

1 H.911

2 Introduced by Committee on Ways and Means

3 Date:

4 Subject: Taxation; personal income tax; statewide education tax; municipal  
5 taxes

6 Statement of purpose of bill as introduced: This bill proposes to make  
7 numerous changes to Vermont's personal income tax and its system of  
8 education financing.

9 For personal income taxes, the bill would :

- 10 • Create a Vermont personal exemption, standard deduction, and  
11 charitable credit to replace Vermont's current reliance on federal  
12 definitions and its current treatment of itemized deductions;  
13 • Lower Vermont's marginal rates for personal income taxes;  
14 • Exclude certain taxable Social Security benefits from State taxation.

15 In terms of education financing, the bill would:

- 16 • Alter the current structure of the homestead education property tax by:  
17 ○ Providing each school district with a base payment equal to the  
18 amount of per pupil education spending that could be supported by  
19 fixed Education Fund revenues.

- 1           ○ For districts that choose to spend above the base amount, an  
2           additional homestead tax rate would be equalized across those  
3           districts, based on a single property tax yield.
- 4           ● Create a school income tax surcharge to support education financing;
  - 5           ● Eliminate the General Fund Transfer and move several Education Fund  
6           expenses to the General Fund;
  - 7           ● Commit all the revenue from the sales and use tax and a portion of the  
8           meals and rooms tax to the Education Fund;
  - 9           ● Set the education funding parameters for fiscal year 2019, including the  
10          property dollar equivalent yield and nonresidential property tax rate;
  - 11          ● Eliminate the excess spending penalty;
  - 12          ● Provide for separate municipal and statewide education tax billing.

13          An act relating to changes in Vermont's personal income tax and education  
14          financing system

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

16                               \* \* \* Personal Income Tax Changes \* \* \*

17                                       \* \* \* Taxable Income \* \* \*

18          Sec. 1. 32 V.S.A. § 5811 is amended to read:

19          § 5811. DEFINITIONS

20   \* \* \*



1                   (iii) recapture of State and local income tax deductions not taken  
2 against Vermont income tax; and

3                   (iv) the portion of federally taxable benefits received under the  
4 federal Social Security Act that is required to be excluded under section 5830e  
5 of this chapter; and

6                   (C) Decreased by the following exemptions and deductions:

7                   (i) ~~the amount of personal exemptions taken at the federal level a~~  
8 personal exemption of \$4,150.00 per person for the taxpayer, for the spouse or  
9 the deceased spouse of the taxpayer whose filing status under section 5822 of  
10 this chapter is married filing a joint return or surviving spouse, and for each  
11 individual qualifying as a dependent of the taxpayer under 26 U.S.C. § 152,  
12 provided that no exemption may be claimed for an individual who is a  
13 dependent of another taxpayer;

14                   (ii) ~~for taxpayers who do not itemize at the federal level, the~~  
15 amount of the a standard deduction taken at the federal level determined as  
16 follows:

17                   (I) for taxpayers whose filing status under section 5822 of  
18 this chapter is unmarried (other than surviving spouses or heads of households)  
19 or married filing separate returns, \$6,000.00;

20                   (II) for taxpayers whose filing status under section 5822 of  
21 this chapter is head of household, \$9,000.00;

1                    (III) for taxpayers whose filing status under section 5822 of  
2                    this chapter is married filing joint return or surviving spouse, \$12,000; and

3                    (iii) for taxpayers who itemize at the federal level:

4                    ~~(I) the amount of federally itemized deductions for medical and~~  
5                    ~~dental expenses and charitable contributions;~~

6                    ~~(II) the total amount of federally itemized deductions, other~~  
7                    ~~than deductions for State and local income taxes, medical and dental expenses,~~  
8                    ~~and charitable contributions, deducted from federal adjusted gross income for~~  
9                    ~~the taxable year, but in no event shall the amount under this subdivision exceed~~  
10                    ~~two and one-half times the federal standard deduction allowable to the~~  
11                    ~~taxpayer; and~~

12                    ~~(III) in no event shall the total amount of deductions allowed~~  
13                    ~~under subdivisions (I) and (II) of this subdivision (21)(C)(iii) reduce the total~~  
14                    ~~amount of itemized deductions below the federal standard deduction allowable~~  
15                    ~~to the taxpayer an additional deduction of \$1,000.00 for each federal deduction~~  
16                    ~~for which the taxpayer qualified and received under 26 U.S.C. § 63(f); and~~

