

1 H.949

2 Introduced by Committee on Ways and Means

3 Date:

4 Subject: Taxation and finance; education property tax; homestead yields;
5 nonhomestead rate; homestead property tax credit and renter credit;
6 statewide adjustment; tax increment financing district; overpayment;
7 City of Barre; education; special education; census grant; education
8 finance

9 Statement of purpose of bill as introduced: This bill proposes to set the
10 property dollar and income dollar equivalent yields for the purpose of setting
11 homestead property tax rates and proposes to set the nonhomestead property
12 tax rate. This bill also proposes to reserve monies within the Education Fund
13 to offset property tax rate increases. This bill also proposes a technical
14 correction to the statewide adjustment for the property tax credit system. This
15 bill also proposes to refund education property tax overpayment made by the
16 City of Barre due to miscalculation of the amount of tax increment to be
17 retained by the City from its tax increment financing district fund. This bill
18 also proposes to adjust the special education census grant for inflation for
19 fiscal year 2027 and onward.

1 An act relating to homestead property tax yields, the nonhomestead
2 property tax rate, and technical changes to education finance

3 It is hereby enacted by the General Assembly of the State of Vermont:

4 ~~Sec. 1. PROPERTY DOLLAR EQUIVALENT YIELD, INCOME~~

5 DOLLAR EQUIVALENT YIELD, AND NONHOMESTEAD

6 PROPERTY TAX RATE FOR FISCAL YEAR 2027

7 For fiscal year 2027 only:

8 (1) Pursuant to 32 V.S.A. § 5402b(b), the property dollar equivalent
9 yield shall be \$9,170.00.

10 (2) Pursuant to 32 V.S.A. § 5402b(b), the income dollar equivalent yield
11 shall be \$12,576.00.

12 (3) Notwithstanding 32 V.S.A. § 5402(a)(1) and any other provision of
13 law to the contrary, the nonhomestead property tax rate shall be \$1.698 per
14 \$100.00 of equalized education property value.

15 Sec. 2. EDUCATION FUND RESERVE; PROPERTY TAX RATE OFFSET

16 In fiscal year 2027, \$52,450,000.00 shall be reserved in the Education Fund
17 to offset education property tax rate increases in fiscal year 2028. The
18 Commissioner of Taxes shall assume that the \$52,450,000.00 reserved under
19 this section is unreserved and unallocated and applies to the calculation of the
20 fiscal year 2028 yields and nonhomestead rate when making the
21 ~~recommendation required pursuant to 32 V.S.A. § 5402b on or before~~

1 ~~December 1, 2026. The reserve created under this section shall be considered~~
2 ~~an authorized use of Education Fund monies pursuant to 16 V.S.A. § 4025.~~

** * * Yields * * **

Sec. 1. PROPERTY DOLLAR EQUIVALENT YIELD, INCOME

DOLLAR EQUIVALENT YIELD, AND NONHOMESTEAD

PROPERTY TAX RATE FOR FISCAL YEAR 2027

For fiscal year 2027 only:

(1) Pursuant to 32 V.S.A. § 5402b(b), the property dollar equivalent yield shall be \$9,401.00.

(2) Pursuant to 32 V.S.A. § 5402b(b), the income dollar equivalent yield shall be \$12,960.00.

(3) Notwithstanding 32 V.S.A. § 5402(a)(1) and any other provision of law to the contrary, the nonhomestead property tax rate shall be \$1.643 per \$100.00 of equalized education property value.

** * * Excess Spending Exemption * * **

Sec. 2. 16 V.S.A. § 4001(6) is amended to read:

(6) "Education spending" means the amount of the school district budget, any assessment for a joint contract school, career technical center payments made on behalf of the district under subsection 1561(b) of this title, and any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) that is paid for by the school district, but excluding any portion of the school budget

1 Sec. 5. 16 V.S.A. § 2961 is amended to read:

2 § 2961. CENSUS GRANT

3 (a) As used in this section:

4 (1) “Average daily membership” shall have has the same meaning as in
5 subdivision 4001(1) of this title, except it ~~shall exclude~~ excludes State-placed
6 students.

