

H.480 Education Funding

5/28/03

H.480 reduces reliance on the property tax, and changes and simplifies how Vermont's public schools are funded. Here are two major changes to the current method of school funding.

The first change eliminates the two-part "statewide property tax" and the "local share property tax." Instead, property owners will see a single rate on their bills. This eliminates the sharing pool, and will standardize non-residential property tax rates.

These two types of property will each have their own tax rates.

The "homestead" tax rate in each community shall be determined by local spending decisions. A community's tax rate will vary from year to year in proportion to per pupil spending. All homestead property within a community will pay the same tax rate.

School Year 2004-2005 Spending per Pupil	School Year 2004-2005 Tax Rates	
	Property	Income
\$ 6,800	\$ 1.10	2.00%
\$ 7,480	\$ 1.21	2.20%
\$ 8,000	\$ 1.29	2.35%
\$ 8,500	\$ 1.38	2.50%
\$ 9,000	\$ 1.46	2.65%
\$ 9,500	\$ 1.54	2.79%
\$ 10,000	\$ 1.62	2.94%
\$ 10,500	\$ 1.70	3.09%
\$ 11,000	\$ 1.78	3.24%

The "non-residential" tax rate shall be uniform throughout the state (beginning in 2004 at \$1.59). This uniform rate may only be changed by a vote of the legislature.

This simplified system connects residential tax rates directly to local voters' decisions, and keeps non-residential rates more predictable and changed only by statewide decisions.

For the 2002-2003 school year (under current law) the average total school tax rate is anticipated to be \$1.72. If this new funding formula had been in place for this 2002-2003 school year, the average tax rate would have been \$1.35. It is unlikely that the tax savings from H.480 will be this dramatic because school spending has been rising faster than inflation.

Today, most homeowners and renters may choose to pay their school taxes based upon their incomes. This income sensitivity continues under H.480. In a town spending \$9,000 per pupil (see chart above) residents would pay 2.6% of their income for their house and two acres. To pay school taxes based on income, homeowners must file the appropriate tax form to receive a prebate.

For school year 2003-2004, school tax rates will be 3.9 cents below what voters were presented at most town meetings because the block grant is increased.