

COMMON LEVEL OF APPRAISAL AFFECTS RESIDENTS' TAX BILLS

Residents in your towns have received tax bills by now and many of them are more unhappy than they might have expected! As we reported to you in February in the *Weekly Legislative Report* (Number 5), 58 Vermont town school districts would see their 2002 tax rates rise by \$0.10 or more due only to the one-year change in the common level of appraisal (CLA) that is established by the Vermont Division of Property Valuation and Review (PVR). This increase was separate from any changes in tax rate due to changes in budget, number of pupils or new construction in the district.

In effect, if these districts spent exactly what they spent last year and no other changes in the grand list took place, all property tax payers would see property tax rates increase by \$0.10 or more.

Why did this happen? Each year, PVR undertakes an equalization study to determine the property values of each town. In 32 V.S.A. § 5401 (1), the PVR director is directed to determine a "coefficient of dispersion" for a municipality in any school year as follows:

- 1) Calculate the ratio of the listed value to the fair market value of each property used in determining the equalized education property value of the municipality.
- 2) Determine the median of those ratios.
- 3) Determine the absolute deviation of each ratio from the median ratio calculated in Step 2.
- 4) Then calculate the average absolute deviation among the towns. The coefficient of dispersion is the average absolute deviation expressed as a percentage of the median ratio.

The common level of appraisal is defined in 32 V.S.A. § 5401 (3) as the "*ratio of the aggregate value of local education property tax grand list to the aggregate value of the equalized education property tax grand list.*" By January 1 of each year, the PVR director shall notify the town clerk and chair of the board of listers of each municipality of the equalized education property value and the coefficient of dispersion of that town for the prior year, and of the manner by which the equalized education property value and coefficient of dispersion were determined by the director.

This year, PVR found that values for existing property in the median town in Vermont which did not undertake a reappraisal in 2001) rose by 3.9%. This means that the state believed that a house that would have sold last year for \$100,000 would sell this year for an average of \$103,900. Due to the way in which Act 60 works, the homeowner will pay education property taxes based on that higher valuation. The state extracts this extra contribution by adjusting the town's school tax rate necessary to raise the state determined funds. This means that the average 2002 school tax rate of \$1.76 rose to \$1.82 *solely as a result of inflationary increases in the value of existing property.* It is important to remember that these adjustments are designed to keep the "effective" school tax rate generating the same amount of money that the statewide tax rate of \$1.10 and the local rate would be generating if the town were appraising its property at full fair market value every year.

For information on the actual and equalized tax rates in Vermont cities and towns, go to the PVR web site where their annual report is posted, www.state.vt.us/tax/PVR%202002%Annual%20Report.htm. We are told that this report is not available in hard copy this year.

- Karen Horn, Director, VLCT Legislative and Membership Services

VLCT News, August 2002