028 for the following fiscal year, and minus any projected
4 transfer to the Education Fund Budget Stabilization Reserve Fund established
5 under 16 V.S.A. § 4026; plus

6 (C) the projected amount of revenue raised by the statewide
7 education homestead tax that would result if the homestead tax rate were \$1.00
8 per \$100.00 of equalized education property value in the following fiscal year;
9 divided by

10 (D) the total projected count of equalized, weighted pupils in the
11 following fiscal year.

12 Sec. 7. 32 V.S.A. § 5402b is amended to read:

13 § 5402b. STATEWIDE EDUCATION TAX YIELDS;

14 RECOMMENDATION OF THE COMMISSIONER

15 (a) Annually, ~~no~~ not later than December 1, the Commissioner of Taxes,
16 after consultation with the Secretary of Education, the Secretary of
17 Administration, and the Joint Fiscal Office, shall calculate and recommend a
18 property dollar equivalent yield, an income ~~dollar equivalent yield~~ percentage,
19 and a nonresidential property tax rate for the following fiscal year. In making
20 these calculations, the Commissioner shall assume:

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

3 (2) the ~~applicable~~ income percentage in subdivision 6066(a)(2) of this
4 title is 2.0;

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

7 (4) the percentage change in the ~~median~~ average education tax bill
8 applied to nonresidential property, the percentage change in the ~~median~~
9 average education tax bill of homestead property, and the percentage change in
10 the ~~median~~ average education tax bill for taxpayers who claim an adjustment
11 under subsection 6066(a) of this title are equal.

12 (b) For each fiscal year, the General Assembly shall set a property dollar
13 equivalent yield and an ~~income dollar equivalent yield, consistent with the~~
14 ~~definitions in this chapter~~ income percentage under 32 V.S.A. § 6066(a)(2).

15 * * *

16 Sec. 8. 32 V.S.A. § 6066(a)(2) is amended to read:

17 (2) “Income percentage” in this section means two percent, multiplied
18 by the education ~~income~~ property tax spending adjustment under subdivision
19 5401(13)(~~B~~)(A) of this title for the property tax year ~~which~~ that begins in the
20 claim year for the municipality in which the homestead residence is located.

1 * * * Property and Debt of Merging Districts * * *

2 Sec. 9. TRANSFER OF PROPERTY AND DEBT OF MERGED DISTRICTS

3 (a) Notwithstanding any other provision of law, under 16 V.S.A.
4 § 706b(6)–(8), a study committee report may provide terms for transferring the
5 ownership of capital assets, and the liability for any associated debt, from the
6 merging districts to the towns within the merging district where those assets
7 are fixed. A study committee report may also provide terms for leases
8 governing the management of these same capital assets.

9 (b) A transfer of assets included in a study committee report under this
10 section and approved under 16 V.S.A. chapter 11 shall not be considered a sale
11 for the purpose of the refund upon sale requirement of 16 V.S.A. § 3448(b).

12 (c) As used in this section, a union school district established under
13 16 V.S.A. chapter 11 includes a school district voluntarily created pursuant to
14 2015 Acts and Resolves No. 46, Sec. 6 or 7, or a regional education district, or
15 any other district eligible to receive incentives pursuant to 2010 Acts and
16 Resolves No. 153, as amended by 2012 Acts and Resolves No. 156 and
17 2013 Acts and Resolves No. 56.

1 * * * Effective Date; Transition * * *

2 Sec. 10. EFFECTIVE DATE AND TRANSITION

3 (a) This act shall take effect on July 1, 2017 and apply to fiscal year 2018
4 and after; provided, however, for the purpose of calculating tax rates and
5 making recommendations under Secs. 6–8 of this act:

6 (1) for fiscal year 2018, the base spending amount shall be only
7 80 percent of the amount normally calculated under statute;

8 (2) for fiscal year 2019, the base spending amount shall be only
9 84 percent of the amount normally calculated under statute;

10 (3) for fiscal year 2020, the base spending amount shall be only
11 88 percent of the amount normally calculated under statute;

12 (4) for fiscal year 2021 and after, the base spending amount shall be
13 92 percent of the amount normally calculated under statute.

14 (b) Secs. 3-5 (excess spending penalty) of this act shall be repealed on
15 January 1, 2021, and the excess spending penalty shall be applied for fiscal
16 years 2022 and after.