

*Vermont League of Cities and Towns*

# Effects of 2024 Legislation on Education Property Tax Administration





**OCT 1: ANNUAL MEETING** Hybrid  
**OCT 2: FULL-DAY CONFERENCE**  
 Killington Grand Resort & Conference Center

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## Effects of 2024 Legislation on Education Property Tax Administration

VLCT Town Fair  
 Finance, Administration and Operations Track  
 1:30-2:30 p.m. Session  
 Jill Remick and Jake Feldman

October 2, 2024

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## Statewide CLA Adjustment

In 2024, the Vermont Legislature passed Act 183, which updates the education funding formula starting with the 2025-2026 property tax year, beginning on July 1, 2025.

The statewide adjustment component is intended to help districts more easily predict the impact of the common level of appraisal on local education property tax rates.



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## It's important to note that the law:

does not affect how much Vermont property owners pay in property taxes;

does not affect how much property tax Vermont towns send to the State's Education Fund; and,

does not affect how much money school districts receive from the Education Fund.



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## History and Purpose of the CLA

Act 60 of 1997 introduced an adjustment factor called the Common Level of Appraisal (CLA) that is applied to each town's education property tax rates.

A Vermont town's CLA adjusts for any difference between the town's assessed property value from the time of the last reappraisal and its current fair market value.



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## History and Purpose of the CLA

Because all education property tax revenue in Vermont is shared through the State's Education Fund, every town needs to be taxed at the same level of appraisal or else some towns would be sending more revenue than they should be and others less.

The CLA aims to ensure that every town is taxed at a level of appraisal equal to 100% of fair market value.



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## What is a CLA?

- A CLA (Common Level of Appraisal) is a factor applied to a town's education property tax rates to make sure the town is sending its fair share to the State's Education Fund
- CLAs for each town come from PVR's annual Equalization Study, which compares grand list values to sale prices over the prior three years
- CLAs are an example of "indirect equalization" because they are applied to the town's tax rate, not the property value of the owner
- A town where properties are generally selling for less than they're listed for in the Grand List will have a CLA over 100%. A town where properties are selling for more than they're listed for will have a CLA under 100%.



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## How is the CLA Applied?

Example: Montpelier, FY23

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Homesteads: Per pupil spending divided by "property yield" = Equalized tax rate

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Per pupil spending is \$16,956.30; yield is \$13,314

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$\$18,027 / \$13,314 = 1.354$

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Equalized tax rate divided by CLA = Actual tax rate

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$1.354 / 80.76\% = 1.6766$  (per \$100 of property value) is the actual homestead rate taxpayers see on the bill

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The actual non-homestead rate in a town is the uniform statewide rate divided by the town's CLA

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## Homestead or Nonhomestead

All Vermont towns have two education property tax rates: a “homestead” rate that applies to the homes of the town’s residents and a “nonhomestead” rate that applies to all other properties including businesses, rentals, and second homes.

The homestead rate reflects the amount that the community has voted to spend for education, while the nonhomestead rate is a uniform, statewide rate. **Each of these rates is then adjusted by the town’s CLA.**

The CLA-adjusted rate is the final tax rate shown on a property owner’s tax bill.



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## Using the New Statewide Adjustment

By January 1, the Department of Taxes will have completed its “Equalization Study” that determines the CLAs for each Vermont town.

Unlike prior years, beginning in 2025 these CLAs will not be applied to each town’s education property tax rates.

Instead, every town’s CLA will be divided by a single “statewide adjustment” and the result will be applied to each town’s education property tax rates.

**The statewide adjustment can be thought of as the average level of appraisal of the entire state.**



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## Using the New Statewide Adjustment

For example, if a town has a CLA of 60%, but the statewide adjustment is 75%, then the adjustment factor applied to education property tax rates in that town will be  $0.60 / 0.75 = 0.80$  or 80%.

All Vermont property will still be taxed at 100% of fair market value, but the factor applied to education property tax rates will be calculated differently.



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	Current Law	Starting July 1, 2025
<b>School District Per Pupil Spending</b>	\$15,000	\$15,000
<b>Statewide Adjustment (SA)</b>	N/A	SA = 75%
<b>Homestead Property Yield</b>	\$10,000	Yield * SA = \$10,000 * 75% = \$7,500
<b>School District Tax Rate*</b>	\$1.50	\$2.00
<b>CLA</b>	CLA = 60%	CLA/SA = 60%/75% = 80%
<b>Final Homestead Tax Rate**</b>	$\$1.50/60\% = \$2.50$	$\$2.00/80\% = \$2.50$

This table shows how the new statewide adjustment (SA) is applied and how an example town will see the same final tax rate using the new SA (75% in this example) as it would have under current law without the SA.

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## Points to Remember:

“School district tax rate” is the school district per pupil spending divided by the homestead property yield. The yield is set annually by the Legislature.

Final homestead tax rate under current law is the school district tax rate divided by the town’s CLA. **Starting July 1, 2025, the final homestead tax rate will be the school district tax rate divided by the number resulting from dividing the town’s CLA by the SA.**



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## Other pieces of Act 183 of 2024 include but are not limited to:

Created a Commission on the Future of Public Education in Vermont to study the provision of education in Vermont and make recommendations for a statewide vision for Vermont’s public education system and the policy changes necessary to make the vision a reality.

Created the Education Fund Advisory Committee as standing committee to monitor Vermont’s education financing system and make certain recommendations to the General Assembly.

Imposes a three-percent surcharge on the rent of each occupancy of a short-term rental and directs the revenue to be deposited into the Education Fund.



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## Contact Us



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Visit our Education Tax Frequently Asked Questions for more information on the CLA, yield, and property tax rates at [tax.vermont.gov/property/education-property-tax-rates/faqs](https://tax.vermont.gov/property/education-property-tax-rates/faqs).



802-828-5860



For more information on how education property tax rates are calculated please review the frequently asked questions on the Vermont Department of Taxes

webpage: [tax.vermont.gov/property/education-property-tax-rates](https://tax.vermont.gov/property/education-property-tax-rates).

