

1 Introduced by Committee on Ways and Means

2 Date:

3 Subject: Taxation; personal income tax; statewide education tax; municipal  
4 taxes

5 Statement of purpose of bill as introduced: This bill proposes to make  
6 numerous changes to Vermont’s personal income tax and its system of  
7 education financing.

8 For personal income taxes, the bill would :

- 9 • Create a Vermont personal exemption, standard deduction and charitable  
10 credit to replace Vermont’s current reliance on federal definitions and its  
11 current treatment of itemized deductions;
- 12 • Lower Vermont’s marginal rates for personal income taxes;
- 13 • Exclude certain taxable Social Security benefits from State taxation.

14 In terms of education financing, the bill would:

- 15 • Alter the current structure of the homestead education property tax by:
  - 16 ○ Providing each school district with a base payment equal to the  
17 amount of per pupil education spending that could be supported by  
18 fixed Education Fund revenues.
  - 19 ○ For districts that choose to spend above the base amount, an  
20 additional homestead tax rate would be equalized across those  
21 districts, based on a single property tax yield.



1 (B) Decreased by the following items of income (to the extent such  
2 income is included in federal adjusted gross income):

3 (i) income from U.S. government obligations;

4 (ii) with respect to adjusted net capital gain income as defined in  
5 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend  
6 income: either the first \$5,000.00 of such adjusted net capital gain income; or  
7 40 percent of adjusted net capital gain income from the sale of assets held by  
8 the taxpayer for more than three years, except not adjusted net capital gain  
9 income from:

10 (I) the sale of any real estate or portion of real estate used by  
11 the taxpayer as a primary or nonprimary residence; or

12 (II) the sale of depreciable personal property other than farm  
13 property and standing timber; or stocks or bonds publicly traded or traded on  
14 an exchange, or any other financial instruments; regardless of whether sold by  
15 an individual or business; and provided that the total amount of decrease under  
16 this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable  
17 income; ~~and~~

18 (iii) recapture of State and local income tax deductions not taken  
19 against Vermont income tax; and

1                    (iv) the portion of federally taxable benefits received under the  
2                    federal Social Security Act that is required to be excluded under section 5830e  
3                    of this chapter; and

4                    (C) Decreased by the following exemptions and deductions:

5                    (i) ~~the amount of personal exemptions taken at the federal level a~~  
6                    personal exemption of \$4,150.00 per person for the taxpayer, for the spouse or  
7                    the deceased spouse of the taxpayer whose filing status under section 5822 of  
8                    this chapter is married filing a joint return or surviving spouse, and for each  
9                    individual qualifying as a dependent of the taxpayer under 26 U.S.C. § 152,  
10                    provided that no exemption may be claimed for an individual who is a  
11                    dependent of another taxpayer;

12                    (ii) ~~for taxpayers who do not itemize at the federal level, the~~  
13                    ~~amount of the a standard deduction taken at the federal level~~ determined as  
14                    follows:

15                    (I) for taxpayers whose filing status under section 5822 of  
16                    this chapter is unmarried (other than surviving spouses or heads of households)  
17                    or married filing separate returns, \$6,000.00;

18                    (II) for taxpayers whose filing status under section 5822 of  
19                    this chapter is heads of households, \$9,000.00;

20                    (III) for taxpayers whose filing status under section 5822 of  
21                    this chapter is married filing joint returns or surviving spouses, \$12,000; and

1 (iii) ~~for taxpayers who itemize at the federal level:~~

2 ~~(I) the amount of federally itemized deductions for medical and~~  
3 ~~dental expenses and charitable contributions;~~

4 ~~(II) the total amount of federally itemized deductions, other~~  
5 ~~than deductions for State and local income taxes, medical and dental expenses,~~  
6 ~~and charitable contributions, deducted from federal adjusted gross income for~~  
7 ~~the taxable year, but in no event shall the amount under this subdivision exceed~~  
8 ~~two and one half times the federal standard deduction allowable to the~~  
9 ~~taxpayer; and~~

10 ~~(III) in no event shall the total amount of deductions allowed~~  
11 ~~under subdivisions (I) and (II) of this subdivision (21)(C)(iii) reduce the total~~  
12 ~~amount of itemized deductions below the federal standard deduction allowable~~  
13 ~~to the taxpayer an additional deduction of \$1,000.00 for each federal deduction~~  
14 ~~for which the taxpayer qualified and received under 26 U.S.C. § 63(f); and~~

