Introduced by Representatives Cordes of Lincoln, Vyhovsky of Essex, Anthony of Barre City, Bluemle of Burlington, Burke of Brattleboro, Christie of Hartford, Cina of Burlington, Colburn of Burlington, Colston of Winooski, Donnally of Hyde Park, Elder of Starksboro, Hooper of Burlington, Mulvaney-Stanak of Burlington, Nicoll of Ludlow, Satcowitz of Randolph, Sims of Craftsbury, Small of Winooski, Stebbins of Burlington, Surprenant of Barnard, Troiano of Stannard, Walz of Barre City, and Yacovone of Morristown

Referred to Committee on

Date:

Subject: Taxation; property tax; resident education tax

Statement of purpose of bill as introduced: This bill proposes to simplify the Vermont education funding model and transition from a property-based tax to an income-based tax. This bill would create an education tax that is based on the income of all Vermont residents (both homeowners and renters) with a rate determined by locally voted budgets. This bill would eliminate the homestead education property tax and levy the nonhomestead education property tax on all property except residential dwellings and the two-acre parcel surrounding the dwellings. This bill would continue to provide the existing renter credit.
An ongoing Education Fund Advisory Committee would be established under this bill to monitor the education funding system and to report and make recommendations annually to the General Assembly.

An act relating to income-based education funding

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

*** Education Taxes ***

Sec. 1. 32 V.S.A. chapter 135 is redesignated to read:

CHAPTER 135. EDUCATION PROPERTY TAXES

Sec. 2. 32 V.S.A. § 5401 is amended to read:

§ 5401. DEFINITIONS

As used in this chapter:

(1) “Coefficient of dispersion” is the average absolute deviation expressed as a percentage of the median ratio, and, for a municipality in any school year, shall be determined by the Director of Property Valuation and Review as follows:

(A) calculate the ratio of the listed value to the fair market value of each property used in determining the equalized education property value of the municipality as required by section 5406 of this title;

***
(6) “Equalized education property tax grand list” means one percent of the aggregate fair market value of all nonhomestead and homestead property that is required to be listed at fair market value as certified during that year by the Director of Property Valuation and Review under section 5406 of this title, plus one percent of the aggregate value of property required to be listed at a value established under a stabilization agreement described under section 5404a of this title, plus one percent of the aggregate use value established under chapter 124 of this title of all nonhomestead property that is enrolled in the use value appraisal program.

(7) “Homestead”:

(A) “Homestead” means the principal dwelling and parcel of land surrounding the dwelling, that is owned and occupied by a resident individual as the individual’s domicile or owned and fully leased on April 1, provided the property is not leased for more than 182 days out of the calendar year, or for purposes of the renter property tax credit under subsection 6066(b) of this title, is rented and occupied by a resident individual as the individual’s domicile.

As used in this subdivision (7), the “parcel of land surrounding the dwelling” means the portion of a homestead that is reasonably necessary for use of the dwelling as a residence but in no event more than two acres per dwelling unit and, in the case of multiple dwelling units, not more than two acres per dwelling unit up to a maximum of 10 acres per parcel.
(B)(i) The parcel of land surrounding the dwelling shall be determined without regard to any road which intersects the land. If the parcel of land surrounding the dwelling is owned by a cooperative housing corporation incorporated under 11 V.S.A. chapter 14, or owned by a nonprofit land conservation corporation or community land trust with exempt status under 20 U.S.C § 501(c)(3), the homestead includes a pro rata part of the land upon which the dwelling is built, as determined by the cooperative corporation, nonprofit corporation, or land trust. Property owned by a cooperative, not including a mobile home park cooperative, declared as a domicile may only include the homestead and a pro rata share of any common land owned or leased by the cooperative, not to exceed the two-acre homestead limitation. The share of the cooperative’s assessed value attributable to the homestead shall be determined by the cooperative and specified annually in a notice to the co-op member.

(ii) Property owned by a mobile home park cooperative and declared as a homestead may only include common property of the cooperative contiguous with at least one mobile home lot in the park, not to exceed the two-acre homestead limitation. The share attributable to any mobile home lot shall be determined by the cooperative and specified in the cooperative agreement.

***
(G) For purposes of homestead the resident declaration and application of the homestead property tax rate of domicile, “homestead” also means a residence which was the homestead of the decedent at the date of death, and from the date of death through the next April 1 is held by the estate of the decedent and not rented.

***

(10) “Nonhomestead property” means all property except:

***

(C) Homesteads as defined under subdivision (7) of this section and declared in accordance with section 5410 of this title.

