

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 charitable  
11 credit to replace Vermont's current reliance on federal definitions and its  
12 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.
- 20 ○ For districts that choose to spend above the base amount, an  
21 additional homestead tax rate would be equalized across those

- 1 districts, based on a single property tax yield.
- 2 • Create a school income tax surcharge to support education financing;
  - 3 • Eliminate the General Fund Transfer and move several Education Fund
  - 4 expenses to the General Fund;
  - 5 • Commit all the revenue from the sales and use tax and a portion of the
  - 6 meals and rooms tax to the Education Fund;
  - 7 • Set the education funding parameters for fiscal year 2019, including the
  - 8 property dollar equivalent yield and nonresidential property tax rate;
  - 9 • Eliminate the excess spending penalty;
  - 10 • Provide for separate municipal and statewide education tax billing.

11 An act relating to changes in Vermont’s personal income tax and education  
12 financing system

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

14 \* \* \* Personal Income Tax Changes \* \* \*

15 \* \* \* Taxable Income \* \* \*

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

17 § 5811. DEFINITIONS

18 \* \* \*

19 (21) “Taxable income” means, in the case of an individual, federal

1 adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

2 \* \* \*

3 (B) Decreased by the following items of income (to the extent such  
4 income is included in federal adjusted gross income):

5 (i) income from U.S. government obligations;

6 (ii) with respect to adjusted net capital gain income as defined in  
7 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend  
8 income: either the first \$5,000.00 of such adjusted net capital gain income; or  
9 40 percent of adjusted net capital gain income from the sale of assets held by  
10 the taxpayer for more than three years, except not adjusted net capital gain  
11 income from:

12 (I) the sale of any real estate or portion of real estate used by  
13 the taxpayer as a primary or nonprimary residence; or

14 (II) the sale of depreciable personal property other than farm  
15 property and standing timber; or stocks or bonds publicly traded or traded on  
16 an exchange, or any other financial instruments; regardless of whether sold by  
17 an individual or business; and provided that the total amount of decrease under  
18 this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable  
19 income; ~~and~~

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

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

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

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

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

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

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

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

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

2                   ~~(I) the amount of federally itemized deductions for medical and~~

3                   ~~dental expenses and charitable contributions;~~

4                   ~~(II) the total amount of federally itemized deductions, other~~

5                   ~~than deductions for State and local income taxes, medical and dental expenses,~~

6                   ~~and charitable contributions, deducted from federal adjusted gross income for~~

7                   ~~the taxable year, but in no event shall the amount under this subdivision~~

8                   ~~exceed two and one-half times the federal standard deduction allowable to the~~

9                   ~~taxpayer; and~~

10                  ~~(III) in no event shall the total amount of deductions allowed~~

11                  ~~under subdivisions (I) and (II) of this subdivision (21)(C)(iii) reduce the total~~

12                  ~~amount of itemized deductions below the federal standard deduction allowable~~

13                  ~~to the taxpayer an additional deduction of \$1,000.00 for each federal deduction~~

14                  ~~for which the taxpayer qualified and received under 26 U.S.C. § 63(f); and~~

15                  ~~(iv) the dollar amounts of the personal exemption allowed under~~

16                  ~~subdivision (i) of this subdivision (21)(C), the standard deduction allowed~~

17                  ~~under subdivision (ii) of this subdivision (21)(C), and the additional deduction~~

18                  ~~allowed under subdivision (iii) of this subdivision (21)(C) shall be adjusted~~

19                  ~~annually for inflation by the Commissioner of Taxes by using the percentage~~

20                  ~~increase in the Consumer Price Index beginning with taxable year 2019 and~~

21                  ~~ending with the taxable year in question. As used in this subdivision,~~

1 “consumer price index” means the last Consumer Price Index for All Urban  
2 Consumers published by the U.S. Department of Labor.

3 \* \* \*

4 \* \* \* Personal Income Tax Rates \* \* \*

5 Sec. 2. PERSONAL INCOME TAX RATES

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

7 (b) For taxable year 2018 and after, income tax rates under 32 V.S.A.  
8 § 5822(a)(1)-(5), after taking into consideration any inflation adjustments to  
9 taxable income as required by 32 V.S.A. § 5822(b)(2), shall be as follows:

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

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

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

19 (4) taxable income that without the passage of this act would have been  
20 subject to a rate of 8.80 percent or 8.95 percent shall be taxed at the rate of  
21 8.60 percent instead; the tax brackets for taxable income taxed at 8.80 percent

1 and 8.95 percent in taxable year 2017 shall be combined to be taxed at a rate  
2 of 8.60 for taxable year 2018 and after.