15 (iv) the dollar amounts of the personal exemption allowed under  
16 subdivision (i) of this subdivision (21)(C), the standard deduction allowed  
17 under subdivision (ii) of this subdivision (21)(C), and the additional deduction  
18 allowed under subdivision (iii) of this subdivision (21)(C) shall be adjusted  
19 annually for inflation by the Commissioner of Taxes by using the percentage  
20 increase in the Consumer Price Index beginning with taxable year 2019 and  
21 ending with the taxable year in question. As used in this subdivision,

1 “consumer price index” means the last Consumer Price Index for the all-urban  
2 consumers published by the U.S. Department of Labor.

3 \* \* \*

4 \* \* \* Personal Income Tax Rates \* \* \*

5 Sec. 2. PERSONAL INCOME TAX RATES

6 (a) 2009 Spec. Sess. Acts and Resolves No. 2, Sec. 20 is repealed.

7 (b) For taxable year 2018 and after, income tax rates under 32 V.S.A.  
8 § 5822(a)(1)-(5), after taking into consideration any inflation adjustments to  
9 taxable income as required by 32 V.S.A. § 5822(b)(2), shall be as follows:

10 (1) taxable income that without the passage of this act would have been  
11 subject to a rate of 3.55 percent shall be taxed at the rate of 3.35 percent  
12 instead;

13 (2) taxable income that without the passage of this act would have been  
14 subject to a rate of 6.80 percent shall be taxed at the rate of 6.60 percent  
15 instead;

16 (3) taxable income that without the passage of this act would have been  
17 subject to a rate of 7.80 percent shall be taxed at the rate of 7.60 percent  
18 instead;

19 (4) taxable income that without the passage of this act would have been  
20 subject to a rate of 8.80 percent or 8.95 percent shall be taxed at the rate of  
21 8.60 percent instead; the tax brackets for taxable income taxed at 8.80 percent

1 and 8.95 percent in taxable year 2017 shall be combined to be taxed at a rate of  
2 8.60 for taxable year 2018 and after.

3 (c) When preparing the Vermont Statutes Annotated for publication, the  
4 Office of Legislative Council shall revise the tables in 32 V.S.A. § 5822(a)(1)-  
5 (5) to reflect the changes to the tax rates and tax brackets made in this section.

6 \* \* \* Charitable Credit; Earned Income Tax Credit; Social Security Income;

7 Other Adjustments \* \* \*

8 Sec. 3. 32 V.S.A. § 5822 is amended to read:

9 § 5822. TAX ON INCOME OF INDIVIDUALS, ESTATES, AND TRUSTS

10 (a) A tax is imposed for each taxable year upon the taxable income earned  
11 or received in that year by every individual, estate, and trust, subject to income  
12 taxation under the laws of the United States, in an amount determined by the  
13 following tables, and adjusted as required under this section:

14 \* \* \*

15 (b) As used in this section:

16 (1) “Married individuals,” “surviving spouse,” “head of household,”  
17 “unmarried individual,” “estate,” and “trust” have the same meaning as under  
18 the Internal Revenue Code.

19 (2) The amounts of taxable income shown in the tables in this section  
20 shall be adjusted annually for inflation by the Commissioner of Taxes, using  
21 the ~~Consumer Price Index adjustment percentage, in the manner prescribed for~~

1 ~~inflation adjustment of federal income tax tables for the taxable year by the~~  
2 ~~Commissioner of Internal Revenue, beginning with taxable year 2003~~  
3 percentage increase in the Consumer Price Index beginning with taxable year  
4 2019 and ending with the taxable year in question. As used in this subdivision,  
5 “consumer price index” means the last Consumer Price Index for the all-urban  
6 consumers published by the U.S. Department of Labor.

7 \* \* \*

8 (d)(1) A taxpayer shall be entitled to a credit against the tax imposed under  
9 this section of 24 percent of each of the credits allowed against the taxpayer’s  
10 federal income tax for the taxable year as follows: credit for people who are  
11 elderly or permanently totally disabled, investment tax credit attributable to the  
12 Vermont-property portion of the investment, and child care and dependent care  
13 credits.