(D) Personal property, machinery, inventory and equipment, ski lifts, and snow-making equipment for a ski area; provided, however, this subdivision shall not exclude from the definition of “nonhomestead property” the following real or personal property:

(i) utility cables and lines, poles, and fixtures (except those taxed under chapter 211, subchapter 6 of this title); provided that utility cables, lines, poles, and fixtures located on homestead property and owned by the person claiming the homestead shall be taxed as homestead property;

***

(11) “Education property value” means the aggregate fair market value of all nonhomestead and homestead real property that is required to be listed at
fair market value as certified during that year by the Director of Property Valuation and Review under section 5406 of this title, plus the aggregate value of property required to be listed at a value established under a stabilization agreement described under section 5404a of this title, plus the aggregate use value established under chapter 124 of this title of all nonhomestead real property that is enrolled in the use value appraisal program.

* * *

(13)(A) “Education property tax spending adjustment” means the greater of: one or a fraction in which the numerator is the district’s education spending plus excess spending, per equalized pupil, for the school year; and the denominator is the property dollar equivalent yield for the school year, as defined in subdivision (15) of this section.

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

* * *

(15) “Property dollar equivalent yield” means the amount of spending per equalized pupil that would result if the homestead tax rate were $1.00 per $100.00 of equalized education property value, and the statutory reserves.
under 16 V.S.A. § 4026 and section 5402b of this title were maintained.

[Repealed.]

(16) “Income dollar equivalent yield Yield” means the amount of spending per equalized pupil that would result if the income percentage in subdivision 6066(a)(2) of this title resident education tax rate in the school district were 2.0 1.0 percent, and the statutory reserves under 16 V.S.A. § 4026 and section 5402b of this title were maintained.

Sec. 3.  32 V.S.A. § 5402 is amended to read:

§ 5402. NONHOMESTEAD EDUCATION PROPERTY TAX LIABILITY

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

(1) The tax rate for nonhomestead property shall be of $1.59 per $100.00 of equalized property value as most recently determined under section 5405 of this title, unless set otherwise by the General Assembly.

(2) The tax rate for homestead property shall be $1.00 multiplied by 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 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 nonhomestead education tax shall be calculated as follows:

   (1) The Commissioner of Taxes shall determine for each municipality the nonhomestead education tax rate under subsection (a) of this section, divided by the municipality’s most recent common level of appraisal. The legislative body in each municipality shall then bill each property taxpayer at the homestead or nonhomestead rate determined by the Commissioner under this subdivision, multiplied by the education property tax grand list value of the property, properly classified as homestead or nonhomestead property and without regard to any other tax classification of the property. Statewide education property tax bills shall show the tax due and the calculation of the rate determined under subsection (a) of this section, divided by the municipality’s most recent common level of appraisal, multiplied by the current grand list value of the property to be taxed. Statewide education property tax bills shall also include language provided by the Commissioner pursuant to subsection 5405(g) of this title.

* * *

   (3) If a district has not voted a budget by June 30, an interim homestead education tax shall be imposed at the base rate determined under subdivision (a)(2) of this section, divided by the municipality’s most recent common level of appraisal, but without regard to any spending adjustment under subdivision...
5401(13) of this title. Within 30 days after a budget is adopted and the
deadline for reconsideration has passed, the Commissioner shall determine the
municipality’s homestead tax rate as required under subdivision (1) of this
subsection. [Repealed.]

(c) The treasurer of each municipality shall by December 1 of the year in
which the tax is levied and on June 1 of the following year pay to the State
Treasurer for deposit in the education fund one-half of the municipality’s
statewide nonhomestead tax and one-half of the municipality’s homestead
education tax, as determined under subdivision (b)(1) of this section. The
Secretary of Education shall determine the municipality’s net nonhomestead
education tax payment and its net homestead education tax payment to the
State based on grand list information received by the Secretary no not later
than the March 15 prior to the June 1 net payment. Payment shall be
accompanied by a return prescribed by the Secretary of Education. The
municipality may retain 0.225 of one percent of the total education tax
collected, only upon timely remittance of net payment to the State Treasurer.
The municipality may also retain $15.00 for each late property tax credit claim
filed after April 15 and before September 2, as notified by the Department of
Taxes, for the cost of issuing a new property tax bill.

* * *
(e) The Commissioner of Taxes shall determine a homestead resident education tax rate for each municipality which is a member of a union or unified union school district as follows:

(1) For a municipality which is a member of a unified union school district, use the base resident education rate determined under subdivision (a)(2) of this section and a spending adjustment under subsection 5401(13) subsection 5402a(a) of this title based upon the education spending per equalized pupil of the unified union.

