

1 H.388

2 Introduced by Representatives Cordes of Lincoln, Vyhovsky of Essex,  
3 Anthony of Barre City, Bluemle of Burlington, Burke of  
4 Brattleboro, Christie of Hartford, Cina of Burlington, Colburn  
5 of Burlington, Colston of Winooski, Donnally of Hyde Park,  
6 Elder of Starksboro, Hooper of Burlington, Mulvaney-Stanak of  
7 Burlington, Nicoll of Ludlow, Satcowitz of Randolph, Sims of  
8 Craftsbury, Small of Winooski, Stebbins of Burlington,  
9 Surprenant of Barnard, Troiano of Stannard, Walz of Barre  
10 City, and Yacovone of Morristown

11 Referred to Committee on

12 Date:

13 Subject: Taxation; property tax; resident education tax

14 Statement of purpose of bill as introduced: This bill proposes to simplify the  
15 Vermont education funding model and transition from a property-based tax to  
16 an income-based tax. This bill would create an education tax that is based on  
17 the income of all Vermont residents (both homeowners and renters) with a rate  
18 determined by locally voted budgets. This bill would eliminate the homestead  
19 education property tax and levy the nonhomestead education property tax on  
20 all property except residential dwellings and the two-acre parcel surrounding  
21 the dwellings. This bill would continue to provide the existing renter credit.

1 An ongoing Education Fund Advisory Committee would be established under  
2 this bill to monitor the education funding system and to report and make  
3 recommendations annually to the General Assembly.

4 An act relating to income-based education funding

5 It is hereby enacted by the General Assembly of the State of Vermont:

6 \* \* \* Education Taxes \* \* \*

7 Sec. 1. 32 V.S.A. chapter 135 is redesignated to read:

8 CHAPTER 135. EDUCATION ~~PROPERTY TAX~~ TAXES

9 Sec. 2. 32 V.S.A. § 5401 is amended to read:

10 § 5401. DEFINITIONS

11 As used in this chapter:

12 (1) “Coefficient of dispersion” is the average absolute deviation  
13 expressed as a percentage of the median ratio; and, for a municipality in any  
14 school year, shall be determined by the Director of Property Valuation and  
15 Review as follows:

16 (A) calculate the ratio of the listed value to the fair market value of  
17 each property used in determining the equalized ~~education~~ property value of  
18 the municipality as required by section 5406 of this title;

19 \* \* \*

1           (6) “Equalized education property tax grand list” means one percent of  
2           the aggregate fair market value of all nonhomestead ~~and homestead~~ property  
3           that is required to be listed at fair market value as certified during that year by  
4           the Director of Property Valuation and Review under section 5406 of this title,  
5           plus one percent of the aggregate value of property required to be listed at a  
6           value established under a stabilization agreement described under section  
7           5404a of this title, plus one percent of the aggregate use value established  
8           under chapter 124 of this title of all nonhomestead property that is enrolled in  
9           the use value appraisal program.

10           (7) “Homestead”:

11           (A) “Homestead” means the principal dwelling and parcel of land  
12           surrounding the dwelling; that is owned and occupied by a resident individual  
13           as the individual’s domicile or owned and fully leased on April 1, provided the  
14           property is not leased for more than 182 days out of the calendar year, ~~or for~~  
15           ~~purposes of the renter property tax credit under subsection 6066(b) of this title,~~  
16           ~~is rented and occupied by a resident individual as the individual’s domicile.~~  
17           As used in this subdivision (7), the “parcel of land surrounding the dwelling”  
18           means the portion of a homestead that is reasonably necessary for use of the  
19           dwelling as a residence but in no event more than two acres per dwelling unit  
20           and, in the case of multiple dwelling units, not more than two acres per  
21           dwelling unit up to a maximum of 10 acres per parcel.

1           (B)(i) The parcel of land surrounding the dwelling shall be  
2 determined without regard to any road ~~which~~ that intersects the land. If the  
3 parcel of land surrounding the dwelling is owned by a cooperative housing  
4 corporation incorporated under 11 V.S.A. chapter 14, or owned by a nonprofit  
5 land conservation corporation or community land trust with exempt status  
6 under 20 U.S.C § 501(c)(3), the homestead includes a pro rata part of the land  
7 upon which the dwelling is built, as determined by the cooperative corporation,  
8 nonprofit corporation, or land trust. Property owned by a cooperative, not  
9 including a mobile home park cooperative, declared as a domicile may only  
10 include the homestead and a pro rata share of any common land owned or  
11 leased by the cooperative, not to exceed the two-acre homestead limitation.  
12 The share of the cooperative’s assessed value attributable to the homestead  
13 shall be determined by the cooperative and specified annually in a notice to the  
14 co-op member.

15           (ii) Property owned by a mobile home park cooperative and  
16 declared as a homestead may only include common property of the cooperative  
17 contiguous with at least one mobile home lot in the park, not to exceed the  
18 two-acre homestead limitation. The share attributable to any mobile home lot  
19 shall be determined by the cooperative and specified in the cooperative  
20 agreement.

21

\* \* \*

1 (G) For purposes of ~~homestead~~ the resident declaration ~~and~~  
2 ~~application of the homestead property tax rate of domicile~~, “homestead” also  
3 means a residence ~~which~~ that was the homestead of the decedent at the date of  
4 death, and from the date of death through the next April 1 is held by the estate  
5 of the decedent and not rented.

6 \* \* \*

7 (10) “Nonhomestead property” means all property except:

8 \* \* \*

9 (C) Homesteads as defined under subdivision (7) of this section and  
10 declared in accordance with section 5410 of this title.