7 (2) “Average daily membership of a supervisory union” means the
8 aggregate average daily membership of the school districts that are members
9 of the supervisory union or, for a supervisory district, the average daily
10 membership of the supervisory district.

11 (3) “Long-term membership” of a supervisory union in any school year
12 means the average of the supervisory union’s average daily membership over
13 the most recent three school years for which data are available.

14 (4) “Uniform base amount” means ~~an amount determined by:~~

15 ~~(A) dividing an amount:~~

16 ~~(i) equal to the average State appropriation for fiscal years 2018,~~
17 ~~2019, and 2020 for special education under sections 2961 (standard~~
18 ~~mainstream block grants), 2963 (special education expenditures~~
19 ~~reimbursement), and 2963a (exceptional circumstances) of this title; and~~

20 ~~(ii) increased by:~~

1 ~~(I) for each of fiscal years 2021, 2022, and 2023, the annual~~
2 ~~change in the National Income and Product Accounts (NIPA) Implicit Price~~
3 ~~Deflator for State and Local Government Consumption Expenditures and~~
4 ~~Gross Investment as reported by the U.S. Department of Commerce, Bureau of~~
5 ~~Economic Analysis (inflation factor); and~~

6 ~~(II) for each of fiscal years 2024, 2025, and 2026, the average~~
7 ~~inflation factor for fiscal years 2021, 2022, and 2023; by~~

8 ~~(B) the statewide long-term membership \$2,350.00, as adjusted for~~
9 ~~inflation. The uniform base amount shall be adjusted for inflation each fiscal~~
10 ~~year beginning in fiscal year 2028 by adjusting the uniform base amount for~~
11 ~~the preceding fiscal year by the most recent three-year average annual~~
12 ~~percentage change in the National Income and Product Accounts (NIPA)~~
13 ~~implicit price deflator for state and local government consumption~~
14 ~~expenditures and gross investment published by the U.S. Department of~~
15 ~~Commerce, Bureau of Economic Analysis, and rounding upward to the nearest~~
16 ~~whole dollar amount.~~

17 (b) The State commits to satisfying its special education maintenance of
18 fiscal support requirement under 34 C.F.R. § 300.163(a).

19 (c) Each supervisory union shall receive a census grant each fiscal year to
20 support the provision of special education services to students on an
21 individualized education program. Supervisory unions shall use this funding

1 and other available sources of funding to provide special education services to
2 students in accordance with their individualized education programs as
3 mandated under federal law. A supervisory union may use census grant funds
4 to support the delivery of the supervisory union's comprehensive system of
5 educational services under sections 2901 and 2902 of this title, but shall not
6 use census grant funds in a manner that abrogates its responsibility to provide
7 special education services to students in accordance with their individualized
8 education programs as mandated under federal law.

9 ~~(d)(1)(A) For fiscal year 2023, the amount of the census grant for a~~
10 ~~supervisory union shall be:~~

11 ~~(i) the average amount it received for fiscal years 2018, 2019, and~~
12 ~~2020 or the average amount it received for fiscal years 2019, 2020, and 2021,~~
13 ~~whichever amount is greater, from the State for special education under~~
14 ~~sections 2961 (standard mainstream block grants), 2963 (special education~~
15 ~~expenditures reimbursement), and 2963a (exceptional circumstances) of this~~
16 ~~title; increased by~~

17 ~~(ii) the annual change in the National Income and Product~~
18 ~~Accounts (NIPA) Implicit Price Deflator for State and Local Government~~
19 ~~Consumption Expenditures and Gross Investment as reported by the U.S.~~
20 ~~Department of Commerce, Bureau of Economic Analysis.~~

