

AGENCY OF ADMINISTRATION

Department of Taxes

 SEARCH

EDUCATION TAX RATE FAQs

We have compiled a list of some of the most frequently asked questions about how education tax rates are calculated. If you still have questions after reviewing this list, please contact us directly.

[Q: How are the education tax rates set?](#)

A: The FY18 (2017 – 2018 property tax year) homestead and non-residential education tax rates and yields were set by the Legislature during the 2016 – 2017 legislative session. The base homestead tax rate is \$1.00 (per \$100 of property value), and the base non-residential tax rate is \$1.535 (per \$100 of property value). The tax rates and yields were set to generate enough property tax revenue to support the anticipated state-wide education spending after all other Education Fund revenue sources were taken into account.

Beginning in FY17, the homestead tax rate was locked at \$1.00. The number that changes from year to year and is important for figuring out your tax rate is known as the “**yield.**” Before FY17 there were two numbers that changed every year, a base spending amount which was established in 2006 and tied to an inflation index, and the tax rate. Moving to the single yield number tied to a \$1.00 tax rate was intended to simplify that tax rate calculation process for towns and taxpayers.

[Q: What is a “yield” and how much is it this year?](#)

A: Act 46 of 2015 introduced the “*property dollar equivalent yield*”. This number answers the question: how much per pupil spending would a \$1.00 homestead property tax rate “**yield**” in the upcoming year? Put another way, if you taxed all the homestead property (for those paying based on property) at a \$1.00 rate and then divided by the number of equalized pupils in the state, what would you get? That’s an over-simplification, but the main factor that determines the yield is the value of property in Vermont. Since property value, education spending, and number of students all change year-to-year, the yield number will too, but the base homestead tax rate is set in statute at \$1.00. For FY18, the property dollar equivalent yield has been set at **\$10,160**.

What is the “*income dollar equivalent yield*”? A similar analysis to the property yield produces this number which is used to figure out the rate for those who pay based on income. The income yield is

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basically saying, how much per-pupil spending will a 2% tax on household income yield in the upcoming year? The income yield for FY18 is calculated to be **\$11,990**.

Q: How is the yield used to figure out my town's tax rate?

A: Suppose your town spends \$15,000 per pupil. The households that pay education tax based on property will have a rate (before the CLA is applied) of:

**PER PUPIL
SPENDING**

**PROPERTY
YIELD**

**STATEWIDE
HOMESTEAD
RATE**

**TAX RATE
(PER \$100 OF
PROPERTY
VALUE)**

\$15,000

÷ \$10,160

x \$1.00

= \$1.4764

For those who pay on income, the calculation is the same but the yield amount is different:

**PER PUPIL
SPENDING**

**INCOME
YIELD**

**STATEWIDE
INCOME RATE**

**TOWN TAX
RATE**

\$15,000

÷ \$11,990

x 2.00%

= 2.5021%

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A household in this town that is eligible to pay taxes based on income will receive a credit on their FY19 bill (2018-2019 property tax year) for the amount that their property taxes in FY18 exceeded that percentage of their 2017 household income.

Q: What is the CLA?

A: In 1997 the Vermont Legislature passed Act 60 in an effort to equalize education funding across the state. Before Act 60 was passed, the amount a town could raise to fund its schools was limited by the amount of property value in the town. Because of that, levels of school funding and therefore educational opportunity varied widely across the state. Act 60 shifted education funding to the state level, creating a statewide education property tax rate and a state **“Education Fund”** to collect the revenue. This new arrangement of shared education funding responsibility made it necessary to check the accuracy of the town Grand Lists since they are maintained by town listers, not the state. If the Grand List in a town didn't reflect fair market value, then the town would have ended up sending more or less tax revenue than its fair share to the statewide Education Fund. Since towns don't reappraise every year, and real estate markets are constantly changing, a correction factor, or **“Common Level of Appraisal,”** was developed to equalize what is paid in education property taxes across towns. The Common Level of Appraisal (CLA) for every Vermont town is the primary result of the [Equalization Study \(http://tax.vermont.gov/research-and-reports/reports/equalization-study\)](http://tax.vermont.gov/research-and-reports/reports/equalization-study) performed by the Tax Department every year. The equalization study compares the ratio of Grand List value to sale price for all the arms-length sales in the town over the prior three-year period. The study considers sales price as the best measurement of fair market value. If Grand List values are generally less than sale prices for the recent sales, the town will end up with a CLA less than one hundred percent. If Grand List values are generally more than sale prices for the recent sales, the town will end up with a CLA of more than one hundred percent. Once the CLA is determined, it is used to adjust the homestead and non-residential education tax rates. The CLA doesn't change taxpayer's property values, only the education tax rate in a town - an example of indirect equalization.