11 (D) Personal property, machinery, inventory and equipment, ski lifts,  
12 and snow-making equipment for a ski area; provided, however, this  
13 subdivision shall not exclude from the definition of “nonhomestead property”  
14 the following real or personal property:

15 (i) utility cables and lines, poles, and fixtures (except those taxed  
16 under chapter 211, subchapter 6 of this title); ~~provided that utility cables, lines,~~  
17 ~~poles, and fixtures located on homestead property and owned by the person~~  
18 ~~claiming the homestead shall be taxed as homestead property;~~

19 \* \* \*

20 (11) “Education property value” means the aggregate fair market value  
21 of all nonhomestead ~~and homestead~~ real property that is required to be listed at

1 fair market value as certified during that year by the Director of Property  
2 Valuation and Review under section 5406 of this title, plus the aggregate value  
3 of property required to be listed at a value established under a stabilization  
4 agreement described under section 5404a of this title, plus the aggregate use  
5 value established under chapter 124 of this title of all nonhomestead real  
6 property that is enrolled in the use value appraisal program.

7 \* \* \*

8 (13)(A) ~~“Education property tax spending adjustment” means the~~  
9 ~~greater of: one or a fraction in which the numerator is the district’s education~~  
10 ~~spending plus excess spending, per equalized pupil, for the school year; and~~  
11 ~~the denominator is the property dollar equivalent yield for the school year, as~~  
12 ~~defined in subdivision (15) of this section.~~

13 (B) ~~“Education income tax spending adjustment” means the greater~~  
14 ~~of: one or a fraction in which the numerator is the district’s education spending~~  
15 ~~plus excess spending, per equalized pupil, for the school year; and the~~  
16 ~~denominator is the income dollar equivalent yield for the school year, as~~  
17 ~~defined in subdivision (16) of this section. [Repealed.]~~

18 \* \* \*

19 (15) ~~“Property dollar equivalent yield” means the amount of spending~~  
20 ~~per equalized pupil that would result if the homestead tax rate were \$1.00 per~~  
21 ~~\$100.00 of equalized education property value, and the statutory reserves~~

1 ~~under 16 V.S.A. § 4026 and section 5402b of this title were maintained.~~

2 [Repealed.]

3 (16) ~~“Income dollar equivalent yield~~ Yield” means the amount of  
4 spending per equalized pupil that would result if the ~~income percentage in~~  
5 ~~subdivision 6066(a)(2) of this title~~ resident education tax rate in the school  
6 district were ~~2.0~~ 1.0 percent, and the statutory reserves under 16 V.S.A. § 4026  
7 and section 5402b of this title were maintained.

8 Sec. 3. 32 V.S.A. § 5402 is amended to read:

9 § 5402. NONHOMESTEAD EDUCATION PROPERTY TAX LIABILITY

10 (a) A statewide education tax is imposed on all nonhomestead ~~and~~  
11 ~~homestead~~ property at ~~the following rates:~~

12 (1) ~~The tax a rate for nonhomestead property shall be of~~ \$1.59 per  
13 \$100.00 of equalized property value as most recently determined under  
14 section 5405 of this title, unless set otherwise by the General Assembly.

15 (2) ~~The tax rate for homestead property shall be \$1.00 multiplied by the~~  
16 ~~education property tax spending adjustment for the municipality per \$100.00 of~~  
17 ~~equalized education property value as most recently determined under section~~  
18 ~~5405 of this title. The homestead property tax rate for each municipality which~~  
19 ~~is a member of a union or unified union school district shall be calculated as~~  
20 ~~required under subsection (e) of this section.~~

1 (b) The statewide nonhomestead education tax shall be calculated as  
2 follows:

3 (1) The Commissioner of Taxes shall determine for each municipality  
4 the nonhomestead education tax ~~rates~~ rate under subsection (a) of this section,  
5 divided by the municipality's most recent common level of appraisal. The  
6 legislative body in each municipality shall then bill each property taxpayer at  
7 the ~~homestead or~~ nonhomestead rate determined by the Commissioner under  
8 this subdivision, multiplied by the education property tax grand list value of  
9 the property, properly classified as homestead or nonhomestead property and  
10 without regard to any other tax classification of the property. Statewide  
11 education property tax bills shall show the tax due and the calculation of the  
12 rate determined under subsection (a) of this section, divided by the  
13 municipality's most recent common level of appraisal, multiplied by the  
14 current grand list value of the property to be taxed. Statewide education  
15 property tax bills shall also include language provided by the Commissioner  
16 pursuant to subsection 5405(g) of this title.

17 \* \* \*

18 (3) ~~If a district has not voted a budget by June 30, an interim homestead~~  
19 ~~education tax shall be imposed at the base rate determined under subdivision~~  
20 ~~(a)(2) of this section, divided by the municipality's most recent common level~~  
21 ~~of appraisal, but without regard to any spending adjustment under subdivision~~



1 ~~5401(13) of this title. Within 30 days after a budget is adopted and the~~  
2 ~~deadline for reconsideration has passed, the Commissioner shall determine the~~  
3 ~~municipality's homestead tax rate as required under subdivision (1) of this~~  
4 ~~subsection. Repealed.~~

5 (c) The treasurer of each municipality shall by December 1 of the year in  
6 which the tax is levied and on June 1 of the following year pay to the State  
7 Treasurer for deposit in the education fund one-half of the municipality's  
8 statewide nonhomestead tax ~~and one half of the municipality's homestead~~  
9 ~~education tax~~, as determined under subdivision (b)(1) of this section. The  
10 Secretary of Education shall determine the municipality's net nonhomestead  
11 education tax payment ~~and its net homestead education tax payment~~ to the  
12 State based on grand list information received by the Secretary ~~no~~ not later  
13 than the March 15 prior to the June 1 net payment. Payment shall be  
14 accompanied by a return prescribed by the Secretary of Education. The  
15 municipality may retain 0.225 of one percent of the total education tax  
16 collected, only upon timely remittance of net payment to the State Treasurer.  
17 ~~The municipality may also retain \$15.00 for each late property tax credit claim~~  
18 ~~filed after April 15 and before September 2, as notified by the Department of~~  
19 ~~Taxes, for the cost of issuing a new property tax bill.~~

20 \* \* \*

1 (e) The Commissioner of Taxes shall determine a ~~homestead~~ resident  
2 education tax rate for each municipality ~~which~~ that is a member of a union or  
3 unified union school district as follows:

4 (1) For a municipality ~~which~~ that is a member of a unified union school  
5 district, use the ~~base~~ resident education rate determined under subdivision  
6 (a)(2) of this section and a spending adjustment under ~~subdivision 5401(13)~~  
7 subsection 5402a(a) of this title based upon the education spending per  
8 equalized pupil of the unified union.