17                    (iv) the dollar amounts of the personal exemption allowed under  
18                    subdivision (i) of this subdivision (21)(C), the standard deduction allowed  
19                    under subdivision (ii) of this subdivision (21)(C), and the additional deduction  
20                    allowed under subdivision (iii) of this subdivision (21)(C) shall be adjusted  
21                    annually for inflation by the Commissioner of Taxes by using the percentage

1 increase in the Consumer Price Index beginning with taxable year 2019 and  
2 ending with the taxable year in question. As used in this subdivision,  
3 “consumer price index” means the last Consumer Price Index for All Urban  
4 Consumers published by the U.S. Department of Labor.

5 \* \* \*

6 \* \* \* Personal Income Tax Rates \* \* \*

7 Sec. 2. PERSONAL INCOME TAX RATES

8 (a) 2009 Spec. Sess. Acts and Resolves No. 2, Sec. 20 is repealed.

9 (b) For taxable year 2018 and after, income tax rates under 32 V.S.A.  
10 § 5822(a)(1)-(5), after taking into consideration any inflation adjustments to  
11 taxable income as required by 32 V.S.A. § 5822(b)(2), shall be as follows:

12 (1) taxable income that without the passage of this act would have been  
13 subject to a rate of 3.55 percent shall be taxed at the rate of 3.35 percent  
14 instead;

15 (2) taxable income that without the passage of this act would have been  
16 subject to a rate of 6.80 percent shall be taxed at the rate of 6.60 percent  
17 instead;

18 (3) taxable income that without the passage of this act would have been  
19 subject to a rate of 7.80 percent shall be taxed at the rate of 7.60 percent  
20 instead;





1 credit shall be available irrespective of a taxpayer's election not to itemize at  
2 the federal level.

3 \* \* \*

4 Sec. 4. 32 V.S.A. § 5828b(a) is amended to read:

5 (a) A resident individual or part-year resident individual who is entitled to  
6 an earned income tax credit granted under the laws of the United States shall  
7 be entitled to a credit against the tax imposed for each year by section 5822 of  
8 this title. The credit shall be ~~32~~ 35 percent of the earned income tax credit  
9 granted to the individual under the laws of the United States, multiplied by the  
10 percentage which the individual's earned income that is earned or received  
11 during the period of the individual's residency in this State bears to the  
12 individual's total earned income.

13 Sec. 5. 32 V.S.A. § 5830e is added to read:

14 § 5830e. SOCIAL SECURITY INCOME

15 The portion of federally taxable Social Security benefits excluded from  
16 taxable income under subdivision 5811(21)(B)(iv) of this chapter shall be as  
17 follows:

18 (1) For taxpayers whose filing status is single, married filing separately,  
19 head of household, or qualifying widow or widower:

1           (A) If the federal adjusted gross income of the taxpayer is less than or  
2           equal to \$45,000.00, all federally taxable benefits received under the federal  
3           Social Security Act shall be excluded.

4           (B) If the federal adjusted gross income of the taxpayer is greater  
5           than \$45,000.00 but less than \$55,000.00, the percentage of federally taxable  
6           benefits received under the Social Security Act to be excluded shall be  
7           proportional to the amount of the taxpayer's federal adjusted gross income  
8           over \$45,000.00, determined by:

9                   (i) subtracting the federal adjusted gross income of the taxpayer  
10                  from \$55,000.00;

11                   (ii) dividing the value under subdivision (i) of this subdivision (B)  
12                  by \$10,000.00; and

13                   (iii) multiplying the value under subdivision (ii) of this  
14                  subdivision (B) by the federally taxable benefits received under the Social  
15                  Security Act.

16           (C) If the federal adjusted gross income of the taxpayer is equal to or  
17           greater than \$55,000.00, no amount of the federally taxable benefits received  
18           under the Social Security Act shall be excluded under this section.

19           (2) For taxpayers whose filing status is married filing jointly:



1       (w) The statutory purpose of the partial exemption of federally taxable  
2       benefits under the Social Security Act in section 5830e of this title is to lessen  
3       the tax burden on Vermonters with low to moderate income who derive part of  
4       their income from Social Security payments.

5       Sec. 6a. 32 V.S.A. § 5824 is amended to read:

6       § 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

7       The statutes of the United States relating to the federal income tax, as in  
8       effect for taxable year ~~2016~~ 2017, but without regard to federal income tax  
9       rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the  
10      tax liability under this chapter.