1 ~~(B) The amount determined under subdivision (A) of this subdivision~~
2 ~~(1) shall be divided by the supervisory union's long-term membership, to~~
3 ~~determine the base amount of the census grant, which is the amount of the~~
4 ~~census grant calculated on a per student basis.~~

5 ~~(2) For fiscal year 2027 and subsequent fiscal years, the~~ The amount of
6 ~~the census grant for a supervisory union shall be the uniform base amount~~
7 ~~multiplied by the supervisory union's long-term membership.~~

8 ~~(3) For fiscal years 2024, 2025, and 2026, the amount of the census~~
9 ~~grant for a supervisory union shall be determined by multiplying the~~
10 ~~supervisory union's long-term membership by a base amount established under~~
11 ~~this subdivision. The base amounts for each supervisory union for fiscal years~~
12 ~~2024, 2025, and 2026 shall move gradually the supervisory union's fiscal year~~
13 ~~2023 base amount to the fiscal year 2027 uniform base amount by prorating~~
14 ~~the change between the supervisory union's fiscal year 2023 base amount and~~
15 ~~the fiscal year 2027 uniform base amount over this three-fiscal-year period.~~

16 ~~Sec. 6. EFFECTIVE DATE~~

17 ~~This act shall take effect on July 1, 2026.~~

** * * Excess Spending Penalty Transition Fiscal Years 2028–2032 * * **

Sec. 6. 32 V.S.A. § 5401 is amended to read:

§ 5401. DEFINITIONS

As used in this chapter:

* * *

(12) *“Excess spending” means:*

(A) ~~The the per pupil spending amount of the district’s education spending, as defined in 16 V.S.A. § 4001(6), plus any amount required to be added from a capital construction reserve fund under 24 V.S.A. § 2804(b), that exceeds the excess spending threshold, as determined by the Secretary of Education on or before November 15 of each year based on the passed budgets to date.~~

(B) ~~In excess of 118 percent of the statewide average district per pupil education spending increased by inflation, as determined by the Secretary of Education on or before November 15 of each year based on the passed budgets to date. As used in this subdivision, “increased by inflation” means increasing the statewide average district per pupil education spending for fiscal year 2025 by the most recent New England Economic Project cumulative price index, as of November 15, for state and local government purchases of goods and services, from fiscal year 2025 through the fiscal year for which the amount is being determined.~~

* * *

(18) “Excess spending base” means the statewide average district per pupil education spending for fiscal year 2025, as adjusted for inflation. The excess spending base shall be adjusted for inflation by adjusting the excess

spending base by the change in the National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures published by the U.S. Department of Commerce, Bureau of Economic Analysis, as of November 15, from fiscal year 2025 through the fiscal year for which the amount is being determined, and rounding upward to the nearest whole dollar amount.

(19) "Excess spending threshold" means 112.5 percent of the excess spending base.

Sec. 7. EXCESS SPENDING PENALTY; TRANSITION

Notwithstanding 32 V.S.A. § 5401(19), beginning in fiscal year 2028, the excess spending threshold shall annually decrease according to the following schedule until reaching the statutory excess spending threshold in fiscal year 2032:

- (1) in fiscal year 2028, 115.5 percent of the excess spending base;
- (2) in fiscal year 2029, 114.5 percent of the excess spending base;
- (3) in fiscal year 2030, 113.5 percent of the excess spending base;
- (4) in fiscal year 2031, 113 percent of the excess spending base; and
- (5) in fiscal year 2032, 112.5 percent of the excess spending base.

** * * Renter Credit Expansion Claim Year 2027 * * **

Sec. 8. 32 V.S.A. § 6066(b) is amended to read:

(b)(1) An eligible claimant who rented the homestead shall be entitled to a credit for the taxable year in an amount not to exceed ~~\$2,500.00~~ \$3,250.00, to be calculated as follows:

(A) If the claimant's income is less than or equal to the extremely low-income limit, the claimant shall be entitled to a credit in the amount of ~~10~~ 12.5 percent of fair market rent.