9 (2) For a municipality ~~which~~ that is a member of a union school district:

10 (A) Determine the municipal district ~~homestead~~ resident education  
11 tax rate ~~using the base rate~~ determined under ~~subdivision (a)(2) of this section~~  
12 ~~and a spending adjustment under subdivision 5401(13)~~ subsection 5402a(a) of  
13 this title based on the education spending per total equalized pupil in the  
14 municipality who attends a school other than the union school.

15 (B) Determine the union district ~~homestead~~ resident education tax  
16 rate ~~using the base rate~~ determined under ~~subdivision (a)(2) of this section and~~  
17 ~~a spending adjustment under subdivision 5401(13)~~ subsection 5402a(a) of this  
18 title based on the education spending per equalized pupil of the union school  
19 district.

20 (C) Determine a combined ~~homestead~~ resident education tax rate by  
21 calculating the weighted average of the rates determined under subdivisions

1 (A) and (B) of this subdivision (2), with weighting based upon the ratio of  
2 union school equalized pupils from the member municipality to total equalized  
3 pupils of the member municipality; and the ratio of equalized pupils attending  
4 a school other than the union school to total equalized pupils of the member  
5 municipality. Total equalized pupils of the member municipality is based on  
6 the number of pupils who are legal residents of the municipality and attending  
7 school at public expense. If necessary, the Commissioner may adopt a rule to  
8 clarify and facilitate implementation of this subsection.

9 Sec. 4. 32 V.S.A. § 5402a is added to read:

10 § 5402a. RESIDENT EDUCATION TAX

11 (a)(1) Education tax imposed. There is imposed an education tax on all  
12 resident taxpayers of this State. The resident education tax imposed under this  
13 section shall be calculated by multiplying the per equalized-pupil amount of  
14 the district's education spending as defined in 16 V.S.A. § 4001(6) by  
15 1.0 percent, and then multiplying the result by the taxpayer's federal adjusted  
16 gross income in the prior taxable year.

17 (2) Commissioner's notice. Annually, on or before August 1, the  
18 Commissioner of Taxes shall notify every resident of this State who has  
19 declared domicile in accordance with section 5410 of this title of that  
20 taxpayer's resident education tax liability under this section, which shall equal  
21 the resident education tax rate for the taxpayer's municipality of residence,

1 multiplied by the taxpayer's federal adjusted gross income in the prior taxable  
2 year.

3 (b)(1) Rate and requirement of withholding. The Commissioner of Taxes  
4 shall annually establish three statewide withholding rates for the resident  
5 education tax imposed under this section. The Commissioner shall base the  
6 annual withholding rates on the lowest, median, and highest quartile rates  
7 across all school districts in the prior year.

8 (2) Every person who is required under the laws of the United States to  
9 withhold federal income tax from payments that are also subject to the resident  
10 education tax shall deduct and withhold, during the calendar year from those  
11 payments made, the amount of resident education tax elected by the taxpayer  
12 under subdivision (3) of this subsection. Every person required to deduct and  
13 withhold under this subdivision shall file returns and pay over the amounts to  
14 the Commissioner pursuant to section 5842 of this title.

15 (3) Every resident taxpayer shall elect one of the rates established  
16 annually by the Commissioner under subdivision (1) of this subsection at  
17 which the resident education tax shall be withheld from any payments made to  
18 the taxpayer during the taxable year.

19 (c) Estimated payments. Every resident subject to the resident education  
20 tax under this section who earns or receives income that is not subject to  
21 withholding under subsection (b) of this section shall make installment

1 payments of the taxpayer's estimated resident education tax liability each  
2 taxable year. The amount of each payment shall equal 25 percent of the  
3 required annual payment. For any taxable year, payments shall be made on or  
4 before April 15, June 15, and September 15 of the taxable year and January 15  
5 of the following taxable year.

6 (d)(1) Annual reconciliation. Any taxpayer subject to the resident  
7 education tax under this section shall file an annual return on the forms and in  
8 the manner prescribed by the Commissioner of Taxes to reconcile the  
9 payments made under subsection (b) or (c) of this section with the final  
10 resident education tax due. In case of overpayment by a taxpayer who has an  
11 income tax liability under chapter 151 of this title and a resident education tax  
12 liability under this section, a refund of the overpayment shall be deemed to be  
13 a refund of income tax for purposes of debt setoff under subchapter 12 of  
14 chapter 151 of this title.

15 (2) In addition to the payments required under subdivision (b)(2) of this  
16 section, every person required to deduct and withhold the resident education  
17 tax due under this section shall file an annual return covering the aggregate  
18 amount deducted and withheld during the entire preceding year, on or before  
19 January 31 of each year. At the time of filing that return, the person shall pay  
20 over to the Commissioner any amount deducted and withheld during the  
21 preceding calendar year and not previously paid. The person shall further

1 make such annual report to payees and to the Commissioner of amounts paid  
2 and withheld as prescribed by the Commissioner.