11                               \* \* \* Education Financing Changes \* \* \*

12                                       \* \* \* Income Taxes \* \* \*

13      Sec. 7. 32 V.S.A. § 5822a is added to read:

14      § 5822a. SCHOOL INCOME TAX SURCHARGE

15      (a) In addition to the income tax assessed under section 5822 of this title,  
16      there shall be imposed a school income tax on individual taxpayers calculated  
17      as follows:

18              (1) an amount equal to 0.1 percent multiplied by the taxable income of  
19      the taxpayer taxed at the rate of 3.35 percent under subdivisions 5822(a)(1)-(5)  
20      of this title; plus

1           (2) an amount equal to 0.5 percent multiplied by the taxable income of  
2           the taxpayer taxed at the rate of 6.60 percent under subdivisions 5822(a)(1)-(5)  
3           of this title; plus

4           (3) an amount equal to 0.5 percent multiplied by the taxable income of  
5           the taxpayer taxed at the rate of 7.60 percent under subdivisions 5822(a)(1)-(5)  
6           of this title; plus

7           (4) an amount equal to 1.0 percent multiplied by the taxable income of  
8           the taxpayer taxed at the rate of 8.60 percent under subdivisions 5822(a)(1)-(5)  
9           of this title.

10          (b) The school income tax surcharge shall be assessed and administered in  
11          the same manner as the personal income tax imposed under section 5822 of  
12          this title. The school income tax surcharge shall be assessed against each filer  
13          regardless of the filing status under section 5822 of this title.

14                                   \* \* \* Allocation of Education Funds \* \* \*

15          Sec. 8. 16 V.S.A. § 4025 is amended to read:

16          § 4025. EDUCATION FUND

17           (a) The Education Fund is established to comprise the following:

18           (1) ~~All~~ all revenue paid to the State from the statewide education tax on  
19           nonresidential and homestead property under 32 V.S.A. chapter 135;

20           (2) ~~For each fiscal year, the amount of the general funds appropriated~~  
21           ~~and transferred to the Education Fund shall be \$305,900,000.00, to be~~

1 ~~increased annually beginning for fiscal year 2018 by the consensus Joint Fiscal~~  
2 ~~Office and Administration determination of the National Income and Product~~  
3 ~~Accounts (NIPA) Implicit Price Deflator for State and Local Government~~  
4 ~~Consumption Expenditures and Gross Investment as reported by the U.S.~~  
5 ~~Department of Commerce, Bureau of Economic Analysis through the fiscal~~  
6 ~~year for which the payment is being determined, plus an additional one-tenth~~  
7 ~~of one percent. [Repealed.]~~

8 (3) ~~Revenues~~ revenues from State lotteries under 31 V.S.A. chapter 14,  
9 and from any multijurisdictional lottery game authorized under that chapter;

10 (4) 25 percent of the revenues from the rooms tax imposed by 32 V.S.A.  
11 § 9241(a) and from the meals tax imposed by 32 V.S.A. § 9241(b);

12 (5) ~~One-third~~ one-third of the revenues raised from the purchase and use  
13 tax imposed by 32 V.S.A. chapter 219, notwithstanding 19 V.S.A. § 11(1);

14 (6) ~~Thirty-six percent of the~~ revenues raised from the sales and use tax  
15 imposed by 32 V.S.A. chapter 233;

16 (7) Medicaid reimbursement funds pursuant to subsection 2959a(f) of  
17 this title; and

18 (8) revenues from the school income tax surcharge imposed by  
19 32 V.S.A. § 5822a.

20 (b) Monies in the Education Fund shall be used for the following:



1 Sec. 9. 32 V.S.A. § 435(b) is amended to read:

2 (b) The General Fund shall be composed of revenues from the following  
3 sources:

4 \* \* \*

5 (5) ~~Individual~~ individual income taxes levied pursuant to chapter 151 of  
6 this title, except for the individual school income tax surcharge imposed by  
7 section 5822a of this title;

8 \* \* \*

9 (7) ~~Meals and rooms taxes levied pursuant to chapter 225 of this title~~  
10 75 percent of the rooms tax levied under subsection 9241(a) of this title,  
11 75 percent of the meals tax levied under subsection 9241(b) of this title, and all  
12 of the alcoholic beverage tax levied under subsection 9241(c) of this title;