(B) If the claimant's income is greater than the extremely low-income limit but less than or equal to the very low-income limit, the claimant shall be entitled to a percentage of the credit that is proportional to the claimant's income that is less than the very low-income limit, determined by:

(i) subtracting the claimant's income from the very low-income limit;

(ii) dividing the value under subdivision (i) of this subdivision (1)(B) by the difference between the extremely low-income limit and the very low-income limit; and

(iii) multiplying the value under subdivision (ii) of this subdivision (1)(B) by ~~10~~ 12.5 percent of fair market rent.

(C) If the claimant's income is greater than the very low-income limit, the claimant shall not be entitled to a renter credit.

(D) A claimant who is eligible for a renter credit, including pursuant to this subsection (b), and who receives a rental subsidy shall be entitled to a credit in the amount of ~~10~~ 12.5 percent of gross rent paid.

(E) A renter credit shall be prorated by the number of calendar months in the taxable year during which the claimant rented the homestead, except for a credit based on gross rent paid under subdivision (D) of this subsection (b)(1), and by the portion of the principal dwelling used for business purposes, if the portion used for business purposes includes more than 25 percent of the floor space of the dwelling.

(2) The Commissioner shall calculate the credit under subdivision (1) of this subsection (b) using the fair market rent corresponding to a number of bedrooms equal to the number of personal exemptions allowed under subdivision 5811(21)(C) of this title for the taxable year; provided that for claimants who resided with any person who was neither the claimant's dependent nor jointly filing spouse at any time during the taxable year, the Commissioner shall reduce the credit by 50 percent.

Sec. 9. 32 V.S.A. § 6067 is amended to read:

§ 6067. CREDIT LIMITATIONS

Only one individual per household per taxable year shall be entitled to a property tax credit under this chapter. An individual who received a homestead exemption or credit with respect to property taxes assessed by

another state for the taxable year shall not be entitled to receive a credit under this chapter. No taxpayer shall receive a renter credit under subsection 6066(b) of this title in excess of \$2,500.00 \$3,250.00. No taxpayer shall receive a property tax credit under subdivision 6066(a)(3) of this title greater than \$2,400.00 or cumulative credit under subdivisions ~~6066(a)(1)-(2)~~ 6066(a)(1), (2), and (4) of this title greater than \$5,600.00.

** * * Circuit Breaker Expansion Fiscal Year 2028 * * **

Sec. 10. 32 V.S.A. § 6066 is amended to read:

§ 6066. COMPUTATION OF PROPERTY TAX CREDIT AND RENTER

CREDIT

(a) An eligible claimant who owned the homestead on April 1 of the year in which the claim is filed shall be entitled to a credit for the prior year's homestead property tax liability amount determined as follows:

(1)(A) For a claimant with household income of \$90,000.00 or more:

** * **

(B) For a claimant with household income of less than \$90,000.00 but more than \$47,000.00 \$50,000.00, the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year, minus (if less) the sum of:

** * **

(C) For a claimant whose household income does not exceed ~~\$47,000.00~~ \$50,000.00, the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year, minus the lesser of:

* * *

(3) A claimant whose household income does not exceed ~~\$47,000.00~~ \$50,000.00 shall also be entitled to an additional credit amount from the claimant's municipal taxes for the upcoming fiscal year that is equal to the amount by which the municipal property taxes for the municipal fiscal year that began in the taxable year upon the claimant's housesite exceeds a percentage of the claimant's household income for the taxable year as follows:

<i>If household income (rounded to</i>	<i>then the taxpayer is entitled to</i>
<i>the nearest dollar) is:</i>	<i>credit for the reduced property tax in</i>
	<i>excess of this percent of that income:</i>

