

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

House Committee on Ways and Means
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January 17, 2025



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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



Property Tax Rate Calculation Without Statewide Adjustment

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

$$\text{Actual local homestead property tax rate} = \frac{\text{District's per pupil spending}}{\text{HS yield}} / \text{Local CLA}$$

- 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*



Property Tax Rate Calculation Without Statewide Adjustment

- 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*

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

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



Property Tax Rate Calculation Without Statewide Adjustment

- 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*

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

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



Property Tax Rate Calculation Without Statewide Adjustment

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

$$\text{Actual local homestead property tax rate} = \frac{\text{District's per pupil spending}}{\text{HS yield}} / \text{Local CLA}$$

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

$$\text{Actual local homestead property tax rate} = \frac{\text{District's per pupil spending}}{(\text{HS yield} * \text{Statewide Average CLA})} / \left(\frac{\text{Local CLA}}{\text{Statewide Average CLA}} \right)$$



Property Tax Rate Calculation Without Statewide Adjustment

- 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

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

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



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 = $\frac{\text{District's equalized HS tax rate}}{\text{District's local CLA}}$

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



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