(2) For a municipality which is a member of a union school district:

(A) Determine the municipal district homestead resident education tax rate using the base rate determined under subdivision (a)(2) of this section and a spending adjustment under subsection 5401(13) subsection 5402a(a) of this title based on the education spending per total equalized pupil in the municipality who attends a school other than the union school.

(B) Determine the union district homestead resident education tax rate using the base rate determined under subdivision (a)(2) of this section and a spending adjustment under subsection 5401(13) subsection 5402a(a) of this title based on the education spending per equalized pupil of the union school district.

(C) Determine a combined homestead resident education tax rate by calculating the weighted average of the rates determined under subdivisions
(A) and (B) of this subdivision (2), with weighting based upon the ratio of
union school equalized pupils from the member municipality to total equalized
pupils of the member municipality; and the ratio of equalized pupils attending
a school other than the union school to total equalized pupils of the member
municipality. Total equalized pupils of the member municipality is based on
the number of pupils who are legal residents of the municipality and attending
school at public expense. If necessary, the Commissioner may adopt a rule to
clarify and facilitate implementation of this subsection.

Sec. 4. 32 V.S.A. § 5402a is added to read:

§ 5402a. RESIDENT EDUCATION TAX

(a)(1) Education tax imposed. There is imposed an education tax on all
resident taxpayers of this State. The resident education tax imposed under this
section shall be calculated by multiplying the per equalized-pupil amount of
the district’s education spending as defined in 16 V.S.A. § 4001(6) by
1.0 percent, and then multiplying the result by the taxpayer’s federal adjusted
gross income in the prior taxable year.

(2) Commissioner’s notice. Annually, on or before August 1, the
Commissioner of Taxes shall notify every resident of this State who has
declared domicile in accordance with section 5410 of this title of that
taxpayer’s resident education tax liability under this section, which shall equal
the resident education tax rate for the taxpayer’s municipality of residence.
multiplied by the taxpayer’s federal adjusted gross income in the prior taxable year.

(b)(1) Rate and requirement of withholding. The Commissioner of Taxes shall annually establish three statewide withholding rates for the resident education tax imposed under this section. The Commissioner shall base the annual withholding rates on the lowest, median, and highest quartile rates across all school districts in the prior year.

(2) Every person who is required under the laws of the United States to withhold federal income tax from payments that are also subject to the resident education tax shall deduct and withhold, during the calendar year from those payments made, the amount of resident education tax elected by the taxpayer under subdivision (3) of this subsection. Every person required to deduct and withhold under this subdivision shall file returns and pay over the amounts to the Commissioner pursuant to section 5842 of this title.

(3) Every resident taxpayer shall elect one of the rates established annually by the Commissioner under subdivision (1) of this subsection at which the resident education tax shall be withheld from any payments made to the taxpayer during the taxable year.

(c) Estimated payments. Every resident subject to the resident education tax under this section who earns or receives income that is not subject to withholding under subsection (b) of this section shall make installment
payments of the taxpayer’s estimated resident education tax liability each taxable year. The amount of each payment shall equal 25 percent of the required annual payment. For any taxable year, payments shall be made on or before April 15, June 15, and September 15 of the taxable year and January 15 of the following taxable year.

(d)(1) Annual reconciliation. Any taxpayer subject to the resident education tax under this section shall file an annual return on the forms and in the manner prescribed by the Commissioner of Taxes to reconcile the payments made under subsection (b) or (c) of this section with the final resident education tax due. In case of overpayment by a taxpayer who has an income tax liability under chapter 151 of this title and a resident education tax liability under this section, a refund of the overpayment shall be deemed to be a refund of income tax for purposes of debt setoff under subchapter 12 of chapter 151 of this title.

(2) In addition to the payments required under subdivision (b)(2) of this section, every person required to deduct and withhold the resident education tax due under this section shall file an annual return covering the aggregate amount deducted and withheld during the entire preceding year, on or before January 31 of each year. At the time of filing that return, the person shall pay over to the Commissioner any amount deducted and withheld during the preceding calendar year and not previously paid. The person shall further
make such annual report to payees and to the Commissioner of amounts paid
and withheld as prescribed by the Commissioner.

(e) Deposit of payments. Notwithstanding section 435 of this title, the
Commissioner shall deposit all withholding and estimated payments
attributable to a resident education tax liability under this section into the
Education Fund established in 16 V.S.A. § 4025.