14 \* \* \*

15 (3) Individuals shall receive a nonrefundable charitable contribution  
16 credit against the tax imposed under this section for the taxable year. The  
17 credit shall be five percent of the first \$10,000.00 in charitable contributions  
18 made during the taxable year that are allowable under 26 U.S.C. § 170. This  
19 credit shall be available irrespective of a taxpayer’s election not to itemize at  
20 the federal level.

21 \* \* \*

1 Sec. 4. 32 V.S.A. § 5828b(a) is amended to read:

2 (a) A resident individual or part-year resident individual who is entitled to  
3 an earned income tax credit granted under the laws of the United States shall  
4 be entitled to a credit against the tax imposed for each year by section 5822 of  
5 this title. The credit shall be ~~32~~ 35 percent of the earned income tax credit  
6 granted to the individual under the laws of the United States, multiplied by the  
7 percentage which the individual's earned income that is earned or received  
8 during the period of the individual's residency in this State bears to the  
9 individual's total earned income.

10 Sec. 5. 32 V.S.A. § 5830e is added to read:

11 § 5830e. SOCIAL SECURITY INCOME

12 The portion of federally taxable Social Security benefits excluded from  
13 taxable income under subdivision 5811(21)(B)(iv) of this chapter shall be as  
14 follows:

15 (1) For taxpayers whose filing status is single, married filing separately,  
16 head of household, or qualifying widow or widower:

17 (A) If the federal adjusted gross income of the taxpayer is less than or  
18 equal to \$45,000.00, all federally taxable benefits received under the federal  
19 Social Security Act shall be excluded.

20 (B) If the federal adjusted gross income of the taxpayer is greater  
21 than \$45,000.00 but less than \$55,000.00, the percentage of federally taxable

1 benefits received under the Social Security Act to be excluded shall be  
2 proportional to the amount of the taxpayer's federal adjusted gross income  
3 over \$45,000.00, determined by:

4 (i) subtracting the federal adjusted gross income of the taxpayer  
5 from \$55,000.00;

6 (ii) dividing the value under subdivision (i) of this subdivision (B)  
7 by \$10,000.00; and

8 (iii) multiplying the value under subdivision (ii) of this  
9 subdivision (B) by the federally taxable benefits received under the Social  
10 Security Act.

11 (C) If the federal adjusted gross income of the taxpayer is equal to or  
12 greater than \$55,000.00, no amount of the federally taxable benefits received  
13 under the Social Security Act shall be excluded under this section.

14 (2) For taxpayers whose filing status is married filing jointly:

15 (A) If the federal adjusted gross income of the taxpayer is less than or  
16 equal to \$60,000.00, all federally taxable benefits received under the Social  
17 Security Act shall be excluded.

18 (B) If the federal adjusted gross income of the taxpayer is greater  
19 than \$60,000.00 but less than \$70,000.00, the percentage of federally taxable  
20 benefits received under the Social Security Act to be excluded shall be

1 proportional to the amount of the taxpayer's federal adjusted gross income  
2 over \$60,000.00, determined by:

3 (i) subtracting the federal adjusted gross income of the taxpayer  
4 from \$70,000.00;

5 (ii) dividing the value under subdivision (i) of this subdivision (B)  
6 by \$10,000.00; and

7 (iii) multiplying the value under subdivision (ii) of this  
8 subdivision (B) by the federally taxable benefits received under the Social  
9 Security Act.

10 (C) If the federal adjusted gross income of the taxpayer is equal to or  
11 greater than \$70,000.00, no amount of the federally taxable benefits received  
12 under the Social Security Act shall be excluded under this section.

13 Sec. 6. 32 V.S.A. § 5813 is amended to read:

14 § 5813. STATUTORY PURPOSES

15 \* \* \*

16 (w) The statutory purpose of the partial exemption of federally taxable  
17 benefits under the Social Security Act in section 5830e of this title is to lessen  
18 the tax burden on Vermonters with low to moderate income who derive part of  
19 their income from Social Security payments.

1       Sec. 6a. 32 V.S.A. § 5824 is amended to read:

2       § 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

3           The statutes of the United States relating to the federal income tax, as in  
4       effect for taxable year ~~2016~~ 2017, but without regard to federal income tax  
5       rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the  
6       tax liability under this chapter.