3 (e) Deposit of payments. Notwithstanding section 435 of this title, the  
4 Commissioner shall deposit all withholding and estimated payments  
5 attributable to a resident education tax liability under this section into the  
6 Education Fund established in 16 V.S.A. § 4025.

7 (f) Interim rate. If a school district has not voted a school budget on or  
8 before June 30, an interim resident education tax shall be imposed at the prior  
9 year's rate, divided by the municipality's most recent common level of  
10 appraisal. Within 30 days after a budget is adopted and the deadline for  
11 reconsideration has passed, the Commissioner shall determine the  
12 municipality's resident education tax rate as required under subsection (a) of  
13 this section.

14 Sec. 5. 32 V.S.A. § 5402b is amended to read:

15 § 5402b. STATEWIDE EDUCATION TAX YIELDS;

16 RECOMMENDATION OF THE COMMISSIONER

17 (a) Annually, ~~no~~ not later than December 1, the ~~Commissioner of Taxes~~  
18 Education Fund Advisory Committee, after consultation with ~~the Secretary of~~  
19 ~~Education, the Secretary of Administration, and the Joint Fiscal Office~~, shall  
20 calculate and recommend a ~~property dollar equivalent yield, an income dollar~~  
21 ~~equivalent~~ resident education yield, and a nonhomestead property tax rate for

1 the following fiscal year. In making these calculations, the ~~Commissioner~~  
2 Committee shall assume:

3 (1) ~~the homestead base tax rate in subdivision 5402(a)(2) of this title is~~  
4 ~~\$1.00 per \$100.00 of equalized education property value; [Repealed.]~~

5 (2) ~~the applicable percentage in subdivision 6066(a)(2) of this title is~~  
6 ~~2.0; [Repealed.]~~

7 (3) the statutory reserves under 16 V.S.A. § 4026 and this section were  
8 maintained at five percent; and

9 (4) the percentage change in the average education tax ~~bill~~ bills applied  
10 to nonhomestead property and ~~the percentage change in the average education~~  
11 ~~tax bill of homestead property and the percentage change in the average~~  
12 ~~education tax bill for taxpayers who claim a credit under subsection 6066(a) of~~  
13 ~~this title~~ applied to residents are equal.

14 (b) For each fiscal year, the ~~property dollar equivalent yield and the income~~  
15 ~~dollar equivalent~~ resident education yield and the nonhomestead tax rate shall  
16 be the same as in the prior fiscal year, unless set otherwise by the General  
17 Assembly.

18 (c) Annually, on or before December 1, the Education Fund Advisory  
19 Committee with the assistance of the Joint Fiscal Office shall prepare and  
20 publish an official, annotated copy of the Education Fund Outlook. The  
21 Emergency Board shall review the Outlook at its meetings. As used in this

1 section, "Education Fund Outlook" means the projected revenues and expenses  
2 associated with the Education Fund for the following fiscal year, including  
3 projections of different categories of educational expenses and costs.

4 Sec. 6. 32 V.S.A. § 5404 is amended to read:

5 § 5404. DETERMINATION OF EDUCATION PROPERTY TAX GRAND  
6 LIST

7 (a) Municipalities shall determine the education property tax grand list by  
8 calculating one percent of the listed value of nonhomestead ~~and homestead~~ real  
9 property as provided in this section. The listed value of all nonhomestead ~~and~~  
10 ~~homestead~~ real property in a municipality shall be its fair market value, its  
11 value established under a stabilization agreement described in section 5404a of  
12 this title, or the use value of property enrolled in a Use Value Program under  
13 chapter 124 of this title. If a homestead is located on a parcel of less than or  
14 equal to two acres, then the entire parcel shall be classified as homestead  
15 property that shall not be subject to the nonhomestead tax imposed under this  
16 chapter. If a homestead is located on a parcel of greater than two acres, the  
17 entire parcel shall be appraised at fair market value; the ~~housesite~~ homestead  
18 shall then be appraised as if it were situated on a separate parcel and the value  
19 of the ~~housesite~~ homestead shall be subtracted from the value of the total  
20 parcel to determine the value of the remainder of the parcel that shall be  
21 subject to the nonhomestead tax imposed under this chapter.



1 (b) Annually, on or before August 15, the clerk of a municipality, or the  
2 supervisor of an unorganized town or gore, shall transmit to the Director in an  
3 electronic or other format as prescribed by the Director: education and  
4 municipal grand list data, including exemption and homestead information and  
5 grand list abstracts; tax rates; and the total amount of taxes assessed in the  
6 town or unorganized town or gore. The data transmitted shall identify each  
7 parcel by a parcel identification number assigned under a numbering system  
8 prescribed by the Director. Municipalities may continue to use existing  
9 numbering systems in addition to, but not in substitution for, the parcel  
10 identification system prescribed by the Director. If changes or additions to the  
11 grand list are made by the listers or other officials authorized to do so after  
12 such abstract has been so transmitted, such clerks shall forthwith certify the  
13 same to the Director.

14 \* \* \*

15 Sec. 7. 32 V.S.A. § 5405(g) is amended to read:

16 (g) The Commissioner shall provide to municipalities for the front of  
17 property tax bills the ~~district homestead property tax rate before equalization,~~  
18 ~~the nonresidential nonhomestead~~ tax rate before equalization; and the  
19 calculation process that creates the equalized ~~homestead and nonresidential~~  
20 nonhomestead tax ~~rates~~ rate. The Commissioner shall further provide to

1 municipalities for the back of property tax bills an explanation of the common  
2 level of appraisal, including its origin and purpose.

3 Sec. 8. 32 V.S.A. § 5406 is amended to read:

4 § 5406. NOTICE OF FAIR MARKET VALUE AND COEFFICIENT OF  
5 DISPERSION

6 (a) Not later than January 1 of each year, the Director of Property  
7 Valuation and Review shall notify the town clerk and chair of the board of  
8 listers of each municipality of the equalized ~~education~~ property value and the  
9 coefficient of dispersion of that town for the prior year, and of the manner by  
10 which the equalized ~~education~~ property value and coefficient of dispersion  
11 were determined by the Director.