3 (c) When preparing the Vermont Statutes Annotated for publication, the  
4 Office of Legislative Council shall revise the tables in 32 V.S.A. § 5822(a)(1)-  
5 (5) to reflect the changes to the tax rates and tax brackets made in this section.

6 \* \* \* Charitable Credit; Earned Income Tax Credit; Social Security Income;

7 Other Adjustments \* \* \*

8 Sec. 3. 32 V.S.A. § 5822 is amended to read:

9 § 5822. TAX ON INCOME OF INDIVIDUALS, ESTATES, AND TRUSTS

10 (a) A tax is imposed for each taxable year upon the taxable income earned  
11 or received in that year by every individual, estate, and trust, subject to income  
12 taxation under the laws of the United States, in an amount determined by the  
13 following tables, and adjusted as required under this section:

14 \* \* \*

15 (b) As used in this section:

16 (1) “Married individuals,” “surviving spouse,” “head of household,”  
17 “unmarried individual,” “estate,” and “trust” have the same meaning as under  
18 the Internal Revenue Code.

19 (2) The amounts of taxable income shown in the tables in this section  
20 shall be adjusted annually for inflation by the Commissioner of Taxes, using  
21 the Consumer Price Index adjustment percentage, in the manner prescribed for

1 ~~inflation adjustment of federal income tax tables for the taxable year by the~~  
2 ~~Commissioner of Internal Revenue, beginning with taxable year 2003~~  
3 percentage increase in the Consumer Price Index beginning with taxable year  
4 2019 and ending with the taxable year in question. As used in this  
5 subdivision, “consumer price index” means the last Consumer Price Index for  
6 All Urban Consumers published by the U.S. Department of Labor.

7 \* \* \*

8 (d)(1) A taxpayer shall be entitled to a credit against the tax imposed  
9 under this section of 24 percent of each of the credits allowed against the  
10 taxpayer’s federal income tax for the taxable year as follows: credit for people  
11 who are elderly or permanently totally disabled, investment tax credit  
12 attributable to the Vermont-property portion of the investment, and child care  
13 and dependent care credits.

14 \* \* \*

15 (3) Individuals shall receive a nonrefundable charitable contribution  
16 credit against the tax imposed under this section for the taxable year. The  
17 credit shall be five percent of the first \$10,000.00 in charitable contributions  
18 made during the taxable year that are allowable under 26 U.S.C. § 170. This  
19 credit shall be available irrespective of a taxpayer’s election not to itemize at  
20 the federal level.

21 \* \* \*



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

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

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

11 § 5830e. SOCIAL SECURITY INCOME

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

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

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

20 (B) If the federal adjusted gross income of the taxpayer is greater  
21 than \$45,000.00 but less than \$55,000.00, the percentage of federally taxable

1 benefits received under the Social Security Act to be excluded shall be  
2 proportional to the amount of the taxpayer's federal adjusted gross income  
3 over \$45,000.00, determined by:

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

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

8 (iii) multiplying the value under subdivision (ii) of this  
9 subdivision (B) by the federally taxable benefits received under the Social  
10 Security Act.

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

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

15 (A) If the federal adjusted gross income of the taxpayer is less than  
16 or equal to \$60,000.00, all federally taxable benefits received under the Social  
17 Security Act shall be excluded.

18 (B) If the federal adjusted gross income of the taxpayer is greater  
19 than \$60,000.00 but less than \$70,000.00, the percentage of federally taxable  
20 benefits received under the Social Security Act to be excluded shall be  
21 proportional to the amount of the taxpayer's federal adjusted gross income

1 over \$60,000.00, determined by:

2 (i) subtracting the federal adjusted gross income of the taxpayer  
3 from \$70,000.00;

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

6 (iii) multiplying the value under subdivision (ii) of this  
7 subdivision (B) by the federally taxable benefits received under the Social  
8 Security Act.

