

STATE GUARANTEE PROPOSAL

* * * Education Property Tax Rate Formula * * *

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

§ 5401. DEFINITIONS

As used in this chapter:

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(7) “Homestead”:

(A) “Homestead” means the principal dwelling and parcel of land surrounding the dwelling, owned and occupied by a resident individual as the individual’s domicile or owned and fully leased on April 1, provided the property is not leased for more than 182 days out of the calendar year or, for purposes of the renter credit under subsection 6066(b) of this title, is rented and occupied by a resident individual as the individual’s domicile.

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(8) “Education spending” means “education spending” as defined in 16 V.S.A. § 4001(6).

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(12) ~~“Excess spending” means:~~

~~(A) 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).~~

~~(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~~

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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.

[Repealed.]

(13)(A) “~~Education property tax spending adjustment~~” means the greater of one or a fraction in which:

(i)(A) the numerator is the district’s per pupil education spending plus excess spending for the school year, and

(ii)(B) the denominator is the property dollar equivalent yield for the school year, as defined in subdivision (15) of this section, multiplied by the statewide adjustment.

(B) “~~Education income tax spending adjustment~~” means the greater of one or a fraction in which the numerator is the district’s per pupil education spending plus excess spending for the school year, and the denominator is the income dollar equivalent yield for the school year, as defined in subdivision (16) of this section. [Repealed.]

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(15) “~~Property dollar equivalent yield~~” means the amount of per pupil education spending that would result in a district having a homestead tax rate of \$1.00 per \$100.00 of equalized education property value. [Repealed.]

(16) “~~Income dollar equivalent yield~~” means the amount of per pupil education spending that would result in a district having an income percentage in subdivision 6066(a)(2) of this title of 2.0 percent. [Repealed.]

(17) “~~Statewide adjustment~~” means the ratio of the aggregate education property tax grand list of all municipalities to the aggregate value of the equalized education property tax grand list of all municipalities. [Repealed.]

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(18) “Base amount” means a per pupil amount of \$13,079.00 for the fiscal year, which shall be adjusted for inflation annually on or before November 15 by the Secretary of Education and divided by the school district’s weighted long-term membership as determined under 16 V.S.A. § 4010. As used in this subdivision, “adjusted for inflation” means adjusting the base dollar amount 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.

(19) “School district-approved spending” means the spending that a school district approves in excess of the base amount for the fiscal year and for which no existing revenue source is available, provided that no school district shall approve spending in excess of [X] percent of the school district’s base amount for the fiscal year.

(20) “State guarantee” means an amount equal to the school district’s State guarantee rate multiplied by the school district’s approved spending.

(21) “State guarantee rate” means one minus the ratio of the anticipated aggregate equalized education property tax grand list of the municipal members of a school district per the average daily membership as defined under 16 V.S.A. § 4001(1) of that school district in the following fiscal year to the anticipated aggregate equalized education property tax grand list of the municipal members of a school district per the average daily membership as defined under 16 V.S.A. § 4001(1) of that school district that is the median in the State in the following fiscal year, provided that no school district’s State guarantee rate under this subdivision shall be less than zero.

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Sec. ~~11~~. 32 V.S.A. § 5402 is amended to read:

§ 5402. EDUCATION PROPERTY TAX LIABILITY

(a) A statewide education tax is imposed on all nonhomestead and homestead property at ~~the~~ following rates:

(1) ~~The tax rate for nonhomestead property shall be \$1.59 per \$100.00 divided by the statewide adjustment.~~

(2) ~~The tax rate for homestead property shall be \$1.00 multiplied by the education property tax spending adjustment for the municipality per \$100.00 of equalized education property value as most recently determined under section 5405 of this title. The homestead property tax rate for each municipality that is a member of a union or unified union school district shall be calculated as required under subsection (e) of this section~~ a rate sufficient to raise the base amount for the fiscal year after accounting for the forecasted available revenues and the State guarantee. It is the intention of the General Assembly that the statewide education tax rate under this section shall be adopted for each fiscal year by act of the General Assembly.

(b) The statewide education tax shall be calculated as follows:

(1) The Commissioner of Taxes shall determine for each municipality the education tax ~~rates~~ rate under subsection (a) of this section divided by the ~~number resulting from dividing the~~ municipality's most recent common level of appraisal ~~by the statewide adjustment~~. The legislative body in each municipality shall then bill each property taxpayer at the ~~homestead or nonhomestead~~ rate determined by the Commissioner under this subdivision, multiplied by the education property tax grand list value of the property, properly classified as homestead or nonhomestead property and without regard to any other tax classification of the property. Statewide education property tax bills shall show the tax due and the calculation of the rate

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determined under subsection (a) of this section, divided by ~~the number resulting from dividing~~ the municipality's most recent common level of appraisal ~~by the statewide adjustment~~, multiplied by the current grand list value of the property to be taxed. Statewide education property tax bills shall also include language provided by the Commissioner pursuant to subsection 5405(g) of this title.

