

Equalization Study

CLA and impact of Covid on property tax values

Jill Remick, Director of Property Valuation and Review, Department of Taxes

Jake Feldman, Senior Fiscal Analyst, Department of Taxes

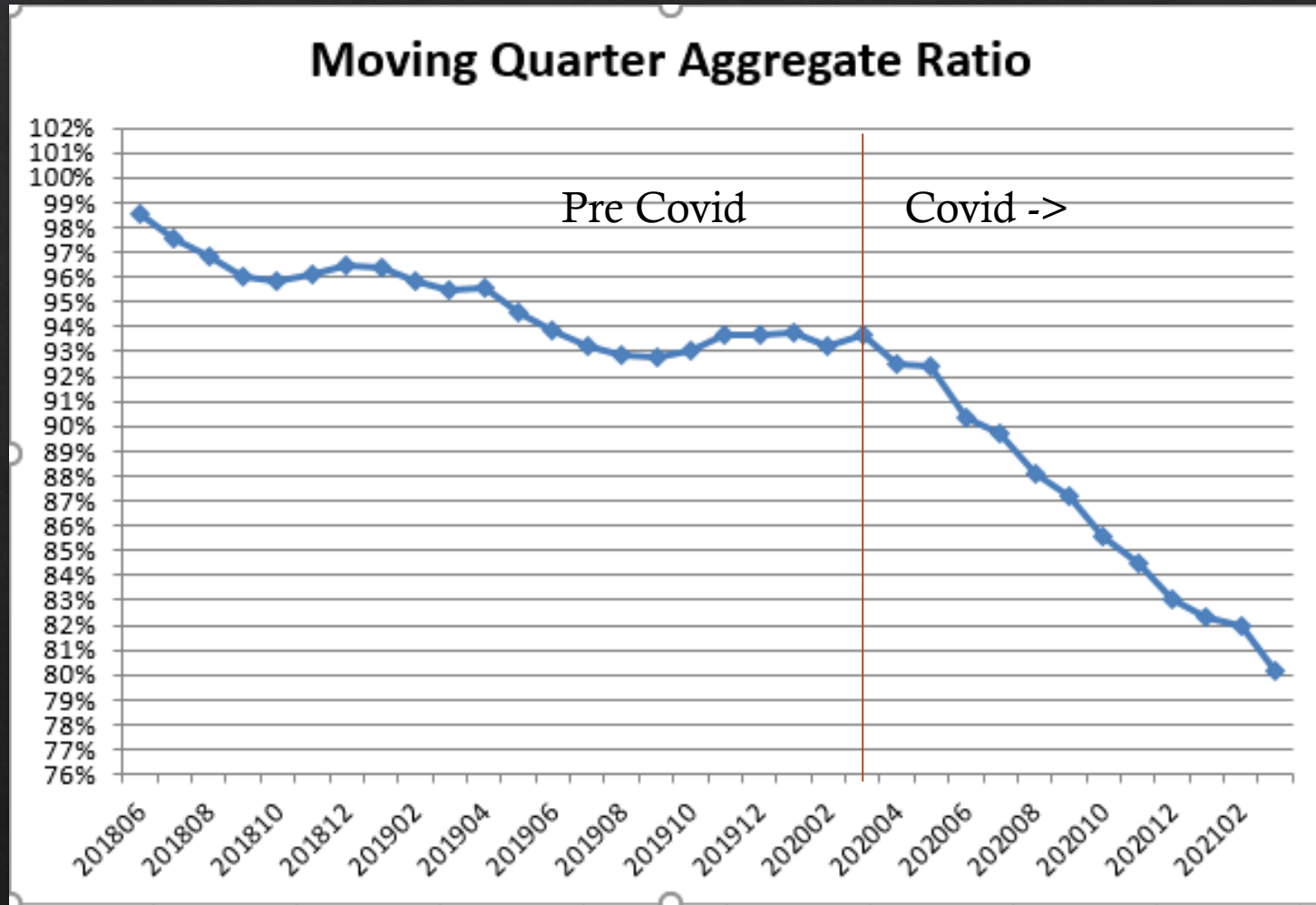
Keep in Mind:

- ◆ Education Spending increased at a normal rate, and....
- ◆ The Yield increased because the Equalized Education Grand List increased significantly, meaning...
- ◆ Vermonters Tax rates and taxpayer bills will not jump; some may even decrease.
- ◆ Real Estate swings have happened before and are normal in times of significant, national economic factors
- ◆ Vermont is not unique in its' situation as a hot real estate market

Conclusions you can draw

- ◆ Vermont is in a favorable position with property values robust and a healthy Education Fund
- ◆ Housing is in incredibly high demand; i.e. we do not have the housing stock to satisfy demand, both in-state and out-of-state buyers
- ◆ Many towns had stale Grand Lists already, and this exacerbated that
- ◆ Real Estate Transactions are way up, and those properties are selling for well above their listed value
- ◆ The CLA is doing its' job – assessing taxes based on Fair Market Value

How has Covid impacted sales ratios?



How have CLAs changed over the past five years?

Equalization Study Results: Number of Towns by CLA Bracket by Year					
	2017 (FY19)	2018 (FY20)	2019 (FY21)	2020 (FY22)	2021 (FY23)
Less than 85%	2	3	4	5	24
85 to 100%	99	112	150	176	203
100 to 115%	150	142	105	79	33
115% or More	10	3	1	0	0
First year listed is the year of the equalization study, second year is the fiscal year impacted					
Equalization study results are superseded by a reappraisal CLA, if applicable					
CLAs below 85% or above 115% trigger a reappraisal, per 32 V.S.A. § 4041a					

How is the CLA Applied?

Homesteads: Per pupil spending divided by “property yield” = Equalized tax rate

Equalized tax rate divided by CLA = Actual tax rate

Montpelier FY22 example: Per pupil spending is \$16,956.30; yield is \$11,317; CLA 84.44%

$\$16,956.30 / \$11,317 = 1.4983$

$1.4983 / 84.44\% = 1.7744$ (per \$100 of property value) is the actual homestead rate taxpayers see on the bill

The actual nonhomestead rate in a town is the uniform statewide rate divided by the town's CLA

What happens in a reappraisal year?

- ◆ The CLA is calculated according to [32 V.S.A. § 5406](#): The town's new total listed value divided by PVR's most recent estimate of total equalized grand list value
- ◆ Burlington example, FY22 (reappraised for April 1, 2021)
- ◆ FY21 CLA was 74.77% and the actual HS tax rate was 2.0576
- ◆ FY22 CLA (after reappraisal) was 105.32% and actual HS tax rate was 1.4553
- ◆ Listed property values went up, but actual tax rates went down 42%
- ◆ Since tax credits are based on the prior year taxes, if the property value went up by about 42%, the credit was consistent

Where can I find out more?

- ◆ FY23 CLAs from PVR's 2021 equalization study are posted here:
<https://tax.vermont.gov/municipalities/reports/equalization-study>
- ◆ Current year (FY22) education tax rates are posted here:
<https://tax.vermont.gov/property/education-property-tax-rates>
- ◆ That part of our website also has some “frequently asked questions” (FAQs) related to tax rates and bills:
<https://tax.vermont.gov/property/education-property-tax-rates/faqs>