7                               \* \* \* Education Financing Changes \* \* \*

8   \* \* \* Income Taxes \* \* \*

9       Sec. 7. 32 V.S.A. § 5822a is added to read:

10      § 5822a. SCHOOL INCOME TAX SURCHARGE

11           (a) In addition to the income tax assessed under section 5822 of this title,  
12      there shall be imposed a school income tax on individual taxpayers calculated  
13      as follows:

14                       (1) an amount equal to 0.1 percent multiplied by the taxable income of  
15      the taxpayer taxed at the rate of 3.35 percent under subdivisions 5822(a)(1)-(5)  
16      of this title; plus

17                       (2) an amount equal to 0.5 percent multiplied by the taxable income of  
18      the taxpayer taxed at the rate of 6.60 percent under subdivisions 5822(a)(1)-(5)  
19      of this title; plus

1           (3) an amount equal to 0.5 percent multiplied by the taxable income of  
2           the taxpayer taxed at the rate of 7.60 percent under subdivisions 5822(a)(1)-(5)  
3           of this title; plus

4           (4) an amount equal to 1.0 percent multiplied by the taxable income of  
5           the taxpayer taxed at the rate of 8.60 percent under subdivisions 5822(a)(1)-(5)  
6           of this title.

7           (b) The school income tax shall be assessed and administered in the same  
8           manner as the personal income tax imposed under section 5822 of this title.  
9           The education income tax shall be assessed against each filer regardless of the  
10           filing status under section 5822 of this title.

11                                   \* \* \* Allocation of Education Funds \* \* \*

12           Sec. 8. 16 V.S.A. § 4025 is amended to read:

13           § 4025. EDUCATION FUND

14           (a) The Education Fund is established to comprise the following:

15           (1) ~~All~~ all revenue paid to the State from the statewide education tax on  
16           nonresidential and homestead property under 32 V.S.A. chapter 135;

17           (2) ~~For each fiscal year, the amount of the general funds appropriated~~  
18           ~~and transferred to the Education Fund shall be \$305,900,000.00, to be~~  
19           ~~increased annually beginning for fiscal year 2018 by the consensus Joint Fiscal~~  
20           ~~Office and Administration determination of the National Income and Product~~  
21           ~~Accounts (NIPA) Implicit Price Deflator for State and Local Government~~

1 ~~Consumption Expenditures and Gross Investment as reported by the U.S.~~  
2 ~~Department of Commerce, Bureau of Economic Analysis through the fiscal~~  
3 ~~year for which the payment is being determined, plus an additional one tenth~~  
4 ~~of one percent. [Repealed.]~~

5 (3) ~~Revenues~~ revenues from State lotteries under 31 V.S.A. chapter 14,  
6 and from any multijurisdictional lottery game authorized under that chapter;

7 (4) 25 percent of the revenues from the rooms tax imposed by 32 V.S.A.  
8 § 9241(a) and from the meals tax imposed by 32 V.S.A. § 9241(b);

9 (5) ~~One-third~~ one-third of the revenues raised from the purchase and use  
10 tax imposed by 32 V.S.A. chapter 219, notwithstanding 19 V.S.A. § 11(1);

11 (6) ~~Thirty six percent of the~~ revenues raised from the sales and use tax  
12 imposed by 32 V.S.A. chapter 233;

13 (7) Medicaid reimbursement funds pursuant to subsection 2959a(f) of  
14 this title; and

15 (8) revenues from the school income tax surcharge imposed by  
16 32 V.S.A. § 5822a.

17 (b) Monies in the Education Fund shall be used for the following:

18 (1) To make payments to school districts and supervisory unions for the  
19 support of education in accordance with the provisions of section 4028 of this  
20 title, other provisions of this chapter, and the provisions of 32 V.S.A.  
21 chapter 135, ~~to make payments to carry out programs of adult education in~~

1 ~~accordance with section 945 of this title, and to provide funding for the~~  
2 ~~community high school of Vermont; however, no payments from the~~  
3 Education Fund shall be used to fund initiatives under subchapter 2 of  
4 chapter 23 of this title.