12 (b) Not later than April 1 of each year, the Director shall certify to the  
13 Secretary of Education the equalized ~~education~~ property value and coefficient  
14 of dispersion for the prior year of every municipality of the State.

15 (c) If the Director of Property Valuation and Review certifies that a  
16 municipality has completed a townwide reappraisal, the common level of  
17 appraisal for that municipality shall be equal to its new grand list value divided  
18 by its most recent equalized grand list value, for purposes of determining the  
19 nonhomestead education property tax ~~rates~~ rate.

20 Sec. 9. 32 V.S.A. § 5408 is amended to read:

21 § 5408. PETITION FOR REDETERMINATION

1 (a) Not later than 35 days after mailing of a notice under section 5406 of  
2 this title, a municipality may petition the Director of Property Valuation and  
3 Review for a redetermination of the municipality's equalized ~~education~~  
4 property value and coefficient of dispersion. The petition shall be in writing  
5 and shall be signed by the chair of the legislative body of the municipality or  
6 designee.

7 (b)(1) Upon receipt of a petition for redetermination under subsection (a) of  
8 this section, the Director shall, after written notice, grant a hearing upon the  
9 petition to the aggrieved town.

10 (2) The Director shall thereafter notify the town and the Secretary of  
11 Education of his or her redetermination of the equalized ~~education~~ property  
12 value and coefficient of dispersion of the town or district, in the manner  
13 provided for notices of original determinations under section 5406 of this title.

14 \* \* \*

15 Sec. 10. 32 V.S.A. § 5409 is amended to read:

16 § 5409. DUTIES OF MUNICIPALITIES AND ADMINISTRATION

17 The following shall apply with regard to the statewide nonhomestead  
18 education property tax imposed under this chapter:

19 \* \* \*

20 (2) If by August 1 a municipality has failed to issue notices of  
21 assessment of the statewide nonhomestead education property tax; or if the

1 municipality fails for more than 90 days after the due date for any installment  
2 payment to enforce the tax in the municipality; then the Commissioner of  
3 Taxes shall either issue notices of assessment or collect the tax, or both, or  
4 bring appropriate court action to require the municipal officials to issue notices  
5 and collect the tax, as the Commissioner deems necessary.

6 (3) In any case of administration under subdivision (2) of this section by  
7 the Commissioner of Taxes of education property tax:

8 \* \* \*

9 (C) The Commissioner may abate in whole or in part the statewide  
10 nonhomestead education ~~taxes~~ property tax of a taxpayer who has been granted  
11 an abatement of municipal taxes under 24 V.S.A. § 1535.

12 (4) [Deleted.]

13 (5) In case of insufficient property tax payment by a taxpayer to a  
14 municipality, payments shall be allocated first to municipal property tax, and  
15 next to statewide nonhomestead education property tax. In case of insufficient  
16 payment by a taxpayer to the Department of Taxes, payments shall be allocated  
17 first to liabilities other than the nonhomestead education ~~taxes~~ property tax,  
18 and next to the nonhomestead education property tax.

19 (6) ~~In case of overpayment by a taxpayer who has an income tax~~  
20 ~~liability under chapter 151 of this title and a homestead property tax liability, a~~  
21 ~~refund of the overpayment, after accounting for any benefit amount allowed~~

1 ~~under chapter 154 of this title, shall be deemed to be a refund of income tax for~~  
2 ~~purposes of debt setoff under subchapter 12 of chapter 151 of this title.~~

3 [Repealed.]

4 (7) Notwithstanding section 435 of this title, the Commissioner shall  
5 deposit the revenue from taxes imposed under this chapter in the ~~education~~  
6 ~~fund~~ Education Fund established in 16 V.S.A. § 4025.

7 (8) A municipality's liability to the State for the nonhomestead  
8 ~~education taxes~~ property tax shall not be reduced by any early payment  
9 property tax discount or similar discount offered by the municipality.

10 Sec. 11. 32 V.S.A. § 5410 is amended to read:

11 § 5410. RESIDENT DECLARATION OF HOMESTEAD DOMICILE

12 (a) ~~A homestead owner~~ All residents of this State shall declare ~~ownership~~  
13 ~~of a homestead~~ domicile for purposes of education ~~property tax~~ taxes.

14 (b) Annually on or before the due date for filing the Vermont income tax  
15 return, without extension, each ~~homestead owner~~ resident of this State shall, on  
16 a form prescribed by the Commissioner, ~~which~~ that shall be verified under the  
17 pains and penalties of perjury, declare ~~his or her homestead~~ the declarant's  
18 domicile, if any, as of, or expected to be as of, April 1 of the year in which the  
19 declaration is made.

20 (c) In the event that an unsigned but otherwise completed ~~homestead~~  
21 resident declaration of domicile is filed with the declarant's signed State

1 income tax return, the Commissioner may treat such declaration as signed by  
2 the declarant.

3 (d) The Commissioner shall provide a list of homesteads in each town to  
4 the town listers by May 15. The listers shall notify the Commissioner by June  
5 1 of any residences on the Commissioner's list which do not qualify as  
6 homesteads. The listers shall separately identify homesteads in the grand list.

7 (e) The Commissioner shall adopt rules governing the eligibility  
8 requirements for declaring a ~~homestead~~ domicile.

9 (f) [Repealed.]

