

S.212, AN ACT RELATING TO INCOME-BASED EDUCATION FUNDING
SUMMARY OF BILL AS INTRODUCED – JANUARY 21, 2022

(1) Creates a new resident education tax.

- Tax rate is education spending of taxpayer’s school district divided by the yield.
- Tax base is the federal adjusted gross income (AGI) of each Vermont resident, both homeowners and renters.
- Creates a new “yield” definition, which is still set annually by Legislature.
 - Yield means amount of spending per equalized pupil that would result if resident education tax rate was 1% and Ed Fund stabilization reserves were maintained at 5% of the Fund’s prior fiscal year appropriations.
- Allows a reduction in tax rate by up to 80% for single filers whose AGI is \$25,000 or less, and for joint filers whose AGI is \$50,000 or less.
- Tax payments are required by quarterly wage withholding or estimated tax payments, followed by annual reconciliation at time of filing income tax return.
 - Taxpayers choose the percentage at which to withhold: 75%, 100%, or 125% of prior year’s statewide average resident education tax rate.
- All resident education tax revenues are deposited into the Education Fund.

(2) Eliminates the homestead education property tax and property tax credit.

- Many of the bill sections are conforming changes due to these repeals.

(3) Continues to levy the nonhomestead education property tax on all property except homesteads and other exempt property.

- A homestead is defined as a principal dwelling owned and occupied by the owner and the two-acre parcel surrounding the dwelling. Properties with more than two acres are subject to tax on the portion over two acres, unless otherwise exempt.

(4) Continues to provide the existing renter credit.

(5) Creates a new, ongoing Education Fund Advisory Committee to monitor the education funding system and to report and make recommendations annually to the General Assembly, including the annual December 1st tax rate letter.

- Committee is composed of 7 members:
 - Commissioner of Taxes and Secretary of Education;
 - 4 public members with expertise in education financing, 2 appointed by Senate and 2 appointed by House; and
 - 1 public member expert in education financing appointed by Governor.
- First committee report to Legislature is required on or before January 15, 2023 on:
 - the first recommended annual tax rates and yield
 - restructuring the renter credit program to address renters who may be paying both the nonhomestead property tax (as part of rent) and the new resident education income tax
 - penalties for late or non-filing of resident declarations of domicile