(2) Taxes assessed under this section shall be assessed and collected in the same manner as taxes assessed under chapter 133 of this title with no tax classification other than as homestead or nonhomestead property; provided, however, that the tax levied under this chapter shall be billed to each taxpayer by the municipality in a manner that clearly indicates the tax is separate from any other tax assessed and collected under chapter 133, including an itemization of the separate taxes due. The bill may be on a single sheet of paper with the statewide education tax and other taxes presented separately and side by side.

(3) If a district has not voted a budget by June 30, an interim ~~homestead~~ education tax shall be imposed at the ~~base~~ rate determined under ~~subdivision (a)(2)~~ subsection (a) of this section, divided by ~~the number resulting from dividing~~ the municipality's most recent common level of appraisal ~~by the statewide adjustment, but without regard to any spending adjustment under subdivision 5401(13) of this title~~. Within 30 days after a budget is adopted and the deadline for reconsideration has passed, the Commissioner shall determine the municipality's ~~homestead~~ tax rate as required under subdivision (1) of this subsection.

(c)(1) The treasurer of each municipality shall by December 1 of the year in which the tax is levied and on June 1 of the following year pay to the State Treasurer for deposit in the Education Fund one-half of the municipality's statewide ~~nonhomestead~~ tax ~~and one-half of the municipality's homestead~~ education tax, as determined under subdivision (b)(1) of this section.

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(2) The Secretary of Education shall determine each municipality's net ~~nonhomestead~~ education tax payment ~~and its net homestead education tax payment~~ to the State based on grand list information received by the Secretary not later than the March 15 prior to the June 1 net payment. Payment shall be accompanied by a return prescribed by the Secretary of Education. Each municipality may retain 0.225 of one percent of the total education tax collected, only upon timely remittance of net payment to the State Treasurer or to the applicable school district or districts. ~~Each municipality may also retain \$15.00 for each late property tax credit claim filed after April 15 and before September 2, as notified by the Department of Taxes, for the cost of issuing a new property tax bill.~~

(d) [Repealed.]

(e) ~~The Commissioner of Taxes shall determine a homestead education tax rate for each municipality that is a member of a union or unified union school district as follows:~~

~~(1) For a municipality that is a member of a unified union school district, use the base rate determined under subdivision (a)(2) of this section and a spending adjustment under subdivision 5401(13) of this title based upon the per pupil education spending of the unified union.~~

~~(2) For a municipality that is a member of a union school district:~~

~~(A) Determine the municipal district homestead tax rate using the base rate determined under subdivision (a)(2) of this section and a spending adjustment under subdivision 5401(13) of this title based on the per pupil education spending in the municipality who attends a school other than the union school.~~

~~(B) Determine the union district homestead tax rate using the base rate determined under subdivision (a)(2) of this section and a spending adjustment under subdivision 5401(13) of this title based on the per pupil education spending of the union school district.~~

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~~(C) Determine a combined homestead tax rate by calculating the weighted average of the rates determined under subdivisions (A) and (B) of this subdivision (2), with weighting based upon the ratio of union school long-term membership, as defined in 16 V.S.A. § 4001(7), from the member municipality to total long-term membership of the member municipality; and the ratio of long-term membership attending a school other than the union school to total long-term membership of the member municipality. Total long-term membership of the member municipality is based on the number of pupils who are legal residents of the municipality and attending school at public expense. If necessary, the Commissioner may adopt a rule to clarify and facilitate implementation of this subsection (c). [Repealed.]~~

(f)(1) A school district spending tax is imposed on all homestead and nonhomestead property in each member municipality of a school district that approves spending pursuant to subdivision 5401(19) of this chapter. The Commissioner of Taxes shall determine the school district spending tax rate for each school district at a rate sufficient to raise the amount of the school district's approved spending as certified by the Secretary of Education after accounting for any State guarantee due to the school district. The legislative body in each member municipality shall then bill each property taxpayer at the rate determined by the Commissioner under this subsection multiplied by the current grand list value of the property to be taxed. The bill shall show the tax due and the calculation of the rate.

(2) The school district spending tax assessed under this subsection shall be assessed and collected in the same manner as taxes assessed under chapter 133 of this title with no tax classification other than as homestead or nonhomestead property; provided, however, that the tax levied under this chapter shall be billed to each taxpayer by the municipality in a manner that clearly indicates the tax is separate from any other tax assessed and collected under chapter 133

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and the statewide education property tax under this section, including an itemization of the separate taxes due. The bill may be on a single sheet of paper with the school district spending tax, the statewide education tax, and other taxes presented separately and side by side.

(3) The treasurer of each municipality shall pay all revenue raised from the school district spending tax imposed under this subsection to its school district pursuant to 16 V.S.A. § 426.