Q: How is the CLA used?

A: Suppose the equalization study determined that a town's a CLA should be .9589, indicating that property in the town is generally listed for 95.89% of what it is selling for. Also suppose the homestead tax education tax rate for FY18 in the town is \$1.5462 (per \$100 of property value) and the non-residential rate is \$1.5350 (per \$100 of property value) before the CLA is applied. After the CLA is applied the town's final *homestead education property tax rate* will be: $\$1.5462 / .9589 = \1.6125 (per \$100 of property value) After the CLA is applied the town's final *non-residential education property tax rate* will be: $\$1.5350 / .9589 = \1.6008 (per \$100 of property value).

Q: How does education spending in my town affect the homestead education tax rate?

A: Total education spending in a town is not the determinant of tax rates, only the amount spent per-pupil. This means that your town can actually spend less on education than the prior fiscal year, but if the number of students in your town declines, the tax rate may actually increase from the prior year. The only thing that matters is your town’s per-pupil spending, and Act 46 changed 16 V.S.A. § 563 to make sure that the per-pupil amount was being clearly communicated on town ballots since it is the determinant of tax rates, not total spending.

Suppose your town plans to spend \$15,000 per pupil in FY18 (the 2017-2018 school year).

The homesteads who pay education tax based on property will pay (before the CLA is applied):

PER PUPIL SPENDING
PROPERTY YIELD
STATEWIDE HOMESTEAD RATE
TAX RATE (PER \$100 OF PROPERTY VALUE)
<hr/>
\$15,000
÷ \$10,160
x \$1.00
= \$1.4764
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Keep in mind that many towns are members of union school districts in addition to having their own district (for lower grades).. In those cases, the town gets a tax rate that is a blend of the town district’s tax rate and the union district’s tax rate. So if 40% of the students are attending the town school district with \$14,000 in per-pupil spending, and 60% are attending a union district with \$16,000 in per-pupil spending, the tax rates for the town will be:

40%of (\$14,000/\$10,160) + 60% of (\$16,000/\$10,160) = \$1.4961

Any merger incentives are applied at the district level tax rate but limitations on year over year changes (as a result of mergers) are applied to the town level tax rate.

More information about how your specific rate was calculated can be found by checking our [tax rate calculator](#)

<http://tax.vermont.gov/sites/tax/files/documents/Tax%20calc%20FY18%20Ed%20Tax%20rates.xlsx>

MENU

Q: How do the merger incentives factor into the tax rate calculations?

Act 46 of 2015 offered reductions to the homestead property and homestead income tax rates for districts who choose to merge. The reductions are calculated at the district level and vary by type of merger and year of merger. Additionally, per-pupil spending in a merged district is (usually) a shared figure for all participating towns. Here is an example for a town in the second year of a merger into a “preferred” structure (a single district that encompasses the entire supervisory union).

$\$16,000$ (the per-pupil spending for the whole district) / $\$10,160 = \1.5748

$\$1.5748 - .08$ (Eight cents is the second year of incentive) = $\$1.4948$ (homestead tax rate for all towns before CLA)

For mergers into a preferred district, statute guarantees that any merging town’s tax rate cannot increase more than 5% from one year to the next. For other kinds of mergers, any merging town’s tax rate can not increase or decrease by more than 5% from one year to the next. (Some rare limitations apply. [See Act 73 of 2017](#)

<http://legislature.vermont.gov/assets/Documents/2018/Docs/ACTS/ACT073/ACT073%20As%20Ena>

Q: Is the nonresidential tax rate adjusted to reflect education spending?

A: No. The base rate for nonresidential property is the same for all towns in Vermont. It is adjusted only by the common level of appraisal of the town. If the CLA in a town is 95.89%, the final non-residential rate for the town will be:

FY18 STATE NON-RESIDENTIAL RATE

**TOWN
CLA**

**TOWN NON-RESIDENTIAL RATE (PER \$100 OF
PROPERTY VALUE)**

\$1.535

÷ .9589

= \$1.6008

Q: Will there be towns where the nonresidential tax rate is lower than the homestead tax rate?