(f) Interim rate. If a school district has not voted a school budget on or
before June 30, an interim resident education tax shall be imposed at the prior
year’s rate, divided by the municipality’s most recent common level of
appraisal. Within 30 days after a budget is adopted and the deadline for
reconsideration has passed, the Commissioner shall determine the
municipality’s resident education tax rate as required under subsection (a) of
this section.

Sec. 5. 32 V.S.A. § 5402b is amended to read:

§ 5402b. STATEWIDE EDUCATION TAX YIELDS;

RECOMMENDATION OF THE COMMISSIONER

(a) Annually, no not later than December 1, the Commissioner of Taxes
Education Fund Advisory Committee, after consultation with the Secretary of
Education, the Secretary of Administration, and the Joint Fiscal Office, shall
calculate and recommend a property dollar equivalent yield, an income dollar

equiv

resident education yield, and a nonhomestead property tax rate for
the following fiscal year. In making these calculations, the Commissioner Committee shall assume:

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

(2) the applicable percentage in subdivision 6066(a)(2) of this title is 2.0; [Repealed.]

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

(4) the percentage change in the average education tax bill applied to nonhomestead property and the percentage change in the average education tax bill of homestead property and the percentage change in the average education tax bill for taxpayers who claim a credit under subsection 6066(a) of this title applied to residents are equal.

(b) For each fiscal year, the property dollar equivalent yield and the income dollar equivalent resident education yield and the nonhomestead tax rate shall be the same as in the prior fiscal year, unless set otherwise by the General Assembly.

(c) Annually, on or before December 1, the Education Fund Advisory Committee with the assistance of the Joint Fiscal Office shall prepare and publish an official, annotated copy of the Education Fund Outlook. The Emergency Board shall review the Outlook at its meetings. As used in this
section, “Education Fund Outlook” means the projected revenues and expenses associated with the Education Fund for the following fiscal year, including projections of different categories of educational expenses and costs.

Sec. 6. 32 V.S.A. § 5404 is amended to read:

§ 5404. DETERMINATION OF EDUCATION PROPERTY TAX GRAND LIST

(a) Municipalities shall determine the education property tax grand list by calculating one percent of the listed value of nonhomestead and homestead real property as provided in this section. The listed value of all nonhomestead and homestead real property in a municipality shall be its fair market value, its value established under a stabilization agreement described in section 5404a of this title, or the use value of property enrolled in a Use Value Program under chapter 124 of this title. If a homestead is located on a parcel of less than or equal to two acres, then the entire parcel shall be classified as homestead property that shall not be subject to the nonhomestead tax imposed under this chapter. If a homestead is located on a parcel of greater than two acres, the entire parcel shall be appraised at fair market value; the housesite homestead shall then be appraised as if it were situated on a separate parcel and the value of the housesite homestead shall be subtracted from the value of the total parcel to determine the value of the remainder of the parcel that shall be subject to the nonhomestead tax imposed under this chapter.
(b) Annually, on or before August 15, the clerk of a municipality, or the supervisor of an unorganized town or gore, shall transmit to the Director in an electronic or other format as prescribed by the Director: education and municipal grand list data, including exemption and homestead information and grand list abstracts; tax rates; and the total amount of taxes assessed in the town or unorganized town or gore. The data transmitted shall identify each parcel by a parcel identification number assigned under a numbering system prescribed by the Director. Municipalities may continue to use existing numbering systems in addition to, but not in substitution for, the parcel identification system prescribed by the Director. If changes or additions to the grand list are made by the listers or other officials authorized to do so after such abstract has been so transmitted, such clerks shall forthwith certify the same to the Director.

* * * 

Sec. 7. 32 V.S.A. § 5405(g) is amended to read:

(g) The Commissioner shall provide to municipalities for the front of property tax bills the district homestead property tax rate before equalization, the nonresidential nonhomestead tax rate before equalization, and the calculation process that creates the equalized homestead and nonresidential nonhomestead tax rate. The Commissioner shall further provide to
municipalities for the back of property tax bills an explanation of the common
level of appraisal, including its origin and purpose.

Sec. 8. 32 V.S.A. § 5406 is amended to read:

§ 5406. NOTICE OF FAIR MARKET VALUE AND COEFFICIENT OF
DISPERSION

(a) Not later than January 1 of each year, the Director of Property
Valuation and Review shall notify the town clerk and chair of the board of
listers of each municipality of the equalized education property value and the
coefficient of dispersion of that town for the prior year, and of the manner by
which the equalized education property value and coefficient of dispersion
were determined by the Director.

(b) Not later than April 1 of each year, the Director shall certify to the
Secretary of Education the equalized education property value and coefficient
of dispersion for the prior year of every municipality of the State.