5 \* \* \*

6 (3) To make payments required under 32 V.S.A. § 6066(a)(1) and (2)  
7 and only that portion attributable to education taxes, as determined by the  
8 Commissioner of Taxes, of payments required under 32 V.S.A. § 6066(a)(3)  
9 ~~and 6066(b)~~. The State Treasurer shall withdraw funds from the Education  
10 Fund upon warrants issued by the Commissioner of Finance and Management  
11 based on information supplied by the Commissioner of Taxes. The  
12 Commissioner of Finance and Management may draw warrants for  
13 disbursements from the Fund in anticipation of receipts. All balances in the  
14 Fund at the end of any fiscal year shall be carried forward and remain a part of  
15 the Fund. Interest accruing from the Fund shall remain in the Fund.

16 \* \* \*

17 Sec. 9. 32 V.S.A. § 435(b) is amended to read:

18 (b) The General Fund shall be composed of revenues from the following  
19 sources:

20 \* \* \*



1 ~~spending~~, per equalized pupil, above the base spending amount for the school  
2 year; and the denominator is the property dollar equivalent yield for the school  
3 year, as defined in subdivision (15) of this section.

4 (ii) For districts with education spending per equalized pupil that  
5 is less than the base spending amount, the education property tax spending  
6 adjustment shall be zero.

7 (B) ~~“Education income tax spending adjustment” means the greater~~  
8 ~~of: one or a fraction in which the numerator is the district’s education~~  
9 ~~spending plus excess spending, per equalized pupil, for the school year; and~~  
10 ~~the denominator is the income dollar equivalent yield for the school year, as~~  
11 ~~defined in subdivision (16) of this section. [Repealed.]~~

12 \* \* \*

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

20 (16) ~~“Income dollar equivalent yield” means the amount of spending per~~  
21 ~~equalized pupil that would result if the income percentage in subdivision~~

1 ~~6066(a)(2) of this title were 2.0 percent, and the statutory reserves under~~  
2 ~~16 V.S.A. § 4026 and section 5402b of this title were maintained.~~ “Base  
3 income percentage” means a percentage set the General Assembly each year  
4 under 32 V.S.A. § 5402b(b).

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

7 (A) the sum of the total projected Education Fund revenue sources  
8 under 16 V.S.A. § 4025(a)(1)-(8) for the following fiscal year, plus any surplus  
9 from the prior fiscal year, minus the total projected amount of revenue raised  
10 by the statewide education homestead tax in the following fiscal year; minus

11 (B) an amount equal to the projected Education Fund expenditures  
12 for the following fiscal year, minus the projected education payments under  
13 16 V.S.A. § 4028 for the following fiscal year, and minus any projected  
14 transfer to the Education Fund Budget Stabilization Reserve Fund established  
15 under 16 V.S.A. § 4026; plus

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

20 (D) the total projected count of equalized pupils in the following  
21 fiscal year.

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\* \* \*

Sec. 11. 32 V.S.A. § 5402 is amended to read:

§ 5402. EDUCATION PROPERTY TAX LIABILITY

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

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

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

(b) The statewide education tax shall be calculated as follows:

\* \* \*

(2) Taxes assessed under this section shall be assessed and collected in the same manner as taxes assessed under chapter 133 of this title with no tax classification other than as homestead or nonresidential property; provided, however, that the tax levied under this chapter shall be billed to each taxpayer by the municipality separately from any other tax assessed and collected under chapter 133.

\* \* \*

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

2 § 5402b. STATEWIDE EDUCATION TAX YIELDS;

3 RECOMMENDATION OF THE COMMISSIONER

4 (a) Annually, ~~no later than~~ on or before December 1, the Commissioner of  
5 Taxes, after consultation with the Secretary of Education, the Secretary of  
6 Administration, and the Joint Fiscal Office, shall calculate and recommend a  
7 property dollar equivalent yield, ~~an income dollar equivalent yield~~ a base  
8 income percentage, and a nonresidential property tax rate for the following  
9 fiscal year. In making these calculations, the Commissioner shall assume:

10 (1) the homestead base tax rate in subdivision 5402(a)(2) of this title is  
11 \$1.00 per \$100.00 of equalized education property value;

12 (2) the ~~applicable~~ base income percentage in subdivision ~~6066(a)(2)~~  
13 5401(16) of this title is ~~2.0~~ the same that was used in the prior fiscal year;

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

16 (4) the percentage change in the ~~median~~ average education tax bill  
17 applied to nonresidential property; and the percentage change in the ~~median~~  
18 average education tax bill of homestead property, and the percentage change in  
19 the ~~median~~ average education tax bill for taxpayers who claim an adjustment  
20 under subsection 6066(a) of this title are equal.