10 (g) If the property identified in a declaration under subsection (b) of this  
11 section is not the taxpayer's ~~homestead~~ domicile, or if the ~~owner of a~~  
12 ~~homestead~~ resident fails to declare a ~~homestead~~ domicile as required under this  
13 section, the Commissioner shall notify the municipality, and the municipality  
14 shall issue a corrected tax bill that may, as determined by the governing body  
15 of the municipality, include a penalty of up to three percent of the  
16 nonhomestead education tax on the property. ~~However, if the property~~  
17 ~~incorrectly declared as a homestead is located in a municipality that has a~~  
18 ~~lower homestead tax rate than the nonhomestead tax rate, or if an undeclared~~  
19 ~~homestead is located in a municipality that has a lower nonhomestead tax rate~~  
20 ~~than the homestead tax rate, then the governing body of the municipality may~~  
21 ~~include a penalty of up to eight percent of the education tax liability on the~~

1 ~~property.~~ If the Commissioner determines that the declaration or failure to  
2 declare was with fraudulent intent, then the municipality shall assess the  
3 taxpayer a penalty in an amount equal to 100 percent of the education tax on  
4 the property; plus any interest and late-payment fee or commission ~~which~~ that  
5 may be due. Any penalty imposed under this section and any additional  
6 property tax interest and late-payment fee or commission shall be assessed and  
7 collected by the municipality in the same manner as a property tax under  
8 chapter 133 of this title. Notwithstanding section 4772 of this title, issuance of  
9 a corrected bill issued under this section does not extend the time for payment  
10 of the original bill, nor relieve the taxpayer of any interest or penalties  
11 associated with the original bill. If the corrected bill is less than the original  
12 bill, and there are also no unpaid current year taxes, interest or penalties and no  
13 past year delinquent taxes or penalties and interest charges, any overpayment  
14 shall be reflected on the corrected tax bill and refunded to the taxpayer.

15 \* \* \*

16 (1) "Hardship" under this section means an owner's inability to pay as  
17 certified by the Commissioner of Taxes ~~in his or her~~ at the Commissioner's  
18 discretion; or means an owner's filing an incorrect, or failing to file a correct,  
19 ~~homestead~~ resident declaration due to one or more of the following:

- 20 (1) full-time active military duty of the declarant outside the State;  
21 (2) serious illness or disability of the declarant;

1           (3) serious illness, disability, or death of an immediate family member  
2 of the declarant;

3           (4) fire, flood, or other disaster.

4       Sec. 12. 32 V.S.A. § 5413 is added to read:

5       § 5413. CREATION; EDUCATION FUND ADVISORY COMMITTEE

6           (a) Creation. There is created the Education Fund Advisory Committee to  
7 monitor Vermont's education financing system, to conduct analyses, and to  
8 make annual recommendations and report its findings to the General  
9 Assembly.

10          (b) Membership. The Education Fund Advisory Committee shall be  
11 composed of the following 13 members:

12           (1) the Chairs of the House Committees on Education and on Ways and  
13 Means or designees;

14           (2) the Chairs of the Senate Committees on Education and on Finance or  
15 designees;

16           (3) the Commissioner of Taxes or designee;

17           (4) the Secretary of Education or designee; and

18           (5) seven members as follows:

19           (A) one representative from the Vermont-NEA;

20           (B) one representative from either the Vermont School Boards  
21 Association or the Vermont Superintendents Association;



1           (C) the Chair of the Racial Equity Advisory Panel or designee;

2           (D) the Executive Director of the Vermont Human Rights

3           Commission or designee;

4           (E) one member of the public with expertise in education finance, to  
5           be appointed by the Speaker of the House;

6           (F) one member of the public with expertise in education finance, to  
7           be appointed by the Senate President Pro Tempore; and

8           (G) one member of the public with expertise in education finance, to  
9           be appointed by the Governor.

10           (3) The appointed members of the public may serve terms not longer  
11           than six years.

12           (c) Powers and duties. Annually, on or before January 15, the Education  
13           Fund Advisory Committee shall make recommendations to the General  
14           Assembly regarding the nonhomestead property tax rate and any proposed  
15           adjustments to the resident education tax rate and yield and the amount of the  
16           stabilization reserve.

17           (d) Assistance. The Education Fund Advisory Committee shall have the  
18           administrative, technical, and legal assistance of the Department of Taxes, the  
19           Agency of Education, the Office of Legislative Operations, the Office of  
20           Legislative Counsel, and the Joint Fiscal Office.

21           (e) Meetings.

1           (1) The Commissioner of Taxes shall call the first meeting of the  
2           Committee to occur on or before July 15, 2021.

3           (2) The Committee shall select a chair from among its members of the  
4           public at the first meeting.

5           (3) A majority of the membership shall constitute a quorum.

6           (f) Compensation and reimbursement.

7           (1) For attendance at meetings during adjournment of the General  
8           Assembly, a legislative member of the Committee serving in his or her  
9           capacity as a legislator shall be entitled to per diem compensation and  
10           reimbursement of expenses pursuant to 2 V.S.A. § 23. These payments shall  
11           be made from monies appropriated to the General Assembly.

12           (2) Other members of the Committee shall be entitled to per diem  
13           compensation and reimbursement of expenses as permitted under 32 V.S.A.  
14           § 1010.

15           Sec. 13. EDUCATION FUND ADVISORY COMMITTEE; FIRST REPORT

16           Pursuant to 32 V.S.A. § 5413(c), on or before January 15, 2022, the  
17           Education Fund Advisory Committee shall submit its first report to the House  
18           Committees on Education and on Ways and Means and the Senate Committees  
19           on Education and on Finance with its findings and any recommendations for  
20           legislative action. The Committee's first report shall make recommendations  
21           regarding the following.