(c) If the Director of Property Valuation and Review certifies that a
municipality has completed a townwide reappraisal, the common level of
appraisal for that municipality shall be equal to its new grand list value divided
by its most recent equalized grand list value, for purposes of determining the
nonhomestead education property tax rates.

Sec. 9. 32 V.S.A. § 5408 is amended to read:

§ 5408. PETITION FOR REDETERMINATION
(a) Not later than 35 days after mailing of a notice under section 5406 of this title, a municipality may petition the Director of Property Valuation and Review for a redetermination of the municipality’s equalized education property value and coefficient of dispersion. The petition shall be in writing and shall be signed by the chair of the legislative body of the municipality or designee.

(b)(1) Upon receipt of a petition for redetermination under subsection (a) of this section, the Director shall, after written notice, grant a hearing upon the petition to the aggrieved town.

(2) The Director shall thereafter notify the town and the Secretary of Education of his or her redetermination of the equalized education property value and coefficient of dispersion of the town or district, in the manner provided for notices of original determinations under section 5406 of this title.

* * *

Sec. 10. 32 V.S.A. § 5409 is amended to read:

§ 5409. DUTIES OF MUNICIPALITIES AND ADMINISTRATION

The following shall apply with regard to the statewide nonhomestead education property tax imposed under this chapter:

* * *

(2) If by August 1 a municipality has failed to issue notices of assessment of the statewide nonhomestead education property tax; or if the
municipality fails for more than 90 days after the due date for any installment payment to enforce the tax in the municipality; then the Commissioner of Taxes shall either issue notices of assessment or collect the tax, or both, or bring appropriate court action to require the municipal officials to issue notices and collect the tax, as the Commissioner deems necessary.

(3) In any case of administration under subdivision (2) of this section by the Commissioner of Taxes of education property tax:

* * *

(C) The Commissioner may abate in whole or in part the statewide nonhomestead education property tax of a taxpayer who has been granted an abatement of municipal taxes under 24 V.S.A. § 1535.

(4) [Deleted.]

(5) In case of insufficient property tax payment by a taxpayer to a municipality, payments shall be allocated first to municipal property tax, and next to statewide nonhomestead education property tax. In case of insufficient payment by a taxpayer to the Department of Taxes, payments shall be allocated first to liabilities other than the nonhomestead education property tax, and next to the nonhomestead education property tax.

(6) In case of overpayment by a taxpayer who has an income tax liability under chapter 151 of this title and a homestead property tax liability, a refund of the overpayment, after accounting for any benefit amount allowed
under chapter 154 of this title, shall be deemed to be a refund of income tax for purposes of debt setoff under subchapter 12 of chapter 151 of this title.

[Repealed.]

(7) Notwithstanding section 435 of this title, the Commissioner shall deposit the revenue from taxes imposed under this chapter in the education fund Education Fund established in 16 V.S.A. § 4025.

(8) A municipality’s liability to the State for the nonhomestead education taxes property tax shall not be reduced by any early payment property tax discount or similar discount offered by the municipality.

Sec. 11. 32 V.S.A. § 5410 is amended to read:

§ 5410. RESIDENT DECLARATION OF HOMESTEAD DOMICILE

(a) A homestead owner All residents of this State shall declare ownership of a homestead domicile for purposes of education property tax taxes.

(b) Annually on or before the due date for filing the Vermont income tax return, without extension, each homestead owner resident of this State shall, on a form prescribed by the Commissioner, which shall be verified under the pains and penalties of perjury, declare his or her homestead the declarant’s domicile, if any, as of, or expected to be as of, April 1 of the year in which the declaration is made.

(c) In the event that an unsigned but otherwise completed homestead resident declaration of domicile is filed with the declarant’s signed State
income tax return, the Commissioner may treat such declaration as signed by
the declarant.

(d) The Commissioner shall provide a list of homesteads in each town to
the town listers by May 15. The listers shall notify the Commissioner by June
1 of any residences on the Commissioner’s list which do not qualify as
homesteads. The listers shall separately identify homesteads in the grand list.

(e) The Commissioner shall adopt rules governing the eligibility
requirements for declaring a homestead domicile.

(f) [Repealed.]