1 (b) For each fiscal year, the General Assembly shall set a property dollar  
2 equivalent yield ~~and an income dollar equivalent yield,~~ and a base income  
3 percentage consistent with the definitions in this chapter.

4 \* \* \*

5 (d) Annually, on or about January 15, the Joint Fiscal Office and Secretary  
6 of Administration shall provide to the Emergency Board a calculation of the  
7 base spending amount for the upcoming fiscal year. The Emergency Board  
8 shall review the calculation at its January meeting and shall adopt a base  
9 spending amount for the upcoming fiscal year.

10 \* \* \* Property Tax Adjustments \* \* \*

11 Sec. 13. 32 V.S.A. § 6066 is amended to read:

12 § 6066. COMPUTATION OF ADJUSTMENT

13 (a) An eligible claimant who owned the homestead on April 1 of the year in  
14 which the claim is filed shall be entitled to an adjustment amount determined  
15 as follows:

16 (1)(A) For a claimant with household income of \$90,000.00 or more:

17 (i) the statewide education tax rate, multiplied by the equalized  
18 value of the housesite in the taxable year;

19 (ii) minus (if less) the sum of:

20 (I) the income percentage of household income for the taxable  
21 year; plus

1 (II) the statewide education tax rate, multiplied by the  
2 equalized value of the housesite in the taxable year in excess of \$250,000.00.

3 (B) For a claimant with household income of less than \$90,000.00  
4 but more than \$47,000.00, the statewide education tax rate, multiplied by the  
5 equalized value of the housesite in the taxable year, minus (if less) the sum of:

6 (i) the income percentage of household income for the taxable  
7 year; plus

8 (ii) the statewide education tax rate, multiplied by the equalized  
9 value of the housesite in the taxable year in excess of ~~\$500,000.00~~  
10 \$400,000.00.

11 (C) For a claimant whose household income does not exceed  
12 \$47,000.00, the statewide education tax rate, multiplied by the equalized value  
13 of the housesite in the taxable year, minus the lesser of:

14 (i) the sum of the income percentage of household income for the  
15 taxable year plus the statewide education tax rate, multiplied by the equalized  
16 value of the housesite in the taxable year in excess of ~~\$500,000.00~~  
17 \$400,000.00; or

18 (ii) the statewide education tax rate, multiplied by the equalized  
19 value of the housesite in the taxable year reduced by \$15,000.00.

20 (2) “Income percentage” in this section means ~~two percent~~, the base  
21 income percentage adopted by the General Assembly for the fiscal year, plus

1 the base income percentage multiplied by the education ~~income~~ property tax  
2 spending adjustment under subdivision 5401(13)~~(B)~~(A) of this title for the  
3 property tax year ~~which~~ that begins in the claim year for the municipality in  
4 which the homestead residence is located.

5 (3) A claimant whose household income does not exceed \$47,000.00  
6 shall also be entitled to an additional adjustment amount from the claimant's  
7 municipal taxes for the upcoming fiscal year that is equal to the amount by  
8 which the municipal property taxes for the municipal fiscal year ~~which~~ that  
9 began in the taxable year upon the claimant's housesite, ~~reduced by the~~  
10 ~~adjustment amount determined under subdivisions (1) and (2) of this~~  
11 ~~subsection,~~ exceeds a percentage of the claimant's household income for the  
12 taxable year as follows:

13 If household income (rounded to then the taxpayer is entitled to  
14 the nearest dollar) is: credit for the reduced property tax in  
15 excess of this percent of that income:

16 \$0.00 - 9,999.00	<del>2.0</del> <u>1.50</u>
17 \$10,000.00 - 24,999.00	<del>4.5</del> <u>3.00</u>
18 \$25,000.00 - 47,000.00	<del>5.0</del> <u>3.00</u>

19 (4) A claimant whose household income does not exceed \$47,000.00  
20 shall also be entitled to an additional adjustment amount from the claimant's  
21 statewide education tax for the upcoming fiscal year that is equal to the amount