9 (C) If the federal adjusted gross income of the taxpayer is equal to or  
10 greater than \$70,000.00, no amount of the federally taxable benefits received  
11 under the Social Security Act shall be excluded under this section.

12 Sec. 6. 32 V.S.A. § 5813 is amended to read:

13 § 5813. STATUTORY PURPOSES

14 \* \* \*

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

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

20 § 5824. ADOPTION OF FEDERAL INCOME TAX LAWS

21 The statutes of the United States relating to the federal income tax, as in

1 effect for taxable year ~~2016~~ 2017, but without regard to federal income tax  
2 rates under 26 U.S.C. § 1, are hereby adopted for the purpose of computing the  
3 tax liability under this chapter.

4 \* \* \* Education Financing Changes \* \* \*

5 \* \* \* Income Taxes \* \* \*

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

7 § 5822a. SCHOOL INCOME TAX SURCHARGE

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

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

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

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

20 (4) an amount equal to 1.0 percent multiplied by the taxable income of  
21 the taxpayer taxed at the rate of 8.60 percent under subdivisions 5822(a)(1)-(5)

1 of this title.

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

6 \* \* \* Allocation of Education Funds \* \* \*

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

8 § 4025. EDUCATION FUND

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

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

12 (2) ~~For each fiscal year, the amount of the general funds appropriated~~  
13 ~~and transferred to the Education Fund shall be \$305,900,000.00, to be~~  
14 ~~increased annually beginning for fiscal year 2018 by the consensus Joint Fiscal~~  
15 ~~Office and Administration determination of the National Income and Product~~  
16 ~~Accounts (NIPA) Implicit Price Deflator for State and Local Government~~  
17 ~~Consumption Expenditures and Gross Investment as reported by the U.S.~~  
18 ~~Department of Commerce, Bureau of Economic Analysis through the fiscal~~  
19 ~~year for which the payment is being determined, plus an additional one-tenth~~  
20 ~~of one percent. [Repealed.]~~

21 (3) ~~Revenues~~ revenues from State lotteries under 31 V.S.A. chapter 14;

1 and from any multijurisdictional lottery game authorized under that chapter;

2 (4) 25 percent of the revenues from the rooms tax imposed by 32 V.S.A.  
3 § 9241(a) and from the meals tax imposed by 32 V.S.A. § 9241(b);

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

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

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

10 (8) revenues from the school income tax surcharge imposed by  
11 32 V.S.A. § 5822a.

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

13 (1) To make payments to school districts and supervisory unions for the  
14 support of education in accordance with the provisions of section 4028 of this  
15 title, other provisions of this chapter, and the provisions of 32 V.S.A.  
16 ~~chapter 135, to make payments to carry out programs of adult education in~~  
17 ~~accordance with section 945 of this title, and to provide funding for the~~  
18 ~~community high school of Vermont; however, no payments from the~~  
19 Education Fund shall be used to fund initiatives under subchapter 2 of  
20 chapter 23 of this title.

21 \* \* \*

(3) To make payments required under 32 V.S.A. § 6066(a)(1) ~~and (2)~~  
and only that portion attributable to education taxes, as determined by the  
Commissioner of Taxes, of payments required under 32 V.S.A. § 6066(a)~~(3)~~(4)  
~~and 6066(b)~~. The State Treasurer shall withdraw funds from the Education  
Fund upon warrants issued by the Commissioner of Finance and Management  
based on information supplied by the Commissioner of Taxes. The  
Commissioner of Finance and Management may draw warrants for  
disbursements from the Fund in anticipation of receipts. All balances in the  
Fund at the end of any fiscal year shall be carried forward and remain a part of  
the Fund. Interest accruing from the Fund shall remain in the Fund.

