

**EDUCATION TAX RATES
FREQUENTLY ASKED QUESTIONS**

How are the education tax rates set?

For tax year 2012 (FY13), the base education tax rate for homestead property is \$0.89. It is adjusted by the district spending adjustment, and by the school district's common level of appraisal (CLA).

For tax year 2012 (FY13), the base tax rate for nonresidential property is \$1.38. It is adjusted by the school district's common level of appraisal. The nonresidential tax rate is not multiplied by the district spending adjustment.

What is the purpose of the common level of appraisal?

The adjustment by the common level of appraisal (CLA) ensures that you and your neighbor in the next town pay the same amount of education tax on properties of equal value. The (CLA) is used to equalize education taxes statewide by reflecting local variations that occur based on reappraisal schedules and other factors.

Example: Let's say you have a camp in East Overshoe that is worth \$100,000. Your listers did a complete reappraisal for tax year 2012 and they've assessed you at \$100,000.

There's a camp across the town line in West Overshoe that is also worth \$100,000. The Town of West Overshoe is planning to reappraise for tax year 2014, but for tax year 2012 that camp is assessed at \$85,000.

Without the CLA, you would be taxed at the same \$1.38 rate. You would pay \$1,380. Your West Overshoe neighbor would pay \$1,173. With the CLA, you should both pay the same amount.

It is useful to think of the CLA as adjusting the listed value of the property to fair market value to ensure fairness. The West Overshoe camp is adjusted by the common level of appraisal to bring its listed value into line with the market.

(Assessed Value) \$85,000 ÷ (CLA) .85 = (Adjusted Value) \$100,000. Now the taxes paid by the two camps would be the same.

How does the spending level voted in my town affect the homestead education tax rate?

The tax rate levied on homestead property is adjusted upward if the residents of that school district spend more than the "base education spending" amount. The base is \$8,723 per pupil for tax year 2012 (FY13). Here's an illustration of how the rate is adjusted.

Say your local school budget provides for spending of \$13,525 per pupil. The homestead tax rate of \$0.89 will be adjusted. It will be adjusted higher in proportion to the amount your voters decided to spend over \$8,723 per pupil. In this example, the district spending adjustment is:

$$\text{(Locally Approved per Pupil Spending) } \$13,525 \div \text{(Base Education Spending) } \$8,723 = \text{(District Spending Adjustment) } 1.55050 \text{ or } 155.050\%$$

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The effective homestead tax rate is now calculated in the following way:

(Base Homestead Rate) \$0.89 x (District Spending Adjustment) 1.55050 = (Effective Homestead Tax Rate) \$1.3799.

If the CLA in your town is 90.00%, your homestead education rate to be applied to homestead properties becomes \$1.0409.

(Effective Homestead Rate) \$1.3799 ÷ (CLA) 0.9000 = (Tax Rate Paid by Homestead Properties) \$1.5332

Keep in mind that some town districts are also members of union school districts or unified school districts. In those instances, the tax rate is a combination of the individual rates of the different districts of which you are a member.

Is the nonresidential tax rate of \$1.38 adjusted to reflect spending over the “base education payment?”

No. The rate for nonresidential property is the same for all property in Vermont. It is adjusted only by the common level of appraisal. If the CLA is 90.00% the rate becomes:

(Nonresidential Tax Rate) \$1.38 ÷ (CLA) .9000 = (Effective Nonresidential Tax Rate) \$1.5333.

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

Yes. In towns with **per pupil spending in excess of \$13,526 the homestead rate will be higher** than the nonresidential rate for fiscal year 2013. Consider a school district with spending of \$13,900 per pupil.

The homestead tax rate will be \$1.4182. That’s \$0.89 times the district spending adjustment.

(Locally Approved per Pupil Spending) \$13,900 ÷ (Base Education Spending) \$8,723 = (District Spending Adjustment) 1.59349

(Base Homestead Rate) \$0.89 x (District Spending Adjustment) 1.59349 = (Effective Homestead Tax Rate) \$1.4182.

The nonresidential tax rate is \$1.38.

Of course, both these rates would then be adjusted by the CLA.

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

Yes. If a town has “excess spending,” then the Department of Education includes that excess twice in the computation of its district spending adjustment. [32 V.S.A. §§5401\(12\) and 5401\(13\)](#). Excess spending means the per-pupil spending (less eligible construction costs) is in excess of 125 percent of the excess spending base. For tax year 2012 (FY13), the excess spending base is \$11,873. So the threshold is \$14,841 (1.25 x \$11,873). Let’s look at an example:

Your school district spends \$15,500 per pupil. The excess spending base is \$11,873. 125% of \$11,873 is \$14,841.

Your per-pupil spending exceeds the threshold by \$659. (\$15,500 – \$14,841. This is your school district’s excess spending.

The district spending adjustment is:

$$[(\text{District spending}) 15,500 + (\text{Excess spending}) 659] \div (\text{Base Spending}) 8,723 = 1.85246$$

Rate becomes:

$$(\text{District spending adjustment}) 1.85246 \times (\text{Base rate}) \$0.89 \div \text{CLA}$$

If the CLA is 85%, the homestead rate is:

$$(\text{District spending adjustment}) 1.85246 \times (\text{Base Rate}) \$0.89 \div (\text{CLA}) .85 = \$1.9396$$

In this example, the excess spending adjustment adds about 7 cents to the homestead rate.

My town is completing a reappraisal for the April 1, 2012 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?

Yes. In those towns that have reappraised for 2012, the common level of appraisal used to calculate the rates will be the ratio of the reappraised 2012 education grand list to the equalized education grand list certified January 1, 2012. The Director of PVR is charged by statute with determining whether a reappraisal has occurred that warrants a new CLA. [32 V.S.A. §5406\(c\)](#).

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Towns also levy taxes for highways and other municipal services. Are there different rates for homestead and nonresidential properties?

No. Municipal taxes that pay for highways and other municipal services are levied on the municipal grand list. With the exception of the few communities that have different rates in accord with their charter, municipal taxes are not subject to tax classification.

The selectboard determines the amount to be raised from taxes and divides that figure by the total municipal grand list established by the listers. [17 V.S.A. §2664](#). There is no adjustment for the common level of appraisal as there is no need to adjust the municipal values to a single point in time. This is not a state tax requiring equalization across towns.

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?

There is a property tax adjustment worksheet on the Tax Department website. It can be used to estimate the property tax adjustment credit. Click the link below:

<http://www.state.vt.us/tax/propertyadj.shtml>

The classification of property as homestead assures that a Vermont resident will not pay more than the statutorily established percentage of household income for property taxes on his or her homestead (house and up to two acres). The difference between the taxpayer's property tax bill and the property tax based on household income is paid by the State in the form of a property tax adjustment credit. The money is paid directly to the Town. The Town then issues the homeowner a property tax bill for the net due. The property tax adjustment calculation uses prior year household income and prior year property taxes.

Who do I contact if I need more information?

Call the Taxpayer Services Division at 802-828-2865 or toll free in Vermont at 866-828-2865.

You can also send e-mail to: schooltax@state.vt.us