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Agency of Administration

For Immediate Release

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Commissioner of Taxes Releases FY2019 Education Yield Letter

Montpelier, Vt., Nov. 30, 2017— Commissioner of Taxes Kaj Samsom has released his annual education tax rate letter which forecasts the education tax yields for resident homeowners and the nonresidential tax rate for the upcoming fiscal year (FY) 2019, using statutorily required calculations. The Agency of Education, Department of Taxes, Department of Finance and Management, and Joint Fiscal Office collaborate to establish the yields and rate as part of the statutory obligation

The forecasted FY19 homestead yield is \$9,842 compared to \$10,160 for FY18 (the current property tax year). The forecasted FY19 income yield is \$11,862 compared to \$11,990 for FY18. Yields going down mean tax rates go up given the same level of spending because a district's tax rate is equal to its per-pupil spending divided by the yield. The statewide base nonresidential tax rate is forecast to increase from \$1.535 in FY18 to \$1.629 in FY19.

The average tax rate is forecast to increase by 9.4 cents for both homestead and nonresidential taxpayers. This translates to about \$235 per year on a \$250,000 property. The median tax bill for homesteads, nonresidential properties, and resident households who pay based on income is forecast to increase by 7.32 percent.

Samsom emphasizes that the projected rate increase is not inevitable. "Local voters have the final say on what they see on their property tax bills," Commissioner Samsom says. "The overall education funding system is complex, but there are two basic principles that every voter should keep in mind: First, the local homestead education tax rate is determined by your district's per-pupil education spending, not the total spending or budget. Second, those who pay based on income will generally see the same proportional change to their tax bills because of education spending decisions as those who pay based on property."

The projected 9.4 cent average increase in education property tax rates is primarily being driven by an anticipated 3.52 percent increase (\$47.5M) in education spending statewide. However, any district that can keep its per-pupil spending growth flat or modest will experience a much less severe increase to its education tax rate than the average.

In aggregate, if all districts can arrive at a per-pupil spending growth rate that is no higher than state economic and wage growth (roughly 2.5 percent), homestead and nonresidential tax rates could be much lower than projected. On November 15, Governor Scott sent a letter to education leaders urging districts to limit their growth in per pupil spending to 2.5 percent. The Governor's letter, in part, was to communicate early in the school budgeting process the projected shortfall in the education fund for FY 19 and the compounded impact on tax rates of per pupil spending growing faster than the economy or wages.

Additional resources for understanding education tax rates are available on the department's website at <http://tax.vermont.gov/property-owners/understanding-property-taxes/education-tax-rates> and from the Vermont school boards association at <http://www.vtvsba.org>.

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