1

\* \* \*

2

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

3

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

4

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\* \* \*

6

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

7

8

9

\* \* \*

10

(7) ~~Meals and rooms taxes levied pursuant to chapter 225 of this title~~  
75 percent of the rooms tax levied under subsection 9241(a) of this title,

11

1 75 percent of the meals tax levied under subsection 9241(b) of this title, and  
2 all of the alcoholic beverage tax levied under subsection 9241(c) of this title;

3 \* \* \*

4 (11) ~~64 percent of the revenue from sales and use taxes levied pursuant~~  
5 ~~to chapter 233 of this title; [Repealed.]~~

6 \* \* \*

*Sec. 9a. REPORT*

*On or before January 1, 2024, the Joint Fiscal Office shall report to the*  
*House Committees on Appropriations and on Ways and Means and the Senate*  
*Committees on Appropriations and on Finance on the impact of the changes in*  
*Secs. 8 and 9 of this act reallocating the revenues generated for the General*  
*Fund and Education Fund.*

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

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

9 § 5401. DEFINITIONS

10 As used in this chapter:

11 \* \* \*

12 (13)(A)(i) ~~“Education~~ For districts with education spending per  
13 equalized pupil that is equal to or in excess of the base spending amount,  
14 “education property tax spending adjustment” means the greater of: one or a  
15 fraction in which the numerator is the district’s education spending plus excess



1 ~~spending, per equalized pupil, above the base spending amount~~ for the school  
2 year; and the denominator is the property dollar equivalent yield for the school  
3 year, as defined in subdivision (15) of this section.

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

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

12 \* \* \*

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

20 (16) ~~“Income dollar equivalent yield” means the amount of spending per~~  
21 ~~equalized pupil that would result if the income percentage in subdivision~~

1 ~~6066(a)(2) of this title were 2.0 percent, and the statutory reserves under~~  
2 ~~16 V.S.A. § 4026 and section 5402b of this title were maintained.~~ “Base  
3 income percentage” means a percentage set by the General Assembly each  
4 year under 32 V.S.A. § 5402b(b).

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

(A) the sum of the total projected Education Fund revenue sources  
under 16 V.S.A. § 4025(a)(1)-~~(8)~~(7) for the following fiscal year, plus any  
surplus from the prior fiscal year, minus the total projected amount of revenue  
raised by the statewide education homestead tax in the following fiscal year,  
*without regard to any adjustment under chapter 154 of this title;* minus

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

7 (C) the projected amount of revenue raised by the statewide  
8 education homestead tax that would result if the homestead tax rate were \$1.00  
9 per \$100.00 of equalized education property value in the following fiscal year;  
10 divided by

11 (D) the total projected count of equalized pupils in the following

1 fiscal year.

2 \* \* \*

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

4 § 5402. EDUCATION PROPERTY TAX LIABILITY

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

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

8 (2) The tax rate for homestead property shall be \$1.00 ~~multiplied by~~  
9 plus the education property tax spending adjustment for the municipality per  
10 \$100.00 of equalized education property value as most recently determined  
11 under section 5405 of this title. The homestead property tax rate for each  
12 municipality ~~which~~ that is a member of a union or unified union school district  
13 shall be calculated as required under subsection (e) of this section.

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

15 \* \* \*

16 (2) Taxes assessed under this section shall be assessed and collected in  
17 the same manner as taxes assessed under chapter 133 of this title with no tax  
18 classification other than as homestead or nonresidential property; provided,  
19 however, that the tax levied under this chapter shall be billed to each taxpayer  
20 by the municipality separately from any other tax assessed and collected under  
21 chapter 133.

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

§ 5402b. STATEWIDE EDUCATION TAX YIELDS;

RECOMMENDATION OF THE COMMISSIONER

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

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

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

*[Repealed.]*

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

(4) the percentage change in the ~~median~~ average education tax bill applied to nonresidential property, and the percentage change in the ~~median~~ average education tax bill of homestead property, and the percentage change in the ~~median~~ average education tax bill for taxpayers who claim an adjustment

1 under subsection 6066(a) of this title are equal.

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

5 \* \* \*

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

*Sec. 12a. COST CONTAINMENT*

*The General Assembly intends that the changes to the calculation of*  
*spending adjusted homestead tax rates in this act will lead to cost containment*  
*by increasing the tax cost for each additional dollar of education spending*  
*over the cost under the law prior to this act.*

11 \* \* \* Property Tax Adjustments \* \* \*

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

13 § 6066. COMPUTATION OF ADJUSTMENT

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

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

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

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

5 (I) the income percentage of household income for the taxable  
6 year; plus

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

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

12 (i) the income percentage of household income for the taxable  
13 year; plus

14 (ii) the statewide education tax rate, multiplied by the equalized  
15 value of the housesite in the taxable year in excess of ~~\$500,000.00~~

16 \$400,000.00.

