

H. 480 - Education Funding
As passed by the Senate May 13, 2003

FY2005**Split the Grand List**

Homestead Property = home of a Vermont resident and all contiguous land

Non-homestead property = all other property

Farm buildings enrolled in current use are exempt from all property taxes (starting FY04 –in BA bill)

Tax Rates

Homestead Property: tax rate depends on spending. The rate starts at \$1.17 for spending at base education payment of \$7,000 and moves up and down proportionally with spending (e.g. 1% increase in spending means a 1% increase in tax rates). The minimum rate is \$1.10

Income Sensitivity

- only for house + 2 acres
- rate starts at 2.1% for spending at base education payment of \$7,000 and moves up and down proportionally with spending just like property rate (minimum rate is 2%)
- current law income limit (income sensitivity for those under \$75,000, \$160,000 homestead cap for those over \$75,000)
- \$15,000 homestead exemption only for those under \$47,000
- Rent-restricted low-income housing receives a property tax credit

Non-homestead property: uniform statewide rate of \$1.60 in FY05. This rate increases at half the amount of that of the average statewide homestead tax rate increase.

Tax rate reduction: if the Ed Fund reserve is fully funded at 5% and there are additional undesignated revenues in the ed fund, the \$1.60 and the \$1.17 are reduced proportionally.

New Revenues (\$32 million for property tax relief)

New revenues include rooms & meals, tobacco products, use tax table, and expanding sales tax to include beer, and telecommunications

Increase property transfer tax by 0.5% to 1.75% for nonresidential property and for residential property >125k

Increase GF transfer in FY04 to \$260.5 million or \$263.7 million including Powerball.

Local option taxes available for all towns

Simplification of Taxes dedicated to Education Fund: Dedicate 40% of total sales tax and 33% of purchase and use tax to EF starting in FY05 and move Act 60 taxes (e.g. rooms & meals, telecommunications, corporate, gas, car rental, etc) to GF and TF.

Other

Base education payment is \$7,000 per pupil

Cost containment:

- for spending in excess of 135% of average in 2005, 130% in 2006, 125% in 2007 and beyond, 100% of excess is counted twice for tax rate calculation (school capital construction is excluded from this calculation)
- clear relationship between spending and tax rate: tax rate increases proportionally as spending increases
- clear and consistent information to voters to clarify the link between spending per pupil and tax rates
- legislative commitment to study burdensome education mandates, implications of rules, special education costs containment, and appropriate student educator ratios
- teacher negotiations: \$5,000 grant to supervisory unions: try to have members jointly negotiate a contract

Collection fee: 1/8% of total property taxes (accrues to municipality as compensation for collecting tax)

Income tax refunds: state pays interest from 45 days after filing of late/amended return

Income tax surcharge of 1.5% (1/1/04-12/31/07); if revenue forecast in July 2003 is high enough, this income tax surcharge will not take effect

FY2004

(as passed by the Senate in the Budget Adjustment)

Block grant increased to \$5,810, statewide property tax rate of \$1.10, Predictable yield of \$45.20

Farm buildings enrolled in current use are exempt from all property taxes