

Common Level of Appraisal Overview

- The Common Level of Appraisal (“CLA”) is a necessary part of the shared property tax model created by Act 60. CLAs ensure that every town is sending its fair share of property tax to the Education Fund
- The CLA is a general correction factor applied to the town's homestead and non-homestead property tax rates, not to individual property values
- If the CLA was applied to people's property values they would have a different taxable value for municipal taxes and education taxes which would be confusing. The state would need to respond to tens of thousands of appeals each year
- CLAs are always determined based on sales data and are entirely independent of the cost pressures in the Education Fund
- CLA Application: Assume Per pupil spending \$15,000 and yield is 10,000. CLA is 80% and grand list value is \$300,000 (which shows up in the grand list as \$3,000):
 - $15,000 / 10,000 = 1.5$ (this is what's known as the “equalized rate”)
 - $1.5 / 80\% = 1.875$ (this is the actual rate that will be seen on the bill)
 - $1.875 * \$3,000 = \$5,625$ education property tax

CLAs and FY25

- CLAs are not the reason taxes are forecasted to go up in FY25. Taxes are forecasted to go up because of unprecedented increases in anticipated education spending and the one-time funds used in FY23 and FY24 to artificially lower tax rates
- When CLAs are going *down* the yield goes *up* which lowers “equalized” (pre CLA) tax rates - that's what happened the last two fiscal years. And it's happening again this year, too, but it's being “drowned out” by needing to re-base the yield to reflect the new way pupils are counted and the two factors listed in the previous bullet point
- It's possible that there was confusion about the 5% limitation on homestead tax rate changes in Act 127. Those apply to the equalized tax rate (pre-CLA) and not the actual rates after the CLA is applied. Without the 5% limit, equalized tax rates in those districts would be going up even more and the same CLAs would still be applied

Resources

- 2023 equalization study results affecting 2024-2025 (FY25) tax rates for towns that aren't reappraising: <https://tax.vermont.gov/municipalities/reports/equalization-study>
- The Tax Department's Frequently Asked Questions about property tax rates: <https://tax.vermont.gov/property/education-property-tax-rates/faqs>
- The Joint Fiscal Office's issue brief on Act 127: https://ljfo.vermont.gov/assets/Subjects/Issue-Briefs-Related-to-Education-Finance/8e94aa83db/GENERAL-371568-v3-Understanding_Pupil_Weights-v3.pdf
- The Joint Fiscal Office's presentation on Education Finance: https://ljfo.vermont.gov/assets/Subjects/Education-Finance-101/f8ce800b5a/GENERAL-364387-v1-Ed_Finance_101_W+Ms.pdf

