

**House Committee on Ways and Means
Summary of Working Education Finance Proposal for FY2019**

*Based on hypothetical education spending and other estimates from December 1 consensus
Base homestead tax rate, base education payment, and yield are subject to change
AGI brackets, tax rates and cap are subject to change
Homestead exemption and homestead value cap are subject to change*

1. Reduce the average homestead property tax rate in FY2019 from \$1.594 to \$0.833 by:

- a. Lowering the base homestead property tax rate to \$0.25
- b. Providing a base education payment of \$12,982 per equalized pupil
- c. Raising the homestead property yield to \$5,000 (on above-base spending only)
Raises the tax cost of every \$1 of additional above-block spending per-pupil

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

- a. Replace the property tax adjustment and income yield with a school income tax
- b. Replace the homeowner rebate with a homeowner exemption

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

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

AGI Bracket	Tax Rate
\$0 to \$47,000	Exempt
\$47,001 to \$125,000	1.35%
\$125,000 to \$4,000,000	1.95%
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)

4. Protecting homeowners with household income under \$47,000 by:

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

Household Income Bracket	Homestead Value Exemption
\$0 to \$10,000	93%
\$10,001 to \$20,000	82%
\$20,001 to \$30,000	64%
\$30,000 to \$40,000	45%
\$40,000 to \$47,000	29%

- b. Limiting the homestead exemption to the first \$400,000 of homestead value
- c. Consider separating the EF and GF cost of the homeowner exemption
Unlike under current law, all homeowners would have a stake in growth in their school budget

5. 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 HS of Vermont
 - * Renter rebate

6. 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