A: Yes – because the homestead rate is impacted by per-pupil spending while the non-residential rate

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amount happens to be about \$15,600 for FY18. Here's the FY18 homestead tax rate in a town that votes to spend \$15,650 per pupil:

**PER PUPIL
SPENDING**

**PROPERTY
YIELD**

**STATEWIDE
HOMESTEAD
RATE**

**TAX RATE
(PER \$100 OF
PROPERTY
VALUE)**

\$15,000

÷ \$10,160

x \$1.00

= \$1.54041

The nonresidential rate in that town is \$1.5350 (the state-wide rate), so for this town, the homestead rate is a little higher. The CLA would then be applied to both these rates, but since it's the same for both, the homestead rate will still be proportionally higher.

Q: Is there an additional adjustment for school districts whose per pupil spending is a lot more (excess spending) than the average statewide?

A: Yes, If a district spends more per-pupil than the “excess spending threshold” than the overage is counted twice in its per-pupil spending for the purpose of determining its tax rate. [32 V.S.A. §§5401\(12\) and 5401\(13\) \(http://legislature.vermont.gov/statutes/chapter/32/135\)](#). This provision, in effect, double taxes every dollar in excess of the allowable amount. For FY18 (2017 – 2018 property tax year) the excess spending threshold is \$17,386. If your district or a district to which you belong votes to spend \$18,000 per pupil, The \$614 overage will be double counted, bringing the district's per-pupil spending (for tax rate purposes) to \$18,614.

Q: My town is completing a reappraisal for the April 1, 2016 grand list. Using the common level of appraisal to adjust the tax rates doesn't seem fair. Our common level of appraisal was 85% based on last year's grand list. The tax bills for this year will use a grand list that is at 100% of market value. Will the tax rates be adjusted to account for reappraisals?

A: Yes. If the Director of Property Valuation and Review certifies that a town has completed a town

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the reappraisal divided by its most recent equalized grand list value, for purposes of determining education property tax rates. [32 V.S.A. §5406\(c\)](#)
(<http://legislature.vermont.gov/statutes/section/32/135/05406>).

Q: Towns also levy taxes for road maintenance and other municipal services. Are there different rates for homestead and nonresidential properties?

A: No. Municipal taxes that pay for roads and other municipal services are levied on the municipal grand list. The town select board determines the amount needed to be raised for town services and divides that figure by the total municipal grand list established by the town listers to arrive at a municipal property tax rate. With the exception of the few communities that have different rates in accordance with their charter, municipal taxes are not subject to tax classification.

Please note that your property tax bill has an education property tax component and (almost always) a municipal property tax component. The rates for each will vary from year to year and increases to total property tax liability could be from either source.

Q: It says on material with my tax bill that some people are able to pay their education tax based on income rather than on the value of their property. How does that work?

A: [Form HS-122, Homestead Declaration](#) (<http://tax.vermont.gov/sites/tax/files/documents/2017-HS-122.pdf>) must be filed each year by Vermont residents who own their property and occupy it as their domicile. Once the residence is declared as a homestead, it is taxed at the homestead education tax rate (rather than the non-residential tax rate). Resident households with 2016 income under about \$141,000, are eligible for a property tax adjustment and should complete section B of the HS-122 and the [Form HI-144, Household Income Schedule](#) (<http://tax.vermont.gov/sites/tax/files/documents/2017-HS-122.pdf>), to claim a property tax adjustment. The [property tax adjustment claim](#) (<http://tax.vermont.gov/property-owners/property-tax-adjustment-claim>) compares education property taxes for FY17 against an “**applicable percentage of income**” (different for each town based on per-pupil spending). If education property taxes were more than that percentage, the difference is applied as a credit to the FY18 property tax bill, reducing the total amount due. Households with income less than \$47,000 are eligible for additional credits that compare their total property taxes (education *and* municipal) remaining after the first credit is applied against other percentages of income, and the difference is added to their credit. [32 V.S.A. §6066\(a\)](#) (<http://legislature.vermont.gov/statutes/section/32/154/06066>).

Contact Us

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