13 \* \* \*

14 (11) ~~64 percent of the revenue from sales and use taxes levied pursuant~~  
15 ~~to chapter 233 of this title; [Repealed.]~~

16 \* \* \*

17 \* \* \* Calculation of Homestead Property Tax Rates \* \* \*

18 Sec. 10. 32 V.S.A. § 5401 is amended to read:

19 § 5401. DEFINITIONS

20 As used in this chapter:

21 \* \* \*

1           (13)(A)(i) ~~“Education~~ For districts with education spending per  
2 equalized pupil that is equal to or in excess of the base spending amount,  
3 “education property tax spending adjustment” means ~~the greater of: one or a~~  
4 ~~fraction in which the numerator is the district’s education spending plus excess~~  
5 ~~spending, per equalized pupil, above the base spending amount~~ for the school  
6 year; and the denominator is the property dollar equivalent yield for the school  
7 year, as defined in subdivision (15) of this section.

8                     (ii) For districts with education spending per equalized pupil that  
9 is less than the base spending amount, the education property tax spending  
10 adjustment shall be zero.

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

16                                     \* \* \*

17           (15) “Property dollar equivalent yield” means the amount of education  
18 spending per equalized pupil that would result if the homestead tax rate were  
19 \$1.00 per \$100.00 of equalized education property value, and the statutory  
20 reserves under 16 V.S.A. § 4026 and section 5402b of this title were  
21 maintained, calculated as if total statewide education spending per equalized

1 pupil were equal to the total statewide education spending per equalized pupil  
2 minus the total statewide base spending amount per equalized pupil.

3 (16) ~~“Income dollar equivalent yield” means the amount of spending per~~  
4 ~~equalized pupil that would result if the income percentage in subdivision~~  
5 ~~6066(a)(2) of this title were 2.0 percent, and the statutory reserves under~~  
6 ~~16 V.S.A. § 4026 and section 5402b of this title were maintained. “Base~~  
7 ~~income percentage” means a percentage set by the General Assembly each~~  
8 ~~year under 32 V.S.A. § 5402b(b).~~

9 (17) “Base spending amount” means the amount that results from the  
10 following calculation:

11 (A) the sum of the total projected Education Fund revenue sources  
12 under 16 V.S.A. § 4025(a)(1)-(8) for the following fiscal year, plus any surplus  
13 from the prior fiscal year, minus the total projected amount of revenue raised  
14 by the statewide education homestead tax in the following fiscal year; minus

15 (B) an amount equal to the projected Education Fund expenditures  
16 for the following fiscal year, minus the projected education payments under  
17 16 V.S.A. § 4028 for the following fiscal year, and minus any projected  
18 transfer to the Education Fund Budget Stabilization Reserve Fund established  
19 under 16 V.S.A. § 4026; plus

20 (C) the projected amount of revenue raised by the statewide  
21 education homestead tax that would result if the homestead tax rate were \$1.00

1 per \$100.00 of equalized education property value in the following fiscal year;  
2 divided by  
3 (D) the total projected count of equalized pupils in the following  
4 fiscal year.

5 \* \* \*

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

7 § 5402. EDUCATION PROPERTY TAX LIABILITY

8 (a) A statewide education tax is imposed on all nonresidential and  
9 homestead property at the following rates:

10 (1) The tax rate for nonresidential property shall be \$1.59 per \$100.00.

11 (2) The tax rate for homestead property shall be \$1.00 ~~multiplied by~~ plus  
12 the education property tax spending adjustment for the municipality per  
13 \$100.00 of equalized education property value as most recently determined  
14 under section 5405 of this title. The homestead property tax rate for each  
15 municipality ~~which~~ that is a member of a union or unified union school district  
16 shall be calculated as required under subsection (e) of this section.

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

18 \* \* \*

19 (2) Taxes assessed under this section shall be assessed and collected in  
20 the same manner as taxes assessed under chapter 133 of this title with no tax  
21 classification other than as homestead or nonresidential property; provided,

1 however, that the tax levied under this chapter shall be billed to each taxpayer  
2 by the municipality separately from any other tax assessed and collected under  
3 chapter 133.