1           (1) Renter credit. The Committee’s first report shall recommend options  
2           for restructuring the renter credit program under 32 V.S.A. chapter 154, given  
3           that the education property tax will apply to all nonhomestead properties,  
4           including rented properties that are an individual’s domicile. The report shall  
5           consider transition provisions for implementing potential reforms to the renter  
6           credit during the first year in which the resident education tax will be imposed,  
7           in a manner that credits all renters for the amount of their rent paid that is  
8           attributable to the nonhomestead education property tax. The report shall also  
9           include any recommendations for data collection and administration of the new  
10          credit.

11           (2) Penalties relating to resident declarations. The Committee’s first  
12          report shall consider and propose options for a new penalty structure to replace  
13          or supplement the penalty structure that applied to late homestead declaration  
14          filings or homestead declarations that were not filed.

15           (3) Health care and social services costs. The Committee’s first report  
16          shall determine the cost of providing health care and social services to students  
17          in public schools and the impact on the Education Fund. The Committee shall  
18          consider and propose other options for funding for those costs, including  
19          categorical grants and different sources of revenue.

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\* \* \* Renter Credit \* \* \*

Sec. 14. 32 V.S.A. chapter 154 is redesignated to read:

CHAPTER 154. ~~HOMESTEAD PROPERTY TAX CREDIT AND RENTER~~  
CREDIT

Sec. 15. 32 V.S.A. § 6061(18) is amended to read:

(18) ~~Notwithstanding subdivisions (4) and (5) of this section, for the~~  
~~purposes of the renter credit, “income~~ “Income” means federal adjusted gross  
income increased by the following:

\* \* \*

Sec. 16. 32 V.S.A. § 6063 is amended to read:

§ 6063. CLAIM AS PERSONAL; CREDIT AMOUNT AT TIME OF  
TRANSFER

(a) The right to file a claim under this chapter is personal to the claimant  
and shall not survive ~~his or her~~ the claimant’s death, but the right may be  
exercised on behalf of a claimant by ~~his or her~~ the claimant’s legal guardian or  
attorney-in-fact. ~~When a claimant dies after having filed a timely claim, the~~  
~~property tax credit amount shall be credited to the homestead property tax~~  
~~liability of the claimant’s estate, as provided in section 6066a of this title.~~

(b) ~~In case of sale or transfer of a residence, any property tax credit~~  
~~amounts related to that residence shall be allocated to the seller at closing~~  
~~unless the parties otherwise agree. [Repealed.]~~

1 Sec. 17. 32 V.S.A. § 6064 is amended to read:

2 § 6064. CLAIM APPLIED AGAINST OUTSTANDING LIABILITIES

3 The amount of any ~~property tax~~ credit amount resulting under this chapter  
4 may be applied by the Commissioner, beginning July 1 of the calendar year in  
5 which the claim is filed, against any State tax liability outstanding against the  
6 claimant.

7 Sec. 18. 32 V.S.A. § 6066 is amended to read:

8 § 6066. COMPUTATION OF PROPERTY TAX CREDIT

9 \* \* \*

10 (b)(1) An eligible claimant ~~who rented the homestead~~ shall be entitled to a  
11 credit for the taxable year in an amount not to exceed \$2,500.00, to be  
12 calculated as follows:

13 \* \* \*

14 (c) To be eligible for ~~an adjustment or a~~ credit under this chapter, the  
15 claimant:

16 (1) ~~must~~ shall have been domiciled in this State during the entire taxable  
17 year;

18 (2) may not be a person claimed as a dependent by any taxpayer under  
19 the federal Internal Revenue Code during the taxable year; and

20 (3) ~~in the case of a renter,~~ shall have rented property for at least six  
21 calendar months, which need not be consecutive, during the taxable year.

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Sec. 19. 32 V.S.A. § 6067 is amended to read:

§ 6067. CREDIT LIMITATIONS

~~Only one individual per household per taxable year shall be entitled to a property tax credit under this chapter. An individual who received a homestead exemption or credit with respect to property taxes assessed by another state for the taxable year shall not be entitled to receive a credit under this chapter. No taxpayer claimant shall receive a renter credit under subsection 6066(b) of this title in excess of \$2,500.00. No taxpayer shall receive a property tax credit under subdivision 6066(a)(3) of this title greater than \$2,400.00 or cumulative credit under subdivisions 6066(a)(1) (2) and (4) of this title greater than \$5,600.00.~~

Sec. 20. 32 V.S.A. § 6068 is amended to read:

§ 6068. APPLICATION AND TIME FOR FILING

~~(a) A tax credit claim or request for allocation of an income tax refund to homestead property tax payment shall be filed with the Commissioner on or before the due date for filing the Vermont income tax return, without extension, and shall describe the school district in which the homestead property is located and shall particularly describe the homestead property for which the credit or allocation is sought, including the school parcel account number prescribed in subsection 5404(b) of this title. A renter credit claim~~

1 shall be filed with the Commissioner on or before the due date for filing the  
2 Vermont income tax return, without extension.

3 ~~(b) If the claimant fails to file a timely claim, the amount of the property~~  
4 ~~tax credit under this chapter shall be reduced by \$15.00, but not below \$0.00,~~  
5 ~~which shall be paid to the municipality for the cost of issuing an adjusted~~  
6 ~~homestead property tax bill.~~ No benefit shall be allowed in the calendar year  
7 unless the claim is filed with the Commissioner on or before October 15.

8 ~~(c) No request for allocation of an income tax refund or for a renter credit~~  
9 claim may be made after October 15.