1 by which the education property tax for the municipal fiscal year that began in  
2 the taxable year upon the claimant's housesite, reduced by the adjustment  
3 amount determined under subdivisions (1) and (2) of this subsection, exceeds a  
4 percentage of the claimant's household income for the taxable year as follows:

5 If household income (rounded to                      then the taxpayer is entitled to  
6 the nearest dollar) is:                                      credit for the reduced property tax in  
7    excess of this percent of that income:

8                                      \$0.00 - 9,999.00                                      0.5

9                                      \$10,000.00 - 24,999.00                                      1.5

10                                      \$25,000.00 - 47,000.00                                      2.0

11                      ~~(4)~~(5) In no event shall the credit provided for in subdivision (3) or (4)  
12 of this subsection exceed the amount of the reduced property tax.

13    \* \* \*

14 Sec. 14. 32 V.S.A. § 6066a(f) is amended to read:

15                      (f) Property tax bills.

16                      (1) For taxpayers and amounts stated in the notice to towns on July 1,  
17 municipalities shall create and send to taxpayers a homestead property tax bill,  
18 instead of the bill required under subdivision 5402(b)(1) of this title, providing  
19 the total amount allocated to payment of homestead education property tax  
20 liabilities and notice of the balance due. Nothing in this subdivision, however,  
21 shall be interpreted as altering the requirement under subdivision 5402(b)(1) of

1 this title that the statewide education homestead tax be billed separately from  
2 any other tax. Municipalities shall apply the amount allocated under this  
3 chapter to current-year property taxes in equal amounts to each of the  
4 taxpayers' property tax installments that include education taxes.

5 Notwithstanding section 4772 of this title, if a town issues a corrected bill as a  
6 result of the November 1 notice sent by the Commissioner under subsection (a)  
7 of this section, issuance of ~~such~~ the corrected new bill does not extend the time  
8 for payment of the original bill, nor relieve the taxpayer of any interest or  
9 penalties associated with the original bill. If the corrected bill is less than the  
10 original bill, and there are also no unpaid ~~current-year~~ current-year taxes,  
11 interest, or penalties and no ~~past-year~~ past-year delinquent taxes or penalties  
12 and interest charges, any overpayment shall be reflected on the corrected tax  
13 bill and refunded to the taxpayer.

14 \* \* \*

15 Sec. 14a. 32 V.S.A. § 6067 is amended to read:

16 § 6067. CREDIT LIMITATIONS

17 Only one individual per household per taxable year shall be entitled to a  
18 benefit under this chapter. An individual who received a homestead exemption  
19 or adjustment with respect to property taxes assessed by another state for the  
20 taxable year shall not be entitled to receive an adjustment under this chapter.

21 No taxpayer shall receive an adjustment under subsection 6066(b) of this title

1 in excess of \$3,000.00. No taxpayer shall receive ~~total adjustments under this~~  
2 ~~chapter in excess of \$8,000.00 related to any one property tax year an~~  
3 adjustment under 6066(a)(3) of this title greater than \$2,400.00 or an  
4 cumulative adjustment under 6066(a)(1)-(2) and (4) of this title greater than  
5 \$5,600.00.

6 \* \* \* Yield, Applicable Percentage and Nonresidential Rate for

7 Fiscal Year 2019 \* \* \*

8 Sec. 15. PROPERTY DOLLAR EQUIVALENT YIELD AND BASE  
9 INCOME PERCENTAGE FOR FISCAL YEAR 2019

10 (a) Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2019 only, the  
11 property dollar equivalent yield shall be \$8,500.00.

12 (b) Notwithstanding any other provision of law, for fiscal year 2019 only,  
13 the base income percentage under 32 V.S.A. § 5401(16) shall be 1.66 percent.

14 Sec. 16. NONRESIDENTIAL PROPERTY TAX RATE FOR FISCAL YEAR  
15 2019

16 Notwithstanding any other provision of law, for fiscal year 2019 only, the  
17 nonresidential education property tax imposed under 32 V.S.A. § 5402(a)(2)  
18 shall be \$1.591 per \$100.00.

19 \* \* \* Excess Spending \* \* \*

20 Sec. 17. REPEALS

21 The following are repealed:

1           (1) 16 V.S.A. § 4001(6)(B) (definition of education spending for the  
2           purpose of excess spending).

3           (2) 32 V.S.A. § 5401(12) (excess spending penalty).