4 \* \* \*

5 Sec. 12. 32 V.S.A. § 5402b is amended to read:

6 § 5402b. STATEWIDE EDUCATION TAX YIELDS;

7 RECOMMENDATION OF THE COMMISSIONER

8 (a) Annually, ~~no later than~~ on or before December 1, the Commissioner of  
9 Taxes, after consultation with the Secretary of Education, the Secretary of  
10 Administration, and the Joint Fiscal Office, shall calculate and recommend a  
11 property dollar equivalent yield, ~~an income dollar equivalent yield~~ a base  
12 income percentage, and a nonresidential property tax rate for the following  
13 fiscal year. In making these calculations, the Commissioner shall assume:

14 (1) the homestead base tax rate in subdivision 5402(a)(2) of this title is  
15 \$1.00 per \$100.00 of equalized education property value;

16 (2) the ~~applicable~~ base income percentage in subdivision ~~6066(a)(2)~~  
17 5401(16) of this title is ~~2.0~~ the same that was used in the prior fiscal year;

18 (3) the statutory reserves under 16 V.S.A. § 4026 and this section were  
19 maintained at five percent; and

20 (4) the percentage change in the ~~median~~ average education tax bill  
21 applied to nonresidential property, and the percentage change in the ~~median~~

1 average education tax bill of homestead property, and the percentage change in  
2 the ~~median~~ average education tax bill for taxpayers who claim an adjustment  
3 under subsection 6066(a) of this title are equal.

4 (b) For each fiscal year, the General Assembly shall set a property dollar  
5 equivalent yield ~~and an income dollar equivalent yield, and a base income~~  
6 percentage consistent with the definitions in this chapter.

7 \* \* \*

8 (d) Annually, on or about January 15, the Joint Fiscal Office and Secretary  
9 of Administration shall provide to the Emergency Board a calculation of the  
10 base spending amount for the upcoming fiscal year. The Emergency Board  
11 shall review the calculation at its January meeting and shall adopt a base  
12 spending amount for the upcoming fiscal year.

13 \* \* \* Property Tax Adjustments \* \* \*

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

15 § 6066. COMPUTATION OF ADJUSTMENT

16 (a) An eligible claimant who owned the homestead on April 1 of the year in  
17 which the claim is filed shall be entitled to an adjustment amount determined  
18 as follows:

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

20 (i) the statewide education tax rate, multiplied by the equalized  
21 value of the housesite in the taxable year;

1 (ii) minus (if less) the sum of:

2 (I) the income percentage of household income for the taxable  
3 year; plus

4 (II) the statewide education tax rate, multiplied by the  
5 equalized value of the housesite in the taxable year in excess of \$250,000.00.

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

9 (i) the income percentage of household income for the taxable  
10 year; plus

11 (ii) the statewide education tax rate, multiplied by the equalized  
12 value of the housesite in the taxable year in excess of ~~\$500,000.00~~  
13 \$400,000.00.

14 (C) For a claimant whose household income does not exceed  
15 \$47,000.00, the statewide education tax rate, multiplied by the equalized value  
16 of the housesite in the taxable year, minus the lesser of:

17 (i) the sum of the income percentage of household income for the  
18 taxable year plus the statewide education tax rate, multiplied by the equalized  
19 value of the housesite in the taxable year in excess of ~~\$500,000.00~~  
20 \$400,000.00; or

1 (ii) the statewide education tax rate, multiplied by the equalized  
2 value of the housesite in the taxable year reduced by \$15,000.00.

3 (2) "Income percentage" in this section means ~~two percent~~, the base  
4 income percentage adopted by the General Assembly for the fiscal year, plus  
5 the base income percentage multiplied by the education ~~income~~ property tax  
6 spending adjustment under subdivision 5401(13)~~(B)~~(A) of this title for the  
7 property tax year ~~which~~ that begins in the claim year for the municipality in  
8 which the homestead residence is located.

9 (3) A claimant whose household income does not exceed \$47,000.00  
10 shall also be entitled to an additional adjustment amount from the claimant's  
11 municipal taxes for the upcoming fiscal year that is equal to the amount by  
12 which the municipal property taxes for the municipal fiscal year ~~which~~ that  
13 began in the taxable year upon the claimant's housesite, ~~reduced by the~~  
14 ~~adjustment amount determined under subdivisions (1) and (2) of this~~  
15 ~~subsection~~, exceeds a percentage of the claimant's household income for the  
16 taxable year as follows:

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

20 \$0.00 - 9,999.00	<del>2.0</del> <u>1.50</u>
21 \$10,000.00 - 24,999.00	<del>4.5</del> <u>3.00</u>



1 instead of the bill required under subdivision 5402(b)(1) of this title, providing  
2 the total amount allocated to payment of homestead education property tax  
3 liabilities and notice of the balance due. Nothing in this subdivision, however,  
4 shall be interpreted as altering the requirement under subdivision 5402(b)(1) of  
5 this title that the statewide education homestead tax be billed separately from  
6 any other tax. Municipalities shall apply the amount allocated under this  
7 chapter to current-year property taxes in equal amounts to each of the  
8 taxpayers' property tax installments that include education taxes.