(g) If the property identified in a declaration under subsection (b) of this
section is not the taxpayer’s homestead domicile, or if the owner of a
homestead resident fails to declare a homestead domicile as required under this
section, the Commissioner shall notify the municipality, and the municipality
shall issue a corrected tax bill that may, as determined by the governing body
of the municipality, include a penalty of up to three percent of the
nonhomestead education tax on the property. However, if the property
incorrectly declared as a homestead is located in a municipality that has a
lower homestead tax rate than the nonhomestead tax rate, or if an undeclared
homestead is located in a municipality that has a lower nonhomestead tax rate
than the homestead tax rate, then the governing body of the municipality may
include a penalty of up to eight percent of the education tax liability on the
If the Commissioner determines that the declaration or failure to declare was with fraudulent intent, then the municipality shall assess the taxpayer a penalty in an amount equal to 100 percent of the education tax on the property; plus any interest and late-payment fee or commission which may be due. Any penalty imposed under this section and any additional property tax interest and late-payment fee or commission shall be assessed and collected by the municipality in the same manner as a property tax under chapter 133 of this title. Notwithstanding section 4772 of this title, issuance of a corrected bill issued under this section does not extend the time for payment of the original bill, nor relieve the taxpayer of any interest or penalties associated with the original bill. If the corrected bill is less than the original bill, and there are also no unpaid current year taxes, interest or penalties and no past year delinquent taxes or penalties and interest charges, any overpayment shall be reflected on the corrected tax bill and refunded to the taxpayer.

* * *

(l) “Hardship” under this section means an owner’s inability to pay as certified by the Commissioner of Taxes in his or her discretion; or means an owner’s filing an incorrect, or failing to file a correct, homestead resident declaration due to one or more of the following:

1. full-time active military duty of the declarant outside the State;
2. serious illness or disability of the declarant;
(3) serious illness, disability, or death of an immediate family member
of the declarant;

(4) fire, flood, or other disaster.

Sec. 12. 32 V.S.A. § 5413 is added to read:

§ 5413. CREATION; EDUCATION FUND ADVISORY COMMITTEE

(a) Creation. There is created the Education Fund Advisory Committee to
monitor Vermont’s education financing system, to conduct analyses, and to
make annual recommendations and report its findings to the General
Assembly.

(b) Membership. The Education Fund Advisory Committee shall be
composed of the following 13 members:

(1) the Chairs of the House Committees on Education and on Ways and
Means or designees;

(2) the Chairs of the Senate Committees on Education and on Finance or
designees;

(3) the Commissioner of Taxes or designee;

(4) the Secretary of Education or designee; and

(5) seven members as follows:

(A) one representative from the Vermont-NEA;

(B) one representative from either the Vermont School Boards
Association or the Vermont Superintendents Association;
(C) the Chair of the Racial Equity Advisory Panel or designee;

(D) the Executive Director of the Vermont Human Rights Commission or designee;

(E) one member of the public with expertise in education finance, to be appointed by the Speaker of the House;

(F) one member of the public with expertise in education finance, to be appointed by the Senate President Pro Tempore; and

(G) one member of the public with expertise in education finance, to be appointed by the Governor.

(3) The appointed members of the public may serve terms not longer than six years.

(c) Powers and duties. Annually, on or before January 15, the Education Fund Advisory Committee shall make recommendations to the General Assembly regarding the nonhomestead property tax rate and any proposed adjustments to the resident education tax rate and yield and the amount of the stabilization reserve.

(d) Assistance. The Education Fund Advisory Committee shall have the administrative, technical, and legal assistance of the Department of Taxes, the Agency of Education, the Office of Legislative Operations, the Office of Legislative Counsel, and the Joint Fiscal Office.

(e) Meetings.
(1) The Commissioner of Taxes shall call the first meeting of the Committee to occur on or before July 15, 2021.

(2) The Committee shall select a chair from among its members of the public at the first meeting.

(3) A majority of the membership shall constitute a quorum.

(f) Compensation and reimbursement.

(1) For attendance at meetings during adjournment of the General Assembly, a legislative member of the Committee serving in his or her capacity as a legislator shall be entitled to per diem compensation and reimbursement of expenses pursuant to 2 V.S.A. § 23. These payments shall be made from monies appropriated to the General Assembly.

(2) Other members of the Committee shall be entitled to per diem compensation and reimbursement of expenses as permitted under 32 V.S.A. § 1010.

Sec. 13. EDUCATION FUND ADVISORY COMMITTEE; FIRST REPORT

Pursuant to 32 V.S.A. § 5413(c), on or before January 15, 2022, the Education Fund Advisory Committee shall submit its first report to the House Committees on Education and on Ways and Means and the Senate Committees on Education and on Finance with its findings and any recommendations for legislative action. The Committee’s first report shall make recommendations regarding the following.
(1) Renter credit. The Committee’s first report shall recommend options for restructuring the renter credit program under 32 V.S.A. chapter 154, given that the education property tax will apply to all nonhomestead properties, including rented properties that are an individual’s domicile. The report shall consider transition provisions for implementing potential reforms to the renter credit during the first year in which the resident education tax will be imposed, in a manner that credits all renters for the amount of their rent paid that is attributable to the nonhomestead education property tax. The report shall also include any recommendations for data collection and administration of the new credit.

