

**House Committee on Ways and Means
Summary of Working Education Finance Proposal for FY2019
February 22, 2018**

This proposal has not been adopted by the House Ways & Means Committee.

Estimates only

Based on board-approved school budgets submitted to AOE to date

Subject to change:

Base homestead tax rate, base spending amount, and property yield

AGI brackets, income tax rates and cap

Homestead exemption and homestead value cap

1. Reduce the *average* homestead education property tax rate in FY2019 from \$1.554 to \$0.820 by:

- a. Lowering the base homestead property tax rate to \$0.25
- b. Providing a base spending amount of \$12,113 per equalized pupil
- c. Raising the homestead property yield to \$5,825 (on above-base spending only)
Homestead tax rates increase faster than under current law for every \$1 of additional above-base spending per-pupil

2. Maintain the nonresidential property tax rate at its current-law amount - \$1.591

3. Simplify administration and compliance with the education tax system by:

- a. Replacing the property tax adjustment and income yield with a school income tax (*see item 4*)
- b. Replacing the homeowner rebate on the education property tax with a homeowner exemption (*see item 5*)
- c. Replacing the homeowner rebate on the municipal property tax (*see item 6*)

4. Create a marginal school tax on adjusted gross income (AGI):

- a. Tax brackets, tax rates, and AGI cap:

AGI Bracket	Tax Rate
\$0 to \$47,000	Exempt
\$47,001 to \$65,000	0.50%
\$65,001 to 125,000	1.50%
\$125,001 to \$4,000,000	1.80%
Over \$4,000,000	Capped

- b. Resident renters and nonresidents with Vermont AGI would be subject to the AGI tax
- c. AGI is the measure of income closest to household income available
- d. AGI tax would be collected through wage withholding (*no penalty for underwithholding in CY2018*)

5. Assist low-income homeowners with their education property bills by:

- a. Providing a variable housesite exemption for homeowners with household income under \$47,000:

Household Income Bracket	Housesite Value Exemption
\$0 to \$47,000	10% to 90%

See tax table

- b. Limiting the housesite exemption to the first \$400,000 of housesite value
c. Applying the tax value of the education property tax exemption directly to education property tax bills
Unlike under current law, all homeowners would have a stake in the growth of their school budgets

6. Create a municipal property tax rebate program:

- a. Tax brackets, tax limits based on household income, and cap:

Household Income Bracket	Household Income Limit
\$0 to \$10,000	1.20%
\$10,001 to \$24,999	3.15%
\$25,000 to \$47,000	3.50%

- b. Limits maximum rebate on the municipal property tax to \$2,400 per homestead
c. Applying the municipal property tax rebate directly to the municipal property tax bill

7. Retain the existing renter rebate program

8. Eliminate the \$323 million GF transfer to the EF in a revenue-neutral fashion by a combination of:

- a. Dedicating GF revenues to the EF in lieu of the GF transfer:
* 100% of the Sales & Use Tax
* 25% of the Meals & Rooms Tax
b. Transferring some EF uses that do not go directly to school districts to the GF:
* Adult Education and Literacy
* Flexible Pathways
* Community High School of Vermont
* Renter Rebate

9. Separate the school and the municipal property tax bills by:

- a. Sending separate municipal and school property tax bills through the existing NEMRC system
b. Using a portion of the existing fee paid to municipalities to cover administration costs
This may give voters a better understanding of the factors that determine their total property tax bills