10 Sec. 21. 32 V.S.A. § 6071 is amended to read:

11 § 6071. EXCESSIVE AND FRAUDULENT CLAIMS

12 (a) In any case in which it is determined under the provisions of this title  
13 that a claim is or was excessive and was filed with fraudulent intent, the claim  
14 shall be disallowed in full, and the Commissioner may impose a penalty equal  
15 to the amount claimed. A disallowed claim may be recovered by assessment  
16 as income taxes are assessed. The assessment, including assessment of  
17 penalty, shall bear interest from the date the claim was credited ~~against~~  
18 ~~property tax or income tax~~ or paid by the ~~state~~ State until repaid by the  
19 claimant, at the rate per annum established ~~from time to time~~ by the  
20 Commissioner pursuant to section 3108 of this title. The claimant in that case,  
21 and any person who assisted in the preparation of filing of such excessive

1 claim or supplied information upon which the excessive claim was prepared,  
2 with fraudulent intent, shall be fined not more than \$1,000.00 or be imprisoned  
3 not more than one year, or both.

4 (b) In any case in which it is determined that a claim is or was excessive,  
5 the Commissioner may impose a 10 percent penalty on such excess and if the  
6 claim has been paid or credited ~~against property tax or income tax otherwise~~  
7 ~~payable~~, the credit shall be reduced or canceled, and the proper portion of any  
8 amount paid shall be similarly recovered by assessment as income taxes are  
9 assessed and such assessment shall bear interest at the rate per annum  
10 established ~~from time to time~~ by the Commissioner pursuant to section 3108 of  
11 this title from the date of payment ~~or, in the case of credit of a property tax bill~~  
12 ~~under section 6066a of this title, from December 1 of the year in which the~~  
13 ~~claim is filed until refunded or paid.~~

14 (c) ~~In any case in which a homestead is rented by a person from another~~  
15 ~~person under circumstances deemed by the Commissioner to be not at arms-~~  
16 ~~length, the Commissioner may determine the rent constituting property tax for~~  
17 ~~purposes of this chapter. [Repealed.]~~

18 Sec. 22. 32 V.S.A. § 6074 is amended to read:

19 § 6074. AMENDMENT OF CERTAIN CLAIMS

20 At any time within three years after the date for filing claims under  
21 ~~subsection~~ section 6068(a) of this chapter, a claimant who filed a claim by



1 October 15 may file to amend that claim ~~to correct the amount of household~~  
2 ~~income reported on that claim.~~

3 \* \* \* Education Fund \* \* \*

4 Sec. 23. 16 V.S.A. § 4001(1) is amended to read:

5 (1) “Average daily membership” of a school district or, if needed in  
6 order to calculate the appropriate ~~homestead~~ resident education tax rate, of the  
7 municipality as defined in 32 V.S.A. § 5401(9), in any year means:

8 \* \* \*

9 Sec. 24. 16 V.S.A. § 4025 is amended to read:

10 § 4025. EDUCATION FUND

11 (a) The Education Fund is established to comprise the following:

12 (1) all revenue paid to the State from the statewide education ~~tax~~ taxes  
13 ~~on nonhomestead and homestead property~~ under 32 V.S.A. chapter 135;

14 \* \* \*

15 (b) Monies in the Education Fund shall be used for the following:

16 \* \* \*

17 (3) ~~To make payments required under 32 V.S.A. § 6066(a)(1) and only~~  
18 ~~that portion attributable to education taxes, as determined by the Commissioner~~  
19 ~~of Taxes, of payments required under 32 V.S.A. § 6066(a)(3).~~ The State  
20 Treasurer shall withdraw funds from the Education Fund upon warrants issued  
21 by the Commissioner of Finance and Management based on information

1 supplied by the Commissioner of Taxes. The Commissioner of Finance and  
2 Management may draw warrants for disbursements from the Fund in  
3 anticipation of receipts. All balances in the Fund at the end of any fiscal year  
4 shall be carried forward and remain a part of the Fund. Interest accruing from  
5 the Fund shall remain in the Fund.

6 \* \* \*

7 Sec. 25. 16 V.S.A. § 4028(c) is amended to read:

8 (c)(1) Any district that has adopted a school budget that includes high  
9 spending, as defined in 32 V.S.A. § 5401(12), shall, upon timely notice, be  
10 authorized to use a portion of its high spending penalty to reduce future  
11 education spending:

12 \* \* \*

13 (2) To the extent approved by the Secretary, the Agency shall pay the  
14 district from the ~~property~~ resident education tax revenue to be generated by the  
15 high spending increase to the district's spending adjustment as estimated by the  
16 Secretary, up to a maximum of \$5,000.00. For the purposes of this subsection,  
17 "timely notice" means written notice from the district to the Secretary by  
18 September 30 of the budget year. If the district enters into a contract with a  
19 consultant pursuant to this subsection, the consultant shall not be an employee  
20 of the district or of the Agency. A copy of the consultant's final  
21 recommendations or a copy of the district's recommendations regarding

1 reorganization, as appropriate, shall be submitted to the Secretary, and each  
2 affected town shall include in its next town report an executive summary of the  
3 consultant's or district's final recommendations and notice of where a  
4 complete copy is available. No district is authorized to obtain funds under this  
5 section more than one time in every five years.

6 \* \* \* Repeals \* \* \*

7 Sec. 26. REPEALS

8 The following are repealed:

9 (1) 16 V.S.A. § 4031;

10 (2) 32 V.S.A. § 6061(1)–(6), (8), (11), and (14)–(17) (income sensitivity  
11 property tax credit definitions);

12 (3) 32 V.S.A. § 6062(b)–(e) (income sensitivity property tax credit  
13 claimants);

14 (4) 32 V.S.A. § 6064 (offset of property tax credit against other tax  
15 liabilities);

16 (5) 32 V.S.A. § 6065 (property tax credit forms, tables, and notices);

17 (6) 32 V.S.A. § 6066(a), (d)–(i) (computation of property tax credit);

18 (7) 32 V.S.A. § 6066a (determination of property tax credit); and

19 (8) 32 V.S.A. § 6070 (disallowed property tax credit claims).

1   \* \* \* Effective Date \* \* \*

2           Sec. 27. EFFECTIVE DATE

3                 This act shall take effect on July 1, 2022.