

**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*

1. Reduce the average homestead property tax rate from \$1.594 to \$0.909 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. Lowering the homestead property yield to \$4,450 (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. Repealing the property tax adjustment
- b. Repealing the homeowner rebate (see item 5)
- c. Repealing the income yield and the tax rate on household income
- d. Eliminating the filing and processing of a majority of household income forms

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

- a. Tax brackets, tax rates, and cap

AGI	Tax Rate	Filers
\$0 to \$47,000	0.00%	
\$47,001 to \$100,000	0.85%	
\$100,000 to \$4,000,000	1.70%	
Over \$4,000,000	Capped	

- b. Provides an exemption for the first \$47,000 of AGI for all income tax filers
- c. Residents renters and nonresidents with Vermont AGI would be subject to the AGI tax
- d. AGI is the measure of income closest to household income available

4. Eliminate the GF transfer to the EF in a revenue-neutral fashion by some combination of:

- a. Dedicating GF revenues to the EF in lieu of the GF transfer
- b. Transferring some EF uses that do not go directly to districts to the GF

5. Provide tax relief to homeowners currently eligible for the homeowner rebate by:

- a. Targeting the \$23 million current-law cost of the rebate to homeowners with household income under \$47,000
- b. Providing a variable homestead exemption for homeowners with household income under \$47,000
Unlike under current law, all homeowners would have a stake in growth in their school budget

6. Separate the education and the municipal property tax bills by:

- a. Sending homeowners separate property tax bills through the existing NEMRC system
- b. Using a portion of the existing fee paid to municipalities to cover administration costs