17 (C) For a claimant whose household income does not exceed  
18 \$47,000.00, the statewide education tax rate, multiplied by the equalized value  
19 of the housesite in the taxable year, minus the lesser of:

20 (i) the sum of the income percentage of household income for the  
21 taxable year plus the statewide education tax rate, multiplied by the equalized

1 value of the housesite in the taxable year in excess of \$500,000.00  
2 \$400,000.00; or

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

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

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

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





housesite value.

1 \* \* \*

2 Sec. 14. 32 V.S.A. § 6066a(f) is amended to read:

3 (f) Property tax bills.

4 (1) For taxpayers and amounts stated in the notice to towns on July 1,  
5 municipalities shall create and send to taxpayers a homestead property tax bill,  
6 instead of the bill required under subdivision 5402(b)(1) of this title, providing  
7 the total amount allocated to payment of homestead education property tax  
8 liabilities and notice of the balance due. Nothing in this subdivision, however,  
9 shall be interpreted as altering the requirement under subdivision 5402(b)(1) of  
10 this title that the statewide education homestead tax be billed separately from  
11 any other tax. Municipalities shall apply the amount allocated under this  
12 chapter to current-year property taxes in equal amounts to each of the  
13 taxpayers' property tax installments that include education taxes.  
14 Notwithstanding section 4772 of this title, if a town issues a corrected bill as a  
15 result of the November 1 notice sent by the Commissioner under subsection (a)  
16 of this section, issuance of such the corrected new bill does not extend the time  
17 for payment of the original bill, nor relieve the taxpayer of any interest or  
18 penalties associated with the original bill. If the corrected bill is less than the  
19 original bill, and there are also no unpaid ~~current-year~~ current-year taxes,  
20 interest, or penalties and no ~~past-year~~ past-year delinquent taxes or penalties

1 and interest charges, any overpayment shall be reflected on the corrected tax  
2 bill and refunded to the taxpayer.

3 \* \* \*

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

5 § 6067. CREDIT LIMITATIONS

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

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

15 \* \* \* Yield, Applicable Percentage and Nonresidential Rate for

16 Fiscal Year 2019 \* \* \*

17 Sec. 15. PROPERTY DOLLAR EQUIVALENT YIELD AND BASE

18 INCOME PERCENTAGE FOR FISCAL YEAR 2019

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

21 (b) Notwithstanding any other provision of law, for fiscal year 2019 only,

1 the base income percentage under 32 V.S.A. § 5401(16) shall be 1.66 percent.

2 Sec. 16. NONRESIDENTIAL PROPERTY TAX RATE FOR FISCAL YEAR  
3 2019

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

7 \* \* \* Excess Spending \* \* \*

8 Sec. 17. REPEALS

9 The following are repealed:

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

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

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

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

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

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

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



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

9 \* \* \*

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

11 Sec. 21. ACT 46 TAX RATE LIMITATIONS

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

19 ~~(b) Notwithstanding any other provision of law, for the Sunderland School~~  
20 ~~District, Mt. Tabor School District, and any district that does not operate a~~  
21 ~~school, and pays tuition for all resident students in kindergarten through grade~~

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

*(b)(1) Notwithstanding any other provision of law, for all of the following districts, the five percent provision shall continue to apply, except that the five percent provision shall not be applied to limit any reduction in that district's equalized homestead property tax rate or related household income percentage adjustments:*

*(A) any merged district within the Taconic and Green Regional School District;*

*(B) any merged district within the NEK Choice School District; and*

*(C) any district that merged operations after the passage of this act, but before July 1, 2019 under 2015 Acts and Resolves No. 46, Sec. 7, and whose first fiscal year of operation is fiscal year 2020.*

*(2) For any school district not listed in subdivision (1) of this subsection, the five percent provision shall not apply.*

*\*\*\* Billing Assistance for Towns \*\*\**

*Sec. 21a. BILLING ASSISTANCE FOR TOWNS*

*For fiscal year 2019, there is appropriated from the equalization and*



1           (1) for fiscal year 2019 only, the base spending amount under 32 V.S.A.  
2           § 5401(17) shall be \$11,916.00;

3           (2) for fiscal year 2020 only, the base spending amount under 32 V.S.A.  
4           § 5401(17) shall be 96 percent of what it would otherwise be calculated to be.

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