# The Statewide Adjustment to the Common Level of Appraisal (CLA)

House Committee on Ways and Means Julia Richter, Senior Fiscal Analyst January 17, 2025



1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • https://ljfo.vermont.gov

VT LEG #376377 v.3

# Overview of the Statewide Adjustment to the CLA

- Act 183 (2024) created the "Statewide Adjustment" to the CLA
  - More closely aligns pre-CLA property tax rates with post-CLA property tax rates by comparing local CLAs to the statewide average CLA
- Doesn't impact *actual* property tax rates
- For it to be neutral, several math functions need to be applied

Note: All numbers and figures in this presentation are for example purposes and do not reflect current data



 Recall the calculation of a local homestead property tax rate as it is applied on district tax bills:

Actual local homestead property tax rate =

District's per pupil spending HS yield / Local CLA

- Let's assume:
  - Statewide homestead yield = \$10,000
  - Statewide average CLA = 0.75
  - District A has the following parameters:
    - Per pupil spending = \$15,000
    - Local CLA = 0.60



- Using these parameters, let's solve for District A's equalized (pre-CLA) homestead property tax rate
  - District A's per pupil spending = \$15,000
  - Statewide homestead yield = \$10,000

 $Equalized \ local \ homestead \ property \ tax \ rate = \frac{District's \ per \ pupil \ spending}{HS \ yield}$ 

District A's equalized local homestead property tax rate =  $$1.50 = \frac{$15,000}{$10,000}$ 



- Next, we'll apply the District's local CLA to its equalized rate to get the actual tax rate that is seen on property tax bills:
  - District A's equalized HS tax rate = \$1.50
  - District A's local CLA = 0.60

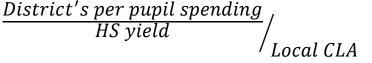
Actual local homestead property tax rate =  $\frac{District's \ equalized \ HS \ tax \ rate}{District's \ local \ CLA}$ 

Actual local homestead property tax rate =  $\frac{2.50}{\frac{1.50}{0.60}}$ 

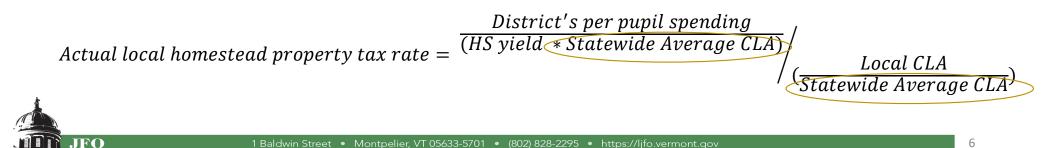


• Recall the calculation of a local homestead property tax rate as it is applied on district tax bills:

Actual local homestead property tax rate =



• For the impact to be neutral, some adjustments need to be made:



- Using these parameters, let's solve for District A's equalized (pre-CLA) homestead property tax rate:
  - District A's per pupil spending = \$15,000
  - Statewide average CLA = 0.75
  - Statewide homestead yield = \$7,500 = \$10,000 \* 0.75

 $Equalized \ local \ homestead \ property \ tax \ rate = \frac{District's \ per \ pupil \ spending}{HS \ yield}$ 

District A's equalized local homestead property tax rate =  $$2.00 = \frac{$15,000}{$7,500}$ 



# Property Tax Rate Calculation with Proposed Change

- Apply the District's local CLA to its equalized rate to get the actual tax rate that is seen on property tax bills:
  - District A's equalized HS tax rate = \$2.00
  - Statewide average CLA = 0.75
  - District A's adjusted local CLA = 0.80 = 0.60 / 0.75

Actual local homestead property tax rate =  $\frac{District's \ equalized \ HS \ tax \ rate}{District's \ local \ CLA}$ 

Actual local homestead property tax rate =  $2.50 = \frac{2.00}{0.80}$ 



#### Summary of District A Example Comparison of Prior Law to Current Law

- Applying the Statewide Adjustment aligns pre-CLA property tax rates more closely with post-CLA property tax rates
- After all calculations are applied, the post-CLA tax rate is the same, regardless if the State Adjustment is applied in the intermediary

	Prior Law	Current Law with SACLA
District per pupil spending	\$15,000	\$15,000
HS property yield	\$10,000	\$7,500
Pre-CLA tax rate	\$1.50	\$2.00
CLA seen on tax bill	0.60	0.80
Post-CLA tax rate	\$2.50	\$2.50



1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • https://ljfo.vermont.gov