

**EDUCATION FUNDING DRAFT SECTION-BY-SECTION SUMMARY**

S.212 – 1/21/2022

Sec.	Topic	Notes
<b>Education Taxes</b>		
1	Redesignates name of title 32, chapter 135 from “education property tax” to “education taxes.”	
2	<p>32 V.S.A. § 5401</p> <p>Strikes references to homestead property tax from education tax definitions.</p> <p>“Equalized property grand list” definition:</p> <ul style="list-style-type: none"> <li>• strikes references to “tax” because grand list will still include both nonhomestead and homestead property, but only nonhomestead property will be taxed.</li> </ul> <p>“Homestead” definition amended to add:</p> <ul style="list-style-type: none"> <li>• dwelling and 2-acres surrounding each dwelling. This is the existing property tax credit definition of “housesite,” which is limited to simultaneously repealed from 32 V.S.A. § 6061(11).</li> <li>• treatment of cooperatives and mobile home park cooperatives under existing property tax credit, which is simultaneously repealed from 32 V.S.A. § 6066(e).</li> </ul> <p>Repeals definitions of “education spending adjustment,” “dollar equivalent yield,” and “income dollar equivalent yield” as unnecessary because of new resident education tax rate calculation.</p> <p>Creates new “yield” definition for resident education tax, which is still set annually by the General Assembly.</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>	
3	<p>32 V.S.A. § 5402</p> <p>Clarifies that nonhomestead tax rate is per \$100 of equalized education property value unless set otherwise by the General Assembly.</p> <p>Repeals:</p> <ul style="list-style-type: none"> <li>• Homestead tax rate.</li> <li>• Interim homestead rate if school district has not voted budget by June 30. Interim rate is added into new 32 V.S.A. § 5402a(f).</li> <li>• Requirement that Commissioner of Taxes determine a homestead property tax rate for union or unified union school districts. The same requirement is inserted into new resident education tax rate section 32 V.S.A. § 5402a(g).</li> <li>• \$15 fee for towns to cover the cost of issuing a new property tax bill when a property tax credit is filed late.</li> </ul>	

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S.212 – 1/21/2022

4	<p>32 V.S.A. § 5402a</p> <ul style="list-style-type: none"> <li>• Creates a new resident education tax.</li> <li>• Tax rate is calculated by dividing per equalized-pupil amount of education spending of taxpayer’s school district by the yield.</li> <li>• Tax base is the federal adjusted gross income (AGI) of each Vermont resident, both homeowners and renters.</li> <li>• Creates a new “yield” definition, set annually by Legislature:             <ul style="list-style-type: none"> <li>○ 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.</li> </ul> </li> <li>• 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.</li> <li>• Tax payments are required by quarterly wage withholding or estimated tax payments, followed by annual reconciliation at time of filing income tax return.</li> <li>• Taxpayers choose the percentage at which to withhold: 75%, 100%, or 125% of prior year’s statewide average resident education tax rate.</li> </ul> <p>All resident education tax revenues are deposited into the Education Fund.</p> <p>Adds interim resident tax rate in case a school district has not voted its budget by June 30, using existing language in 32 V.S.A. § 5402.</p> <p>Requires Commissioner to determine a resident education tax rate for union or unified union school districts using existing language in 32 V.S.A. § 5402.</p>	
5	<p>32 V.S.A. § 5402b</p> <p>Amends Commissioner of Taxes’ December 1<sup>st</sup> tax rate recommendation letter to require new Education Fund Advisory Committee to carry out recommendations. Repeals references to the Secretaries of Administration and Education and Commissioner because they are members of the Advisory Committee.</p> <p>Removes references to homestead tax rate and income percentage, both of which are repealed in bill.</p>	
6	<p>32 V.S.A. § 5404</p> <p>Repeals references to “tax” grand list. Clarifies that if a homestead is on a parcel of two acres or less, then entire parcel is classified as homestead property and is not subject to nonhomestead property tax. If a homestead is on a parcel over two acres, then nonhomestead property tax only applies to the portion of the property over two acres.</p>	
7	<p>32 V.S.A. § 5404a</p> <p>Repeals references to “tax” grand list. Clarifies that municipalities with a TIF district will collect property taxes on nonhomestead properties only.</p>	
8	<p>32 V.S.A. § 5405</p> <p>Repeals references to “tax” grand list.</p>	

