

HOMESTEAD PROPERTY TAX YIELDS

Yield Statutory Language

The property dollar equivalent yield is defined in title 32, chapter 135 of the Vermont Statutes Annotated as:

“[...] the amount of spending per equalized pupil that would result if the homestead tax rate were \$1.00 per \$100.00 of equalized education property value, and the statutory reserves under 16 V.S.A. § 4026 and section 5402b of this title were maintained.” 32 V.S.A. § 5401(15).

The income dollar equivalent yield is defined in title 32, chapter 135 as:

“[...] the amount of spending per equalized pupil that would result if the income percentage in subdivision 6066(a)(2) of this title were 2.0 percent, and the statutory reserves under 16 V.S.A. § 4026 and section 5402b of this title were maintained.” 32 V.S.A. § 5401(16).

Both yields are set each year by the General Assembly in session law (which means by legislative act that is not enacted into statute). If no yields are set, then the prior fiscal year’s yields will apply. 32 V.S.A. § 5402b(b).

To better understand how the yields function as part of the overall property tax formula, the statutory language and an explanation of the calculation are provided below.

Homestead Property Tax – Statutory Framework

Vermont’s homestead property tax rates are calculated based on a formula set in statute, which adjusts the local homestead property tax rates to reflect local spending decisions. Under this structure, the higher a district’s per-pupil spending is, the higher its homestead tax rate will be.

There are two types of homestead property taxpayers: people who pay based on the value of their property (property taxpayers), and people who pay a percentage of their income (income taxpayers). For both groups—property and income taxpayers—the structure of the rate formula is the same:

$$\text{(base rate)} \quad (\mathbf{x}) \quad \text{(per-pupil spending) / (yield)}$$

The base rate for both property taxpayers and income taxpayers is set in statute. 32 V.S.A. § 5402(a)(2). Per-pupil spending is decided by local school budget votes. 16 V.S.A. § 4001(6). The General Assembly set the yields for both groups each year in session law. 32 V.S.A. § 5402b(b). The yields are defined as the amount of spending per pupil that could be supported by the base rates for each group. 32 V.S.A. § 5401(15) and (16). The starting point for setting the yields assumes that the stabilization reserves are maintained at 5%. 16 V.S.A. § 4026 and 32 V.S.A. § 5402b(a)(3).

For each taxpayer within either the property taxpayer or income taxpayer group, the base rate and yield will always be the same in any given year. Therefore, the variable that increases the local tax rate in the formula above is per-pupil spending, which is the numerator in the fraction above. This fraction (spending divided by the yield) is referred to as the “spending adjustment.”

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The homestead tax rate for property taxpayers is a base rate of \$1.00, multiplied by the property tax spending adjustment. 32 V.S.A. § 5402(a)(2). The property tax spending adjustment is defined as:

“[...] the greater of: one or a fraction in which the numerator is the district's education spending plus excess spending, per equalized pupil, for the school year; and the denominator is the property dollar equivalent yield for the school year, as defined in subdivision (15) of this section.” 32 V.S.A. § 5401(13)(A).

Similar statutory language applies to income taxpayers. Throughout 32 V.S.A. § 6066(a), property tax credits based on income are calculated using a percentage of a claimant's income. This income percentage is the base rate, which is then multiplied by the income spending adjustment. “Income percentage” is defined in title 32, chapter 154 as:

“[...] two percent, multiplied by the education income tax spending adjustment under subdivision 5401(13)(B) of this title for the property tax year which begins in the claim year for the municipality in which the homestead residence is located.” 32 V.S.A. § 6066(a)(2).

The education income property tax spending adjustment is defined as:

“[...] the greater of: one or a fraction in which the numerator is the district's education spending plus excess spending, per equalized pupil, for the school year; and the denominator is the income dollar equivalent yield for the school year, as defined in subdivision (16) of this section.” 32 V.S.A. § 5401(13)(B).