<i>\$0.00 – 9,999.00</i>	<i>1.50</i>
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<i>\$10,000.00 – 47,000.00 <u>50,000.00</u></i>	<i>3.00</i>
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(4) A claimant whose household income does not exceed ~~\$47,000.00~~ \$50,000.00 shall also be entitled to an additional credit amount from the claimant's statewide education tax for the upcoming fiscal year that is equal to the amount by which the education property tax for the municipal fiscal year that began in the taxable year upon the claimant's housesite, reduced by the credit amount determined under subdivisions (1) and (2) of this subsection,

exceeds a percentage of the claimant's household income for the taxable year as follows:

If household income (rounded to the nearest dollar) is: then the taxpayer is entitled to credit for the reduced property tax in excess of this percent of that income:

<i>\$0.00 – 9,999.00</i>	<i>0.5</i>
<i>\$10,000.00 – 24,999.00</i>	<i>1.5</i>
<i>\$25,000.00 – 47,000.00 <u>50,000.00</u></i>	<i>2.0</i>

** * **

(b)(1) An eligible claimant who rented the homestead shall be entitled to a credit for the taxable year in an amount not to exceed ~~\$3,250.00~~ \$2,500.00, to be calculated as follows:

(A) If the claimant's income is less than or equal to the extremely low-income limit, the claimant shall be entitled to a credit in the amount of ~~12.5~~ 10 percent of fair market rent.

(B) If the claimant's income is greater than the extremely low-income limit but less than or equal to the very low-income limit, the claimant shall be entitled to a percentage of the credit that is proportional to the claimant's income that is less than the very low-income limit, determined by:

(i) subtracting the claimant's income from the very low-income limit;

(ii) dividing the value under subdivision (i) of this subdivision (1)(B) by the difference between the extremely low-income limit and the very low-income limit; and

(iii) multiplying the value under subdivision (ii) of this subdivision (1)(B) by ~~12.5~~ 10 percent of fair market rent.

(C) If the claimant's income is greater than the very low-income limit, the claimant shall not be entitled to a renter credit.

(D) A claimant who is eligible for a renter credit, including pursuant to this subsection (b), and who receives a rental subsidy shall be entitled to a credit in the amount of ~~12.5~~ 10 percent of gross rent paid.

(E) A renter credit shall be prorated by the number of calendar months in the taxable year during which the claimant rented the homestead, except for a credit based on gross rent paid under subdivision (D) of this subdivision (b)(1), and by the portion of the principal dwelling used for business purposes, if the portion used for business purposes includes more than 25 percent of the floor space of the dwelling.

(2) The Commissioner shall calculate the credit under subdivision (1) of this subsection ~~(b)~~ using the fair market rent corresponding to a number of bedrooms equal to the number of personal exemptions allowed under subdivision 5811(21)(C) of this title for the taxable year, provided that for claimants who resided with any person who was neither the claimant's

dependent nor jointly filing spouse at any time during the taxable year, the Commissioner shall reduce the credit by 50 percent.

* * *

Sec. 11. 32 V.S.A. § 6067 is amended to read:

§ 6067. CREDIT LIMITATIONS

Only one individual per household per taxable year shall be entitled to a property tax credit under this chapter. An individual who received a homestead exemption or credit with respect to property taxes assessed by another state for the taxable year shall not be entitled to receive a credit under this chapter. No taxpayer shall receive a renter credit under subsection 6066(b) of this title in excess of ~~\$3,250.00~~ \$2,500.00. No taxpayer shall receive a property tax credit under subdivision 6066(a)(3) of this title greater than ~~\$2,400.00~~ \$2,600.00 or cumulative credit under subdivisions 6066(a)(1), (2), and (4) of this title greater than ~~\$5,600.00~~ \$6,000.00.

