

## Side by Side Summary

### **H.887: An act relating to homestead property tax yields, nonhomesteads rates, and policy changes to education and finance**

May 9, 2024

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<b>Section</b>	<b>As Passed by the House</b>	<b>As Passed by the Senate</b>
1	The Commission on the Future of Public Education; Report	The Education Finance Study Committee  ***see Senate proposal of amend
1a	Allows an appropriation of \$200,000.00 from Act 78 of 2023 to be used for the Commission on the Future of Public Education.	Same, except:  Adds the work of the Education Finance Study Committee as an allowable use of the appropriation
1b	No similar provision	Requires AOE to transfer funds to JFO as necessary to meet the financial obligations of the Ed Finance Study Committee
1c	Sec. 1 in APBH	The Commission on the Future of Public Education; Reports  ***see separate side-by-side for changes
2	Sets property dollar yield, income dollar equivalent yield, and nonhomestead tax rate based on available information and additional revenue generated by the bill.  Provides an increase to the property tax credit for FY25 that is paid for with an increased nonhomestead rate.	Same, except:  Removes the increased property tax credit and reduces the nonhomestead rate accordingly.  Factors in a General Fund transfer of \$25 million to reduce tax rates in FY 25.
3	In the sales and use tax chapter, changes the definition of tangible personal property to expressly apply sales tax to prewritten software accessed remotely.  (7) "Tangible personal property" means personal property that may	Same, except modifies the definition to exclude remotely and hosted prewritten software from the definition. This change will leave it up to the Department of Taxes to determine which transactions are taxable and which are nontaxable services.

	be seen, weighed, measured, felt, touched, or in any other manner perceived by the senses. “Tangible personal property” includes electricity, water, gas, steam, and prewritten computer software <u>regardless of the method in which the prewritten computer software is paid for, delivered, or accessed, including remotely or hosted by a vendor or the vendor’s designee, or both.</u>	(7) “Tangible personal property” means personal property that may be seen, weighed, measured, felt, touched, or in any other manner perceived by the senses. “Tangible personal property” includes electricity, water, gas, steam, and prewritten computer software <u>regardless of the method in which the prewritten computer software is paid for, delivered, or accessed.</u>
4	Repeals the 2015 prohibition on taxing prewritten software accessed remotely.	Same
5	Creates a short-term rental surcharge of 1.5 percent on each occupancy that is not in a lodging establishment licensed under 18 V.S.A. chapter 85.	Same, except the rate is changed to three percent.
6	Directs the revenue from the short-term rental surcharge to be deposited into the Education Fund.	Same
7	Directs the Agency of Education to update the District Quality Standards rules to include recommended reserve fund account standards.	Same
8	Creates an Education Finance Data Analyst position at the Agency of Education. Appropriates \$125,000.00 in FY25 for the position.	Removes position creation and appropriation language; retains the intent language  ***position and corresponding appropriation in budget
9	Rephrases the language required on school budget ballots to read:  Article #1 (School Budget): Shall the voters of the school district approve the school board to expend \$ _____, which is the amount the school board has determined to be necessary for the ensuing fiscal year?	Same

	<u>The _____ District estimates that this proposed budget, if approved, will result in per pupil education spending of \$ _____, which is _____ % higher/lower than per pupil education spending for the current year.</u>	
10	Repeals the Act 127 suspension of the ballot language requirement.	Same
11	Creation; Education Fund Advisory Committee	Same
12	Sunsets the Education Fund Advisory Committee in 2034	Same
13	Directs the Agency of Education and Department of Taxes to conduct outreach on the use of statewide adjustments in calculating education property tax rates.	Same
13a–14	Amends the education property tax chapter to use a statewide adjustment when calculating education property tax rates.  The statewide adjustment is intended to make pre-CLA tax rates more closely resemble post-CLA tax rates to assist districts with making budget decisions.	Same
15	Amends the December 1 letter on estimated tax rates by: <ul style="list-style-type: none"> <li>• making conforming changes for the statewide adjustment</li> <li>• including the range of per pupil spending between all districts as information provided by the December 1 letter</li> </ul>	Same
16	Starting in FY26, amends the pupil weighting transition mechanism from Act 84 of 2024 to conform to the statewide adjustment.	Same
17	Starting in FY25, amends Act 84 of 2024 to account for district mergers, withdrawals, and dissolutions.	Same

	Merged districts receive the highest possible benefit under Act 84. Districts that withdraw or dissolve receive no benefit under Act 84.	
18	Amends the definition of excess spending to conform with Act 127.  Sets the excess spending threshold at 120 percent of statewide average per pupil education spending.	Same, except it sets the threshold at 116 percent.
19	Repeals the Act 127 suspension of excess spending.	Same
20	Removes all existing types of spending that are not factored into calculating excess spending.  Creates a new carve out of excess spending:  <u>For all bonds approved by voters prior to July 1, 2024, voter-approved bond payments toward principal and interest shall not be included in “education spending” for purposes of calculating excess spending pursuant to 32 V.S.A. § 5401(12).</u>	Same
21	Requires the Commissioner of Taxes to recommend administrative and policy improvements for property tax credit claims, including the use of an asset declaration. The report is due December 15, 2024.	Same
22–24	Amends language in parts of Title 16 to conform with terminology changes from Act 127.	Same
24a	No similar provision	11 separate transfers from the Education Fund to towns that overpaid education taxes in fiscal year 2024 due to erroneous ADM calculations  ***same language that the House passed in S.167

25	<p><u>Sec. 25. EFFECTIVE DATES</u></p> <p><u>(a) This section and the following sections shall take effect on passage:</u></p> <p><u>(1) Sec. 1 (Commission on the Future of Public Education);</u></p> <p><u>(2) Sec. 2 (property tax rates and yields);</u></p> <p><u>(3) Sec. 13 (State outreach; statewide adjustments); and</u></p> <p><u>(4) Sec. 17 (Act 84 application to district mergers, withdrawals, and dissolutions).</u></p> <p><u>(b) Secs. 13a–16 (CLA effect on tax rates and statewide adjustment) and 19 (repeal of excess spending suspension) shall take effect July 1, 2025.</u></p> <p><u>(c) Sec. 9 (16 V.S.A. § 563; powers of school boards; form of vote) shall take effect July 1, 2024, provided, however, that 16 V.S.A. § 563(11)(D) shall not apply to ballots used for fiscal year 2025 budgets.</u></p> <p><u>(d) All other sections shall take effect on July 1, 2024.</u></p>	<p>Same, except the short-term rental surcharge is effective August 1, 2024 instead of July 1, 2024 and the Education Finance Study Committee takes effect on passage</p>
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