(2) Penalties relating to resident declarations. The Committee’s first report shall consider and propose options for a new penalty structure to replace or supplement the penalty structure that applied to late homestead declaration filings or homestead declarations that were not filed.

(3) Health care and social services costs. The Committee’s first report shall determine the cost of providing health care and social services to students in public schools and the impact on the Education Fund. The Committee shall consider and propose other options for funding for those costs, including categorical grants and different sources of revenue.
* * * Renter Credit * * *

Sec. 14. 32 V.S.A. chapter 154 is redesignated to read:

CHAPTER 154. HOMESTEAD PROPERTY TAX CREDIT AND RENTER CREDIT

Sec. 15. 32 V.S.A. § 6061(18) is amended to read:

(18) Notwithstanding subdivisions (4) and (5) of this section, for the purposes of the renter credit, “income” means federal adjusted gross income increased by the following:

* * *

Sec. 16. 32 V.S.A. § 6063 is amended to read:

§ 6063. CLAIM AS PERSONAL; CREDIT AMOUNT AT TIME OF TRANSFER

(a) The right to file a claim under this chapter is personal to the claimant and shall not survive the claimant’s death, but the right may be exercised on behalf of a claimant by his or her legal guardian or attorney-in-fact. When a claimant dies after having filed a timely claim, the property tax credit amount shall be credited to the homestead property tax liability of the claimant’s estate, as provided in section 6066a of this title.

(b) In case of sale or transfer of a residence, any property tax credit amounts related to that residence shall be allocated to the seller at closing unless the parties otherwise agree. [Repealed.]
Sec. 17. 32 V.S.A. § 6064 is amended to read:

§ 6064. CLAIM APPLIED AGAINST OUTSTANDING LIABILITIES

The amount of any property tax credit amount resulting under this chapter may be applied by the Commissioner, beginning July 1 of the calendar year in which the claim is filed, against any State tax liability outstanding against the claimant.

Sec. 18. 32 V.S.A. § 6066 is amended to read:

§ 6066. COMPUTATION OF PROPERTY TAX CREDIT

* * *

(b)(1) An eligible claimant who rented the homestead shall be entitled to a credit for the taxable year in an amount not to exceed $2,500.00, to be calculated as follows:

* * *

(c) To be eligible for an adjustment or a credit under this chapter, the claimant:

(1) must have been domiciled in this State during the entire taxable year;

(2) may not be a person claimed as a dependent by any taxpayer under the federal Internal Revenue Code during the taxable year; and

(3) in the case of a renter, shall have rented property for at least six calendar months, which need not be consecutive, during the taxable year.
Sec. 19. 32 V.S.A. § 6067 is amended to read:

§ 6067. CREDIT LIMITATIONS

Only one individual per household per taxable year shall be entitled to a property tax credit under this chapter. An individual who received a homestead exemption or credit with respect to property taxes assessed by another state for the taxable year shall not be entitled to receive a credit under this chapter. No taxpayer claimant shall receive a renter credit under subsection 6066(b) of this title in excess of $2,500.00. No taxpayer shall receive a property tax credit under subdivision 6066(a)(3) of this title greater than $2,400.00 or cumulative credit under subdivisions 6066(a)(1)-(2) and (4) of this title greater than $5,600.00.

Sec. 20. 32 V.S.A. § 6068 is amended to read:

§ 6068. APPLICATION AND TIME FOR FILING

(a) A tax credit claim or request for allocation of an income tax refund to homestead property tax payment shall be filed with the Commissioner on or before the due date for filing the Vermont income tax return, without extension, and shall describe the school district in which the homestead property is located and shall particularly describe the homestead property for which the credit or allocation is sought, including the school parcel account number prescribed in subsection 5404(b) of this title. A renter credit claim
shall be filed with the Commissioner on or before the due date for filing the Vermont income tax return, without extension.

(b) If the claimant fails to file a timely claim, the amount of the property tax credit under this chapter shall be reduced by $15.00, but not below $0.00, which shall be paid to the municipality for the cost of issuing an adjusted homestead property tax bill. No benefit shall be allowed in the calendar year unless the claim is filed with the Commissioner on or before October 15.

c) No request for allocation of an income tax refund or for a renter credit claim may be made after October 15.