4           Sec. 18. 16 V.S.A. § 4011(i) is amended to read:

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

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

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

12           Sec. 19. 24 V.S.A. § 2804(b) is amended to read:

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

1 ~~five years after deposit into the fund, then 150 percent of that amount shall be~~  
2 ~~added to the district's education spending in the then current year for purposes~~  
3 ~~of calculating the excess spending penalty. The definitions in 16 V.S.A.~~  
4 ~~chapter 133 shall apply to this subsection.~~

5 \* \* \* Teachers' Normal Retirement \* \* \*

6 Sec. 20. 16 V.S.A. § 4001 is amended to read:

7 § 4001. DEFINITIONS

8 As used in this chapter:

9 \* \* \*

10 (6) "Education spending" means the amount of the school district  
11 budget, any assessment for a joint contract school, career technical center  
12 payments made on behalf of the district under subsection 1561(b) of this title,  
13 ~~and~~ any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) that is  
14 paid for by the school district, and the portion of the payments to the Vermont  
15 Teachers' Retirement Fund for the normal contribution made in accordance  
16 with subsection 1944(c) of this title, which is attributable to the school district,  
17 but excluding any portion of the school budget paid for from any other sources  
18 such as endowments, parental ~~fund-raising~~ fund-raising, federal funds,  
19 nongovernmental grants, or other State funds such as special education funds  
20 paid under chapter 101 of this title.

21 \* \* \*

1                                   \* \* \* Repeal of Act 46 Rate Limitations \* \* \*

2           Sec. 21. ACT 46 TAX RATE LIMITATIONS

3           (a) “Five percent provision” means collectively the provisions in 2010 Acts  
4           and Resolves No. 153, 2012 Acts and Resolves No.156, and 2015 Acts and  
5           Resolves No. 46, limiting a town’s equalized homestead property tax rate  
6           increase or decrease, and related household income percentage adjustments to  
7           five percent in a single year during the years in which the corresponding tax  
8           rate reductions apply to a new union school district’s equalized unified  
9           homestead property rate.

10           (b) Notwithstanding any other provision of law, for the Sunderland School  
11           District, Mt. Tabor School District, and any district that does not operate a  
12           school, and pays tuition for all resident students in kindergarten through grade  
13           12, and which merged operations by July 1, 2019 under Act 46 of 2015 into a  
14           district that does not operate a school, the five percent provision shall not be  
15           applied to limit any reduction in that district’s equalized homestead property  
16           tax rate or related household income percentage adjustments. For any other  
17           school district, the five percent provision shall not apply.

18                                   \* \* \* Effective Dates; Transition \* \* \*

19           Sec. 22. EFFECTIVE DATES AND TRANSITION

20           (a) This section shall take effect on passage.

1        (b) Notwithstanding 1 V.S.A. § 214, Secs. 1-6 (income tax changes) shall  
2        take effect retroactively on January 1, 2018 and apply to taxable year 2018 and  
3        after.

4        (c) Notwithstanding 1 V.S.A. § 214, Sec. 6a (annual update of income tax  
5        link to the IRC) shall take effect retroactively on January 1, 2017 and apply to  
6        taxable years beginning on January 1, 2017 and thereafter.

7        (d) Notwithstanding 1 V.S.A. § 214, Sec. 7 (school income tax surcharge)  
8        shall take effect retroactively on January 1, 2018 and apply to taxable year  
9        2018 and after. Notwithstanding any other provision of law, for taxable year  
10       2018 only, no interest or penalty shall be assessed for the underpayment of  
11       estimated tax for any individual taxpayer resulting from a liability to pay the  
12       school income tax surcharge imposed under 32 V.S.A. § 5822a.

13       (e) Secs. 8-19 and 21 (education financing changes) shall take effect on  
14       July 1, 2018 and apply to fiscal year 2019 and after; except that,

15       (1) for fiscal year 2019 only, the base spending amount under 32 V.S.A.  
16       § 5401(17) shall be \$11,916.00;

17       (2) for fiscal year 2020 only, the base spending amount under 32 V.S.A.  
18       § 5401(17) shall be 96 percent of what it would otherwise be calculated to be.

19       (f) Sec. 20 (teachers' retirement) shall take effect July 1, 2019 and apply to  
20       fiscal year 2020 and after.