**EDUCATION FUNDING DRAFT SECTION-BY-SECTION SUMMARY**

S.212 – 1/21/2022

	<p>Clarifies the values that the Commissioner of Taxes determines for municipalities on or before April 1 in conducting the equalization study, including the equalized value of homestead property.</p> <p>Removes references to the homestead tax from the information required to be provided on property tax bills, which is repealed in this bill. Requires Commissioner to provide explanation of new resident education tax, including that it is paid to the State, to municipalities for the back of property tax bills.</p>	
<b>9</b>	<p>32 V.S.A. § 5406</p> <p>Adds common level of appraisal to list of required values that the Director of PVR is required to report to all town clerks and chairs of boards of listers by January 1 and to the Secretary of Education by April 1 each year.</p>	
<b>10</b>	<p>32 V.S.A. § 5409</p> <p>Clarifies that duties of municipalities relating to property tax apply to the nonhomestead property tax.</p> <p>Repeals homestead property tax overpayment offset against income tax liability, which is simultaneously added to resident education tax in 32 V.S.A. § 5402a.</p>	
<b>11</b>	<p>32 V.S.A. § 5410</p> <p>Redesignates section from “homestead declaration” to “resident declaration of domicile.” Requires all Vermont residents to declare domicile for purposes of both education taxes.</p> <p>Removes reference to homestead tax for late filing penalties. Clarifies that if a resident fails to declare domicile, the Commissioner will determine the resident education tax liability and issue a corrected resident education tax bill.</p>	
<b>Education Fund Advisory Committee</b>		
<b>12</b>	<p>32 V.S.A. § 5413</p> <p>Creates new Education Fund Advisory Committee to monitor education funding system. Committee is composed of 7 members: Commissioner of Taxes and Secretary of Education; 4 public members with expertise in education financing, 2 of whom are appointed by the Senate and 2 by the House; and 1 public member with expertise in education financing appointed by the Governor.</p> <p>First meeting must be called on or before July 1, 2022.</p> <p>Committee is required to report annually to the General Assembly regarding the nonhomestead property tax rate, adjustments to the resident education tax rate and yield, and the amount of the stabilization reserve.</p>	
<b>13</b>	<p>Committee’s first report is due on or before Jan. 15, 2023 to House Ways and Means and Education Committees and Senate Finance and Education Committees on:</p> <ul style="list-style-type: none"> <li>• the first annual tax rates and yield,</li> <li>• restructuring the renter credit program, and</li> <li>• penalties for late resident declarations and failure to file declarations.</li> </ul>	

**EDUCATION FUNDING DRAFT SECTION-BY-SECTION SUMMARY**

S.212 – 1/21/2022

<b>Renter Credit</b>		
<b>14</b>	Redesignates title 32, chapter 154 from “homestead property tax credit and renter credit” to “renter credit.”	
<b>15</b>	32 V.S.A. § 6061(18) Repeals language stating definition of “income” applies to renter credit only.	
<b>16</b>	32 V.S.A. § 6063 Removes all references to the property tax credit, including treatment of a claim upon a claimant’s death and upon the sale or transfer of a residence.	
<b>17–21</b>	32 V.S.A. §§ 6064, 6066, 6068, 6071, 6074 Removes references to the property tax credit and any language stating a provision applies to the renter credit only.	
<b>Education Fund</b>		
<b>22</b>	16 V.S.A. § 4001(1) Strikes reference to “homestead tax rate” and inserts “resident education tax rate.” Removes “tax” from the definition of “equalized grand list.”	
<b>23</b>	16 V.S.A. § 4025 Repeals references to homestead tax rate and property tax credit payments from Education Fund section. All education taxes (nonhomestead property tax and resident education tax) required to be deposited into Fund.	
<b>24</b>	16 V.S.A. § 4026 Clarifies that stabilization reserve will be reviewed annually by the new Education Fund Advisory Committee.	
<b>25</b>	16 V.S.A. § 4028(c) Strikes reference to “property tax revenue” and inserts “resident education tax revenue.”	
<b>26</b>	16 V.S.A. § 4031 Establishes tax treatment for unorganized towns and gores: a 2% resident education tax rate will apply to unorganized towns and gores. Repeals references to property tax credit.	
<b>Repeals</b>		
<b>27</b>	(1) 32 V.S.A. § 3108(b)(4) (interest on overpayments of homestead tax) (2) 32 V.S.A. § 3800(g) (statutory purpose for veterans’ residence exemptions) (3) 32 V.S.A. § 3802(11) (exemptions for veterans’ residences)	

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S.212 – 1/21/2022

	<p>(4) 32 V.S.A. § 6061(1)–(6), (8), (11), and (13)–(17) (homestead property tax credit definitions);</p> <p>(5) 32 V.S.A. § 6062(b)–(e) (homestead property tax credit claimants);</p> <p>(6) 32 V.S.A. § 6064 (offset of property tax credit against other tax liabilities);</p> <p>(7) 32 V.S.A. § 6065 (property tax credit forms, tables, and notices);</p> <p>(8) 32 V.S.A. § 6066(a), (d)–(i) (computation of property tax credit);</p> <p>(9) 32 V.S.A. § 6066a (determination of property tax credit);</p> <p>(10) 32 V.S.A. § 6067 (property tax credit limitations); and</p> <p>(11) 32 V.S.A. § 6070 (disallowed property tax credit claims).</p>	
<b>28-32</b>	<p><b>Miscellaneous cross-references to homestead, homestead declaration, homestead property tax, homestead property tax credit, and housesite</b></p> <p>32 V.S.A. § 4111(e) (repeals reference to housesite in abstracts of individual property lists)</p> <p>32 V.S.A. § 4152(a)(9) (repeals reference to valuations of housesites on the grand list)</p> <p>32 V.S.A. § 4261 (replaces reference to homestead declaration with resident declaration of domicile)</p> <p>32 V.S.A. § 4467 (repeals reference to appeals of valuations of housesites)</p> <p>32 V.S.A. § 5400(c) (repeals reference to State homestead rate)</p>	
<b>Effective Dates</b>		
<b>33</b>	<p>Effective date section and Secs. 12–13 (Education Fund Advisory Committee) take effect on passage</p> <p>All remaining sections take effect on July 1, 2023.</p>	