9 Notwithstanding section 4772 of this title, if a town issues a corrected bill as a  
10 result of the November 1 notice sent by the Commissioner under subsection (a)  
11 of this section, issuance of ~~such~~ the corrected new bill does not extend the time  
12 for payment of the original bill, nor relieve the taxpayer of any interest or  
13 penalties associated with the original bill. If the corrected bill is less than the  
14 original bill, and there are also no unpaid ~~current-year~~ current-year taxes,  
15 interest, or penalties and no ~~past-year~~ past-year delinquent taxes or penalties  
16 and interest charges, any overpayment shall be reflected on the corrected tax  
17 bill and refunded to the taxpayer.

18 \* \* \*

1 Sec. 14a. 32 V.S.A. § 6067 is amended to read:

2 § 6067. CREDIT LIMITATIONS

3 Only one individual per household per taxable year shall be entitled to a  
4 benefit under this chapter. An individual who received a homestead exemption  
5 or adjustment with respect to property taxes assessed by another state for the  
6 taxable year shall not be entitled to receive an adjustment under this chapter.

7 No taxpayer shall receive an adjustment under subsection 6066(b) of this title  
8 in excess of \$3,000.00. No taxpayer shall receive ~~total adjustments under this~~  
9 ~~chapter in excess of \$8,000.00 related to any one property tax year an~~  
10 adjustment under 6066(a)(3) of this title greater than \$2,400.00 or cumulative  
11 adjustment under 6066(a)(1)-(2) and (4) of this title greater than \$5,600.00.

12 \* \* \* Yield, Applicable Percentage and Nonresidential Rate for  
13 Fiscal Year 2019 \* \* \*

14 Sec. 15. PROPERTY DOLLAR EQUIVALENT YIELD AND BASE  
15 INCOME PERCENTAGE FOR FISCAL YEAR 2019

16 (a) Pursuant to 32 V.S.A. § 5402b(b), for fiscal year 2019 only, the  
17 property dollar equivalent yield shall be \$8,500.00.

18 (b) Notwithstanding any other provision of law, for fiscal year 2019 only,  
19 the base income percentage under 32 V.S.A. § 5401(16) shall be 1.66 percent.

1       Sec. 16. NONRESIDENTIAL PROPERTY TAX RATE FOR FISCAL YEAR  
2                   2019

3           Notwithstanding any other provision of law, for fiscal year 2019 only, the  
4       nonresidential education property tax imposed under 32 V.S.A. § 5402(a)(2)  
5       shall be \$1.591 per \$100.00.

6                                   \* \* \* Excess Spending \* \* \*

7       Sec. 17. REPEALS

8           The following are repealed:

9           (1) 16 V.S.A. § 4001(6)(B) (definition of education spending for the  
10       purpose of excess spending).

11          (2) 32 V.S.A. § 5401(12) (excess spending penalty).

12       Sec. 18. 16 V.S.A. § 4011(i) is amended to read:

13           (i) Annually, ~~by~~ on or before October 1, the Secretary shall send to school  
14       boards for inclusion in town reports and publish on the Agency website the  
15       following information:

16           (1) the statewide average district spending per equalized pupil for the  
17       current fiscal year; ~~and 125 percent of that average spending;~~ and

18           (2) a statewide comparison of student-teacher ratios among schools that  
19       are similar in number of students and number of grades.