** * * Conforming Changes for Foundation Formula Fiscal Year 2030 * * **

Sec. 12. 32 V.S.A. § 5401 is amended to read:

§ 5401. DEFINITIONS

As used in this chapter:

* * *

(18) ~~“Excess spending base” means the statewide average district per pupil education spending for fiscal year 2025, as adjusted for inflation. The~~

~~excess spending base shall be adjusted for inflation by adjusting the excess spending base by the change in the National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures published by the U.S. Department of Commerce, Bureau of Economic Analysis, as of November 15, from fiscal year 2025 through the fiscal year for which the amount is being determined, and rounding upward to the nearest whole dollar amount. [Repealed.]~~

~~(19) "Excess spending threshold" means 112.5 percent of the excess spending base. [Repealed.]~~

Sec. 13. 32 V.S.A. § 6066 is amended to read:

§ 6066. COMPUTATION OF HOMESTEAD PROPERTY TAX

EXEMPTION, MUNICIPAL PROPERTY TAX CREDIT, AND

RENTER CREDIT

~~(a)(1) An eligible claimant who owned the homestead on April 1 of the claim year and whose household income does not exceed \$115,000.00 shall be entitled to a homestead property tax exemption in the claim year in an amount determined as follows:~~

* * *

~~(2) An eligible claimant who owned the homestead on April 1 of the claim year and whose household income does not exceed \$47,000.00 \$50,000.00 shall also be entitled to a credit amount against the claimant's~~

municipal taxes for the upcoming fiscal year that is equal to the amount by which the municipal property taxes for the municipal fiscal year that began in the taxable year upon the claimant's housesite exceeds a percentage of the claimant's household income for the taxable year as follows:

If household income (rounded to the nearest dollar) is: then the taxpayer is entitled to credit for the reduced property tax in excess of this percent of that income:

<i>\$0.00 – 9,999.00</i>	<i>1.50</i>
<i>\$25,000.00 – 47,000.00 <u>50,000.00</u></i>	<i>3.00</i>

** * **

Sec. 14. 32 V.S.A. § 6067(c) is amended to read:

(c) Dollar amount. No claimant shall receive a renter credit under subsection 6066(b) of this title in excess of \$2,500.00. No claimant shall receive a municipal property tax credit under subdivision 6066(a)(2) of this title greater than ~~\$2,400.00~~ \$2,600.00.

** * * Tuition * * **

Sec. 15. TUITION FOR FISCAL YEARS 2028–2032

Notwithstanding any provision of law to the contrary, for fiscal years 2028–2032 only, the tuition paid to a public or approved independent receiving school shall not increase from the prior year by more than the relative percentage change in statewide education spending between the previous fiscal

year and the fiscal year preceding that. The tuition overcharge or undercharge provisions contained in 16 V.S.A. § 836 shall continue to apply in fiscal years 2028–2032.

** * * Effective Dates * * **

Sec. 16. EFFECTIVE DATES

(a) This section, Sec. 1 (yields), Sec. 3 (statewide adjustment correction), Sec. 4 (Barre TIF overpayment refund), and Sec. 5 (census grant inflator) shall take effect on July 1, 2026.

(b) Secs. 8 and 9 (one-year renter credit expansion) shall take effect on July 1, 2026, and apply to claim year 2027.

(c) Sec. 2 (excess spending exemption) shall take effect on July 1, 2027, and apply to fiscal year 2028 and after.

(d) Secs. 6 and 7 (excess spending penalty transition) shall take effect on July 1, 2027, and apply to fiscal year 2028 and after.

(e) Secs. 10 and 11 (circuit breaker expansion) shall take effect on July 1, 2027, and apply to fiscal year 2028 and after, except that amendments to the renter credit shall apply to claim year 2028 and after.

(f) Sec. 15 (tuition for fiscal years 2028–2032) shall take effect on July 1, 2027, and apply to fiscal years 2028–2032.

(g) Sec. 12 (excess spending repeal) shall take effect on June 30, 2029.

(h) Secs. 13 and 14 (conforming changes for foundation formula) shall take effect on July 2, 2029.