Sec. 21. 32 V.S.A. § 6071 is amended to read:

§ 6071. EXCESSIVE AND FRAUDULENT CLAIMS

(a) In any case in which it is determined under the provisions of this title that a claim is or was excessive and was filed with fraudulent intent, the claim shall be disallowed in full, and the Commissioner may impose a penalty equal to the amount claimed. A disallowed claim may be recovered by assessment as income taxes are assessed. The assessment, including assessment of penalty, shall bear interest from the date the claim was credited against property tax or income tax or paid by the state until repaid by the claimant, at the rate per annum established from time to time by the Commissioner pursuant to section 3108 of this title. The claimant in that case, and any person who assisted in the preparation of filing of such excessive
claim or supplied information upon which the excessive claim was prepared,
with fraudulent intent, shall be fined not more than $1,000.00 or be imprisoned
not more than one year, or both.

(b) In any case in which it is determined that a claim is or was excessive,
the Commissioner may impose a 10 percent penalty on such excess and if the
claim has been paid or credited against property tax or income tax otherwise
payable, the credit shall be reduced or canceled, and the proper portion of any
amount paid shall be similarly recovered by assessment as income taxes are
assessed and such assessment shall bear interest at the rate per annum
established from time to time by the Commissioner pursuant to section 3108 of
this title from the date of payment or, in the case of credit of a property tax bill
under section 6066a of this title, from December 1 of the year in which the
claim is filed until refunded or paid.

(c) In any case in which a homestead is rented by a person from another
person under circumstances deemed by the Commissioner to be not at arms-
length, the Commissioner may determine the rent constituting property tax for
purposes of this chapter. [Repealed.]

Sec. 22. 32 V.S.A. § 6074 is amended to read:

§ 6074. AMENDMENT OF CERTAIN CLAIMS

At any time within three years after the date for filing claims under
subsection section 6068(a) of this chapter, a claimant who filed a claim by
October 15 may file to amend that claim to correct the amount of household income reported on that claim.

* * * Education Fund * * *

Sec. 23. 16 V.S.A. § 4001(1) is amended to read:

(1) “Average daily membership” of a school district or, if needed in order to calculate the appropriate homestead resident education tax rate, of the municipality as defined in 32 V.S.A. § 5401(9), in any year means:

* * *

Sec. 24. 16 V.S.A. § 4025 is amended to read:

§ 4025. EDUCATION FUND

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

(1) all revenue paid to the State from the statewide education taxes on nonhomestead and homestead property under 32 V.S.A. chapter 135;

* * *

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

* * *

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

* * *

Sec. 25. 16 V.S.A. § 4028(c) is amended to read:

(c)(1) Any district that has adopted a school budget that includes high spending, as defined in 32 V.S.A. § 5401(12), shall, upon timely notice, be authorized to use a portion of its high spending penalty to reduce future education spending:

* * *

(2) To the extent approved by the Secretary, the Agency shall pay the district from the property resident education tax revenue to be generated by the high spending increase to the district’s spending adjustment as estimated by the Secretary, up to a maximum of $5,000.00. For the purposes of this subsection, “timely notice” means written notice from the district to the Secretary by September 30 of the budget year. If the district enters into a contract with a consultant pursuant to this subsection, the consultant shall not be an employee of the district or of the Agency. A copy of the consultant’s final recommendations or a copy of the district’s recommendations regarding
reorganization, as appropriate, shall be submitted to the Secretary, and each
affected town shall include in its next town report an executive summary of the
consultant’s or district’s final recommendations and notice of where a
complete copy is available. No district is authorized to obtain funds under this
section more than one time in every five years.

*** Repeals ***

Sec. 26. REPEALS

The following are repealed:

(1) 16 V.S.A. § 4031;

(2) 32 V.S.A. § 6061(1)–(6), (8), (11), and (14)–(17) (income sensitivity
property tax credit definitions);

(3) 32 V.S.A. § 6062(b)–(e) (income sensitivity property tax credit
claimants);

(4) 32 V.S.A. § 6064 (offset of property tax credit against other tax
liabilities);

(5) 32 V.S.A. § 6065 (property tax credit forms, tables, and notices);

(6) 32 V.S.A. § 6066(a), (d)–(i) (computation of property tax credit);

(7) 32 V.S.A. § 6066a (determination of property tax credit); and

(8) 32 V.S.A. § 6070 (disallowed property tax credit claims).
Sec. 27. EFFECTIVE DATE

This act shall take effect on July 1, 2022.