1 Sec. 19. 24 V.S.A. § 2804(b) is amended to read:

2 (b) ~~If a reserve fund is established under subsection (a) of this section to~~  
3 ~~pay a school district's future school capital construction costs approved under~~  
4 ~~16 V.S.A. chapter 123, any funds raised by the district as part of its education~~  
5 ~~spending to pay for those future costs shall be considered "approved school~~  
6 ~~capital construction spending" in calculating excess spending under 32 V.S.A.~~  
7 ~~§ 5401(12). Districts shall submit to the Agency of Education annually a~~  
8 ~~report of deposits into and expenditures from a school capital construction~~  
9 ~~reserve fund. If the Agency of Education determines that any amount in the~~  
10 ~~reserve fund has not been used for approved school capital construction within~~  
11 ~~five years after deposit into the fund, then 150 percent of that amount shall be~~  
12 ~~added to the district's education spending in the then current year for purposes~~  
13 ~~of calculating the excess spending penalty. The definitions in 16 V.S.A.~~  
14 ~~chapter 133 shall apply to this subsection.~~

15 \* \* \* Teachers' Normal Retirement \* \* \*

16 Sec. 20. 16 V.S.A. § 4001 is amended to read:

17 § 4001. DEFINITIONS

18 As used in this chapter:

19 \* \* \*

20 (6) "Education spending" means the amount of the school district  
21 budget, any assessment for a joint contract school, career technical center

1 payments made on behalf of the district under subsection 1561(b) of this title,  
2 ~~and~~ any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) that is  
3 paid for by the school district, and the portion of the payments to the Vermont  
4 Teachers' Retirement Fund for the normal contribution made in accordance  
5 with subsection 1944(c) of this title, which is attributable to the school district,  
6 but excluding any portion of the school budget paid for from any other sources  
7 such as endowments, parental ~~fund-raising~~ fund-raising, federal funds,  
8 nongovernmental grants, or other State funds such as special education funds  
9 paid under chapter 101 of this title.

10 \* \* \*

11 \* \* \* Repeal of Act 46 Rate Limitations \* \* \*

12 Sec. 21. ACT 46 TAX RATE LIMITATIONS

13 (a) "Five percent provision" means collectively the provisions in 2010 Acts  
14 and Resolves No. 153, 2012 Acts and Resolves No.156, and 2015 Acts and  
15 Resolves No. 46, limiting a town's equalized homestead property tax rate  
16 increase or decrease and related household income percentage adjustments to  
17 five percent in a single year during the years in which the corresponding tax  
18 rate reductions apply to a new union school district's equalized unified  
19 homestead property tax rate.

20 (b) Notwithstanding any other provision of law, for the Sunderland School  
21 District, Mt. Tabor School District, and any district that does not operate a

1 school, and pays tuition for all resident students in kindergarten through grade  
2 12, and that merged operations by July 1, 2019 under Act 46 of 2015 into a  
3 district that does not operate a school, the five percent provision shall not be  
4 applied to limit any reduction in that district's equalized homestead property  
5 tax rate or related household income percentage adjustments. For any other  
6 school district, the five percent provision shall not apply.

7 \* \* \* Effective Dates; Transition \* \* \*

8 Sec. 22. EFFECTIVE DATES AND TRANSITION

9 (a) This section shall take effect on passage.

10 (b) Notwithstanding 1 V.S.A. § 214, Secs. 1-6 (income tax changes) shall  
11 take effect retroactively on January 1, 2018 and apply to taxable year 2018 and  
12 after.

13 (c) Notwithstanding 1 V.S.A. § 214, Sec. 6a (annual update of income tax  
14 link to the IRC) shall take effect retroactively on January 1, 2017 and apply to  
15 taxable years beginning on January 1, 2017 and after.

16 (d) Notwithstanding 1 V.S.A. § 214, Sec. 7 (school income tax surcharge)  
17 shall take effect retroactively on January 1, 2018 and apply to taxable year  
18 2018 and after. Notwithstanding any other provision of law, for taxable year  
19 2018 only, no interest or penalty shall be assessed for the underpayment of  
20 estimated tax for any individual taxpayer resulting from a liability to pay the  
21 school income tax surcharge imposed under 32 V.S.A. § 5822a.

1           (e) Secs. 8-19 and 21 (education financing changes) shall take effect on  
2           July 1, 2018 and apply to fiscal year 2019 and after; except that,

3           (1) for fiscal year 2019 only, the base spending amount under 32 V.S.A.  
4           § 5401(17) shall be \$11,916.00;

5           (2) for fiscal year 2020 only, the base spending amount under 32 V.S.A.  
6           § 5401(17) shall be 96 percent of what it would otherwise be calculated to be.

7           (f) Sec. 20 (teachers' retirement) shall take effect July 1, 2019 and apply to  
8           fiscal year 2020 and after.